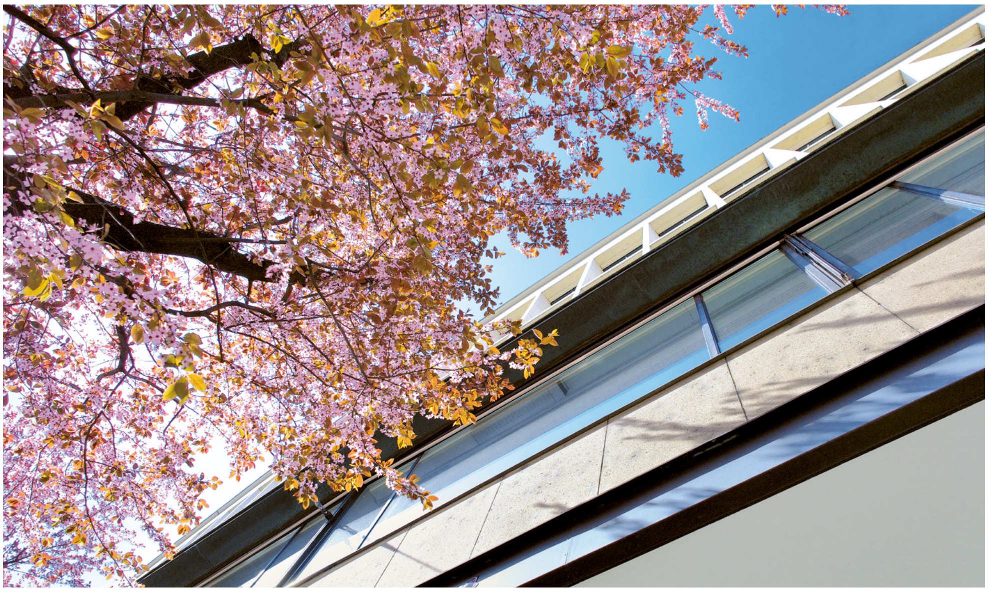
Regulatory Disclosure Requirements 2023



75 JAHRE IHAG PRIVATBANK

Regulatory Disclosure Requirements
As per FINMA Circular 2016/1 (partial disclosure in the sense of margin no. 15)

KM1: Key Regulatory Data		as at 31.12.2023	as at 31.12.2022
	T = year	a T CHF 000s	e T–1 CHF 000s
Eligible Capital			
1	Common equity Tier 1 capital (CET1)	**105,212**	130,733
	Additional Tier 1 capital (AT1)	**0**	0
2	Tier 1 capital (T1)	**105,212**	130,733
	Tier 2 capital (T2)	**968**	952
3	Total capital	**106,180**	131,685
		CHF 000s	CHF 000s
Risk-Weighted Assets (RWA)			
4	RWA	**496,971**	542,503
		CHF 000s	CHF 000s
Minimum Common Equity			
4a	Minimum common equity	**39,758**	43,400
		as % of RWA	as % of RWA
Risk-Based Capital Ratios			
5	CET1 ratio (%)	**21.171%**	24.098%
6	Tier 1 capital ratio (%)	**21.171%**	24.098%
7	Total capital ratio (%)	**21.365%**	24.274%
		as % of RWA	as % of RWA
CET1 Buffer Requirements			
8	Capital buffer in accordance with Basel minimum standards (2.5% from 2019) (%)	**2.500%**	2.500%
9	Countercyclical buffer (Art. 44a CAO) in accordance with Basel minimum standards (%)	**0.000%**	0.000%
10	Additional equity buffer owing to national/international systemic relevance (%)	**0.000%**	0.000%
11	Total buffer requirements in accordance with Basel minimum standards, in terms of CET (%)	**2.500%**	2.500%
12	CET1 available to meet buffer requirements in accordance with Basel minimum standards (following deduction of CET1 to cover minimum requirements, and poss. to cover TLAC requirements) (%)	**13.365%**	16.274%
		as % of RWA	as % of RWA
Target Capital Ratios in Accordance with Annex 8 Capital Adequacy Ordinance (CAO)			
12a	Capital buffer in accordance with Annex 8 CAO (%)	**2.500%**	2.500%
12b	Countercyclical buffer (Art. 44 and 44a CAO) (%)	**0.860%**	0.734%
12c	Target CET1 ratio (in %) in accordance with Annex 8 CAO, plus countercyclical buffer in accordance with Art. 44 and 44a CAO	**7.860%**	7.734%
12d	Target T1 ratio (in %) in accordance with Annex 8 CAO, plus countercyclical buffer in accordance with Art. 44 and 44a CAO	**9.360%**	9.234%
12e	Total target capital ratio (in %) in accordance with Annex 8 CAO, plus countercyclical buffer in accordance with Art. 44 and 44a CAO	**11.360%**	11.234%

KM1: Key Regulatory Data, continued

	T = Jahr	as at 31.12.2023 a T	as at 31.12.2022 e T−1
Basel III Leverage Ratio			
13 Total exposures (CHF 000s)		**1,133,596**	1,505,301
14 Basel III leverage ratio (Tier 1 capital as a % of total exposures)		**9.28%**	8.68%

	T = year	a T 4Q 2023 CHF 000s	b T−(3 months) 3Q 2023 CHF 000s	c T−(6 months) 2Q 2023 CHF 000s	d T−(9 months) 1Q 2023 CHF 000s	e T−1 4Q 2022 CHF 000s
Liquidity Coverage Ratio (LCR)						
15 LCR numerator: total high-quality liquid assets (CHF)		285,643	322,534	424,982	447,398	465,159
16 LCR denominator: total net cash outflows (CHF)		222,516	222,542	275,813	295,118	364,768
17 Liquidity coverage ratio, LCR, in %		128.37%	144.93%	154.08%	151.60%	127.52%

	as at 31.12.2023 TCHF	as at 31.12.2022 TCHF
Funding ratio (NSFR)		
18 Available stable funding	**654,722**	862,883
19 Required stable funding	**585,458**	629,504
20 Funding ratio, NSFR (in %)	**111.83%**	137.07%

OV1: Overview of Risk-Weighted Assets

		RWA[1]		Minimum common equity[2]	
		a Reporting period as at 31.12.2023 CHF 000s	b Previous period as at 31.12.2022 CHF 000s	c Reporting period as at 31.12.2023 CHF 000s	Previous period as at 31.12.2022 CHF 000s
1	Credit risk[3] International BIS SA-CCR, comprehensive	**419,115**	469,660	**33,530**	37,573
20	Market risk, de minimis approach	**20,439**	15,382	**1,635**	1,231
24	Operational risk, basic indicator approach	**57,418**	57,461	**4,593**	4,597
25	Amounts below the deduction threshold[4]	**0**	0	**0**	0
27	**Total**	**496,971**	542,503	**39,758**	43,400
	Countercyclical capital buffer			**4,276**	3,984
	Capital buffer, regulatory category 5			**12,424**	13,563
	Total capital requirement			**56,458**	60,947

[1] RWA: risk-weighted assets in accordance with capital adequacy requirements
[2] i.e. applicable minimum common equity as at the balance sheet date. This corresponds to 8% of RWA.
[3] Including counterparty credit risks, the risks attached to equity securities in the banking book, and investments in collective investment schemes, as well as settlement risk.
[4] i.e. amounts to be weighted at 250% in connection with thresholds 2 and 3 (other qualified participations in the financial sector, mortgage servicing rights and deferred tax claims owing to time disparities).

LIQA: Liquidity Risk Management

“Liquidity risk” describes the risk that makes it more difficult for the Bank to provide the funding it needs to fulfil its contractual obligations and ensure the continuation of normal business activities. The Bank takes into account the fact that liquidity risks often arise as the product of other types of risk, such as regulatory, strategic, reputational, credit, or macroeconomic risks.

The Board of Directors, as the most senior management body, defines risk tolerance in terms of liquidity risk. This forms the basis of the Bank’s internal liquidity management operations, of the corresponding regulations and directives, and of risk management and control processes.

The Executive Board ensures that the Bank maintains appropriate levels of liquidity to satisfy operational and regulatory requirements under normal conditions and stress scenarios. This is ensured by means of an internal target that is 10% higher than the regulatory minimum liquidity coverage ratio (LCR). In accordance with FINMA requirements, the LCR is reported to the supervisory authorities on a monthly basis.

The net stable funding ratio (NSFR) is a further element of liquidity regulation under the Basel III standard, in addition to the LCR.

The Bank’s liquidity management is the responsibility of the Treasury department, which ensures that liquidity requirements are met as part of its daily cash management operations. Diversification and daily refinancing arrangements are also handled centrally by the Treasury department. Here, the primary focus is on establishing a sensible, realistic mix of refinancing sources, such as the deposit base, and money market, repo and capital market refinancing with efficiently staggered periods. Should internal LCR targets come under pressure, a staggered emergency strategy is triggered to restore LCR to the target figure as quickly as possible. The following action may be taken on an emergency basis:

- Transfer of client sight deposits to the “in-house call money 31 days” asset class
- Withdrawal restrictions on client current accounts
- Activation of remaining unused interbank limits
- Take-up of central mortgage institution loans
- Liquidation of unencumbered, top-rated, highly liquid assets from the portfolio of financial investments

To ensure effective risk controlling, the situation on the capital markets and the Bank’s own refinancing capacity are monitored regularly by the Asset & Liability Committee. This enables the Executive Board and Board of Directors to be warned at an early stage of events which will impact negatively on the Bank’s access to sources of funding, thereby potentially increasing the liquidity risk.

CR1: Credit Risk: Asset Quality

	Reporting period			
	a Gross book value[1] of impaired assets[3] CHF 000s	b Gross book value[1] of non-impaired assets CHF 000s	c Value adjustments / write-downs[2] CHF 000s	d Net value (a + b – c) CHF 000s
1 Receivables (excluding debt instruments)	43,347	768,488	20,344	791,491
2 Debt securities	0	97,328	0	97,328
3 Off-balance-sheet items	0	87,047	0	87,047
4 Total reporting period	**43,347**	**952,863**	**20,344**	**975,866**
Total previous period	6,700	948,305	3,287	951,718

[1] Balance sheet and off-balance-sheet assets that are exposed to a credit risk as defined in the capital adequacy requirements (excluding counter-party credit risks). Balance sheet items comprise lending and debt securities. Off-balance-sheet items include the maximum amount of guarantees that the Bank is obliged to pay when a guarantee is claimed, and the total amount that the Bank has granted in loans in the form of irrevocable commitments. The gross value is stated prior to any correction in valuation, but after the deduction of any write-downs. No credit risk mitigation measures are factored into these calculations.
[2] Sum of all corrections to valuations, without factoring in the circumstance that these at-risk positions cover, as well as write-downs booked directly.
[3] Covers overdue and impaired items.

Statement and Explanation of the Internal Definition of Impairment

"Impaired" credit items essentially refers to all of the Bank's receivables (unsecured credits) and guarantee credits (surety / guarantee) to which one of the following criteria applies:

a) Agreed interest or repayments are more than 90 days overdue.
b) In the view of the Lending department, the debtor is no longer able to meet their obligations in respect of the loan, or no longer able to meet them in full.
c) It is known that the debtor is in default with other creditors.
d) It is known that debt collection and/or bankruptcy proceedings have been instituted against the debtor.
e) The client has debit items on their account which are outside of any approved line of credit.

However, if an impaired loan is covered by valuable collateral which complies with the Bank's lending guidelines, or if a third party to which the aforementioned items (b to d) do not apply is liable, the credit item in question is not regarded as impaired.

CR2: Credit Risk: Changes in the Portfolios of Impaired Receivables and Debt Securities	as at 31.12.2023	as at 31.12.2022
	Reporting period a CHF 000s	Previous period CHF 000s
1 Impaired receivables and debt instruments at the end of the previous period[1]	**6,700**	6,422
2 Receivables and debt instruments that have become impaired since the end of the previous period	**36,777**	0
3 Items no longer considered to be impaired	**0**	–5
4 Amounts written down[2]	**0**	0
5 Other changes (+/–)	**–130**	284
6 Impaired receivables and debt instruments at the end of the reporting period	**43,347**	6,700

[1] Covers overdue and impaired items, before value adjustments.
[2] i.e. written down entirely or in part.

CRB: Credit Risk: Additional Information on Credit Quality

Receivables are deemed impaired if it is unlikely that the debtor will be able to fulfil their future commitments. The criteria set out in Art. 24 FINMA Accounting Ordinance are applied.

Individual value adjustments are undertaken for impaired receivables. The impairment in value is measured as the difference between the book value of the receivable and the probable amount that can be collected, taking into account net proceeds from the realisation of any collateral.

As soon as it is clear that a receivable should be regarded as impaired, the necessary value adjustment is determined by means of an impairment test. Impairment tests are updated for all impaired items on a quarterly basis, the necessary value adjustment is amended, and the action that is taken is documented in writing.

As at 31 December 2023, the portfolio of at-risk receivables amounted to a total lending volume of TCHF 23,652. For further receivables in an amount of TCHF 19,695, interest payments have been in arrears for more than 90 days after their due date. For these overdue receivables, interest in an amount of TCHF 265.7 is no longer reported in net interest income.

CR3: Credit Risk: Overview of Risk Mitigation Techniques

	a Unsecured items / book values[1] CHF 000s	c Items secured by collateral, actual amount secured[2] CHF 000s	e & g Items secured by financial guarantees or credit derivatives, actual amount secured[3] CHF 000s
Receivables (including debt instruments)	172,003	645,213	71,604
Off-balance-sheet transactions	13,720	73,327	0
Total	**185,723**	**718,540**	**71,604**
of which impaired[4]	3,401	19,602	0
Previous year	246,730	696,294	8,694
of which impaired[4]	3,413	0	0

[1] Book value of items (following deduction of value adjustments) which do not benefit from any credit risk mitigation measures.
[2] Book value of items (following deduction of value adjustments) which are entirely or partly secured by collateral, regardless of what proportion of the original item is secured.
[3] Book value of items (following deduction of value adjustments) which are entirely or partly secured by guarantees or credit derivatives, regardless of what proportion of the original item is secured.
[4] Comprises overdue and impaired items.

CR5: Credit Risk: Items by Category and Risk Weighting according to the Standard Approach

	Category / risk weighting	a 0% CHF 000s	b 10% CHF 000s	c 20% CHF 000s	d 35% CHF 000s	e 50% CHF 000s	f 75% CHF 000s	g 100% CHF 000s	h 150% CHF 000s	i Other CHF 000s	j Total credit risk items after CCF and CRM[1] CHF 000s
1	Central governments and central banks	158,645	0	0	0	0	0	0	0	0	158,645
2	Banks and securities firms	831	0	32,715	0	1,793	0	26	0	0	35,365
3	Public-sector entities and multilateral development banks	6,373	0	74,230	0	4,041	0	0	0	0	84,644
4	Companies	1,974	0	9,928	0	0	0	52,460	0	0	64,362
5	Retail	104	0	0	441,014	0	20,931	134,031	388	0	596,468
6	Equities	0	0	0	0	0	0	0	1,828	0	1,828
7	Other items[2]	2,232	0	0	0	0	0	335	0	0	2,567
8	**Total**	**170,159**	**0**	**116,873**	**441,014**	**5,834**	**20,931**	**186,852**	**2,216**	**0**	**943,879**
9	Of which receivables secured by mortgage	0	0	0	441,014	0	11,543	73,282	0	0	525,839
10	Of which overdue receivables	0	0	0	0	0	0	19,342	388	0	19,730
	Previous year	470,599	0	44,557	449,391	10,060	19,577	265,920	1,831	3	1,261,935

[1] The figures used to calculate minimum common equity (balance sheet and off-balance-sheet items, after credit conversion factors), after the deduction of valuation corrections, value adjustments and write-downs, as well as risk mitigation, but before risk weighting.
[2] This line takes other assets (i.e. non-counterparty-related items and other items) into account.

CCR3: Counterparty Credit Risk Items by Category and Risk Weighting according to the Standard Approach

	a	b	c	d	e	f	g	h	i
Category / risk weighting	0% CHF 000s	10% CHF 000s	20% CHF 000s	50% CHF 000s	75% CHF 000s	100% CHF 000s	150% CHF 000s	Other CHF 000s	Total credit risk items[1] CHF 000s
1 Central governments and central banks	0	0	0	0	0	0	0	0	0
2 Banks and securities firms	0	0	10,752	8,037	0	0	0	0	18,789
3 Public-sector entities and multilateral development banks	367	0	3,213	0	0	0	0	0	3,580
4 Companies	0	0	0	0	0	23,852	0	0	23,852
5 Retail	0	0	0	0	0	30	0	500	530
6 Equities	0	0	0	0	0	0	0	0	0
7 Other items[2]	0	0	0	0	0	0	0	0	0
8 Total	**367**	**0**	**13,965**	**8,037**	**0**	**23,882**	**0**	**500**	**46,751**
Previous year	19,831	0	54,114	5,134	0	3	0	0	79,082

[1] The qualifying amount used to determine capital requirements following risk mitigation measures.
[2] This line factors in other assets (see §81 of the Basel II document, i.e. securitisation transactions, non-counterparty-related items and other items) as well as any investments (participations) in commercial entities that are subject to a risk weighting of 1,250% (see §90 of the Basel III document).

CCR5: Counterparty Credit Risk: Composition of Collateral for Items Exposed to Counterparty Credit Risk

	a	b	c	d	e	f
	Collateral used for derivatives transactions				Collateral used for securities financing transactions (SFTs)	
	Fair value of collateral received		Fair value of collateral supplied		Fair value of collateral received	Fair value of collateral supplied
	Segregated[1] CHF 000s	Non-segregated CHF 000s	Segregated CHF 000s	Non-segregated CHF 000s	CHF 000s	CHF 000s
Liquid assets in CHF	0	4,427	0	2,600	31,000	0
Liquid assets in foreign currency	0	4,677	0	744	0	0
Amounts due from the Swiss federal government	0	0	0	0	0	0
Amounts due from foreign states	0	0	0	0	0	0
Amounts due from state agencies	0	0	0	0	0	364
Corporate bonds	0	64	0	0	0	32,883
Equities	0	1,360	0	0	3,848	604
Other collateral	0	4,684	0	0	0	0
Total	**0**	**15,212**	**0**	**3,344**	**34,848**	**33,851**
Previous year	0	31,602	0	1,330	85,808	69,515

[1] Segregated means that the collateral is held in such a way that it would not be classified as an asset in the event of insolvency (bankruptcy remote).

IRRBBA Interest Rate Risks: Objectives and Policies for Interest Rate Risk Management in the Banking Book

a) IRRBB for risk control and measurement purposes

Three forms of interest rate risk can be defined within the scope of asset and liability management (ALM):

- Repricing risk arises owing to incongruencies between the maturities (for fixed-interest positions) or repricing intervals (for variable-interest positions) of assets, liabilities and off-balance-sheet positions.
- Baseline risk arises owing to an incomplete correlation in the repricing of asset and liability interest rates on a variety of instruments that otherwise have the same repricing characteristics. If interest rates change, these differences can lead to unexpected changes in spreads between payment flows and income attributable to assets, liabilities and off-balance-sheet positions with the same maturities or repricing intervals.
- Option risk arises owing to options or embedded (implied) optionality where the Bank or the client can alter the amount and timing of payment flows (e.g. call and time deposits). IHAG Privatbank regards repricing risk as the most important of the three, and option risk for variable-interest deposits with no fixed term as the second most important. It regards baseline risk as negligible.

b) Strategies for controlling and mitigating IRRBB

IHAG Privatbank pursues the long-term goal of keeping interest rate risks arising from maturity transformation within reasonable limits in relation to equity and return on equity, and optimising the risk/return profile in line with expected trends in interest rates. Maturity transformations associated with banking operations, client needs and market developments give rise to interest rate risks. These risks are mitigated via the principle of refinancing client loans with client deposits in the narrower sense, central mortgage institution loans and interbank borrowing, as well as through the use of derivative financial instruments. The Board of Directors approves the limits for the use of derivatives in ALM to mitigate interest rate risks. It defines the risk tolerance (global limit) on the basis of risk indicators and their parameters and is informed quarterly about compliance with this tolerance. It is also responsible for the final check of the structure and implementation of the ALM process. The Executive Board is responsible for implementing effective ALM and setting out the related tasks, authorities and responsibilities. The Asset and Liability Committee (ALCO) drafts and decides on measures to manage interest rate risks (hedging strategies). The Accounting and Controlling department is responsible for identifying, measuring, monitoring and reporting interest rate risks. The Treasury department puts the ALCO's measures into practice. It also executes transactions in interest rate derivatives. The Accounting and Controlling department conducts stress tests. The change in the economic value of equity is calculated for the overall balance sheet. To this end, the repricing behaviour of a variable-interest position is simulated (replicated) using portfolios comprising a combination of market rates that meet specific pre-determined suitability criteria. Historical product and market rates provide the data set for the simulation. The ALCO reviews and, if necessary, adjusts the replication formula at least once a year on the basis of the calculations made by Accounting and Controlling. If the replication formula is adjusted during the year, the Board of Directors is informed in the quarterly report.

c) Frequency and description of specific metrics for estimating sensitivity

The interest rate risk metrics are recalculated monthly, primarily through ΔEVE and ΔNII calculations and simulations.

d) Interest rate shock and stress scenarios

IHAG Privatbank calculates the following scenarios:

- Interest rate shock scenarios (ΔEVE calculations): + / –150 bp parallel shift, steepener/flattener, rise/fall in short-term rates
- Stress scenarios (ΔNII calculations): + / –150 bp parallel shift, assuming a constant balance sheet and constant payment flows

e) Non-standard model assumptions

The model assumptions used in the Bank's internal interest rate risk measurement system do not deviate from the information provided in the IRRBB1 table with regard to ΔEVE.

f) Hedging

The interest rate risk arising owing to maturity transformation is mitigated using fixed-interest positions or derivative financial instruments. The effectiveness of interest rate hedging is assessed prospectively at both individual transaction and portfolio levels for each maturity segment by comparing the nominal values and changes in the net present value of interest rate derivatives against the fixed-interest positions on the balance sheet. IHAG Privatbank pays special attention to the sensitivity of each hedge, comparing it against the sensitivity of the underlying fixed-interest position.

g) Key modelling and parametric assumptions

1	Change in economic value of equity ΔEVE	Payment flows are reported inclusive of margin.
2	Mapping procedure	Payment flows used to calculate ΔEVE are calculated on the basis of individual contracts.
3	Discount rates	The discounting of cash flows including margin is based on the Overnight Index Swap Rate (OIS) risk-free yield curve. Market interest rates are interpolated in a linear manner to the actual or replicated repricing dates for each maturity segment in the repricing table.
4	Changes to planned income (ΔNII)	IHAG Privatbank follows the rules set out in FINMA Circular 2016/01 ("Disclosure – banks"). The constant balance sheet is based on an average portfolio view in which payment flows that fall due or need to be reassessed (capital and interest payments) are replaced by payment flows from new interest operations with identical features in terms of volume (no growth, no rotations) and repricing date. The current value is used in each case as a rating-dependent spread component of current client interest (including additional current margin components). Variable asset and liability interest rates are not changed during a 12-month period.
5	Variable-interest positions	IHAG Privatbank uses the replication portfolio method. The aim here is to replicate the client rate in a maturity-congruent manner and with a constant margin as far as possible using a portfolio of money and capital market instruments. The replication assumptions can have significant effects (see reverse stress tests), which is why they are reviewed every three years, with the results and sensitivities documented.
6	Positions with repayment options	IHAG Privatbank offers call deposits. These are accounted for with their contractual notice period (e.g. 48 hours / 31 days).
7	Time deposits	IHAG Privatbank's products do not normally involve behaviour-dependent repayment options. Where time deposits are withdrawn early, they are paid out at market value.
8	Automatic interest options	IHAG Privatbank's products do not normally involve automatic, behaviour-independent repayment options.
9	Derivative positions	IHAG Privatbank uses linear derivatives (primarily currency swaps) to hedge interest rate risks and manage its balance sheet. The corresponding payment flows are accounted for in accordance with their contractual term.
10	Other assumptions	IHAG Privatbank makes no other assumptions and does not use any other interest rate risk management methods.

IRRBBA1: Interest Rate Risks: Quantitative Information on Position Structure and Repricing

	Volume in CHF			Average repricing interval (in years)		Maximum repricing interval (in years) for positions with modelled (not deterministic) repricing intervals	
	Total	Of which CHF	Of which other major currencies that make up over 10% of assets or liabilities on the balance sheet	Total	Of which CHF	Total	Of which CHF
	CHF 000s	CHF 000s	CHF 000s	Years	Years	Years	Years
Specific repricing date							
Amounts due from banks	0	0	0	0.000	0.000		
Amounts due from clients	139,070	72,946	54,085	0.213	0.089		
Money market mortgage loans	377,224	373,229	2,677	0.003	0.003		
Fixed-rate mortgage loans	125,675	124,021	1,654	5.271	5.326		
Financial investments	129,898	79,215	24,459	3.621	4.272		
Other receivables	0	0	0	0.000	0.000		
Amounts due from interest rate derivatives[1]	434,974	165,597	136,881	0.074	0.052		
Amounts due to banks	120,378	97,116	23,262	0.415	0.446		
Amounts due in respect of client deposits	94,407	38,723	27,558	0.099	0.111		
Medium-term notes	0	0	0	0.000	0.000		
Bond issues and central mortgage institution loans	55,100	55,100	0	7.686	7.686		
Other liabilities	0	0	0	0.000	0.000		
Liabilities due to interest rate derivatives[1]	437,865	268,026	95,287	0.074	0.088		
Indeterminate repricing date							
Amounts due from banks	36,489	3,737	10,373	0.249	0.249		
Amounts due from clients	39,501	29,961	7,935	0.386	0.283		
Amounts due from variable-rate mortgages	34,548	34,548	0	0.928	0.928		
Other sight receivables	0	0	0	0.000	0.000		
Liabilities due to sight deposits in personal and current accounts	191,053	123,376	35,293	0.249	0.249		
Other sight liabilities	4,589	3,380	537	0.249	0.249		
Liabilities due to customer deposits, callable but not transferable (savings)	438,027	305,677	72,923	0.249	0.249		
Total	**2,658,798**	**1,774,652**					

[1] Currency swaps: The volume of derivatives is shown under receivables as well as obligations.

IRRBB1: Interest Rate Risks: Quantitative Information on Economic Value of Equity and Net Interest Income

	ΔEVE (change in economic value of equity)		ΔNII (change in net interest income)	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	CHF	CHF	CHF	CHF
Parallel upward shift	**−8,947**	−12,094	**1,087**	−4,565
Parallel downward shift	**10,080**	14,099	**−1,051**	4,542
Steepener shock[1]	**−3,804**	−6,608		
Flattener shock[2]	**2,053**	4,288		
Rise in short-term rates	**−1,460**	−767		
Fall in short-term rates	**1,547**	875		
Maximum	**−8,947**	−12,094	**−1,051**	−4,565

	31.12.2023	**31.12.2022**
	CHF	CHF
Tier 1 capital	**105,212**	130,733

[1] Fall in short-term rates combined with rise in long-term rates.
[2] Rise in short-term rates combined with fall in long-term rates.

ΔEVE
Parallel shifts in the yield curve cause the largest changes in the economic value of equity. Changes in short-term rates cause comparatively small changes in EVE. Owing to the balance sheet structure, a parallel upward shift will cause the largest negative change. The risk of rising interest rates results from a positive maturity transformation, i.e. an asset overhang of fixed-interest positions with remaining terms of two to 15 years.

ΔNII
Over a simulation horizon of 12 months, a parallel upward shift in the yield curve leads to a higher interest result in the regulatory scenario prescribed by law, as additional income from liquidity and from money market mortgage loans more than offset the additional expense incurred with variable customer deposits. From the regulatory perspective, interest on the SNB giro account was not to be taken into account in the previous year.

With a parallel downward shift in the yield curve, the interest result conversely decreases over a simulation horizon of 12 months.

ORA Operational Risks: General Information

Privatbank IHAG Zürich AG understands operational risk as the risk of loss arising from the inappropriateness or failure of internal processes, individuals or systems, or from external events. The definition covers all legal and compliance risks to the extent they represent a direct financial loss, i.e. including fines imposed by supervisory authorities and financial settlements.

The Bank regularly analyses potential events and evaluates them with regard to their probability and any effects. Once identified, risks are limited with suitable measures, including an effective internal monitoring system, optimised business processes, appropriate infrastructure design, the relevant security precautions and the transfer of risk to insurers.

With its Compliance function and Risk Office, the Bank has independent internal monitoring bodies which ensure that business operations are in line with the applicable regulatory requirements and the duties of care which a financial institution must fulfil, and that the defined risk tolerance levels are observed. We ensure that directives and regulations are updated to reflect regulatory developments, and that they are followed. Standardised documents are used to avoid legal risks, and external legal counsel is engaged where necessary.

The independent monitoring bodies and Internal Audit conduct regular reviews of the internal controlling process, reporting periodically on their work directly the Board of Directors.

Equity calculations for operational risks follow the basic indicator approach.

PRIVATBANK

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