

**CITÉ** GESTION  
PRIVATE BANK

## CORPORATE GOVERNANCE

**THE ESSENCE** OF FREEDOM



## BOARD OF DIRECTORS

The Board of Directors is composed of five independent members:

- Mr. Germain Steiner, Chairman
- Mr. Jean-François Ducrest, Vice-Chairman
- Mrs. Sophie Maillard
- Mr. Patrick Fritz
- Mr. Patrick Voegeli

The Board acts without committee and takes all decisions during its regular meetings. It may take decisions only if the majority of the members is present.

*Professional background and education:  
see website under « Our Team – Board of Directors »*

## EXECUTIVE COMMITTEE

The Executive Committee (ExCo) is composed of five members:

- Mr. Guy Barbey, CEO
- Mr. Laurent Kramer, Deputy CEO, Responsible for Lausanne's Office
- Mr. Christophe Utelli, Deputy CEO, COO
- Mr. Sébastien Micotti, Responsible for Legal & Compliance
- Mr. Daniel Steffen, Responsible for Zürich's Office

*Professional background and education:  
see website under « Our Team – Executive Management »*

## CITÉ GESTION STRATEGIC MANAGEMENT OF RISKS AND RISK PROFILE

The risks inherent in Cité Gestion activities can be categorized as follow:

- Financial risks: credit, counterparty & market risks;
- Operational risks: business relationship, investment (customer asset management), fraud, cyber and business continuity risks;
- Reputational risk resulting from mismanagement of the above mentioned points

## DIFFERENT BODIES AND THEIR RESPONSABILITIES

### Board of Directors:

The primary responsibility for risk policy rests with the Board of Directors. It adopts the general principles of the internal control system (ICS) and the tolerance and risk limits ("Risk Appetite"). It reviews Cité Gestion's risk policy and takes the necessary corrective measures annually.

### Executive Committee:

The Executive Committee implements the risk policies adopted by the Board of Directors and reports at each meeting or more often if necessary. It ensures the consistency of the internal control system and the activity of the various committees and functions that make up the ICS.

### Other active committees:

- Diligence Committee
- Risk Committee
- Credit Committee
- ALM Committee
- Investment Committee

### The active functions within the ICS are:

- Risk Management
- Legal
- Compliance
- Central File
- Finance
- Operations

## CONTROL ARCHITECTURE

Three levels of controls can be distinguished:

- The first level of controls is performed by the operational and commercial teams and is integrated in the work processes, carried out daily and based on internal directives and procedures.
- The second level of controls is performed by the Committees and functions active within the ICS in their respective areas of expertise.
- The third level of controls is ensured by Internal Audit (outsourced to KPMG).

A fast and concise management information system (MIS) completes the ICS in order to guarantee adequate decision-making and Cité Gestion's ability to react to any given situation.

The external auditor Pricewaterhouse Coopers assesses the effectiveness of the ICS of Cité Gestion at least once a year.

## FINANCIAL RISKS

### Credit risks:

Cité Gestion only grants Lombard loans or guarantees, in accordance with the rules on pledging and the concentration limits in force. In principle, it does not grant credit without collateral. Cité Gestion does not grant any mortgage. Credit risk management is defined in the Credit Directive. To date, Cité Gestion has not incurred any credit losses.

### Counterparty risks:

The main counterparty to Cité Gestion is the Swiss National Bank (SNB). To facilitate its clients' operations, cash is held with the Lombard Odier Group, to which most of Cité Gestion's IT and operational activities have been outsourced.

### Market risks:

Cité Gestion does not trade for its own account and does not actively take foreign exchange risk on its balance sheet. For collateral reasons with the Lombard Odier Group, a portfolio of high quality bonds is held and managed within strict limits defined by the Board of Directors (Treasury Directive).

## OPERATIONAL RISKS

### Risks related to business relationships:

Cité Gestion opened its first account at the beginning of 2010 and immediately applied the strictest rules regarding cross border and acceptance of relationships according to their taxation. In this sense, Cité Gestion has no legacy business. The Compliance Department reviews money laundering and terrorist financing risks as well as compliance with national and international sanctions lists on a daily basis. To date, there have been no cases of review by the judicial or supervisory authorities. The Legal service also deals with possible claims and disputes of customers or counterparties.

### Investment risks:

Investment risk is at the heart of Cité Gestion's business. The resources committed to this risk are intended to ensure that investment decisions comply with the investment objectives and restrictions specific to each mandate, as well as with internal and regulatory directives (in particular the rules of conduct and the directives concerning the asset management mandate of the Swiss Bankers Association (SBA)). Investment risk management is defined in the Investment Risk Directive.

### Fraud risk:

The fraud risk can be of external nature (execution of transfers on client's or company's accounts by unauthorized persons) or internal (transfers performed by employees for their profit and with a loss for clients or the company). To ensure the safety of the clients' assets and the ones of the bank, strict rules have been defined and are applied continuously by the control function in the ICS. Every breach is immediately addressed.

## OPERATIONAL RISKS

### Cyber-risk:

Cité Gestion has outsourced the majority of its IT to the Lombard Odier Group, Microsoft, Bechtle and Swisscom, which ensure the security of its respective tools. Cité Gestion carries out an appropriate monitoring concerning the measures taken by its service provider in the Cyber-risk field. In addition, Cité Gestion has set up a process with partners in the event of the occurrence of such a risk, which is structured according to the following phases: forensic investigations, repair and restoration countermeasures, legal management, notification(s) to the authorities. To date, no such risk has occurred at Cité Gestion.

### Business continuity:

Cité Gestion has developed a Business Continuity Plan (BCP) in collaboration with its partner in the field (Lombard Odier Group, Microsoft, Bechtle and Swisscom) in line with the recommendations of the Swiss Banking Association (SBA) and the requirements of FINMA. It protects critical processes for Cité Gestion's business in the event of a crisis through preventive measures and the creation of computer back-ups. The BCP includes a risk analysis, identifications of needs and expectations, as well as a recovery strategy. The priorities of the BCP are: people's safety, the ability to make and execute decisions, and the full recovery of the most critical processes within a pre-defined period of time. The BCP has never been triggered at Cité Gestion, even though it is tested on a regular basis.



BASEL 3 – 3<sup>rd</sup> PILLAR

**THE ESSENCE** OF FREEDOM



## PURPOSE AND SCOPE OF THIS REPORT

This document aims to provide counterparties, external analysts, rating agencies, control bodies and our clients with detailed information regarding to Cité Gestion risk management. This document provides information about the capital adequacy, the risk assessment methods and the level of risks taken by Cité Gestion. This document has been prepared according to the conditions defined in FINMA Circular 2016/1 'Disclosure – banks' from the Swiss Financial Market Supervisory Authority.

## KM1 : KEY METRICS

	31.12.2023	31.12.2022	31.12.2021	31.12.2020
	In thousands	In thousands	In thousands	In thousands
	CHF	CHF	CHF	CHF
<b>Available capital</b>				
1. Common Equity Tier 1 (CET1)	24 237	23 627	17 559	14 073
2. Tier 1	24 237	23 627	17 559	14 073
3. Total capital	24 237	23 627	17 559	14 073
<b>Risk weighted assets (RWA)</b>				
4. Total RWA	136 244	111 020	93 190	66 814
4a. Minimal capital requirement	10 899	8 882	7 455	5 345
<b>Risk-based capital ratios as a percentage of RWA</b>				
5. Common Equity Tier 1 ratio (%)	17,8%	21,3%	18,8%	21,1%
6. Tier 1 ratio (%)	17,8%	21,3%	18,8%	21,1%
7. Total capital ratio (%)	17,8%	21,3%	18,8%	21,1%

## KM1 : KEY METRICS

	<b>31.12.2023</b> In thousands CHF	<b>31.12.2022</b> In thousands CHF	<b>31.12.2021</b> In thousands CHF	<b>31.12.2020</b> In thousands CHF
<b>Additional CET1 buffer requirements as a percentage of RWA</b>				
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	1.9%
9 Countercyclical buffer requirement (%)	-	-	-	-
10 Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-
11 Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%	1.9%
12 CET1 available after meeting the bank's minimum capital requirements (i.e., after the CET1 allocated to minimum capital requirements and any TLAC requirements) (%)	9,8%	10,8%	10,8%	13,1%
<b>FINMA capital ratio requirements as a percentage of RWA</b>				
12a CET1 buffer (CAO, Annex 8)	2,5%	2,5%	2,5%	2,5%
12b Countercyclical buffer (CAO, Art 44 and 44a) (%)	0,0%	0,0%	0,0%	0,0%
12c CET1 total requirement in accordance with Annex 8 of CAO plus countercyclical buffer (CAO, Art 44 and 44a) (%)	7,0%	7,0%	7,0%	7,0%
12d Tier 1 total requirements countercyclical buffer (CAO, Art 44 and 44a) (%)	8,5%	8,5%	8,5%	8,5%
12e Total regulatory capital requirement in accordance with Annex 8 of CAO plus countercyclical buffer (CAO, Art 44 and 44a) (%)	10,5%	10,5%	10,5%	10,5%

## KM1 : KEY METRICS

	31.12.2023 In thousands CHF	31.12.2022 In thousands CHF	31.12.2021 In thousands CHF	31.12.2020 In thousands CHF
<b>Basel III leverage ratio</b>				
13 Total Basel III leverage ratio exposure measure	311 862	438 745	423 562	193 270
14 Basel III leverage ratio (%)	7,8%	5,4%	4,1%	7,3%
<b>Liquidity Coverage Ratio (LCR)</b>				
15 Total high-quality liquid assets (HQLA)	79 461	253 094	267 721	263 240
16 Total net cash outflow	16 522	68 894	115 374	129 046
17 Liquidity coverage ratio, LCR (%)	480,9%	367,4%	232,0%	204,0%
<b>Net stable funding ratio (NSFR)</b>				
18 Available stable refinancing	203 696	262 512	199 574	162 146
19 Required stable refinancing	82 875	80 245	54 888	47 326
20 Net stable funding ratio (NSFR) (%)	245,8%	327,1%	363,6%	342,6%

## OV1 : MINIMAL CAPITAL REQUIREMENT – DETAILS

	<b>31.12.2023</b> In thousands	<b>31.12.2022</b> In thousands	<b>31.12.2021</b> In thousands	<b>31.12.2020</b> In thousands
	CHF	CHF	CHF	CHF
1. Credit risk (excluding CCR - counterparty credit risk)	3 758	2 868	2 527	1 475
20. Market risk	577	617	412	225
24. Operational risk	6 564	5 337	4 516	3 645
25. Amounts below the threshold for deduction (subject to 250% risk weight)	0	0	0	0
<b>27 Total (1 + 20 + 24 + 25 )</b>	<b>10 899</b>	<b>8 822</b>	<b>7 455</b>	<b>5 345</b>

## CR1 : CREDIT QUALITY OF ASSESTS

	a	b	c	d
	Gross carrying values of			
	Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Net values
1 Loans (excluding debt securities)	0	115 871	0	115 871
2 Debt securities	0	65 514	0	65 514
3 Off-balance-sheet exposures	0	17 174	0	17 174
<b>4 Total</b>	<b>0</b>	<b>198 559</b>	<b>0</b>	<b>198 559</b>

## CR3 : CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

	a	b1	b	d
	Exposures unsecured / carrying amount	Exposures secured / carrying amount	Of which: exposures secured by collateral	Of which: exposures secured by financial Guarantees
1 Loans (including debt securities)	2 013	179 372	179 372	0
2 Off-balance-sheet operations	1 065	15 899	15 899	0
<b>3 Total</b>	<b>3 078</b>	<b>195 270</b>	<b>195 270</b>	<b>0</b>
4 of which defaulted	0	0	0	0

## PUBLICATION REQUIREMENTS LINKED TO THE EQUITY AND LIQUIDITY RISK ACCORDING TO FINMA CIRCULAR 2016/01

### **IRRBB Interest rate risk : objectives and risk management framework of the interest rate risk**

#### *A) Definition of the Interest Rate Risk (IRRBB)*

The interest rate risk corresponds to the risk to the bank's equity and its interest income. The variations of interest rates influences the economical value of the assets, liabilities and off-balance sheet positions. They also have an influence on the interest income of the bank.

#### *B) Strategies to manage and reduce the IRRBB*

According to FINMA circulars 2019/2 Interest Rate Risk and 2016/1, the Bank defined a framework to manage interest rate risks. The supervisory body for interest rate risk is the Board of Directors, which determines the principles of risk management and the target levels.

#### *C) Periodicity and indicators to assess interest rate risk*

The indicators of the interest rate risk are determined quarterly :

- Economical variation of equity (base equity) : EVE.
- Effect on income: Net Interest Income: NII.

#### *D) Stress tests*

The Bank uses the following scenarios:

- Parallel shift of +150 basis points,
- Parallel shift of -150 basis points,
- Increase in the slope of the curb (short term rates decreasing and long term rates increasing),
- Decrease of the slope of the curb (short term rates increasing and long term ones decreasing),
- Increase in the short term interest rates,
- Decrease in the short term interest rates.

#### *E) Model Hypotheses*

There is no divergent hypothesis.



## PUBLICATION REQUIREMENTS LINKED TO THE EQUITY AND LIQUIDITY RISK ACCORDING TO FINMA CIRCULAR 2016/01

### *F) General description of how the Bank covers the IRRBB*

The risk appetite is small. The Bank limits its exposure to interest rate risk. It ensure that the composition of the ALM Committee is adequate, with a majority of members independent from the Front. The ALM Committee is coming together as soon as necessary and has the necessary knowledge and competencies to achieve its objectives.

### *G) Key hypotheses and parameter for the modelling*

The numbers presented in the tables hereafter respect the rules of the FINMA circular 2016/1 « Publication – banks ». The 6 interest rate scenarios are defined in the FINMA circular 2019/2 « Interest Rate Risk – banks ». The following paragraphs describe in more details the hypothesis and parameters for the determination of the variation of the economical value of equity  $\Delta EVE$  and the interest rate margin  $\Delta NII$ .

#### 1. $\Delta EVE$

For the positions with fixed maturities, the individual cash flows are determined for each position. They are grouped within time buckets.

The positions without maturities are integrated according to replication models.

The future cash flows of all the positions are actualized according to the actual interest rate curve. Its variation according to the 6 scenarios mentioned above gives a precise indication of the rebalancing in the balance sheet.

#### 2. $\Delta NII$

For the renewal of fixed term or variable term positions, the simulated 6 scenarios of interest rate curve change is applied for the next 12 months. The increase and decrease in the interest rate income is determined accordingly.

# IRRBBA1 INTEREST RATE RISKS: QUANTITATIVE INFORMATION ON THE STRUCTURE OF POSITIONS AND REDEFINITION OF RATES AT 31.12.2023

	Volumes in CHF millions			Average rate reset times (in years)		Maximum rate reset time (in years) for positions with modeled (non-predetermined) definition of the rate reset date	
	Total	Of which CHF	Of which other significant currencies representing more than 10% of assets or liabilities of the balance sheet total	Total	Of which CHF	Total	Of which CHF
<b>Set Rate Reset Date</b>							
Claims on banks	38	11	23	0,00	0,01		
Receivables from customers	110	50	61	0,25	0,23		
Money market mortgages							
Fixed rate mortgages							
Financial fixed assets	65	58	7	1,53	1,63		
Other receivables							
Receivables arising from interest rate derivatives	51	42	37	0,03	0,01		
Commitments to banks							
Commitments resulting from customer deposits							
Cash bonds							
Borrowings and loans from bond issuing centers							
Other commitments							
Commitments resulting from interest rate derivatives	-51	-42	10	0,03	0,04		
<b>Rate reset date not set</b>							
Claims on banks							
Receivables from customers	5	3	2	0,22	0,22		
Money market mortgages							
Fixed rate mortgages							
Financial fixed assets							
Other receivables							
Receivables arising from interest rate derivatives							
Commitments to banks							
Commitments resulting from customer deposits	-221	-94	-119	0,72	0,72		
Cash bonds							
Borrowings and loans from bond issuing centers							
Other commitments							
Commitments resulting from interest rate derivatives							
<b>Total</b>	<b>-2</b>	<b>27</b>					

## IRRBBA1 INTEREST RATE RISKS: QUANTITATIVE INFORMATION ON THE ECONOMIC VALUE OF EQUITY AND INTEREST INCOME (IRRB1) AT 31.12.2023

*The values are those reported to the SNB on the corresponding reporting forms.*

<i>Script<sup>1</sup> / Period</i>	<i>ΔEVE (change in economic value of equity)</i>		<i>ΔNII (change in net interest income)</i>	
	<i>in thousands CHF</i>			
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Parallel rise	589	1 818	-195	346
Parallel decline	-658	-1 989	195	-338
Curve steepening {so-called steepener shock <sup>2</sup> }	-32	-86	-	-
Curve flattening {shock said flattener <sup>3</sup> }	147	438	-	-
Increase in short-term rates	341	1 033	-	-
Lower short-term interest rates	-386	-1 129	-	-
Maximum <sup>4</sup>	589	1 818	195	346
		31.12.2023		31.12.2022
Core capital (Tier 1) <sup>5</sup>		24 237		23 627

<sup>1</sup> Including currency positions (in thousands of CHF).

<sup>2</sup> Lower short-term interest rates, combined with higher long-term interest rates.

<sup>3</sup> Rise in short-term interest rates, associated with a fall in long-term interest rates.

<sup>4</sup> Highest positive amount

<sup>5</sup> Equity after distribution of the result.



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