PICTET
1805

# BANK PICTET & CIE (ASIA) LTD
**Registration Number: 199508227D**

Public Disclosure
Period ended 31 December 2019

# Contents

1 The bank does not trade in Credit Derivatives (Section 14: Credit Derivative tables not required)

2 The bank does not have any securitisation (Section 15: Securitisation not required)

3 The bank does not have exposures to Central Counterparty (Section 16: CCP tables not required)

4 The bank does not have any prudent valuation adjustment as all our positions have current market value with observable input values for valuation and there are no illiquid positions.

5 The bank does not deploy IRBA approach (Tables pertaining to IRBA approach not required)

6 The bank does not deploy internal model to calculate its market risk capital requirements (Section 17: only tables pertaining to Market Risk under SA is required)

7 The bank is not a G-SIB (Table on Disclosure of G-SIB indicators not required)

# 1. Introduction

Bank Pictet & Cie (Asia) Limited (the "Bank") is incorporated in the Republic of Singapore and has its registered office at 8 Marina Boulevard #05-02 Marina Bay Financial Centre, Tower 1, Singapore 018981. The Bank operates in Singapore under a wholesale bank licence with an Asian Currency Unit granted by the Monetary Authority of Singapore.

The Bank is part of the Pictet Group headquartered in Geneva. The immediate holding company is Pictet Holding LLP, a partnership established in Singapore. Its principal activities include the provision of custody services, investment portfolio management and investment advisory services for private and institutional clients.

The following contained in this document represent the Pillar 3 disclosures for the Bank under MAS 637 part XI on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore for period ended 31 December 2019.

The Bank is applying the Standardized Approach and does not apply IRBA or IMA Approach.

The qualitative and quantitative data contained in this publication refer to 2019 and all figures are as at 31 December 2019 and stated in millions of Singapore Dollars, unless otherwise mentioned. As this is the bank's first annual disclosure publication, tables presented for the first time do not include information pertaining to the previous year.

## 2. Attestation Statement Pursuant to MAS Notice 637- Disclosure Requirements (Pillar 3)

The Pillar 3 disclosures as at 31 December 2019 have been prepared in accordance with the internal control processes approved by Bank Pictet & Cie (Asia) Ltd Board of Directors.

Ngoy Mwehu
*Chief Operating Officer, Asia*
*30th April 2020*

## 3. Key Metrics

| | S$m | (a) 31-Dec-19 | (b) 30-Sep-19 | (c) 30-Jun-19 |
|---|---|---|---|---|
| | **Available capital (amounts)** | | | |
| 1 | CET1 capital | 120 | 120 | 114 |
| 2 | Tier 1 capital | 120 | 120 | 114 |
| 3 | Total capital | 120 | 120 | 114 |
| | **Risk weighted assets (amounts)** | | | |
| 4 | Total RWA | 313 | 241 | 239 |
| | **Risk-based capital ratios as a percentage of RWA** | | | |
| 5 | CET1 ratio (%) | 38.45% | 49.76% | 47.75% |
| 6 | Tier 1 ratio (%) | 38.45% | 49.76% | 47.75% |
| 7 | Total capital ratio (%) | 38.48% | 49.80% | 47.78% |
| | **Additional CET1 buffer requirements as a percentage of RWA** | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | 2.50% | 2.50% | 2.50% |
| 9 | Countercyclical buffer requirement (%) | 0.00% | 0.00% | 0.01% |
| 10 | Bank G-SIB and/or D-SIB additional requirements (%) | - | - | - |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10) | 2.50% | 2.50% | 2.51% |
| 12 | CET1 available after meeting the Reporting Bank's minimum capital requirements (%) * | 30.48% | 41.80% | 39.79% |
| | **Leverage Ratio** | | | |
| 13 | Total Leverage Ratio exposure measure | 1 365 | 1 081 | 1 004 |
| 14 | Leverage Ratio (%) (row 2 / row 13) | 8.80% | 11.10% | 11.36% |
| | **Liquidity Coverage Ratio** | | | |
| 15 | Total High Quality Liquid Assets | - | - | - |
| 16 | Total net cash outflow | - | - | - |
| 17 | Liquidity Coverage Ratio (%) | - | - | - |
| | **Net Stable Funding Ratio** | | | |
| 18 | Total available stable funding | - | - | - |
| 19 | Total required stable funding | - | - | - |
| 20 | Net Stable Funding Ratio (%) | - | - | - |

* Regulatory minimum Common Equity Tier 1, Tier 1 and Total CAR of 4.5% , 6% & 8% respectively.
Item 15 to 20 not displayed as the Bank complies with MLA (Minimum Liquid Assets) and is not required to apply LCR (Liquidity coverage Ratio) and NSFR (Net Stable Funding Ratio)

# 4. Key Risk Management Approach

## Risk overview and profile

The Bank regards risk management as one of its strategic priorities. The Group Risk Policy (GRP) defines the Group's appetite for and attitude towards risks and establishes the basic operating principles of its risk management. It applies to all staff and Group entities and aims to cover all significant risks to which the Group is exposed.

The Group pursues the following objectives with regard to risk management:

– to promote a risk management culture within the Group;
– to operate with transparency and not to embark on risks that are not understood or managed in an appropriate manner;
– to ensure that the risk profile is commensurate with the risk capacity (tolerance) of the Group.

The GRP is the top-level document that lays down the framework for all the policies and directives on risk management within the Group. The specific elements associated with the different risk categories are dealt with in separate risk policies or in internal directives. In addition, the Bank incorporates MAS regulations and guidelines on Risk Management in its framework.

The BPCAL Board Risk Committees is responsible for ensuring that the main risks are identified, assessed, managed, monitored and reported in an appropriate manner.

Risk is defined as the possibility that the actual result will diverge in a negative manner from the predicted, expected or desired result. It pertains to the uncertainty surrounding future events and results. It expresses the probability and incidence of an event likely to influence the achievement of the Group's objectives. The Group accepts that its activities entail risks. The Group does not seek to avoid activities that entail risks, provided that they respect its risk tolerance, match its business policy and are adequately remunerated.

The Group has defined a uniform risk taxonomy.

## Risk tolerance

Risks associated with the Bank's business activities are identified, measured and managed, in compliance with legal or internal regulations, provided they do not exceed the Group and Bank specific risk appetite as defined in the Group's general risk policy.

Any new business activity, product or major change within an area of business is subject beforehand to a risk analysis and formal approval.

The appetite for market, credit, interest-rate and liquidity risks is translated into quantified limits, and the appetite for other categories of risk, such as operational and business risks, is translated into qualitative as well as quantified limits. These limits on risk are subdivided into sub-limits where deemed necessary. These limits are regularly reviewed by the BPCAL Management Committee and the Board of Directors.

Risks that do not fall within the Pictet Group's business activities or which exceed the limits laid down are avoided, lessened or transferred. Similarly, business activities on which the risks are not adequately rewarded are avoided.

The Risk Department compiles a consolidated report on overall risk exposure for the Bank's management bodies on a quarterly basis. This report presents an impartial overview of the overall situation and level of risk for the Bank.

## Risk governance

The governance of the Bank's risk management process is based on a clear decision-making process, organised around specific risk committees. These committees establish the relevant guidelines and regularly monitor the banking risks falling within their remit.

This clear organisational structure based on a 3 lines of defense model – with a transparent, well-defined and coherent sharing of responsibilities, efficient processes for detecting, managing, controlling and reporting the risks – provides for sound and efficient risk management.

The Board of Directors defines the Bank's risk management framework, risk appetite and strategy. Furthermore, it approves the Bank's strategy with regard to internal and regulatory liquidity and capital matters. It has delegated day-to-day management to the Governance Committee and other relevant Risk Committees, which report to it on the overall risk management situation at appropriate intervals, at least once a year.

The Risk Management department monitors and controls risks, supported by various committees, ensuring that the internal and regulatory risk limits are met. Thus, the missions of the Risk Management department are to:

– Promote risk culture within the organization
– Ensure that the methodologies and assessment procedures applied for each material risk are consistent with the Group's framework and complies with the applicable MAS regulations
– Coordinate with the Group's treasury, business units within the bank which includes credit risk department and other support functions in providing regular updates on the Bank's risk profile and adherence with established internal and regulatory risk limits
– Consolidate risk information provided by business units responsible for managing the applicable risk exposures of the bank (i.e. financial risks, operational risks, etc.)
– Monitor and report the bank's risk profile and risk-taking strategy to the relevant committees
– Coordinate with relevant functions (i.e. finance, group treasury, business risk management, credit risk department, etc.) the preparation of the capital contingency plan
– Oversee the design and implementation of the Internal Capital Adequacy Assessment Process with the assistance of relevant functions within the organization (i.e. business risk management, credit risk department, finance, group treasury, etc.).

Some of the Bank's risks are managed by dedicated teams (e.g. legal risk, compliance risk, finance risks). They regularly report on the status of their risks and activities directly to the Bank's Management and Governance Committee, Board of Directors and regulator.

## Risk culture

Risk culture is the foundation of the Pictet Group's risk governance system. The Group strives to create a culture in which risk management is widely promoted, where it is known for being an integral part of all management activities and where it is perceived as being the responsibility of all staff members. To this end, the Group considers the function of risk management as being an important element of corporate management.

In that context, the GRP sets that Staff should be made fully aware of risks by their hierarchy and that a culture of proactively managing these risks should be introduced, together with a policy of open and transparent communication for every known incident or potential risk, using the channels defined in the Policy.

The responsibilities in respect of key risks (risk ownership, risk management and risk monitoring) are clearly defined in the specific risk policies or internal application directives.

## Risk measurement systems

Risk assessment may be quantitative, qualitative or a combination of both depending on the risk categories. For all identified categories of risks, dedicated measurement systems have been implemented and documented in specific risk policies or internal application directives.

Operational risk assessment, for instance, includes an evaluation of inherent risks and residual risks based on the risk events probability of occurrence and magnitude of impact. The materiality of each risk is assessed at the appropriate level (business line, division or legal entity) depending on where risk ownership lies. For this reason, the impact criteria are defined and maintained individually, in tandem with the standard Group impact definitions.

## Risk information

For each risk category, the functions responsible for risk management must implement an integrated or manual risk information system that enables them to periodically monitor their risks and report to the Governance Committee and Board of Directors. They must ensure as well that the data used in the information system comply with the rules governing completeness, integrity and the possibility to aggregate data. Furthermore, the data must be recorded in the system without delay and assessed using the methods that have been selected and approved.

Useful information is identified, collected and communicated in a format and within a time span that enables staff to carry out their responsibilities. On a broader level, communication must circulate within the organisation both vertically and horizontally and in an efficient manner. The decision-making bodies of the units inform their staff of the key elements of the GRP that concern them.

## Stress testing

Stress testing is an integral part of the Bank's risk management process and more particularly of the Internal Capital Adequacy Assessment Process.

Stress tests are conducted for credit risk, concentration risk, interest rate risk in the banking book, liquidity risk, business & strategic risks and reputational risk. Depending on the category of risk, it may consist of sensitivity analysis, scenario analysis or other stress tests assessing the impact of adverse macroeconomic scenarios.

Stress testing alerts senior management and the Board of Directors to our potential vulnerability to exceptional but plausible adverse events. As such, stress testing enables the Bank to assess capital adequacy under stress conditions and to develop the right contingency plans, exit strategies and mitigating actions beforehand.

## Risk management, hedging and mitigation

The Bank's strategies and process to manage, hedge and mitigate risks that arise from its business model are elaborated in the Group Asset & Liability Management and Group Liquidity Management policies.

The Bank invests its surplus liquidity from clients' deposits in a portfolio geared to a long-term strategy. This portfolio comprises holdings in bonds intended to be held to maturity although, in particular circumstances (such as a downgrading of an issuer's creditworthiness), the debt securities may be sold before term. Depending on market rates, excess treasury amounts may also be invested in short-term investments.

The purpose of the The Bank is to maintain limited net open exposures for currency and interest rate risks. This policy is reflected in corresponding risk limits and monitored as set forth in the market risk section, which mostly consists of  structural balance sheet management and to a limited extent may include the use of derivatives transactions for the purpose of hedging or managing.

## 5. Overview of RWA

| | | (a) | (b) | (c) |
|---|---|---|---|---|
| | | RWA | | Minimum capital requirements |
| | S$m | As at 31-Dec-19 | As at 30-Jun-19 | As at 31-Dec-19 |
| 1 | **Credit risk (excluding CCR)*** | 174 | 106 | 14 |
| 2 | of which: Standardised Approach | 174 | 106 | 14 |
| 3 | of which: F-IRBA | - | - | - |
| 4 | of which: supervisory slotting approach | - | - | - |
| 5 | of which: A-IRBA | - | - | - |
| 6 | **CCR** | 4 | 9 | 0 |
| 7 | of which: Current Exposure Method | 4 | 9 | 0 |
| 8 | of which: CCR Internal Models Method | - | - | - |
| 9 | of which: other CCR | - | - | - |
| 9a | of which: CCP | - | - | - |
| 10 | **CVA** | 1 | 1 | 0 |
| 11 | Equity exposures under the simple risk weight method | - | - | - |
| 11a | Equity exposures under the IMM | - | - | - |
| 12 | Equity investments in funds - look through approach | - | - | - |
| 13 | Equity investments in funds - mandate-based approach | - | - | - |
| 14 | Equity investments in funds - fall back approach | - | - | - |
| 14a | Equity investments in funds - partial use of an approach | - | - | - |
| 15 | **Unsettled transactions** | - | - | - |
| 16 | **Securitisation exposures in the banking book** | - | - | - |
| 17 | of which: SEC-IRBA | - | - | - |
| 18 | of which: SEC-ERBA, including IAA | - | - | - |
| 19 | of which: SEC-SA | - | - | - |
| 20 | **Market Risk** | 11 | 13 | 1 |
| 21 | of which: SA(MR) | 11 | 13 | 1 |
| 22 | of which: IMA | - | - | - |
| 23 | **Operational risk** | 123 | 110 | 10 |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) | - | - | - |
| 25 | Floor adjustment | - | - | - |
| 26 | Total | 313 | 239 | 25 |

* Credit risk RWA have increased >60% since last update mainly driven by increase in total assets due to increase in customer deposits

## 6.1 Composition of Regulatory Capital

| | S$m | (a) Amount | (b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| | **Common Equity Tier 1 capital: instruments and reserves** | | |
| 1 | Paid-up ordinary shares and share premium (if applicable) | 118 | A |
| 2 | Retained earnings | 2 | B |
| 3# | Accumulated other comprehensive income and other disclosed reserves | - | |
| 4 | *Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)* | - | |
| 5 | Minority interest that meets criteria for inclusion | - | |
| 6 | **Common Equity Tier 1 capital before regulatory adjustments** | 120 | |
| | **Common Equity Tier 1 capital: regulatory adjustments** | | |
| 7 | Valuation adjustment pursuant to Part VIII of MAS Notice 637 | - | |
| 8 | Goodwill, net of associated deferred tax liability | - | |
| 9# | Intangible assets, net of associated deferred tax liability | - | |
| 10# | Deferred tax assets that rely on future profitability | - | |
| 11 | Cash flow hedge reserve | - | |
| 12 | Shortfall of TEP relative to EL under IRBA | - | |
| 13 | Increase in equity capital resulting from securitisation transactions | - | |
| 14 | Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk | - | |
| 15 | Defined benefit pension fund assets, net of associated deferred tax liability | - | |
| 16 | Investments in own shares | - | |
| 17 | Reciprocal cross-holdings in ordinary shares of financial institutions | - | |
| 18 | Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake | - | |
| 19 | Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) (amount above 10% threshold) | - | |
| 20# | Mortgage servicing rights (amount above 10% threshold) | - | |
| 21# | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of associated deferred tax liability) | - | |
| 22 | Amount exceeding the 15% threshold | - | |
| 23 | of which: investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) | - | |

| | | (a) Amount | (b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 24# | of which: mortgage servicing rights | - | |
| 25# | of which: deferred tax assets arising from temporary differences | - | |
| 26 | National specific regulatory adjustments | - | |
| 26A | PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630 | - | |
| 26B | Capital deficits in subsidiaries and associates that are regulated financial institutions | - | |
| 26C | Any other items which the Authority may specify | - | |
| 27 | Regulatory adjustments applied in calculation of CET1 Capital due to insufficient AT1 Capital to satisfy required deductions | - | |
| 28 | **Total regulatory adjustments to CET1 Capital** | - | |
| 29 | **Common Equity Tier 1 capital (CET1)** | 120 | |
| | **Additional Tier 1 capital: instruments** | | |
| 30 | AT1 capital instruments and share premium (if applicable) | - | |
| 31 | of which: classified as equity under the Accounting Standards | - | |
| 32 | of which: classified as liabilities under the Accounting Standards | - | |
| 33 | *Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)* | - | |
| 34 | AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion | - | |
| 35 | *of which: instruments issued by subsidiaries subject to phase out* | - | |
| 36 | **Additional Tier 1 capital before regulatory adjustments** | - | |
| | **Additional Tier 1 capital: regulatory adjustments** | | |
| 37 | Investments in own AT1 capital instruments | - | |
| 38 | Reciprocal cross-holdings in AT1 capital instruments of financial institutions | - | |
| 39 | Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake | - | |
| 40 | Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) | - | |

| | | (a) Amount | (b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 41 | National specific regulatory adjustments which the Authority may specify | - | |
| 42 | Regulatory adjustments applied in calculation of AT1 Capital due to insufficient Tier 2 Capital to satisfy required deductions | - | |
| 43 | **Total regulatory adjustments to Additional Tier 1 capital** | - | |
| 44 | **Additional Tier 1 capital** (AT1) | - | |
| 45 | **Tier 1 capital** (T1 = CET1 +AT1) | 120 | |
| | **Tier 2 capital: instruments and provisions** | | |
| 46 | Tier 2 capital instruments and share premium (if applicable) | - | |
| 47 | *Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)* | - | |
| 48 | Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion | - | |
| 49 | *of which: instruments issued by subsidiaries subject to phase out* | - | |
| 50 | Provisions | 0 | C |
| 51 | Tier 2 capital before regulatory adjustments | 0 | |
| 52 | Investments in own Tier 2 instruments | - | |
| 53 | Reciprocal cross-holdings in Tier 2 capital instruments of financial institutions | - | |
| 54 | Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake | - | |
| 54a# | Investments in other TLAC liabilities of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake: amount previously designated for the 5% threshold but that no longer meets the conditions | - | |

| | | (a) Amount | (b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 55 | Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) | - | |
| 56 | National specific regulatory adjustments which the Authority may specify | - | |
| 57 | **Total regulatory adjustments to Tier 2 capital** | - | |
| 58 | **Tier 2 capital (T2)** | 0 | |
| 59 | **Total capital (TC = T1 + T2)** | 120 | |
| 60 | **Floor-adjusted total risk weighted assets** | 313 | |
| | **Capital ratios (as a percentage of floor-adjusted risk weighted assets)** | | |
| 61 | **Common Equity Tier 1 CAR** | 38.45% | |
| 62 | **Tier 1 CAR** | 38.45% | |
| 63 | **Total CAR** | 38.48% | |
| 64 | *Bank-specific buffer requirement* | | |
| 65 | of which: capital conservation buffer requirement | 2.500% | |
| 66 | of which: bank specific countercyclical buffer requirement | 0.00% | |
| 67 | of which: G-SIB and/or D-SIB buffer requirement (if applicable) | - | |
| 68 | Common Equity Tier 1 available after meeting the Reporting Bank's minimum capital requirements | 30.48% | |
| | **National minima** | | |
| 69 | *Minimum CET1 CAR* | 4.50% | |
| 70 | Minimum Tier 1 CAR | 6,00% | |
| 71 | Minimum Total CAR | 8,00% | |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | |
| 72 | Investments in ordinary shares, AT1 capital and Tier 2 capital of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake | - | |
| 73 | Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) | - | |
| 74 | Mortgage servicing rights (net of associated deferred tax liability) | - | |

| | | (a) Amount | (b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 75 | Deferred tax assets arising from temporary differences (net of associated deferred tax liability) | - | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | | |
| 76 | **Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)** | 0 | |
| 77 | **Cap on inclusion of provisions in Tier 2 under standardised approach** | 2 | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | - | |
| | ***Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)*** | | |
| 80 | *Current cap on CET1 instruments subject to phase out arrangements* | - | |
| 81 | *Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)* | - | |
| 82 | *Current cap on AT1 instruments subject to phase out arrangements* | - | |
| 83 | *Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)* | - | |
| 84 | *Current cap on T2 instruments subject to phase out arrangements* | - | |
| 85 | *Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)* | - | |

## 6.2 Reconciliation of Regulatory Capital to Balance Sheet

| S$m | (a) Balance sheet as per published financial statements | (b) Under regulatory scope of consolidation | (c) Reference to Composition of Regulatory Capital |
|---|---|---|---|
| | As at reporting period end | As at reporting period end | |
| **Assets** | 31-Dec-19 | 31-Dec-19 | |
| **Current Assets** | | | |
| Cash and cash equivalents | 558 | - | |
| of Which: Provisions eligible for inclusion in T2 Capital | 0 | - | |
| Trade and other receivables: | | | |
| Loans and advances to non-bank customers | 273 | - | |
| of Which: Provisions eligible for inclusion in T2 Capital | 0 | - | C |
| Due from related parties (trade) | 40 | - | |
| Refundable deposits | 1 | - | |
| Other receivables | 2 | - | |
| Derivative financial instruments | 8 | - | |
| Debt securities | 239 | - | |
| of Which: Provisions eligible for inclusion in T2 Capital | 0 | - | C |
| Other current assets | 1 | - | |
| **Non-Current Assets** | | | |
| Loans and advances to non-bank customers | 3 | - | |
| Property, plant and equipment | 11 | - | |
| Debt securities | 157 | - | |
| **Total assets** | 1 293 | - | |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables: | | | |
| Deposits of non-bank customers | 1022 | - | |
| Due to related parties (trade) | 115 | - | |
| Accruals for operating expenses | 16 | - | |
| Current income tax liabilities | 1 | - | |
| Derivative financial instruments | 9 | - | |

| | (a) Balance sheet as per published financial statements | (b) Under regulatory scope of consolidation | (c) Reference to Composition of Regulatory Capital |
|---|---|---|---|
| | As at reporting period end | As at reporting period end | |
| | 31-Dec-19 | 31-Dec-19 | |
| Other Liabilities | 5 | - | |
| Non-Current Liabilities | | - | |
| Due to related parties (trade) | - | | |
| Other Liabilities | 5 | - | |
| Deferred income tax liabilities | 0 | - | |
| Total liabilities | 1 173 | - | |
| **Shareholders' Equity** | | | |
| Paid-in share capital | 118 | - | A |
| of which: amount eligible for CET1 | 118 | - | |
| Retained earnings | 2 | - | B |
| **Total shareholders' equity** | 120 | - | |

## 6.3 Main Features of Regulatory Capital Instruments

| | | |
|---|---|---|
| 1 | Issuer | Bank Pictet & Cie (Asia) Ltd |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Governing law(s) of the instrument | Singapore |
| 4 | Transitional Basel III rules | Common Equity Tier 1 (CET1) |
| 5 | Post-transitional Basel III rules | Common Equity Tier 1 (CET1) |
| 6 | Eligible at solo/group/group&solo | Solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary shares |
| 8 | Amount recognised in regulatory capital (Currency in millions, as of most recent reporting date) | CHF 85 million |
| 9 | Par value of instrument | N/A |
| 10 | Accounting classification | Equity |
| 11 | Original date of issuance | CHF 40,000,000 issued on 20 November 1991<br>CHF 37,000,000 issued on 15 December 2017<br>CHF 8,000,000 issued on 18 January 2019 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | N/A |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates, if applicable | NA |
| 17 | Coupons / dividends | |
| | Fixed or floating dividend/coupon | Discretionary dividend amount |
| 18 | Coupon rate and any related index | N/A |
| 19 | Existence of a dividend stopper | N/A |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | N/A |
| 22 | Noncumulative or cumulative | Noncumulative |
| 23 | Convertible or Non-convertible | non-convertible |
| 24 | If convertible, conversion trigger (s) | N/A |
| 25 | If convertible, fully or partially | N/A |

| | | |
|---|---|---|
| 26 | If convertible, conversion rate | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A |
| 30 | Write-down feature | N/A |
| 31 | If write-down, write-down trigger(s) | N/A |
| 32 | If write-down, full or partial | N/A |
| 33 | If write-down, permanent or temporary | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned) | The ordinary shares shall on the return of capital in a winding-up, entitle the holders thereof rights of participation in any surplus profits or assets of the banks after all senior obligations have been satisfied. |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |

## 7.1 Leverage Ratio Summary Comparison Table

| S$m | | As at reporting period end 31 Dec 19 |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 1 293 |
| 2 | Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation | - |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of the exposure measure | - |
| 4 | Adjustment for derivative transactions | 12 |
| 5 | Adjustment for SFTs | - |
| 6 | Adjustment for off-balance sheet items | 60 |
| 7 | Other Adjustment | - |
| 8 | Exposure measure | 1 365 |

## 7.2 Leverage Ratio Common Disclosure Template

| | | (a) | (b) |
|---|---|---|---|
| | | As at reporting period end | |
| S$m | | 31-Dec-19 | 31-Jun-19 |
| | **Exposure measures of on-balance sheet items** | | |
| 1 | On-balance sheet items (excluding derivative transactions and SFTs, but including on- balance sheet collateral for derivative transactions or SFTs) | 1 285 | 921 |
| 2 | Asset amounts deducted in determining Tier 1 capital | - | - |
| 3 | Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs) | 1 285 | 921 |
| | **Derivative exposure measures** | | |
| 4 | Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins) | 8 | 11 |
| 5 | Potential future exposure associated with all derivative transactions | 12 | 16 |
| 6 | Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards | - | - |
| 7 | Deductions of receivables for the cash portion of variation margins provided in derivative transactions | - | - |
| 8 | CCP leg of trade exposures excluded | - | - |
| 9 | Adjusted effective notional amount of written credit derivatives | - | - |
| 10 | Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives | - | - |
| 11 | **Total derivative exposure measures** | 20 | 27 |
| | **SFT exposure measures** | | |
| 12 | Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting | - | - |
| 13 | Eligible netting of cash payables and cash receivables | - | - |
| 14 | **SFT counterparty exposures** | - | - |
| 15 | SFT exposure measures where a Reporting Bank acts as an agent in the SFTs | - | - |
| 16 | **Total SFT exposure measures** | - | - |
| | **Exposure measures of off-balance sheet items** | | |
| 17 | Off-balance sheet items at notional amount | 600 | 558 |
| 18 | Adjustments for calculation of exposure measures of off-balance sheet items | -540 | -502 |
| 19 | **Total exposure measures of off-balance sheet items** | 60 | 56 |
| | **Capital and Total exposures** | | |
| 20 | Tier 1 capital | 120 | 114 |
| 21 | Total exposures | 1 365 | 1 004 |
| | **Leverage ratio** | | |
| 22 | Leverage ratio | 8.80% | 11.36% |

## 8. Geographical Distribution of Credit Exposures Used in the Countercyclical Capital Buffer

| S$m | As at reporting period end 31 Dec 19 | | | |
|---|---|---|---|---|
| | (a) | (b) | (c) | (d) |
| Geographical breakdown | Country-specific countercyclical buffer requirement | RWA for private sector credit exposures used in the computation of the countercyclical buffer | Bank-specific countercyclical buffer requirement | Countercyclical buffer amount |
| Hong Kong | 2.00% | 0 | - | - |
| Japan | 0.00% | 0 | - | - |
| Singapore | 0.00% | 28 | - | - |
| Spain | 0.00% | 0 | - | - |
| **Switzerland** | 0.00% | 0 | - | - |
| United Kingdom | 0.00% | 0 | - | - |
| All Others | - | 30 | - | - |
| Total | - | 58 | 0.00% | 0 |

## 9. Differences between Accounting and Regulatory scopes of Consolidation and mapping of Financial Statements categories with Regulatory Risk categories

| S$m | As at reporting period end 31 Dec 19 | | | | | |
|---|---|---|---|---|---|---|
| | (a) + (b) | (c) | (d) | (e) | (f) | (g) |
| | Carrying amounts in balance sheet of published financial statements and under regulatory scope of consolidation | subject to credit risk requirements | subject to CCR requirements | subject to securitisation framework | subject to market risk requirements | not subject to capital requirements or subject to deduction from regulatory capital |
| Cash and cash equivalents | 558 | 558 | - | - | 479 | - |
| Loans and advances to non-bank customers | 276 | 276 | - | - | 263 | - |
| Due from related parties (trade) | 40 | 40 | - | - | 27 | - |
| Refundable deposits | 1 | 1 | - | - | 1 | - |
| **Other receivables** | 2 | 2 | - | - | 2 | - |
| Derivative financial instruments | 8 | - | 8 | - | 8 | - |
| Debt securities | 396 | 396 | - | - | 396 | - |
| Property, plant and equipment | 11 | 11 | - | - | 8 | - |
| Other assets | 1 | 1 | - | - | 1 | - |
| **Total assets** | 1 293 | 1 285 | 8 | - | 1 185 | - |
| **Liabilities** | | | | | | |
| **Deposits of non-bank customers** | 1 022 | - | - | - | 979 | 43 |
| Due to related parties (trade) | 115 | - | - | - | 99 | 16 |
| Accruals for operating expenses | 16 | - | - | - | 16 | - |
| Current income tax liabilities | 1 | - | - | - | 1 | - |
| Derivative financial instruments | 9 | - | 9 | - | 9 | - |
| Other liabilities | 10 | - | - | - | 9 | 1 |
| Deferred tax liabilities | 0 | - | - | - | - | - |
| **Total liabilities** | 1 173 | - | 9 | - | 1 113 | 60 |

## 10. Main Sources of Differences between Regulatory Exposure Amounts and Carrying Amounts in Financial Statements

| S$m | | As at reporting period end 31 Dec 19 | | |
|---|---|---|---|---|
| | | (a) | (b) | (c) |
| | | | Items subject to - | |
| | | Total | credit risk requirements | CCR requirements |
| 1 | Asset carrying amount under regulatory scope of consolidation (as per Table 9) | 1 293 | 1 285 | 8 |
| 2 | Liabilities carrying amount under regulatory scope of consolidation (as per Table 9) | 9 | - | 9 |
| 3 | Total net amount under regulatory scope of consolidation (row 3 = row 1 - row 2) | 1 284 | 1 285 | (1) |
| 4 | Differences due to potential future exposure for derivatives | - | - | 12 |
| 5 | Differences due to consideration of provisions | - | - | - |
| 6 | Differences arising from recognition of credit risk mitigation | - | (243) | (8) |
| 7 | **Exposure amounts considered for regulatory purposes (row 7 Col (a) = row 7 col (b) + row 7 col (c)** | 1 045 | 1 042 | 3 |

4. Derivative regulatory exposures also include potential future exposures
5. Differences due to consideration of provisions as the carrying value of assets in the financial statements are net of general provisions
6. Differences due to recognition of the effects of collateral as credit risk mitigation

## 11. Qualitative Disclosures of Differences between Carrying Amounts in Financial Statements and Regulatory Exposure Amounts

The scope for the purpose of calculating the capital adequacy requirements is the same as the scope used to draw up the annual financial statements as presented in our 2019 Annual Financial Statements.

### Securities set-up and pricing

The Group maintains its own securities database containing trading, financial and administrative information on each security held or traded by custody clients. Financial data cover information about companies, securities, asset classes, pricing, financial instruments, income and corporate actions.

The principal data providers are Bloomberg, Telekurs, Reuters, FT Interactive Data, Telerate, as well as sub-custodians, depositories and fund administrators. The greatest majority of securities have their information updated automatically through electronic feeds, with the remainder being updated manually. For some types of financial instruments, prices are calculated automatically by the securities database.

All static data are subjected to multiple controls for plausibility, completeness and coherence between multiple sources before their confirmation and automatic application into the banking system. All prices are subjected to multiple controls for plausibility, abnormal variation or missing updates before their confirmation and automatic application into the banking system.

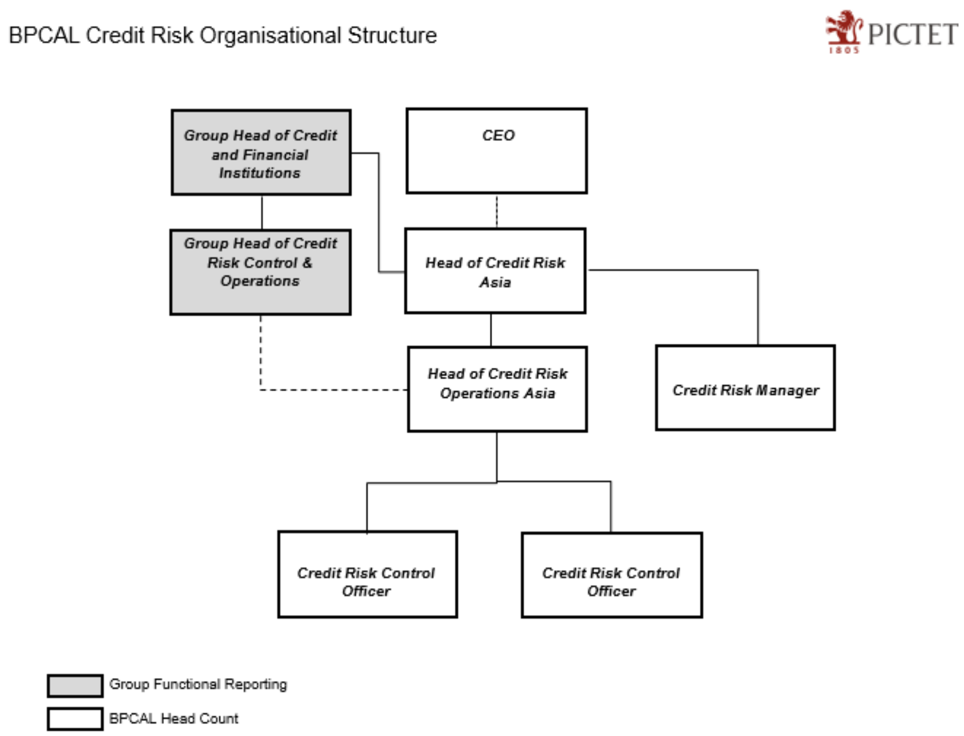
The bank marks-to-market all positions using prices from appropriate sources, as articulated above. FX products are marked automatically using independent yield curves. All instruments of the bank are listed and traded with observable input values.

## 12.1 General Qualitative Disclosures on Credit Risk

Considering the nature of the Pictet Group's business, risks cannot be entirely eliminated. Risks associated with the Group's business activities are accepted, in compliance with legal or internal regulations, provided they do not exceed the Group's risk appetite (including in so-called 'stress' situations) and can be monitored and controlled by processes in line with the Group's general risk policy.
Any new business activity, product or major change within an area of business is subject beforehand to a risk analysis. The Pictet Group's Management is required to give its formal approval.
The appetite for market, credit, interest-rate and liquidity risks at the Group level is translated into quantified limits, and the appetite for other categories of risk, such as operational and business risks, is translated into qualitative as well as quantified limits. These limits on risk are sub-divided into sub-limits where deemed necessary. These limits are regularly reviewed by the Pictet Group's Management.

Credit risk policy is set globally and adherence is ensured at the local level, with relevant procedures. These procedures are approved at the global level.

Structure and organization of the credit risk management control function.



Our risk governance framework operates along three lines of defense. Our first line of defense lies with business risk. Business risk management has appropriate supervisory controls and review processes in place designed to identify control weaknesses and inadequate processes. Our second line of defense is formed by the control functions, which are independent from the business and report directly to the CEO. Control functions provide independent oversight of risks, including setting risk limits and protecting against non-compliance with applicable laws and regulations. Credit Risk reside under this second line of defence. Our third line of defense, Internal Audit (IA), reports to the Audit Committee of the Board of Directors and evaluates the overall effectiveness of governance, risk management and the control environment, including the assessment of how the first and second lines of defense meet their objectives.

Credit risk function reports to senior management of the Bank. The areas covered include overall exposures , any credit violations , documentation pending and outstanding credit reviews, if any. This reporting also include any specific provisions made in respect of the portfolio.

## 12.2 Credit Quality of Assets

| | | | | | | | | As at reporting period end 31 Dec 19 |
|---|---|---|---|---|---|---|---|---|
| | S$m | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| | | Gross carrying amount of | | | of which: allowances for standardised approach exposures | | | |
| | | Defaulted exposures | Non-defaulted exposures | Allowances and impairments | of which: specific allowances | of which: general allowances | of which: allowances for IRBA exposures | Net values (a + b - c) |
| 1 | Loans | - | 317 | 0 | - | 0 | - | 317 |
| 2 | Debt securities | - | 396 | 0 | - | 0 | - | 396 |
| 3 | Off-balance sheet exposures | - | 3 | - | - | - | - | 3 |
| 4 | Total | - | 716 | 0 | - | 0 | - | 716 |

Defaulted loans/receivables, i.e. those receivables for which the debtor appears unlikely to be in a position to honour future liabilities, are valued on an item-by-item basis. Off-balance-sheet transactions, such as firm commitments, guarantees and derivatives, are also included in this valuation. Any value impairment charge is covered by individual value adjustments to reflect the disparity between the book value of the receivable and the amount expected to be received as reimbursement.

A loan/receivable is deemed to be in default when tell-tale signs make future contractual payments due in the form of capital and/or interest unlikely or, at the latest, when any such payments are in arrears for over 90 days.

## 12.3 Changes in Stock of Defaulted Loans and Debt Securities

| S$m | | As at reporting period end 31 Dec 19<br>(a) |
|---|---|---|
| 1 | Defaulted loans and debt securities at end of the previous semi-annual reporting period | - |
| 2 | Loans and debt securities that have defaulted since the previous semi-annual reporting period | - |
| 3 | Returned to non-defaulted status | - |
| 4 | Amounts written-off | - |
| 5 | Other changes | - |
| 6 | Defaulted loans and debt securities at end of the semi-annual reporting period (1+2-3-4+/-5) | - |

There were no default loans and debt securties in 2019

## 12.4 Additional Disclosures related to the Credit Quality of Assets

The Bank classifies credit facilities are classified as "Performing assets" or "Non-performing assets" (NPA), in accordance with the MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612). This is the same basis that is adopted for the bank's financial statements.

Credit exposures are categorised into one of the five following categories, according to the bank's assessment of a borrower's ability to repay a credit facility and/or the repayment behaviour of the borrower.

| | **Credit Classification Criteria** | **MAS Loan Grading** |
|---|---|---|
| Performing Loans | • Timely repayment/servicing of the credit facility<br>• No potential weakness noted in Borrower's repayment capability, business, cash flow or financial position | Pass |
| | • Potential weaknesses noted in the Borrower's repayment capability, business, cash flow or financial position. Some of the characteristics exhibited by the loans could include, but not limited to:-<br>o slowdown in business or adverse trend in the borrower's operations that signals a potential weakness in the financial strength of the borrower but which has not reached a point where servicing of the loan is jeopardised;<br>o volatility in economic or market conditions which may in the future affect the borrower negatively;<br>o borrower is the subject of litigation which may have a significant impact on his financial position; and<br>o borrower having difficulty in servicing other loans.<br>• Collateral shortfall (>60 – <90 days) | Special Mention |
| Non-Performing Loans | • Collateral shortfall (=>90 – <120 days)<br>• Restructured credit facility where concessions have been made to the borrower such as to render the loan non-commercial to the bank | Substandard |
| | • Collateral shortfall (=>120 – <180 days)<br>• Loans where collection in full is improbable and the bank expects to sustain a loss of principal and/or interest after taking account of the net realisable value of the collateral. Some of the characteristics exhibited by the loans could include, but not limited to:-<br>o Death, bankruptcy or liquidation of the borrower; and<br>o Borrower uncontactable | Doubtful |
| | • Collateral shortfall (=>180 days)<br>• Loans which are considered uncollectible after exhausting all collection efforts such as realisation of collateral, institution of legal proceedings, etc. | Loss |

IFRS 9 introduction:

The impairment requirements in FRS 109 are based on an expected credit loss model. This model applies to debt instruments recorded at Amortised Cost or at Fair Value through Other Comprehensive Income, such as loans, debt securities and trade receivables, lease receivables.
The guiding principle of the Expected Credit Loss (ECL: the probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.
Therefore, the measurement of the ECL reflects a probability-weighted outcome, the time value of money and the best available Forward-Looking information.

The amount of ECLs recognized as a loss allowance depends on the extent of credit deterioration since initial recognition. Thus, the Bank is now required to recognize an allowance for either 12-month (Stage 1) or lifetime Expected Credit Losses (Stages 2 and 3), depending on whether there has been a significant increase in credit risk since initial recognition.
As mentioned above, at each reporting date, the Bank recognizes the Expected Credit Losses and measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition.

There are no impaired exposures, specific allowances or write offs during 2019.

There are no past due exposures or restructured exposures during 2019.

## 12.5 Qualitative Disclosures related to Credit Risk Mitigation (CRM) Techniques

The bank has implemented credit risk mitigation techniques, consisting of netting agreement with our primary group related counterparty- Bank Pictet & Cie SA Geneva and other CRM techniques for client positions, which are normally fully collateralized.

### Collateral Evaluation and management

In accordance with its client loan policy, the Bank issues essentially Lombard loans secured by diversified financial assets. The criteria used to determine collateral values are laid down in the internal directive on "Credit to Clients". Only assets with sufficient market capitalisation and liquidity, and that the Bank has sufficient visibility over, are considered for collateral; assets that are highly concentrated in the pledged portfolio must meet stricter criteria.
These different criteria have been integrated in the Bank's systems so that the haircuts are adjusted if there are changes in the characteristics of the instruments pledged as collateral (if the credit rating of a bond issuer is down-graded for example). This includes adjustments to the concentration of assets in a portfolio. Additionally, the internal directive also specifies parameters under which a concentrated portfolio would be considered.

The commitment limits are determined to ensure a sufficient level of collateral after a detailed analysis of the assets pledged as collateral. These commitment limits are reviewed at least once per year. Breaches in commitment limits and/or collateral deficiencies are automatically detected daily and corrective measures are taken to rectify them as soon as possible. Credit Risk Operations reports all cases of unresolved breaches weekly to the Group Head of Credit and Financial Institutions and to the local Credit Committee.

Any exception to the directive on credit facilities to clients must be approved by the Group Credit Committee or the Board of Partners. Documentation must be held to enable the Bank to realise the assets without the cooperation of the asset owner.

## 12.6 Overview of CRM Techniques

| | As at reporting period end 31 Dec 19 | | | | |
|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) |
| **S$m** | Exposures unsecured | Exposures secured | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
| 1 Loans | 40 | 240 | 240 | - | - |
| 2 Debt securities | 396 | - | - | - | - |
| 3 **Total** | 436 | 240 | 240 | - | - |
| 4 Of which: defaulted | - | - | - | - | - |

Financial guarantees provided to private banking clients for external bank credit cards excluded as RWA impact is negligible. No exposures secured by credit derivatives.

## 12.7 Qualitative Disclosures on the use of external credit ratings under the SA(CR)

Credit Risk: Qualitative Disclosures of the Bank's use of external credit ratings under the standardised approach

The Pictet Group uses the ratings issued by Standard & Poor's, Fitch Ratings and Moody's only for the positions held for its own account as well as government or central bank counterparties. The Group takes into consideration the two lowest risk ratings and uses the higher one of the two.

The Group uses the ratings issued by Standard & Poor's and Moody's to determine the haircuts on the securities used in mitigating the client credit risk (balance-sheet and off-balance sheet). The lowest of the two ratings is used.

## 12.8 SA(CR) and SA(EQ) - Credit Risk Exposure and CRM Effects

| S$m | | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|---|
| | | Exposures before CCF and CRM | | Exposures post-CCF and post- CRM | | RWA and RWA density | |
| | Asset classes and others | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Cash items | - | - | 0 | - | - | 0% |
| 2 | Central government and central bank | 400 | - | 400 | - | - | 0% |
| 3 | PSE | - | - | - | - | - | 0% |
| 4 | MDB | - | - | - | - | - | 0% |
| 5 | Bank | 589 | - | 589 | - | 118 | 20% |
| 6 | Corporate | 125 | 1 | 12 | 0 | 12 | 100% |
| 7 | Regulatory retail | 0 | 0 | 0 | - | 0 | 0% |
| 8 | Residential mortgage | - | - | - | - | - | 0% |
| 9 | CRE | - | - | - | - | - | 0% |
| 10 | Equity - SA(EQ) | - | - | - | - | - | 0% |
| 11 | Past due exposures | - | - | - | - | - | 0% |
| 12 | Higher-risk categories | - | - | - | - | - | 0% |
| 13 | Other exposures | 171 | 2 | 44 | 0 | 44 | 100% |
| 14 | Total | 1 285 | 3 | 1 045 | 0 | 174 | 17% |

The Bank deploys CE (current exposure)method in calculation of credit risk exposure and CRM effects.

The Bank does not have exposures to PSE, MDB, Residential Mortgage, CRE, Equity-SA(EQ), past due exposures or higher-risk categories as at 31 December 2019.

## 12.9 SA(CR) and SA(EQ) - Exposures by Asset Classes and Risk Weights

| S$m | | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Asset classes and others / Risk Weight | | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total credit exposure amount (post-CCF and post-CRM) |
| 1 | Cash items | 0 | - | - | - | - | - | - | - | - | 0 |
| 2 | Central government and central bank | 400 | - | - | - | - | - | - | - | - | 400 |
| 5 | Bank | - | - | 589 | - | - | - | - | - | - | 589 |
| 6 | Corporate | - | - | - | - | - | - | 12 | - | - | 12 |
| 7 | Regulatory retail | - | - | - | - | - | 0 | - | - | - | 0 |
| 13 | Other exposures | - | - | - | - | - | - | 44 | - | - | 44 |
| 14 | Total | 400 | - | 589 | - | - | 0 | 56 | - | - | 1 045 |

The Bank deploys CE (current exposure)method in calculation of credit risk exposure and CRM effects.

The Bank does not have exposures to PSE, MDB, Residential Mortgage, CRE, Equity-SA(EQ), past due exposures or higher-risk categories as at 31 December 2019.

# 13. Counterparty Credit Risk ("CCR")

## 13.1 Qualitative Disclosures related to CCR

The Bank Pictet & Cie (Asia) Ltd's main activity is the management of financial assets for third parties, mainly for private clients through its wealth management business line. In carrying out this activity, and also in direct connection with it, the Bank offers a number of services to its clients, including the granting of loans, which incurs credit risk.

Credit risk arises out of the possibility of a counterparty defaulting on their financial obligations to the Pictet Group. It covers settlement risks and risk factors associated with a particular country. All forms of credit obligations involving non-banking clients, banks or organised markets constitute a credit risk. Credit risk management is monitored by the Group Head of Credit and Financial Institutions.

– Clients

Granting credit to clients comes second to the management or custody of assets on behalf of third parties, which constitute the Pictet Group's core business. Credit facilities granted are primarily Lombard loans, i.e. credit that is secured by the collateral pledged by the borrower. Loans are granted according to principles and rules defined centrally at Group level in the "Pictet Group Policy for Managing Client Credit Risk" which explains:

- why the Pictet Group agrees to take on these credit risks as part of its main activity of wealth management;
- how these risks are identified, assessed, validated, managed and controlled;
- which means are used to achieve this while fully adhering to the framework provisions of the "General Risk Policy".

Risks are limited by stringent criteria in terms of the quality, liquidity, valuation and diversification of assets pledged as collateral, as well as by the application of conservative loan-to-value ratios, differentiated by asset class.
All liabilities stemming from credit granted are reviewed in a quarterly report submitted to the Pictet Group's management bodies. Such reports may be compiled more frequently in the event of high market volatility or in the case of credit obligations calling for special monitoring.

– Banking counterparties

The Pictet Group selects top-tier correspondent banks and banking counterparties. In addition to diversification cri-teria, risks are reduced by resorting to legal or contractual compensation, guarantees, credit derivatives or hedging taking the form of different financial assets. Settlement risk is limited through recourse to centralised settlement systems of the Continuous Linked Settlement (CLS) type.
Banking counterparties selected by the Treasury Committee are approved on a quarterly basis by the Pictet Group's Management. All limits are set according to a formal process under the Group Head of Credit and Financial Institutions' responsibility. Limits on trading and settlement, bank deposits, fiduciary deposits and clearing limits are set on an individual basis for each counterparty.

Management and monitoring of banking counterparty risk are the responsibility of the Treasury Committee, which draws on the support of the following bodies and persons:

– the Banking Risk Committee (BRC), comprising Pictet Group financial analysts specialised in banks, gives an impartial assessment to the Treasury Committee;
– the Counterparty Risk Committee (CRC) examines re-quests for changes to existing limits or for new limits for banking counterparties;
– the Group Head of Credit and Financial Institutions permanently monitors and controls the quality of banking counterparties;
– the Credit Risk Control & Operations team checks compliance with limits for each banking counterparty.

A quarterly report on the status of contracted obligations is compiled and presented to the Pictet Group's Management.

Wrong Way risk is controlled as part of the overall credit review, in terms of any concentrated portfolio. The Bank is guided by our internal Credit Policy which defines parameters, for lending under any concentrated portfolios.

CCR is the risk that a transaction could default before the final settlement of the transaction.

CCR arisies mainly from Derivatives transaction entered into and on behalf of clients, the way the bank manages CCR is to require the client to fully collateralise the outstanding positions.

## 13.2 Analysis of CCR Exposure by Approach

| S$m | (a) Replacement cost | (b) Potential future exposure | (c) Effective EPE | (d) α used for computing regulatory EAD | (e) EAD (post-CRM) | (f) RWA |
|---|---|---|---|---|---|---|
| 1 Current Exposure Method (for derivatives) | 8 | 12 | | | 14 | 4 |
| 2 CCR internal models method (for derivatives and SFTs) | - | - | - | - | - | - |
| 3 FC(SA) (for SFTs) | - | - | - | - | - | - |
| 4 FC(CA) (for SFTs) | - | - | - | - | - | - |
| 5 VaR for SFTs | - | - | - | - | - | - |
| 6 **Total** | - | - | - | - | - | 4 |

## 13.3 CVA Risk Capital Requirements

| S$m | | (a)<br>EAD<br>(post- CRM) | (b)<br>RWA |
|---|---|---|---|
| | **Total portfolios subject to the Advanced CVA capital requirement** | **-** | **-** |
| 1 | (i) VaR component (including the three-times multiplier) | - | - |
| 2 | (ii) Stressed VaR component (including the three-times multiplier) | - | - |
| 3 | All portfolios subject to the Standardised CVA capital requirement | 14 | 1 |
| 4 | Total portfolios subject to the CVA risk capital requirement | 14 | 1 |

## 13.4 Standardised Approach - CCR Exposures by Portfolio and Risk Weights

| S$m<br>Risk Weight / Asset classes | (a)<br>0% | (b)<br>10% | (c)<br>20% | (d)<br>50% | (e)<br>75% | (f)<br>100% | (g)<br>150% | (h)<br>Others | (i)<br>Total credit exposure |
|---|---|---|---|---|---|---|---|---|---|
| Central government and central bank | - | - | - | - | - | - | - | - | - |
| PSE | - | - | - | - | - | - | - | - | - |
| MDB | - | - | - | - | - | - | - | - | - |
| Bank | - | - | 12 | - | - | - | - | - | 12 |
| Corporate | - | - | - | - | - | 2 | - | - | 2 |
| Regulatory retail | - | - | - | - | 0 | - | - | - | 0 |
| Other exposures | - | - | - | - | - | 0 | - | - | 0 |
| **Total** | - | - | 12 | - | 0 | 2 | - | - | 14 |

## 13.5 Composition of Collateral for CCR Exposure

| | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|
| | Collateral used in derivative transactions | | | | Collateral used in SFTs | |
| | Fair Value of Collateral received | | Fair Value of Collateral posted | | Fair value of collateral received | Fair value of collateral posted |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| **S$m** | | | | | | |
| Cash | 5 | - | - | - | - | - |
| Corporate bonds | 0 | - | - | - | - | - |
| Equity securities | 1 | - | - | - | - | - |
| Funds | 1 | - | - | - | - | - |
| Commodities | 0 | - | - | - | - | - |
| **Other collateral** | 0 | - | - | - | - | - |
| **Total** | 7 | - | - | - | - | - |

# Market Risk

## 17.1 Qualitative Disclosures related to Market Risk

Market risk lies in the Pictet Group's exposure to any adverse movements in market conditions. The main risk factors relate to interest rates, prices of equity-type securities, exchange rates and prices of precious metals.

As a matter of policy, the Bank does not engage in proprietary trading activities.

As far as the banking book is concerned, it is managed via structural balance sheet management. The purpose of managing the balance sheet, generally referred to as Asset & Liability Management (ALM), is to estimate and achieve a balance between liabilities (inflows) and assets (outflows) in light of the Bank's appetite for risk, subject to the constraints of achieving a desired level of profitability and adherence to regulatory framework. The Financial Risk Committee analyses liquidity risk and interest-rate risk and ensures that ratios imposed by regulators are complied with. The Finance Department is responsible for organising the 1st level market risk controls stemming from treasury management activities. The 2nd level controls (independent) are performed by the Risk Department.

The purpose of the The Bank is to maintain limited net open exposures for currency and interest rate risks. This policy is reflected in corresponding risk limits.

The Treasury Department is responsible for implementing the defined strategy at the operational level, which to a limited extent may include the use of derivatives transactions for the purpose of hedging or managing.

## 17.2 Market Risk under Standardised Approach

| S$m | | As at reporting period end 31 Dec 19<br>(a)<br>RWA |
|---|---|---|
| | **Products excluding options** | |
| 1 | Interest rate risk (general and specific) | - |
| 2 | Equity risk (general and specific) | - |
| 3 | Foreign exchange risk | 6 |
| 4 | Commodity risk | 5 |
| | **Options** | |
| 5 | Simplified approach | - |
| 6 | Delta-plus method | - |
| 7 | Scenario approach | - |
| 8 | **Securitisation** | - |
| 9 | Total | 11 |

## 18. Operational Risk

Operational risk is defined as the risk of a loss resulting from the inadequacy or failure of internal processes, people or systems, or from external events. Operational risk also covers legal and compliance risks.

The Pictet Group Operational Risk Policy sets out the organisational framework and the fundamental principles of operational risk management.

A process of identifying and assessing operational risks throughout the Pictet Group is performed on a regular basis. If deemed necessary, action plans are instigated to reduce risks that exceed limits set according to the risk appetite.

Key risk indicators (KRIs) are defined and regularly analysed. These KRIs measure the level of risk resulting from business activities, systems, processes, etc.

All operational risk incidents resulting in financial losses are logged and reviewed to ensure that mitigation plans are implemented to avoid recurrence.

The Pictet Group has instituted robust corporate governance geared towards anticipating risks. This involves active exchanges of information with business lines and regular efforts to emphasise to staff their responsibilities and heighted their awareness about the direct and indirect impact that the Pictet Goup's activities might have on its reputation as well as on that of its clients and its staff.

The Bank Governance Committee oversees the management of operational risks of the entity.

The Bank's Operational Risk Pillar 1 capital requirements are computed based on the Basic Indicator Approach (BIA).

## 19. Interest rate risk in the banking book

The Bank's management of IRRBB is governed by the BPCAL Asset & Liability Management (ALM) Policy. It defines the principles, priorities, and means of control and monitoring for managing interest rate and liquidity risks.

The Group Treasury is responsible for the identification, measurement, management, monitoring and reporting of the non-trading positions on and off the balance sheet that are influenced by changes in interest rates. The Group Treasury also conducts stress testing for the Bank's IRRBB exposures.

The Financial Risks Committee meets on a quarterly basis and is responsible for all issues relating to liquidity and balance sheet management of the Bank, in agreement with the decisions, guidelines and directives issued by the Group Treasury Committee. The committee is primarily responsible for deciding on the changes to the balance sheet and the corresponding corrective actions and reviews the stress testing results conducted by the Group Treasury.

**Change in Economic Value of Equity (in accordance with paragraph 5.49 of Annex 10A)**

| **S$m** | **Material Currencies** (Currencies that account for more than 5% of banking book assets or liabilities | | | | **Aggregate (across all material currencies)** |
|---|---|---|---|---|---|
| Interest rate shock scenario | SGD | CHF | EUR | USD | |
| Parallel up | (1.49) | 0.11 | (2.62) | 0.30 | (3.69) |
| Parallel down | 1.54 | (0.10) | 3.29 | (0.29) | 4.44 |
| Steepener | 0.31 | (0.02) | (1.43) | (0.35) | (1.49) |
| Flattener | (0.61) | 0.6 | 1.13 | 0.41 | 0.99 |
| Short rate up | (1.09) | 0.11 | 0.31 | 0.49 | (0.18) |
| Short rate down | 1.12 | (0.09) | (0.02) | (0.39) | 0.62 |
| Maximum impact | | | | | (3,69) |

## 20. Remuneration Policy

The aim of the Pictet Group's remuneration policy is to define an approach and practices that are effective, sound and responsible and that serve to align the interests of the Pictet Group ("the Group"), its employees, clients and capital owners over the long term, while preventing conflicts of interests and not encouraging excessive risk-taking. It also supports the Group's strategy, objectives, guiding principles and long term interests, by focusing on the following main principles:

– the desire and ability to attract, retain and motivate the most talented employees;
– performance, thereby ensuring that the achievement of induvial and collective objectives is rewarded;
– the sharing of wealth creation at Group level, in order to align individual and collective objectives; and
– compliance with the legal and regulatory provisions specific to each jurisdiction.

To achieve this, the policy seeks to value and reward each employee through a fair, equitable and merit-based remuneration system, which is both objective and competitive in relation to the market.

Key features of Pictet's remuneration framework include:

– Assessment of performance with reference to clear and relevant objectives set within a performance scorecard framework;
– A focus on total compensation (fixed plus variable pay with variable pay differentiated by performance and adherence to Pictet values;
– The use of discretion to assess the extent to which performance has been achieved

The Group's remuneration policy is reviewed by the Board of Partners in conjunction with Human Resources with the aim of motivating and rewarding employee and team performance.

In determining who is considered as material risk-taker and as senior manager, the following qualitative criteria are used where if the employee:

1) is a member of the executive management
2) is a member of the management in his/her capacity as head of a risk, compliance, audit or compliance function
3) is a member of the general management (CEO, Deputy CEO, COO, CFO, CIO, Title = Managing Director)

4) is head of a risk, compliance or audit function who reports directly to the executive management
5) has global responsibility for risk management within a large operational unit
6) leads a large operation unit (function = COO)
7) is a manager in the areas of risk, audit or compliance, reporting directly to someone in category 4 or 5 (function = Risk Manager, Senior Compliance Manager)
8) is a manager in a large operational unit reporting directly to the head of that unit (Head of Operations, Head of Client Register, Head of IT & Logistics)
9) is head of legal, finance, tax, human resources, IT or economic analysis
10) is responsible for or member of a committee responsible for any type of risk other than credit or market risk
11) has decisional power concerning credit transactions
12) has decisional power concerning proprietary transactions
13) manages employees who have individual power to engage the company in significant transactions
14) has decisional power concerning the introduction of new products (members of the Product Committee)
15) manages anyone meeting any of the criteria above

The Group's remuneration strategy is based on a total reward concept that all or part of the elements listed below, a subset of which form a total remuneration package, the components of which are reviewed annually during the year-end process by the Board of Partners with Human Resources.

Total reward elements comprise the following:

a) fixed salary

b) performance-linked bonus

Used to motivate and reward both employee and team performance. This approach makes it possible to link individual remuneration to financial and non-financial performance objectives defined at Group level and within every division, as well as to the results obtained during the year in question. When the function and conditions allow it, or when the achievement of objectives is sufficiently measurable, line managers can determine the level of the bonus in advance, at the same time as they fix the individual performance objectives for the year. This is known as the "target bonus", and is paid when all of the said objectives set by the line managers are achieved. For other types of performance-linked bonus, the amount is determined by the employer, on a discretionary basis but in the most objective way possible, taking account of the employee's performance appraisal.

c) 'parts' system benefit
"Pictet's 'parts' system is based on a partnership philosophy that enables the majority of employees to have a share in the Group's profits while at the same time helping to align their interests with those of the Group and its owners. Admission to the 'parts' system is generally based on the employee's function. Once an employee has been admitted to the incentive plan, a fixed number of 'parts' is attributed. This number may increase or decrease as part of the annual appraisal process, if the nature or scope of the responsibilities attached to the employee's function changes. It should be noted, however, that the number of "parts' is not automatically reviewed each year. The value of a 'part' varies not only according to the Group's financial results, but also as a result of the dilution or concentration induced by changes in the number of 'parts' awarded. The value of the 'part' is determined exclusively by the Board of Partners of Pictet & Cie Group SCA, and at their sole discretion at the end of each annual cycle. This value is dependent in particular on the Group's financial results. As such, the value of the 'part' is subject to fluctuations that may be of significant magnitude. It is not subject to any guarantee, particularly in terms of minimum value, which means that its value may potentially be zero.

The remuneration decision for all employees (including Risk and Compliance employees) is made based on individual function and independently of the businesses they oversee. In consideration on how an employee is to be remunerated, the Group references internal and external benchmarks, public data and industry market intel, and performance appraisal.

Within this framework, risk alignment of our remuneration structure is achieved through the following:-

– Our incentive remuneration is designed to encourage employee behavior that is focused on long-term performance and to ensure compliance with the regulatory and legal framework. By judiciously combing the fixed salary, variable portion, the profit-sharing scheme in the form of 'parts', our remuneration policy aims to prevent excessive risk-taking that seeks to increase short-term financial profits and that could undermine the Group's financial strength.

– Moreover, objectives are structured and set in such a way as to be ambitious and motivating but also sufficiently realistic and attainable that the employee is not provoked into adopting reprehensible or even criminal behavior to achieve these objectives. As such, the quantitative targets set for business functions (e.g. revenues and net new money) are generally defined using a bottom-up process and validated using a top-down process. KPIs are set at the beginning of the year, which are then assessed by the Line Managers to determine remuneration outcomes.

– The employee's appraisal criteria in relation to individual and collective objectives, as well as the relative weight given to the various components of remuneration, can play a major role in influencing behaviors. In addition, quantitative objectives are correlated with criteria concerning quality, observance of internal procedures and compliance rules aimed at ensuring compliance with the laws, regulations, directives and standards in force governing banking activities so as not to generate conflicts of interest, to limit risk and not to encourage careless risk-taking in order to achieve defined performance objectives.

– The Group carries out regular reviews to assess instances of non-compliance with risk procedures and expected behavior. In the event of inappropriate behavior on the part of the employee as regards risks and compliance with internal directives and regulations, variable remuneration is adjusted downwards or even cancelled completely. Furthermore, misconduct or reprehensible behavior (e.g. corruption, assistance in money laundering or tax fraud, terrorist financing, fraudulent acts, managing assets with a mandate, insider trading, stock price manipulation, use of Group resources for a political campaign, use of confidential data for personal purposes, etc) may result in sanctions. Depending on the severity of the situation, these sanctions may take the form of a warning, a demotion, the cancellation or obligation to pay back part or all of the variable part of the remuneration, or even dismissal; and in some cases offences may be reported to the authorities. Such measures may also apply to persons who do not exercise due diligence to detect and report breaches e.g. managers who do not exercise appropriate oversight; persons who fail to provide information or conceal important information when asked for a detailed account of a breach; line managers who accept or cover breaches or use reprisals against the person who reported a breach or identified its perpetrator.

– The bank does not have a practice to pay deferred compensation or have vesting for compensation.

## 20.1 Remuneration Awarded during the Financial Year

| | | | (a) | (b) |
|---|---|---|---|---|
| | | | Senior management | Other material risk-takers |
| 1 | Fixed remuneration | Number of employees | 4 | 28 |
| 2 | | Total fixed remuneration (row 3 + row 5 + row 7) | 41.65% | 53.52% |
| 3 | | of which: cash-based | 40.11% | 52.78% |
| 4 | | of which: deferred | - | - |
| 5 | | of which: shares and other share-linked instruments | - | - |
| 6 | | of which: deferred | - | - |
| 7 | | of which: other forms of remuneration | 1.54% | 0.74% |
| 8 | | of which: deferred | - | - |
| 9 | Variable remuneration | Number of employees | 4 | 28 |
| 10 | | Total fixed remuneration (row 11 + row 12 + row 14) | 58.35% | 46.48% |
| 11 | | of which: cash-based of which: deferred | 35.45% | 38.13% |
| 12 | | of which: shares and other share-linked instruments | - | - |
| 13 | | of which: deferred | - | - |
| 14 | | of which: other forms of remuneration | 19.90% | 8.35% |
| 15 | | of which: deferred | - | - |
| 16 | | Total remuneration (row 2 + row 10) | 100% | 100% |

## 20.2 Special Payments

| | S$m | Guaranteed bonuses | | Sign-on awards | | Severance payments | |
|---|---|---|---|---|---|---|---|
| | | Number of employees | Total amount | Number of employees | Total amount | Number of employees | Total amount |
| 1 | Senior management* | 1 | 480 365 | - | - | - | - |
| 2 | Other material risk-takers | 1 | 548 337 | - | - | - | - |

* Where the disclosure of the total amount of certain special payments will reveal information relating to the remuneration of specific employees, the Reporting Bank may omit the disclosure. Nonetheless, the Reporting Bank should provide the reason for the omission in the narrative commentary and disclose the omitted information to the Authority to assist the Authority in its assessment of the Reporting Bank's remuneration practices.

## 20.3 Deferred Remuneration

| S$m | Deferred and retained remuneration | (a) Total outstanding deferred remuneration | (b) of which: total outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments | (c) Total amendments during the year due to ex post explicit adjustments | (d) Total amendments during the year due to ex post implicit adjustments | (e) Total deferred remuneration paid out in the financial year |
|---|---|---|---|---|---|---|
| 1 | Senior management | - | - | - | - | - |
| 2 | Cash | - | - | - | - | - |
| 3 | Shares | - | - | - | - | - |
| 4 | Share-linked instruments | - | - | - | - | - |
| 5 | Other | - | - | - | - | - |
| 6 | Other material risk-takers | - | - | - | - | - |
| 7 | Cash | - | - | - | - | - |
| 8 | Shares | - | - | - | - | - |
| 9 | Share-linked instruments | - | - | - | - | - |
| 10 | Other | - | - | - | - | - |