SEBA BANK

Annual Report 2020

Regulatory disclosure requirements

SEBA Bank AG
Kolinplatz 15 • 6300 Zug • Switzerland • info@seba.swiss • seba.swiss

Redefining Finance for the New Economy

Regulatory disclosure

Due to the immateriality of its information value, the table IRRBB1 is not published.

Key regulatory data (KM1)

in thousand CHF		31.12.2020	31.12.2019
Eligible capital			
1	Common Equity Tier 1 (CET1)	51,788	68,977
1a	Common Equity Tier 1 capital without the effects of the transitional provisions for expected losses	–	–
2	Tier 1 capital (T1)	51,788	68,977
2a	Tier capital without the effects of the transitional provisions for expected losses	–	–
3	**Total capital**	**51,788**	**68,977**
3a	Total capital without the effects of the transitional provisions for expected losses	–	–
Risk-weighted assets (RWA)			
4	**Total risk-weighted assets (RWA)**	**194,249**	**43,543**
4a	Minimum capital	15,540	10,000
Risk-based capital ratios (in % of RWA)			
5	Common Equity Tier 1 ratio (CET1 ratio in %)	26.66%	158.41%
5a	CET1 ratio without the effects of the transitional provisions for expected losses (%)	0.00%	0.00%
6	Tier 1 capital ratio (%)	26.66%	158.41%
6a	Tier 1 capital ratio without the effects of the transitional provisions for expected losses (%)	0.00%	0.00%
7	**Total capital ratio (%)**	**26.66%**	**158.41%**
7a	Total capital ratio without the effects of the transitional provisions for expected losses (%)	0.00%	0.00%
CET1 buffer capital requirements (in % of RWA)			
8	Capital buffer in accordance with Basel minimum standards (%)	2.50%	2.50%
9	Countercyclical buffer (Article 44a CAO) in accordance with the Basel minimum standards (%)	0.00%	0.00%
10	Additional capital buffer due to national or international systemic importance (%)	0.00%	0.00%
11	Overall buffer requirements in accordance with the Basel minimum standards in CET1 quality (%)	2.50%	2.50%
12	Available CET1 to cover buffer requirements in accordance with Basel minimum standards (after deducting CET1 from the cover of the minimum requirements and possibly to cover the TLAC requirements) (%)	18.66%	150.41%

	in thousand CHF	**31.12.2020**	31.12.2019
Target capital ratios according to Annex 8 CAO (in % of RWA)			
12a	Capital buffer according to Annex 8 CAO (%)	2.50%	2.50%
12b	Countercyclical buffer (Articles 44 and 44a CAO) (%)	0.00%	0.00%
12c	CET1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	7.00%	7.00%
12d	T1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	8.50%	8.50%
12e	**Total capital target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO**	**10.50%**	**10.50%**
Basel III leverage ratio			
13	**Total exposure**	**124,304**	**79,529**
14	Basel III leverage ratio (Tier 1 capital in % of the total exposure)	41.66%	86.73%
14a	Basel III leverage ratio (Tier 1 capital in % of the total exposure) without the effects of the transitional provisions for expected losses	0.00%	0.00%

Liquidity coverage ratio (LCR)		**31.12.2020**	**30.09.2020**	**30.06.2020**	**31.03.2020**	**31.12.2019**
15	LCR numerator: Total high-quality liquid assets (HQLA)	20,096	17,278	40,200	46,893	47,795
16	LCR denominator: Total of net cash outflow	5,649	6,152	5,559	5,878	443
17	LCR (in %)	355.73%	280.85%	723.16%	797.77%	10,788.48%

Overview of risk-weighted assets (OV1)

in thousand CHF		RWA		Minimum capital
		a	b	c
		31.12.2020	31.12.2019	31.12.2020
1	Credit risk (standardised approach)	47,613	12,591	3,809
20	Market risks (de minimis approach)	4,225	29	338
24	Operational risk (basic indicator approach)	8,969	7,495	718
25	Amounts below the threshold for deductions (amounts subject to a risk weight of 250%)	–	–	–
	Crypto risks	133,443	23,427	10,675
27	**Total**	**194,249**	**43,543**	**15,540**

Liquidity risk management

The Board of Directors (BoD) approves the liquidity risk management framework, which is reviewed at least on an annual basis. In the Executive Board, the Asset Liability Committee (ALCO) is primarily responsible for the Bank's liquidity risk matters. This includes the formulation, implementation and supervision of liquidity strategies, initiatives that have an impact on the liquidity risk profile and supervision of the liquidity control including liquidity stress testing. The ALCO ensures that the respective policy is in line with the risk appetite and exposure limits as defined by the BoD, and that they comply with the framework set by the regulators. The main liquidity control ratio for liquidity management is the liquidity coverage ratio. The BoD has mandated that the LCR has to be maintained above the regulatory minimum. The Bank strives to maintain a low-funding liquidity risk, driven by a balance sheet that is funded via a diversified pool of customer deposits. This ensures that sufficient liquidity is available to meet commitments to customers, both in demand for loans (if needed) and repayments of deposits, and to satisfy the Bank's own cashflow needs within all of its business entities. Liquidity risk control is under the responsibility of the CFO who continuously monitors all liquidity risks at instrument, portfolio and aggregated Bank levels and reports exceptions or breaches on a daily basis to the CRO as well as Operational Management and Treasury.

The Bank conducts stress tests, which can identify increased vulnerabilities in the Bank's liquidity position. The Bank also maintains a contingency funding plan which defines the actions to be taken should the Bank encounter a liquidity shortfall in a stress situation. The Bank maintains internal directives that clearly define responsibilities, the communication plan and the necessary measures to execute the contingency funding plan.

Credit risk management

Credit quality of assets (CR1)

in thousand CHF		a	b	c	d
		Defaulted exposures	Gross carrying values of non-defaulted exposures	Value adjustments/ impairments	Net values (a + b - c)
1	Loans (excluding debt securities)	–	58,641	–	58,641
2	Debt securities	–	46	–	46
3	Off-balance-sheet exposures	–	1,616	–	1,616
4	**Total**	**–**	**60,303**	**–**	**60,303**

Changes in stock of defaulted loans and debt securities (CR2)

in thousand CHF		**a**
1	Defaulted receivables and debt securities, at end of the previous reporting period	–
2	Receivables and debt securities that have defaulted since the end of the previous reporting period	–
3	Exposures that have returned to non-defaulted status	–
4	Amounts written off	–
5	Other changes (+/-)	–
6	Defaulted receivables and debt securities, at end of the reference period (1+2-3-4+5)	–

Additional disclosure related to the credit quality of assets (CRB)

The Bank’s focus is to lend money on a collateralised basis. Lending values are set as a percentage of the collateral market value. Lending value rates can be determined or adjusted for a specific asset or for individual clients. For the assignment of the lending value, the Bank considers the quality, volatility and liquidity of the asset. All credit risks are monitored daily, as collateral coverage and current limit usage. In addition, for clients with digital assets as collateral, whose exposure requires 24/7 monitoring, real-time systems are available.

Interest and/or principal (“credit exposures”) that have not been covered or repaid in full 90 days after becoming due are classified as past due. They are deemed to be impaired and are usually adjusted to the extent that they are not covered by collateral. The provision for impairment losses on credit exposures is measured on an individual basis, through the application of judgment and use of assumptions by risk experts from the CRO department, the Risk Committee of the Executive Committee or by the Board of Directors. Credit exposures are considered to be impaired when it is probable that not all of the related principal and interest payments will be collected. The key judgement made by the Bank when classifying credit exposures as “impaired” and estimating the provision for impairment losses involves assessing whether the liquidation value of collateral is sufficient to cover the past due exposure.

As of 31 December 2020, the Bank had neither "past due" nor "impaired" credit exposures. The average maturity of the loan business is 3 months on a rolling basis. The main loans are in the digital assets sector from Switzerland, Europe and Asia.

Overview of mitigation techniques (CR3)

in thousand CHF		a	b	e & g
		Unsecured exposures/ carrying amount	Secured exposures, actual collateralised amount	Exposures secured with financial guarantees or credit derivatives, actual collateralised amount
1	Receivables (including debt securities)	36,965	21,722	–
2	Off-balance-sheet transactions	1,616	–	–
3	**Total**	**38,581**	**21,722**	**–**
4	of which: defaulted	–	–	–

The receivables are classified as unsecured exposures according to the Basel III classification. We refer to table 1 in the notes to the annual financial statements for the overview of collaterals for loans and receivables.

Exposures by exposure category and risk weights under the standardised approach (CR5)

in thousand CHF		a	b	c	d	e	f	g	h	i	j
	Exposure category/risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total of credit risk exposures after CCF and CRM
1	Central governments and central banks	35,678	–	–	–	–	–	–	–	–	35,678
2	Banks and securities dealers	–	–	27,998	–	–	–	–	–	–	27,998
3	Public-sector entities and multilateral development banks	–	–	3	–	–	–	–	–	–	3
4	Corporations	–	–	–	–	–	–	19,926	–	–	19,926
5	Retail	–	–	–	–	–	860	10,661	–	–	11,522
6	Equity interests	–	–	–	–	–	–	–	1,000	–	1,000
7	Other exposures	–	–	–	–	–	–	7,755	–	10	7,765
8	**Total**	**35,678**	**–**	**28,001**	**–**	**–**	**860**	**38,342**	**1,000**	**10**	**103,891**
9	Of which mortgage-backed exposures	–	–	–	–	–	–	–	–	–	–
10	Of which overdue exposures	–	–	–	–	–	–	–	–	–	–

Counterparty credit risk

Exposures by exposure category and risk weights according to the standard approach (CCR3)

in thousand CHF		a	b	c	d	e	f	g	h	i
	Exposure category/risk weight	0	0.1	0.2	0.5	0.75	1	1.5	Others	Total credit risk exposures
1	Central governments and central banks	–	–	–	–	–	–	–	–	–
2	Banks and securities dealers	–	–	454	575	–	–	–	–	1,029
3	Public-sector entities and multilateral development banks	–	–	–	–	–	–	–	–	–
4	Corporations	–	–	–	–	–	687	–	–	687
5	Retail	–	–	–	–	–	48	–	–	48
6	Equity interests	–	–	–	–	–	–	–	–	–
7	Other exposures	–	–	–	–	–	–	–	–	–
8	**Total**	**–**	**–**	**454**	**575**	**–**	**735**	**–**	**–**	**1,764**

Composition of collateral for CCR exposure (CCR5)

in thousand CHF	a	b	c	d
	Collateral used to secure derivative transactions			
	Fair value of collateral received		Fair value of collateral posted	
	Segregated	Not segregated	Segregated	Not segregated
Cash and cash equivalents in CHF	–	–	–	–
Cash and cash equivalents in foreign currencies	–	–	–	1,745
Total	**–**	**–**	**–**	**1,745**

Interest rate risk

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

Interest rate risks arise mainly from imbalances between the time limits of assets and liabilities. The majority of the Bank's interest rate risk results from the portfolio of liquid assets in the banking book. The Bank measures and manages interest rate risk by estimating the sensitivity of the economic value of its balance sheet to an interest rate shock of a 100 basis point parallel shift. The Bank also calculates the six standardised interest rate shock scenarios prescribed in FINMA circular 2019/02 "Interest Rate Risks – Banks". The interest rate risk is currently below 1% of CET1. The BoD is responsible for the definition of a limit framework that allows Treasury to manage its credit, market, liquidity and operational risk. The risk management function operates the asset and liability management (ALM) system and reports at least on a quarterly basis. No significant modelling and parameter assumptions are used when calculating interest rate risk in the banking book.

Quantitative information on the exposure's structure and interest rate fixing date (IRRBBA1)

in thousand CHF				Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modelled (not determined) interest rate reset dates	
	Total	Of which in CHF	Of which other significant currencies that make up more than 10% of assets or liabilities of total assets	Total	Of which in CHF	Total	Of which in CHF
Defined interest rate reset date							
Amounts due from banks	–	–	–	–	–	–	–
Amounts due from customers	21,722	4,550	17,172	0.16	0.30	–	–
Financial investments	–	–	–	–	–	–	–
Other receivables	–	–	–	–	–	–	–
Receivables from interest rate derivatives	–	–	–	–	–	–	–
Amounts due to banks	–	–	–	–	–	–	–
Amounts due in respect of client deposits	100	100	0	0.16	0.16	–	–
Other payables	–	–	–	–	–	–	–
Payables to interest-rate derivatives	–	–	–	–	–	–	–
Undefined interest rate reset dates							
Amounts due from banks	27,998	11,677	15,719	0.00274	0.00274	–	–
Amounts due from customers	9,065	542	8,523	0.00274	0.00274	–	–
Other receivables on demand	–	–	–	–	–	–	–
Payables on demand from personal accounts and current accounts	40,827	5,605	34,682	0.00274	0.00274	–	–
Other payables on demand	–	–	–	–	–	–	–
Payables arising from client deposits, terminable but not transferable (savings)	–	–	–	–	–	–	–
Total	**99,711**	**22,474**	**76,096**	**0.33**	**0.47**	**–**	**–**

Operational risks

General information (ORA)

The Bank uses the basic indicator approach (BIA) to determine the capital requirements for operational risks.

Please refer to the notes on operational risk on page 35 for further information regarding the management of operational risks.

SEBA BANK

SEBA Bank AG
Kolinplatz 15 • 6300 Zug • Switzerland • info@seba.swiss • seba.swiss

Redefining Finance for the New Economy