Julius Bär

2019

BASEL III PILLAR 3 DISCLOSURES JUNE

Julius Baer Group Ltd.

BASEL III PILLAR 3 DISCLOSURES JUNE 2019 JULIUS BAER GROUP LTD.

INTRODUCTION

SCOPE OF PILLAR 3 DISCLOSURES

This report provides Pillar 3 disclosures for Julius Baer Group Ltd. (the Group) on a consolidated basis as at 30 June 2019. The disclosures in the report are based on the FINMA regulatory requirements as prescribed in the circular 2016/1 'Disclosure – banks' which includes the implementation of the revised Pillar 3 disclosure requirements issued by the Basel Committee on Banking Supervisions (BCBS) in March 2017.

The aim of the Pillar 3 standards is to improve comparability and consistency of disclosures through the introduction of harmonised templates. The Group is subject to the full disclosure requirements in accordance with the FINMA circular 2016/1 'Disclosure – banks'. Bank Julius Baer & Co. Ltd. is exempted from detailed Pillar 3 disclosures when calculating capital adequacy and liquidity. It must nevertheless disclose its key figures on an annual basis in its Annual Report with reference to the Group Pillar 3 information published in the Financial Reporting section of the Julius Baer website (https://www.juliusbaer.com/group/en/financial-information/financial-reporting/).

The Group's Pillar 3 disclosures as at 30 June 2019, 31 December 2018 and 30 June 2018 are based on fully-applied amounts, which means that no phase-in rules are applied.

FREQUENCY OF PILLAR 3 DISCLOSURES

This report is produced and published semi-annually, in accordance with FINMA requirements for category 3 banks. FINMA has specified the reporting frequency for each disclosure as either annual or semi-annual. Comparative period information and commentaries on movements in the period must be provided in line with this frequency. More information regarding qualitative and quantitative Pillar 3 disclosures can be found in the document 'Basel III Pillar 3 Disclosures 2018', published in the Financial Reporting section of the Julius Baer website (https://www.juliusbaer.com/group/en/financial-information/financial-reporting/).

KEY METRICS

KM1: Key metrics at consolidated group level

No.[1]		30.06.2019 *CHF m*	31.12.2018 *CHF m*	30.06.2018 *CHF m*
	Available capital			
1	Common Equity Tier 1 (CET1)	2,836.8	2,731.2	2,676.6
2	Tier 1 capital	4,387.1	3,933.0	3,878.2
3	Total capital	4,495.7	3,991.2	3,934.9
	Risk-weighted assets (RWA)			
4	RWA	21,699.8	21,338.4	19,471.0
4a	Minimum capital requirements	1,736.0	1,707.1	1,557.7
	Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio	13.1%	12.8%	13.7%
6	Tier 1 ratio	20.2%	18.4%	19.9%
7	Total capital ratio	20.7%	18.7%	20.2%
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement as per the Basel minimal standards (2.5% from 2019)	2.5%	1.9%	1.9%
9	Countercyclical buffer requirement (art. 44a ERV) as per the Basel minimal standards	0.2%	0.2%	0.1%
10	Bank G-SIB and/or D-SIB additional requirements			
11	Total of bank CET1 specific buffer requirements as per the Basel minimal standards	2.7%	2.0%	2.0%
12	CET1 available after meeting the bank's minimum capital requirements as per the Basel minimal standards	8.6%	8.3%	9.2%
	Target capital ratios according to appendix 8 CAO (% of RWA)			
12a	Capital buffer according to appendix 8 CAO	4.0%	4.0%	4.0%
12b	Countercyclical capital buffer (art. 44 and 44a CAO)	0.4%	0.3%	0.3%
12c	CET1 target ratio according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	8.2%	8.1%	8.1%
12d	T1 target ratio according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	10.0%	9.9%	9.9%
12e	Total capital target ratio according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	12.4%	12.3%	12.3%
	Basel III leverage ratio			
13	Total Basel III leverage ratio exposure measure	102,829.7	101,678.9	102,407.5
14	Basel III leverage ratio (row 2/row 13)	4.3%	3.9%	3.8%
	Liquidity coverage ratio (3-month average)			
15	Total HQLA	15,953.3	20,696.2	15,635.3
16	Total net cash outflow	8,602.1	10,170.1	8,697.5
17	LCR ratio	185.5%	203.5%	179.8%

[1] Row numbers according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table KM1.

OVERVIEW OF RISK-WEIGHTED ASSETS

The following table provides an overview of risk-weighted assets (RWA) and the related minimum capital requirement by risk type. Capital requirements presented in the following table are calculated based on 8% of RWA.

OV1: Overview of risk-weighted assets

No.		30.06.2019 RWA[1] *CHF m*	31.12.2018 RWA[1] *CHF m*	30.06.2019 Minimum capital requirements *CHF m*
1	Credit risk (excluding CCR – counterparty credit risk)	14,582.3	13,833.1	1,166.6
2	*of which standardised approach (SA)[2]*	*14,582.3*	*13,833.1*	*1,166.6*
3	*of which foundation internal ratings-based (F-IRB) approach*			
4	*of which supervisory slotting approach*			
5	*of which advanced internal ratings-based (A-IRB) approach*			
6	Counterparty credit risk	758.4	628.1	60.7
7	*of which standardised approach for counterparty credit risk (SA-CCR)[3]*			
7a	*of which simplified standard approach (VSA-CCR)*			
7b	*of which mark-to-market method*	*481.5*	*476.1*	*38.5*
8	*of which internal model method (IMM or EPE model methods)*			
9	*of which other CCR*	*276.9*	*152.0*	*22.2*
10	Credit valuation adjustment (CVA)	236.3	195.1	18.9
11	Equity positions in banking book under market-based approach			
12	Investments in managed collective assets – look-through approach[4]			
13	Investments in managed collective assets – mandate-based approach[4]			
14	Investments in managed collective assets – fall-back approach[4]			
14a	Investments in managed collective assets – simplified approach[4]			
15	Settlement risk	4.8	19.5	0.4
16	Securitisation exposures in banking book	173.0	79.8	13.8
17	*of which securitisation internal ratings-based approach (SEC-IRBA)*			
18	*of which securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)*	*173.0*	*79.8*	*13.8*
19	*of which securitisation standardised approach (SEC-SA)*			
20	Market risk	539.8	1,245.1	43.2
21	*of which standardised approach (SA)*	*330.3*	*258.1*	*26.4*
22	*of which internal model approach (IMA)*	*209.4*	*987.0*	*16.8*
23	Capital charge for switch between trading book and banking book			
24	Operational risk	5,340.9	5,212.8	427.3
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	64.3	125.0	5.1
26	Floor adjustment			
27	**Total**	**21,699.8**	**21,338.4**	**1,736.0**

1 Explanations on RWA movements between the reporting periods: Mainly higher volumes of financial assets measured at FVOCI and Lombard loans result in higher RWA under credit risk (no.2), higher risk positions in SFT's result in higher RWA (no. 9), additional securitisation exposure results in higher RWA (no. 18) and significantly lower market risk IMA (no. 22) because of lower market volatility and improved treatment of dividends in the valuation model.

2 Includes RWA of non-counterparty-related risk (RWA is higher compared to 31.12.2018 because of first-time recognition of lease assets in accordance with IFRS 16).

3 Calculated in accordance with the current exposure method (CEM) until SA-CCR is implemented at the latest by 01.01.2020.

4 New regulation for the calculation of RWA for investments in funds is implemented at the latest by 01.01.2020.

CAPITAL COMPONENTS

COMPOSITION OF CAPITAL

The table below provides the composition of capital as defined by the FINMA disclosure circular. Reference is made to items reconciling to the balance sheet as disclosed in the section 'Balance sheet reconciliation'.

CC1: Composition of regulatory capital

No.[1]		**30.06.2019** Fully-applied amounts *CHF m*	References
	Common Equity Tier 1 capital (CET1)		
1	Issued and paid-in capital, fully eligible	4.5	1
2	Retained earnings	6,393.8	2
3	Other components of equity	20.8	3
5	Non-controlling interests	-	
6	**CET1 before adjustments**[2]	**6,419.1**	
	Regulatory adjustments to CET1		
8	Goodwill	-2,127.1	4
9	Other intangibles (net of related deferred tax liabilities)[3]	-821.3	5
10	Deferred tax assets that rely on future profitability	-7.8	6
14	Gains or losses due to changes in own credit risk	0.4	
16	Net long position in own shares	-239.7	
	Planned dividend for the financial year	-167.8	
26	Unrealised gains related to financial investments measured at FVOCI	-219.0	
28	**Total regulatory adjustments to CET1**	**-3,582.3**	
29	**Net CET1**	**2,836.8**	

[1] Row numbers according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table CC1.
[2] Before deduction of treasury shares of CHF 341.7 million; non-controlling interests of CHF 9.3 million not considered.
[3] Reference 5: Minus CHF 821.3 million is equal to minus CHF 851.1 million other intangible assets plus CHF 29.8 million deferred tax liabilities.

No.[1]		30.06.2019 Fully-applied amounts *CHF m*	References
	Additional Tier 1 capital (AT1)		
30	Issued and paid in AT1 instruments, fully eligible	1,555.7	
32	*of which classified as liabilities under applicable accounting standards*	*1,555.7*	
33	Issued and paid-in instruments, subject to phase-out	-	
36	**AT1 before adjustments**	**1,555.7**	
	Regulatory adjustments to AT1		
37	Net long positions in own AT1 instruments	-5.4	
43	**Total regulatory adjustments to AT1**	**-5.4**	
44	**Net AT1**	**1,550.3**	7
45	**Tier 1 capital (net T1 = net CET1 + net AT1)**	**4,387.1**	
	Tier 2 capital (T2)		
47	Issued and paid in T2 instruments subject to phase-out	-	
51	**T2 before adjustments**	**-**	
	Regulatory adjustments to T2		
52	Net long positions in own T2 instruments	-	
56	Additional adjustments (lump-sum amount and 45% of unrealised gains on financial assets measured at FVOCI)	108.6	
57	**Total regulatory adjustments to T2**	**108.6**	
58	**Net T2**	**108.6**	
59	**Regulatory capital (= net T1 + net T2)**	**4,495.7**	
	Risk-weighted assets (RWA)		
60	**Total RWA**	**21,699.8**	

[1] Row numbers according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table CC1.

No.[1]		30.06.2019 Fully-applied amounts CHF m	References
	Capital ratios		
61	CET1 ratio (no. 29, as a percentage of risk-weighted assets)	13.1%	
62	T1 ratio (no. 45, as a percentage of risk-weighted assets)	20.2%	
63	Regulatory capital ratio (no. 59, as a percentage of risk-weighted assets)	20.7%	
64	CET1 requirements in accordance with Basel minimal standards (capital buffer + countercyclical buffer), as a percentage of risk-weighted assets	2.7%	
65	*of which capital conservation buffer*	*2.5%*	
66	*of which countercyclical buffer*	*0.2%*	
68	CET1 available to meet buffer requirements as per the Basel minimal standards, after deduction of CET1 to cover the minimum requirements, as a percentage of risk-weighted assets	8.6%	
68a	CET1 total requirement target in accordance with annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	8.2%	
68b	of which countercyclical buffers as per art. 44 and art. 44a CAO (as a percentage of risk-weighted assets)	0.4%	
68c	CET1 available (as a percentage of risk-weighted assets)	13.1%	
68d	T1 total requirement in accordance with annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	10.0%	
68e	T1 available (as a percentage of risk-weighted assets)	18.3%	
68f	Total requirement for regulatory capital in accordance with annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	12.4%	
68g	Regulatory capital available (as a percentage of risk-weighted assets)	20.7%	
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Non-qualified participations in the financial sector	181.8	
73	Other qualified participations in the financial sector	19.6	
75	Other deferred tax assets	6.1	8
	Applicable cap on the inclusion of provisions in T2		
76	Loss allowance eligible in T2 in the context of the SABIS approach	10.0	
77	Cap on inclusion of valuation adjustments in T2 in the context of SABIS approach	190.1	

[1] Row numbers according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table CC1.

BALANCE SHEET RECONCILIATION

In the Pillar 3 half-year report 2019, the scope of consolidation used for the calculation of capital adequacy is identical to the one applied for accounting purposes. Therefore the balance sheet according to the regulatory scope of consolidation is identical to the IFRS balance sheet. In the table below the line items of the balance sheet are expanded and referenced where relevant to display all components that are disclosed in the table as shown in the section 'Composition of capital'.

CC2: Reconciliation of regulatory capital to balance sheet

Consolidated balance sheet[1]	**30.06.2019** According to the financial statements *CHF m*	References[2]
Assets		
Cash	12,722.7	
Due from banks	9,272.0	
Cash collateral on securities borrowed	133.7	
Lombard loans	37,293.4	
Mortgages	9,371.8	
Trading assets	9,971.2	
Derivative financial instruments	1,559.9	
Financial assets designated at fair value	308.4	
Financial assets measured at FVOCI	15,120.6	
Investments in associates	19.6	
Property and equipment	611.7	
Goodwill and other intangible assets	2,978.2	
of which goodwill	*2,127.1*	*4*
of which other intangible assets	*851.1*	*5*
Accrued income and prepaid expenses	420.4	
Deferred tax assets	13.9	
of which deferred tax assets on loss carryforwards	*7.8*	*6*
of which deferred tax assets on temporary differences	*6.1*	*8*
Other assets	3,857.3	
Total assets	**103,654.9**	

[1] The balance sheet positions are presented in accordance with the sample table as shown in the FINMA circular 2016/1, annex 2, table CC2.
[2] For the reconciliation of individual balance sheet amounts the listed reference numbers in this table set a link to corresponding reference numbers in the table CC1.

Consolidated balance sheet[1]	**30.06.2019** According to the financial statements *CHF m*	References[2]
Liabilities and equity		
Due to banks	6,213.5	
Cash collateral on securities lent	376.2	
Due to customers	71,084.5	
Trading liabilities	440.1	
Derivative financial instruments	1,987.7	
Financial liabilities designated at fair value	14,009.7	
Debt issued	1,875.8	
of which tier 1 bond issued 2014 (Basel III-compliant capital instrument)[3]	*345.5*	*7*
of which tier 1 bond issued 2015 (Basel III-compliant capital instrument)[3]	*327.3*	*7*
of which tier 1 bond issued 2016 (Basel III-compliant capital instrument)[3]	*234.8*	*7*
of which tier 1 bond issued 2017 (Basel III-compliant capital instrument)[3]	*296.2*	*7*
of which tier 1 bond issued 2019 (Basel III-compliant capital instrument)[3]	*346.6*	*7*
Accrued expenses and deferred income	567.6	
Current tax liabilities	171.0	
Deferred tax liabilities	76.9	
of which deferred tax liabilities on goodwill	-	
of which deferred tax liabilities on other intangible assets	*29.8*	*5*
Provisions	28.2	
Other liabilities	736.7	
Total liabilities	97,568.1	
Share capital	4.5	1
Retained earnings	6,393.8	2
Other components of equity	20.8	3
Treasury shares	-341.7	
Equity attributable to shareholders of Julius Baer Group Ltd.	6,077.5	
Non-controlling interests	9.3	
Total equity	6,086.7	
Total liabilities and equity	**103,654.9**	

1 The balance sheet positions are presented in accordance with the sample table as shown in the FINMA circular 2016/1, annex 2, table CC2.
2 For the reconciliation of individual balance sheet amounts the listed reference numbers in this table set a link to corresponding reference numbers in the table CC1.
3 Further details regarding tier 1 instruments can be found at https://www.juliusbaer.com/group/en/financial-information/capital-instruments/.

LIQUIDITY COVERAGE RATIO

COMPONENTS

In the following table the LCR figures are disclosed as 3-month average value per quarter. The total of the high-quality liquid assets (no. 1 in the following table) increased in the second quarter compared to the previous quarter value. Simultaneously the total of net cash outflows (no. 22) decreased in the second quarter. The changes resulted in a higher liquidity coverage ratio, significantly above the regulatory required minimum ratio of 100%.

LIQ1: Liquidity coverage ratio

No.		Q1 2019 3-month average		Q2 2019 3-month average	
		Unweighted value CHF m	Weighted value CHF m	Unweighted value CHF m	Weighted value CHF m
A.	**High-quality liquid assets**				
	Cash and balances with central banks		10,140.9		10,557.4
	Securities category 1 and category 2		5,505.0		5,395.9
1	**Total**		**15,646.0**		**15,953.3**
B.	**Cash outflows**				
2	Retail deposits and deposits	39,630.6	5,565.8	39,547.4	5,541.1
3	*of which stable deposits*	*3,124.9*	*156.2*	*3,139.7*	*157.0*
4	*of which less stable deposits*	*36,505.7*	*5,409.5*	*36,407.7*	*5,384.1*
5	Unsecured wholesale funding	37,417.3	24,975.0	36,529.3	23,651.1
6	*of which operational deposits (all counterparties)*	-	-	-	-
7	*of which non-operational deposits (all counterparties)*	*32,344.8*	*19,902.4*	*33,058.4*	*20,180.3*
8	*of which unsecured debt*	*5,072.6*	*5,072.6*	*3,470.8*	*3,470.8*
9	Secured wholesale funding		656.8		781.3
10	Additional cash outflows	4,219.0	3,736.7	3,299.1	2,923.4
11	*of which outflows related to derivatives and other transactions*	*3,557.9*	*3,557.9*	*2,762.5*	*2,762.5*
12	*of which outflows related to loss of funding on debt products*	-	-	-	-
13	*of which committed credit and liquidity facilities*	*661.1*	*178.7*	*536.5*	*160.9*
14	Other contractual funding obligations	1,417.4	1,401.6	1,139.8	1,122.4
15	Other contingent funding obligations	8,943.7	147.8	11,214.4	150.0
16	**Total**		**36,483.6**		**34,169.2**
C.	**Cash inflows**				
17	Secured lending (e.g. reverse repurchase transactions)	381.6	379.6	324.5	319.9
18	Income from fully performing exposures	33,902.8	19,544.4	33,832.3	19,532.7
19	Other cash inflows	7,266.6	7,266.6	6,053.4	6,053.4
20	**Total**[1]	**41,550.9**	**27,068.7**	**40,210.2**	**25,567.1**
	Liquidity coverage ratio				
21	Total of high-quality liquid assets		15,646.0		15,953.3
22	Total net cash outflows		9,414.9		8,602.1
23	**Liquidity coverage ratio**		**166.2%**		**185.5%**

[1] After applying the cap on cash inflows at max. 75% of total cash outflows, calculated on a monthly basis.

MARKET RISK

OVERVIEW OF APPLIED METHODS

The amount of capital required to underpin market risk in the regulatory trading book is calculated using a variety of methods approved by FINMA. The components of market risk RWA are value at risk (VaR) and stressed value at risk (SVaR). For hedge funds held in the trading book the required capital is calculated according to the credit risk standardised approach. Given the limited materiality of the positions concerned, the required capital for the Group's fixed income trading positions is calculated according to the market risk standardised approach. Therefore, the incremental risk charge (IRC) is not applicable. The comprehensive risk measure (CRM) capital charge requirements are also not applicable, as the Group does not engage in trading of securitisation positions or nth-to-default credit derivatives.

The following table shows the VaR and SVaR flow statements of the market risk Basel III RWA. A decrease of risk levels in all traded asset classes has taken place. For the SVaR the change of the stress period as required by the Group's governance framework has led to lower risk levels. In addition, an improved treatment of dividends in the valuation models (without changing the VaR model) has reduced the calculated risk exposures.

MR2: Market risk: RWA flow statements of market risk exposures under an IMA

							30.06.2019
		a	b	c	d	e	f
		VaR *CHF m*	SVaR *CHF m*	IRC *CHF m*	CRM *CHF m*	Other *CHF m*	Total RWA *CHF m*
No.							
1	RWA at 31.12.2018	512.3	474.6				987.0
2	Movement in risk levels[1]	-273.1	-143.7				-416.8
3	Model updates/changes						
4	Methodology and policy						
5	Acquisitions and disposals						
6	Foreign exchange movements						
7	Other	-157.5	-203.3				-360.8
8	RWA at end of reporting period	81.7	127.7				209.4

The following table shows minimum, maximum, average and period-end regulatory VaR and SVaR, using a 10-day holding period and a confidence interval of 99 %. The incremental risk charge (IRC) and the comprehensive risk measure (CRM) capital charge are not applicable.

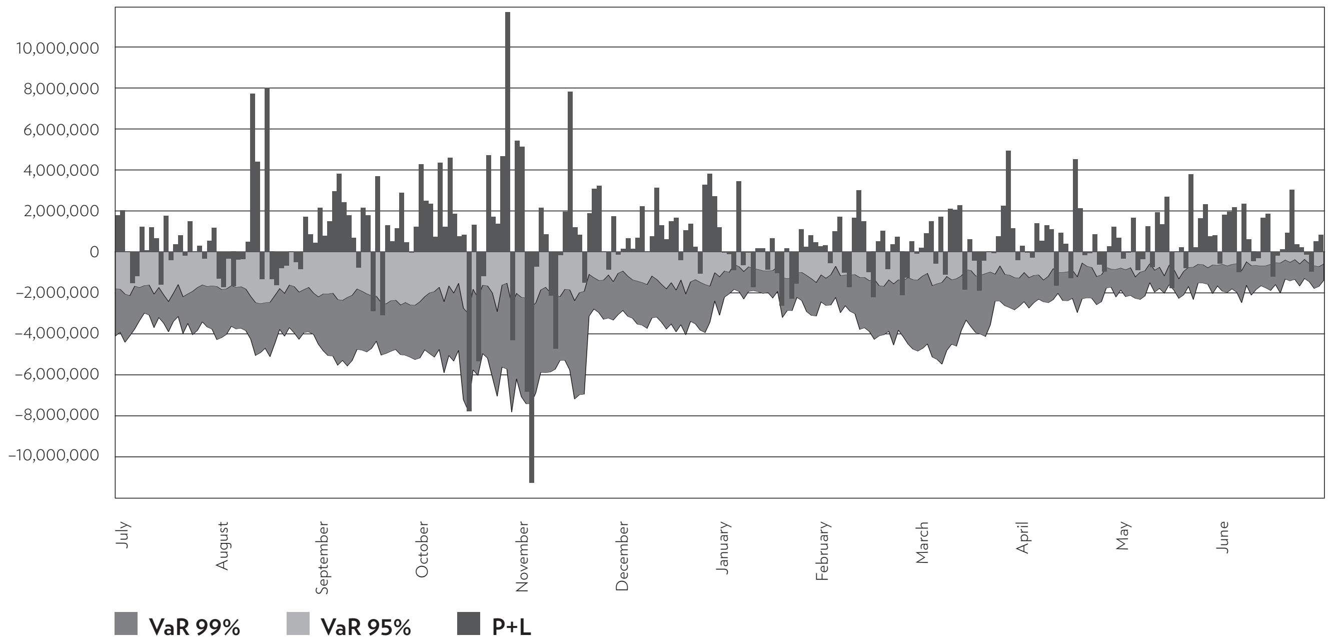
MR3: Market risk: IMA values for trading portfolios

No.		**30.06.2019** *CHF m*
	VaR (10-day 99%)	
1	Maximum value	29.5
2	Average value	7.7
3	Minimum value	-0.6
4	Period end	4.2
	Stressed VaR (10-day 99%)	
5	Maximum value	19.2
6	Average value	6.4
7	Minimum value	-0.1
8	Period end	2.5
	Incremental risk charge (99.9%)	
9	Maximum value	
10	Average value	
11	Minimum value	
12	Period end	
	Comprehensive risk capital charge (99.9%)	
13	Maximum value	
14	Average value	
15	Minimum value	
16	Period end	
17	Floor (standardised measurement method)	

COMPARISON OF VAR ESTIMATES WITH GAINS/LOSSES

The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back-testing. This involves the comparison of the VaR values calculated each day with the hypothetical gains or losses which would have occurred if the end-of-day positions had been left unchanged on the next trading day. The following chart shows the daily calculations of VaR in 2018/2019 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with hypothetical gains or losses. A back-testing exception occurs when the change in overall position value resulting from the back-testing simulation is negative and its absolute value is greater than the VaR (at a confidence interval of 99%) for the relevant day's closing positions.

MR4: Market risk: Comparison of VaR estimates with gains/losses



As of 1 July 2018, the preceding 12-month period contained one back-testing violation. In August 2017, this violation was the result of a one-day rally in share prices of between 1% and 1.7%. This violation fell out of the observation period during the course of 2018. By end of October a new back-testing violation occurred, caused by increase of market volatility. At the end of June 2019 the total number of back-testing violations continues to stand at one. Therefore, the statistical maximum number of back-testing violations was not exceeded and the capital multiplier applied to the Group remained constant for the whole 12-month period.

INTEREST RATE RISK IN THE BANKING BOOK

INTRODUCTION

Interest rate risk in the banking book (IRRBB) arises from balance sheet positions such as due to customers, debt issued, Lombard loans, mortgages, financial assets measured at FVOCI, certain financial assets and liabilities designated at fair value which are sensitive to changes in interest rates. The new approach measuring IRRBB has been implemented as at 1 January 2019 according to FINMA circular 2019/2 and BIS Interest Rate Risk in the Banking Book (April 2019). This is the first time disclosure of the tables IRRBBA, IRRBBA1 and IRRBB1 (annex 2 of the disclosure circular 16/01).

IRRBBA: QUALITATIVE DISCLOSURE REQUIREMENTS

The general principles of risk and capital management are explained in detail in the Annual Report 2018 of the Group, page 108ff., which is published in the Financial Reporting section of the Julius Baer website (https://www.juliusbaer.com/group/en/financial-information/financial-reporting/). The main characteristics of Julius Baer Group's interest rate risk management are fully described in the Annual Report 2018, section Financing, Liquidity and Interest Rate Risks in the Banking Book, page 127ff., which includes a description of the governance model as well as rules and guidelines for the management of these types of risk.

At Julius Baer Group, all IRRBB measures [Economic Value of Equity (EVE) and Net Interest Income (NII)] are calculated daily and monthly as part of the monthly closing process. Subsequently, these measures are referred to as Standard Scenarios.

The change in the economic value (ΔEVE) is calculated according to the standard scenarios in the FINMA circular 2019/2. Further, Julius Baer Group measures the change in economic value with an institute specific scenario, which is based on an instantaneous, parallel interest rate shock of +100bp for all currencies. In addition to the fixed rate exposure, also the modelled client deposits and the modelled equity position (in contrast to the standard scenarios), are taken into account for the sensitivity analysis. Risk tolerances are set by the Board of Directors for both, the standard scenarios as well as for the institute specific scenario. Exposure is measured daily versus these risk tolerances.

For the calculation of the change in net interest income (ΔNII), Julius Baer Group takes the following assumptions:

- static balance sheet;
- constant client margins on roll over; and
- immediate, parallel interest rate shocks (up and down).

The Julius Baer Group specific scenario therefore deviates from the standard as follows:

- interest rate shift of +100bp for all currencies; and
- inclusion of the modelled equity position in terms of an investable equity modelled with a one year constant maturity.

The reasons for these divergences are:

- the explanatory power of the changes across currencies is increased;
- the historical comparability persists; and
- a duration is assigned to the equity.

Net interest rate risk resulting out of the client business are managed mostly through financial investments and interest rate swaps. Further information can be found in section Fair value hedges of interest rate risk of the Annual Report 2018, page 129.

The main modelling assumptions and calculation parameters for table IRRBBA1 and IRRBB1 are:

- the calculation of interest cash flows, which are used for the calculation of ΔEVE, includes a client margin;
- the cash flow calculation for ΔEVE is using the original maturity, i.e. without bucketing;
- for the discounting of all cash flows, LIBOR rates are used for maturities up to 12 months and swap rates for maturities above one year;

- the basic assumption is an interest rate move of ± 100bp on the 1st day of the observation period (12 months), where
  - a static balance is assumed; and
  - a maturing trade is renewed according to an average maturity distribution;
- positions without a fixed maturity are replicated with different maturity profiles. The refixing of interest rate is performed according to the respective maturity profile;
- apart from the Group’s AT1 issuances, where the maturity is assigned to the first call date, positions with early repayment options are not material;
- behavioral withdrawal options in the banking book are not material;
- there are no interest rate options in the banking book;
- interest rate swaps are used to manage the interest rate risk in the banking book. The treatment with the ΔNII / ΔEVE calculations is congruent with the treatment of other fixed rate instruments; and
- the total in each scenario is a simple sum of the results for each currency, i.e. there are no correlation assumptions.

IRRBB: QUANTITATIVE INFORMATION

IRRBBA1: Quantitative information to positions structure and interest repricing

					30.06.2019
			Carrying values		Average repricing maturity
	Total CHF m	of which CHF currency CHF m	of which other currencies representing more than 10% of BS total CHF m	Total year	of which CHF currency year
Defined resetting date of interest rate					
Due from banks	1,772.3	50.0	1,144.7	0.2	1.4
Due from customers	34,887.5	3,738.8	20,381.4	0.2	0.4
Money-market mortgages	5,606.5	3,648.1	1,254.9	0.2	0.2
Fixed-term mortgages	2,895.2	2,297.5	466.7	3.5	3.6
Financial investments	14,828.3	456.9	9,847.1	1.1	4.8
Other assets	-	-	-		
Asset legs of interest rate derivatives[1]	3,040.7	2,338.0	146.3	1.2	1.1
Due to banks	883.2	0.1	830.7	1.1	5.4
Due to customers	13,308.7	62.3	9,455.7	0.2	0.8
Cash bonds	-	-	-		
Debt issued	1,726.1	875.0	292.5	3.4	3.9
Other liabilities	-	-	-		
Liability legs from interest rate derivatives[1]	3,040.7	2,338.0	146.3	1.5	2.4
Non-defined resetting date of interest rate					
Due from banks	6,313.4	285.9	3,687.1	-	-
Due from customers	2,160.6	266.5	1,504.1	0.2	0.2
Variable-rate mortgages	4.2	4.2	-	1.3	1.3
Other assets at sight	-	-	-		
Liabilities at sight (private and current account)	48,664.5	10,050.3	32,940.8	0.7	0.8
Other liabilities at sight	-	-	-		
Due to customers, with notice period but not transferable (savings account)	6,786.8	3.6	5,760.5	-	-
Total				**1.0**	**0.6**

[1] Interest rate derivatives are shown twice (asset and liability legs) for technical reasons according to FINMA instructions .

IRRBB1: Quantitative information on EVE and NII

	30.06.2019	
	ΔEVE	ΔNII
	CHF m	*CHF m*
Parallel up	178.4	449.3
Parallel down	-191.9	-455.4
Steepener	-20.0	
Flattener	53.3	
Short rate up	104.0	
Short rate down	-109.8	
Maximum	191.9	455.4
Tier 1 capital	**4,387.1**	

The changes of EVE in each of the standard scenarios are below 15% of the Tier 1 capital.

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