Julius Bär

BASEL III PILLAR 3 DISCLOSURES 2017

JULIUS BAER GROUP LTD.

ACCORDING TO FINMA CIRCULAR 2016/1
'DISCLOSURE BANKS'

BASEL III PILLAR 3 DISCLOSURES 2017 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 31 December 2017. 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 January 2015. The Basel III capital adequacy framework consists of three complementary pillars:

– Pillar 1 provides a framework for measuring minimum capital requirements for the credit, market, operational and non-counterparty-related risks faced by banks.
– Pillar 2 addresses the principles of the supervisory review process, emphasizing the need for a qualitative approach to supervising banks.
– Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage and liquidity.

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'. For Bank Julius Baer & Co. Ltd. (the Bank) a consolidation discount applies, i.e. the Bank is exempted from detailed Pillar 3 disclosure 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 www.juliusbaer.com website.

Information provided in the Annual Report 2017 of the Group or other publications may also serve to address Pillar 3 disclosure requirements. Where this is the case, a reference is provided in this report to the Group's publication where the information is available. The capital information as at 31 December 2017 for the Group is provided in the section 'Management of Capital including regulatory capital' of the Annual Report 2017 of the Group, pages 129–132 (published in the Financial Reporting section of the www.juliusbaer.com website).

The Group's Pillar 3 disclosures are based on phase-in rules according to the Basel III framework, as prescribed in the valid version of the Swiss Capital Adequacy Ordinance issued by the Swiss Federal Council. The Basel III effects, but also the effects of IAS 19 revised relating to pension liabilities, will be phased in between 2014 and 2018 for the calculation of eligible capital.

REVISED PILLAR 3 DISCLOSURE REQUIREMENTS

The Group's 'Basel III Pillar 3 Disclosures' report replaces the former report 'Disclosure obligations regarding capital adequacy and liquidity'. The main changes in comparison with the former disclosure requirements are as follows:

– The Pillar 3 disclosure templates provide a stronger link between regulatory exposures and the Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) by introducing new tables as provided in this report.
– Counterparty credit risk (CCR) is now separately disclosed from credit risk. CCR includes over-the-counter (OTC) and exchange-traded derivatives (ETD), securities financing transactions (SFTs) and long settlement transactions.
– Pillar 3 disclosure requirements for eligible capital, leverage ratio and liquidity coverage ratio are unchanged as at 31 December 2017 compared to 31 December 2016.

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 commentary provided on movements in the period must be provided in line with this frequency. For the first-time publication of new disclosure requirements as at 31 December 2017 these disclosures are not required. Accordingly, full comparative figures and movement commentaries will be provided at the end of the first relevant reporting period in June 2018.

The following table gives an overview of the tables to be disclosed according to the FINMA circular 2016/1. Tables not applicable to the Group are indicated therein.

Pillar 3 table overview

No.[1]	Basel framework reference code	Table name
Annual disclosure requirements		
3	OVA	Bank risk management approach
5	LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
6	LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements
7	LIA	Explanations of differences between accounting and regulatory exposure amounts
8	CRA	Credit risk: general information
11	CRB	Credit risk: additional disclosure related to the credit quality of assets
12	CRC	Credit risk: qualitative disclosure requirements related to mitigation techniques
14	CRD	Credit risk: qualitative disclosures of banks' use of external credit ratings under the standardised approach
17	CRE	IRB: qualitative disclosures related to IRB models[2]
21	CR9	IRB: backtesting of probability of default (PD) per portfolio[2]
23	CCRA	Counterparty credit risk: qualitative disclosure
32	SECA	Securitisations: qualitative disclosure requirements related to securitisation exposures
37	MRA	Market risk: qualitative disclosure requirements
38	MRB	Market risk: qualitative disclosures for banks using the internal model approach (IMA)
43	n/a	Qualitative disclosure requirements related to operational risks
44	n/a	Interest rate risk in the banking book
Semi-annual disclosure requirements		
1	n/a	Composition of eligible capital/reconciliation
2	n/a	Composition of eligible regulatory capital/presentation of eligible regulatory capital
4	OV1	Overview of risk-weighted assets
9	CR1	Credit risk: credit quality of assets
10	CR2	Credit risk: changes in stock of defaulted loans and debt securities[3]
13	CR3	Credit risk: overview of mitigation techniques
15	CR4	Credit risk: exposure and credit risk mitigation (CRM) effects under the standardised approach
16	CR5	Credit risk: exposures by exposure category and risk weights under the standardised approach
18	CR6	IRB: credit risk exposures by portfolio and PD range[2]
19	CR7	IRB: effect on risk-weighted assets (RWA) of credit derivatives used as CRM techniques[2]
20	CR8	IRB: RWA flow statements of credit risk exposures[2]
22	CR10	IRB: specialised lending and equities under the simple risk weight method[2]

[1] Table numbers according to the FINMA circular 2016/1, annex 1.
[2] Not applicable to the Group.
[3] The tables presenting a reconciliation between the figures of the previous reporting period and the current reporting period do not need to be published for first-time disclosure under Pillar 3 standards.

Pillar 3 table overview

No.[1]	Basel framework reference code	Table name
24	CCR1	Counterparty credit risk (CCR): analysis by approach
25	CCR2	Counterparty credit risk: credit valuation adjustment (CVA) capital charge
26	CCR3	Counterparty credit risk: standardised approach to CCR exposures by exposure category and risk weights
27	CCR4	IRB: CCR exposures by exposure category and PD scale[2]
28	CCR5	Counterparty credit risk: Composition of collateral for CCR exposure
29	CCR6	Counterparty credit risk: Credit derivatives exposures
30	CCR7	Counterparty credit risk: RWA flow statements of CCR exposures under the IMM (EPE model method)[2]
31	CCR8	Counterparty credit risk: exposures to central counterparties
33	SEC1	Securitisations: exposures in the banking book
34	SEC2	Securitisations: exposures in the trading book[2]
35	SEC3	Securitisations: exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor[2]
36	SEC4	Securitisation: exposures in the banking book and associated capital requirements – bank acting as investor
39	MR1	Market risk: minimum capital requirements under standardised approach
40	MR2	Market risk: RWA flow statements of market risk exposures under an IMA[3]
41	MR3	Market risk: IMA values for trading portfolios
42	MR4	Market risk: comparison of VaR estimates with gains/losses
45	n/a	Presentation of material features of regulatory capital instruments[4]
46	n/a	Leverage ratio: comparison of accounting assets versus leverage ratio exposure measure
47	n/a	Leverage ratio: detailed presentation
48	n/a	Information about the liquidity coverage ratio

[1] Table numbers according to the FINMA circular 2016/1, annex 1.
[2] Not applicable to the Group.
[3] The tables presenting a reconciliation between the figures of the previous reporting period and the current reporting period do not need to be published for first-time disclosure under Pillar 3 standards.
[4] Details of material features of regulatory capital instruments can be found at www.juliusbaer.com/cap-instr.

FORMAT OF PILLAR 3 DISCLOSURES

As defined in the FINMA disclosure circular, certain Pillar 3 disclosures follow a fixed format, whereas other disclosures are flexible and may be modified to a certain degree to present the most relevant information. Pillar 3 disclosures also include column or row labeling as prescribed in the FINMA disclosure circular. We follow in our Pillar 3 report the naming conventions as defined in the FINMA disclosure circular.

GOVERNANCE OVER PILLAR 3 DISCLOSURES

The Board of Directors and senior management are responsible for establishing and maintaining an internal control structure over the disclosure of financial information, including Pillar 3 disclosures. In line with the FINMA requirements, the Group has established a Pillar 3 disclosure governance policy and procedures which include information on the key internal controls designed to govern the preparation, review and sign-off of Pillar 3 disclosures. This Pillar 3 report has been verified and approved in line with this policy.

CAPITAL COMPONENTS

BALANCE SHEET RECONCILIATION

In 2017, the scope of consolidation used for the calculation of capital adequacy is identical to the one applied for accounting purposes. Note 26A in the Annual Report of the Group (available in the financial reporting section of the www.juliusbaer.com website) provides in an overview of the Group's consolidated companies. 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', page 8ff.

Table 1: Composition of eligible capital/reconciliation

Consolidated balance sheet[1]	**31.12.2017** According to the financial statements *CHF m*	References[2]
Assets		
Cash and balances with central banks	10,862.9	
Due from banks	8,249.6	
Cash collateral on securities borrowed	59.3	
Lombard loans	36,749.4	
Mortgages	9,874.3	
Trading assets	12,751.8	
Derivative financial instruments	1,962.7	
Financial assets designated at fair value	277.3	
Financial investments available-for-sale	12,246.5	
Investments in associates	28.2	9
Property and equipment	356.6	
Goodwill and other intangible assets	2,872.4	
of which goodwill	*2,073.0*	5
of which other intangible assets	*799.3*	6
Accrued income and prepaid expenses	354.3	
Deferred tax assets	28.8	
of which deferred tax on loss carried-forwards	*22.2*	7
of which deferred tax on temporary differences	*6.6*	10
Other assets	1,243.5	
Total assets	**97,917.6**	

1 The balance sheet positions are presented in accordance with the sample table as shown in the FINMA circular 2016/1, annex 2, table 1.
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 'Composition of capital'.

Consolidated balance sheet[1]	**31.12.2017** According to the financial statements *CHF m*	References[2]
Liabilities and equity		
Due to banks	6,015.0	
Cash collateral on securities lent	1,194.5	
Due to customers	67,636.8	
Trading liabilities	135.8	
Derivative financial instruments	2,059.2	
Financial liabilities designated at fair value	11,836.7	
Debt issued	1,777.0	
of which tier 1 bond issued 2012 (Basel III-compliant capital instrument)[3]	*246.2*	8
of which tier 1 bond issued 2014 (Basel III-compliant capital instrument)[3]	*347.8*	8
of which tier 1 bond issued 2015 (Basel III-compliant capital instrument)[3]	*334.8*	8
of which tier 1 bond issued 2016 (Basel III-compliant capital instrument)[3]	*236.4*	8
of which tier 1 bond issued 2017 (Basel III-compliant capital instrument)[3]	*290.1*	8
Accrued expenses and deferred income	728.2	
Current tax liabilities	215.9	
Deferred tax liabilities	59.9	
of which deferred tax liabilities on goodwill	-	
of which deferred tax liabilities on other intangible assets	*35.2*	6
Provisions	44.9	
Other liabilities	359.6	
Total liabilities	92,063.6	
Share capital	4.5	1
Retained earnings	6,306.0	2
Other components of equity	-209.9	3
Treasury shares	-276.1	
Equity attributable to shareholders of Julius Baer Group Ltd.	5,824.5	
Non-controlling interests	29.5	4
Total equity	5,854.0	
Total liabilities and equity	**97,917.6**	

1 The balance sheet positions are presented in accordance with the sample table as shown in the FINMA circular 2016/1, annex 2, table 1.
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 'Composition of capital'.
3 Further details regarding tier 1 instruments can be found at www.juliusbaer.com/cap-instr.

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'. Where relevant, the effect of the transition period according to Basel III is disclosed as well. A positive amount in the column 'Effects of the transition period' reflects the excess amount compared to the full application of the Basel III requirements at the closing date of 31 December 2017.

Table 2: Composition of eligible regulatory capital/presentation of eligible regulatory capital

No.[1]		**31.12.2017** Phase-in amounts *CHF m*	**31.12.2017** Effects of the transition period *CHF m*	References[R]
	Common equity tier 1 capital (CET1)			
1	Issued and paid-in capital, fully eligible	4.5		1
2	Retained earnings	6,306.0		2
3	Other components of equity	-209.9		3
5	Non-controlling interests	5.9	5.9	4
6	**CET1 before adjustments**[2]	**6,106.5**	**5.9**	
	Regulatory adjustments to CET1			
8	Goodwill	-1,658.4	414.6	5
9	Other intangibles (net of related deferred tax liabilities)	-611.3	152.8	6
10	Deferred tax assets that rely on future profitability	-17.8	4.4	7
14	Gains or losses due to changes in own credit risk	-0.3		
16	Net long position in own shares	-174.0		
	Planned dividend for the financial year	-313.0		
26a	Unrealised gains related to financial investments available-for-sale	-110.9		
26a	IAS19 revised relating to pension liabilities[3]	40.0	40.0	
28	**Total regulatory adjustments to CET1**	**-2,845.8**	**611.8**	
29	**Net CET1**	**3,260.8**	**617.7**	

1 Row numbers according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table 2.
2 Before deduction of treasury shares of CHF 276.1 million and addition of CHF 23.6 million non-controlling interests (corresponds to Basel III phase-out rate of 80%).
3 20% of remeasurement of defined benefit obligation of CHF 199.8 million according to the Annual Report 2017, page 89.
R Comments to the references:
Reference 4: 20% of the balance sheet amount in equity
Reference 6: Total of CHF 674.8 million (CHF 611.3 million, row 9, and CHF 63.5 million, row 37, reference 6) from capital components results in a difference of minus CHF 124.5 million to the corresponding balance sheet total. This is equal to the non-deducted amount from capital of capitalised software according to the phase-in ruling of 20% (CHF 89.3 million) and the direct deduction of deferred tax liabilities (CHF 35.2 million).
Reference 7: 80% of the balance sheet amount

No.[1]		31.12.2017 Phase-in amounts *CHF m*	31.12.2017 Effects of the transition period *CHF m*	References[R]
	Additional Tier 1 capital (AT1)			
30	Issued and paid in AT1 instruments, fully eligible	1,459.0		8
32	*of which classified as liabilities under applicable accounting standards*	*1,459.0*		
33	Issued and paid-in instruments, subject to phase-out			
36	**AT1 before adjustments**[2]	**1,459.0**		
	Regulatory adjustments to AT1			
37	Net long positions in own AT1 instruments	-3.7		8
	Adjustments of the tier 1 in respect of transitional agreements	-480.9	-480.9	
	of which goodwill	*-414.6*	*-414.6*	*5*
	of which other intangible assets (net of related deferred tax liabilities)	*-63.5*	*-63.5*	*6*
	of which share of investments in associates deducted from tier 1 capital	*-2.8*	*-2.8*	*9*
43	**Total regulatory adjustments to AT1**[2]	**-484.6**	**-480.9**	
44	**Net AT1**	**974.3**	**-480.9**	
45	**Tier 1 capital (net T1 = net CET1 + net AT1)**	**4,235.1**	**136.8**	
	Tier 2 capital (T2)			
47	Issued and paid in T2 instruments subject to phase-out			
51	**T2 before regulatory 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 investment available-for-sale)	66.2		
	Regulatory adjustments of the T2 in respect of transitional agreements	-2.8	-2.8	
	of which share of investments in associates deducted from T2 capital	*-2.8*	*-2.8*	*9*
57	**Total regulatory adjustments to T2**	**63.4**	**-2.8**	
58	**Net T2**	**63.4**	**-2.8**	
59	**Regulatory capital (= net T1 + net T2)**	**4,298.5**	**134.0**	
	Risk-weighted assets (RWA)			
	Total amount with risk weight pursuant the transitional arrangements (phase-in)		-24.8	
	of which software capitalised (intangibles)		*89.3*	
	of which investments in associates		*-14.1*	
	of which deferred tax assets that rely on future profitability		*4.4*	
	of which credit valuation adjustments exchange traded derivatives		*-104.4*	
60	**Total RWA**	**19,576.0**	**-24.8**	

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

2 In the annual report 2017, page 130 an additional tier 1 capital of CHF 1,455.3 million is disclosed, because the shares of additional tier 1 capital instruments of CHF 3.7 million held in own books are directly deducted.

R Comments to the references:
Reference 9: 20% transitional deducted, results in CHF 5.6 million

No.[1]		31.12.2017 Phase-in amounts *CHF m*	31.12.2017 Effects of the transition period *CHF m*	References[R]
	Capital ratios			
61	CET1 ratio (item 29, as a percentage of risk-weighted assets)	16.7%		
62	T1 ratio (item 45, as a percentage of risk-weighted assets)	21.6%		
63	Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)	22.0%		
64	CET1 requirements in accordance with Basel minimal standards (minimum requirements + capital buffer + countercyclical buffer), as a percentage of risk-weighted assets	6.0%		
65	*of which capital conservation buffer*	*1.3%*		
66	*of which countercyclical buffer*	*0.2%*		
68	CET1 available to meet minimum and buffer requirements as per the Basel minimal standards, after deduction of AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets)	16.7%		
68a	CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	8.0%		
68b	CET1 available (as a percentage of risk-weighted assets)	16.7%		
68c	T1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	9.8%		
68d	T1 available (as a percentage of risk-weighted assets)	19.6%		
68e	Total requirement for regulatory capital according as per Annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	12.2%		
68f	Regulatory capital available (as a percentage of risk-weighted assets)	22.0%		
	Amounts below the thresholds for deduction (before risk-weighting)			
72	Non-qualified participations in the financial sector	191.4		
73	Other qualified participations in the financial sector	22.5		
75	Other deferred tax assets	6.6		10
	Applicable cap on the inclusion of provisions in T2			
76	Valuation adjustments eligible in T2 in the context of the SABIS approach	16.3		
77	Cap on inclusion of valuation adjustments in T2 in the context of SABIS approach	170.3		

[1] Row numbers according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table 2.
[R] Comments to the references: none

MINIMUM CAPITAL REQUIREMENT

Required capital (see table below) for credit risks arising from amounts due from banks, loans, financial investments and derivative financial instruments accounted for 70% of the total required capital as at 31 December 2017. Capital required for non-counterparty risk (2%) and market risk (3%) was of minor significance. The capital required to cover operational risk accounted for 25% of total required capital.

Capital required

	31.12.2017 Basel III phase-in *CHF m*
Credit risk	**1,090.2**
of which for equity securities in the banking book	***15.2***
Non-counterparty-related risk	**35.7**
Market risk	**44.9**
Operational risk	**395.3**
Total	**1,566.1**

RISK MANAGEMENT FRAMEWORK

Risk management constitutes an integral part of the Group's business framework. The table below presents an overview of risk management disclosures separately provided in the Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website.

Table 3 (OVA): Bank risk management approach

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
Business model and overall risk profile	Comment on risk and capital management	– Risk types – Risk governance – Strategic and business risk	103 103-105 105
Risk governance	Comment on risk and capital management	– Risk governance – Credit risk – Market risk (trading book) – Financing, liquidity and interest rate risk in the banking book – Operational risk – Management of capital including regulatory capital	103-105 106-107 117-118 121-123 126-129 129
Channels to communicate, present and enforce the risk culture	Comment on risk and capital management	– Risk governance	104
Scope and main features of risk measurement systems	Comment on risk and capital management	– Credit risk – Market risk (trading book) – Financing, liquidity and interest rate risk in the banking book – Operational risk	107 118 121-122 127-128
Process of risk information reporting	Comment on risk and capital management	– Risk governance – Credit risk – Market risk (trading book) – Financing, liquidity and interest rate risk in the banking book – Operational risk	104-105 107 118-120 121-122 126-128
Qualitative information on stress testing	Comment on risk and capital management	– Credit risk – Market risk (trading book) – Financing, liquidity and interest rate risk in the banking book – Operational risk	107 118-120 121-122 128
Strategies and processes to manage, capture and mitigate risks	Comment on risk and capital management	– Risk governance – Credit risk – Market risk (trading book) – Financing, liquidity and interest rate risk in the banking book – Operational risk – Reputational risk – Management of capital including regulatory capital	103-105 107-108 117-120 121-123 126-129 129 129

APPROACH TO MEASURING RISK-WEIGHTED ASSETS

The Group's risk-weighted assets for deriving the regulatory capital requirement are calculated according to the BIS Basel III framework, as implemented by the Swiss Capital Adequacy Ordinance (CAO) issued by the Swiss Federal Council.

Overview of the approaches used for the main risk categories to derive the required capital:

- Credit risk (means the risk of default): For calculating the required capital for credit risk, the Group uses the standardised approach SABIS. In addition the following subsidiary approaches are used: Collateral is handled according to the comprehensive approach, which means that the credit position is netted against the collateral provided; the regulatory standard haircuts are used for collateral eligible according to the comprehensive approach.
- Non-counterparty-related risk (means loss in value on bank premises or equipment): The Group applies prescribed regulatory risk weights of 100% to calculate the required capital.
- Counterparty credit risk (means the default of a counterparty before the final settlement of a derivative or securities financing transaction): For calculating the required capital for counterparty credit risk, the Group calculates the credit equivalents for derivatives using the mark-to-market method; the standard approach is used to quantify the risk of a loss due to credit value adjustments (CVAs) of derivatives based on counterparty credit risks; for securities financing transactions the Group applies the comprehensive approach.
- Securitisation risk (means the risk arising from securitisations held in the banking book): The Group calculates the capital requirements for securitisations based on the standardised ratings-based approach.
- Market risk (means losses that could arise from trading positions): The Group calculates the capital requirements for market risks according to the model-based approach as approved by FINMA. For hedge funds held in the trading book the required capital is calculated according to the credit risk standardised approach. For the fixed income trading positions the required capital is calculated according to the market risk standard method.
- Operational risk (loss resulting from process, legal and compliance risks): The Group applies the standard approach calculating the required capital for operational risk.

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 tables in this report are calculated based on 8% of RWA as at 31 December 2017.

Table 4 (OV1): Overview of risk-weighted assets[1]

			31.12.2017
		a	c
No.		RWA[2] *CHF m*	Minimum capital requirements *CHF m*
1	Credit risk (excluding CCR – counterparty credit risk)	12,895.2	1,031.6
2	*of which standardised approach (SA)[3]*	*12,895.2*	*1,031.6*
3	*of which internal ratings-based (IRB) approach*		
4	Counterparty credit risk	928.1	74.2
5	*of which standardised approach for counterparty credit risk (SA-CCR)[4]*	*571.7*	*45.7*
5a	*of which simplified standard approach for counterparty credit risk (SSA-CCR)*		
6	*of which internal model method (IMM or EPE model methods)*		
7	Equity positions in banking book under market-based approach		
8	Investments in managed collective assets – look-through approach[5]		
9	Investments in managed collective assets – mandate-based approach[5]		
10	Investments in managed collective assets – fall-back approach[5]		
10a	Investments in managed collective assets – simplified approach[5]		
11	Settlement risk	42.4	3.4
12	Securitisation exposures in banking book	151.7	12.1
13	*of which ratings-based approach (RBA)*		
14	*of which supervisory formula approach (SFA)*		
15	*of which SA/simplified supervisory formula approach (SSFA)*	*151.7*	*12.1*
16	Market risk	561.1	44.9
17	*of which standardised approach (SA)*	*214.0*	*17.1*
18	*of which internal model method (IMM)*	*347.0*	*27.8*
19	Operational risk	4,941.1	395.3
20	*of which basic indicator approach*		
21	*of which standardised approach*	*4,941.1*	*395.3*
22	*of which advanced measurement approach (AMA)*		
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	56.3	4.5
24	Floor adjustment		
	Total (1+4+7+8+9+10+10a+11+12+16+19+23+24)	**19,576.0**	**1,566.1**

[1] Column b which includes prior-period RWA will be inserted for the first time in the Pillar 3 report as of 30 June 2018. Accordingly, explanations on significant movements between reporting periods (T and T-1) will be introduced by then.
[2] Calculation of RWA is based on Basel III phase-in rules.
[3] Includes non-counterparty-related risk, which is also included in tables CR4 and CR5 in the chapter credit risk.
[4] Calculated in accordance with the current exposure method (CEM) until SA-CCR is implemented at the latest by 01.01.2020.
[5] New regulation for the calculation of RWA for investments in funds is implemented at the latest by 01.01.2020.

LINKAGE BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

This section provides information about the linkage between the carrying values presented in the financial statements and the regulatory exposures of the Group.

The scope of consolidation for the purpose of calculating Group regulatory capital is the same as the consolidation scope according to IFRS. The following table provides a breakdown of the IFRS balance sheet into the risk frameworks used to calculate our regulatory capital requirements.

Table 5 (LI1): Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

							31.12.2017
	a	b	c	d	e	f	g
	Carrying values under the scope of accounting consolidation	Carrying values under the scope of regulatory consolidation	Carrying value of items				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
Assets							
Cash	10,862.9	10,862.9	10,862.9				
Due from banks	8,308.9	8,249.6	7,919.1	330.5[2]			
Cash collateral on securities borrowed		59.3		59.3			
Loans[1]	46,623.7	46,623.7	46,621.3	2.4[2]			
Trading assets	12,751.8	12,751.8	118.9[3]			12,632.8	
Derivative financial instruments	1,962.7	1,962.7		1,962.7			
Financial assets designated at fair value	277.3	277.3	277.3				
Financial investments available-for-sale	12,246.5	12,246.5	11,498.0		748.6		
Investments in associates	28.2	28.2	22.5				5.6[4]
Property and equipment	356.6	356.6	356.6				
Goodwill and other intangible assets	2,872.4	2,872.4	89.3[4]				2,783.1
Accrued income and prepaid expenses	354.3	354.3	354.3				
Deferred tax assets	28.8	28.8	11.0[4]				17.8
Other assets	1,243.5	1,243.5	1,243.5				
Total assets	**97,917.6**	**97,917.6**	**79,374.9**	**2,354.8**	**748.6**	**12,632.8**	**2,806.5**

1 Includes the balance sheet positions lombard loans and mortgages.
2 Margin accounts.
3 Includes trading portfolio in the banking book.
4 Phase-in amounts software/deferred tax assets/investments in associates.

							31.12.2017
	a	b	c	d	e	f	g
	Carrying values under the scope of accounting consoli-dation	Carrying values under the scope of regulatory consoli-dation	Carrying value of items				
	CHF m	*CHF m*	Subject to credit risk framework *CHF m*	Subject to counterparty credit risk framework *CHF m*	Subject to securitisation framework *CHF m*	Subject to market risk framework *CHF m*	Not subject to capital requirements or subject to deduction from capital *CHF m*
Liabilities							
Due to banks	7,209.5	6,015.0					6,015.0
Cash collateral on securities lent		1,194.5		1,194.5			
Due to customers	67,636.8	67,636.8					67,636.8
Trading liabilities	135.8	135.8				135.8	
Derivative financial instruments	2,059.2	2,059.2		2,059.2			
Financial liabilities designated at fair value	11,836.7	11,836.7					11,836.7
Debt issued	1,777.0	1,777.0					1,777.0
Accrued expenses and deferred income	728.2	728.2					728.2
Current tax liabilities	215.9	215.9					215.9
Deferred tax liabilities	59.9	59.9					59.9
Provisions	44.9	44.9					44.9
Other liabilities	359.6	359.6					359.6
Total liabilities	**92,063.6**	**92,063.6**		**3,253.7**		**135.8**	**88,674.1**

The following table illustrates the key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation. In addition to the accounting carrying values, the regulatory exposure amount includes

- off-balance sheet amounts (row 4)
- ETDs and differences in netting and collateral mitigation on derivatives (row 5)
- SFTs and differences in netting and collateral mitigation on SFT's through the comprehensive measurement approach (row 6)
- effect of collateral mitigation in the banking book; in addition, exposures that are only subject to market risk (row 7)

Table 6 (LI2): Main sources of differences between regulatory exposure amounts and carrying values in financial statements

						31.12.2017
		a	b	c	d	e
		Total	Positions subject to:			
No.		CHF m	Credit risk framework CHF m	Counter-party credit risk framework CHF m	Securiti-sation framework CHF m	Market risk framework CHF m
1	Asset carrying value amount under regulatory scope of consolidation (as per table LI1)	95,111.2	79,374.9[1]	2,354.8	748.6	12,632.8
2	Liabilities carrying value amount under regulatory scope of consolidation (as per table LI1)	-1,618.6		-1,618.6[2]		
3	Total net amount under regulatory scope of consolidation	93,492.6	79,374.9	736.2	748.6	12,632.8
4	Off-balance-sheet fully adjusted exposure value (net EAD)	253.1	253.1			
5	ETDs and differences in netting and collateral mitigation on derivatives	548.9		548.9		
6	SFTs and differences in netting	747.4		747.4		
7	Other differences including collateral mitigation in the banking book	-51,576.6	-38,943.7			-12,632.8
8	**Exposure amounts considered for regulatory purposes (net EAD)**	**43,465.5**	**40,684.3**	**2,032.6**	**748.6**	**-**

[1] Includes non-counterparty credit risk related positions.
[2] Includes the collaterals considered as netting per relevant netting agreement.

The table below presents an overview of disclosures regarding the measurement of fair value separately provided in the Annual Report 2017 of the Group published in the financial reporting section of the www.juliusbaer.com website.

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
Valuation methodologies applied	Comment on risk and capital management	– Market risk (trading book)	118-121
Valuation adjustments	Additional information	– Fair Value Measurement	168-169

Independent price verification process
The Group's fair value measurement and model governance framework includes numerous controls and other procedural safeguards that are intended to maximize the quality of fair value measurements reported in the financial statements. New products and valuation techniques must be reviewed and approved by key stakeholders. Fair value estimates are validated by risk and finance functions, which are independent of the business divisions. Independent price verification is performed by the Market Risk & Product Control department through benchmarking fair value estimates with observable market prices and other independent sources. For instruments where valuation models are used to determine fair value an independent valuation and model control group within Market Risk & Product Control evaluates models on a regular basis, including valuation and model input parameters as well as pricing.

CREDIT RISK

This section includes items subject to the Basel credit risk framework. Information on counterparty credit risk arising from derivatives (OTC and ETD), securities financing transactions and long settlement transactions are shown in the section 'Counterparty credit risk', page 29ff. Disclosures related to traditional securitisations held in the Group's banking book and regulatory capital on these exposures can be found in the section 'Securitisation', page 33ff.

The tables in this section provide details on the exposures used to determine the credit risk-related regulatory capital requirement of the Group. The exposure information presented in this section may differ from our internal management view disclosed in the 'Comment on risk and capital management' sections of the Annual Report of the Group (available in the financial reporting section of the www.juliusbaer.com website).

The section is structured into the four sub-sections

- Credit risk management: This sub-section includes a reference to disclosures on the Group's risk management objectives and risk management process, organisational structure and risk governance.
- Credit quality of assets: This sub-section includes information on the Group's credit risk exposures and credit quality of assets.
- Credit risk mitigation: This sub-section provides a reference to disclosures on collateral evaluation and management, the use of netting and credit risk mitigation instruments. The sub-section also discloses information on credit risk mitigation (CRM) techniques used to reduce credit risk for loans and debt securities.
- Credit risk under the standardised approach: This sub-section includes information on the use of external credit assessment institutions (ECAI) to determine risk weightings applied to rated counterparties. In addition, the sub-section provides quantitative information on credit risk exposures and the effect of CRM under the standardised approach.

CREDIT RISK MANAGEMENT

The table below presents an overview of credit risk disclosures separately provided in the Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website.

Table 8 (CRA): Credit risk: General information

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
Impact of business model on the components of the bank's credit risk profile	Comment on risk and capital management	– Credit risk	106-107
Criteria and approach used for defining credit risk management policy and for setting credit risk limits	Comment on risk and capital management	– Risk governance – Credit risk	103-105 106-107
Structure and organisation of the credit risk management and control function	Comment on risk and capital management	– Risk governance – Credit risk	103-105 106-107
Relationships between the credit risk management, risk control, compliance and internal audit functions	Comment on risk and capital management	– Risk governance – Credit risk	103-105 106-107
Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors	Comment on risk and capital management	– Risk governance – Credit risk	103-105 106-107

The table below provides a breakdown of defaulted and non-defaulted loans, debt securities and off-balance sheet exposures.

Table 9 (CR1): Credit risk: Credit quality of assets

					31.12.2017
		a	b	c	d
			Gross carrying values of:	Value adjustments/ impairments	Net values (a+b-c)
		Defaulted exposures *CHF m*	Non-defaulted exposures *CHF m*	*CHF m*	*CHF m*
No.					
1	Loans (excluding debt securities)	43.9	65,649.5	24.2	65,669.2[1]
2	Debt securities	-	11,311.1	-	11,311.1[2]
3	Off-balance-sheet exposures	-	1,943.0	-	1,943.0
4	**Total**	**43.9**	**78,903.6**	**24.2**	**78,923.4**

[1] Net values of loans include cash (after deduction of banknotes of CHF 25.9 million), due from banks, lombard loans, mortgages (plus collective allowances of CHF 14.5 million) as well as financial assets designated at-fair-value of the credit risk framework disclosed in table 5 (LI1) in the column subject to credit risk framework.

[2] Net values of debt securities include financial investments available-for-sale minus securitisation positions, equity and investment funds of total CHF 935.4 million.

CREDIT QUALITY OF ASSETS

The table below presents an overview of disclosures regarding the credit quality of assets separately provided in the Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website.

Table 11 (CRB): Credit risk: Additional disclosure related to the credit quality of assets

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
The scope and definitions of 'past due' and 'impaired' exposures used for accounting purposes and any differences with respect to 'past due' and 'defaulted' for regulatory purposes	Summary of significant accounting policies	– Accounting policies	94-97
	Comment on risk and capital management	– Credit risk	116
The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this	Comment on risk and capital management	– Credit risk	116
Description of methods used for determining impairments	Summary of significant accounting policies	– Accounting policies	94-97, 100-101
	Comment on risk and capital management	– Credit risk	116
Ageing analysis of accounting past-due exposures	Comment on risk and capital management	– Credit risk	116[1]

[1] As there are no past-due exposures as at 31 December 2017 (refer to rating class R7 in the Annual Report), no further ageing analysis is shown.

According to the description to table 11 in the FINMA circular 2016/1 'Disclosure – banks', annex 2, additional quantitative tables have to be disclosed as breakdowns of exposures by geographical area, sectors and residual maturity. In the following tables the carrying values per selected balance sheet positions of the banking book are shown including credit risk, counterparty credit risk and securitisations positions.

In the following table the counterparty industry code serves as the fundamental basis for the sector breakdown. For the secured portion of the credit, however, sector allocation is shown on the basis either of the industry code of the assets pledged, e.g. the industry code of the issuer of securities which are pledged as collateral, or the industry code of the guarantor. The column headed 'Other' is used for disclosure of securities issued by companies outside the financial sector: These consist partly of proprietary positions of the Group which are reported on the balance sheet as financial investments available-for-sale and partly of the portion of the credit collateralised by securities issued by companies outside the financial sector.

Table 11 (CRB): Breakdown of exposures by sectors

	Government and agencies CHF m	Financial institutions CHF m	Private clients CHF m	Other CHF m	31.12.2017 Total CHF m
Due from banks	9.9	8,202.7	-	37.0	**8,249.6**
Loans[1]	512.3	15,012.9	18,719.8	12,378.7	**46,623.7**
Financial assets designated at fair value	-	277.3	-	-	**277.3**
Financial investments available-for-sale	4,090.5	6,974.6	-	1,061.5	**12,126.6**
Investments in associates	-	28.2	-	-	**28.2**
Derivative financial instruments	49.7	1,888.7	560.5	425.2	**2,924.1**
Contingent liabilities	13.3	374.5	445.8	194.4	**1,028.0**
Irrevocable commitments	1.7	249.1	66.4	20.6	**337.8**
Securities lending and repo transactions	0.3	3,329.4	4.4	1.6	**3,335.7**
Total	4,677.7	36,337.4	19,796.9	14,119.0	**74,931.0**

[1] Includes the positions lombard loans and mortgages.

In the following table the counterparty domicile serves as the fundamental basis for the geographical breakdown. For the secured portion of the credit, however, geographical allocation is shown on the basis either of the domicile of the assets pledged, e.g. the domicile of the issuer of securities which are pledged as collateral, or the domicile of the guarantor.

Table 11 (CRB): Breakdown of exposures by geographical area

	Switzerland CHF m	Europe CHF m	Americas CHF m	Asia/ Pacific CHF m	Other countries CHF m	31.12.2017 Total CHF m
Due from banks	4,544.3	2,138.5	376.7	1,147.1	43.0	**8,249.6**
Loans[1]	9,202.2	16,364.7	11,079.8	9,021.6	955.4	**46,623.7**
Financial assets designated at fair value	265.5	-	-	11.8	-	**277.3**
Financial investments available-for-sale	182.2	4,238.5	4,403.6	2,398.2	904.1	**12,126.6**
Investments in associates	-	-	28.2	-	-	**28.2**
Derivative financial instruments	922.9	1,091.3	616.2	245.8	47.9	**2,924.1**
Contingent liabilities	107.3	467.3	330.2	95.4	27.8	**1,028.0**
Irrevocable commitments	188.7	78.4	55.0	14.4	1.3	**337.8**
Securities lending and repo transactions	1,004.0	2,267.9	61.9	0.1	1.8	**3,335.7**
Total	16,417.1	26,646.6	16,951.6	12,934.4	1,981.3	**74,931.0**

[1] Includes the positions lombard loans and mortgages.

The table below provides a breakdown of the exposure by residual maturity. Residual maturity is presented based on contract end date and does not include potential early redemption features.

Table 11 (CRB): Breakdown of exposures by maturity

				31.12.2017
	Due within 1 year *CHF m*	Due within 1 to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Due from banks	8,245.6	4.0	-	**8,249.6**
Loans[1]	41,218.8	3,395.5	2,009.4	**46,623.7**
Financial assets designated at fair value	-	-	277.3	**277.3**
Financial investments available-for-sale	2,996.5	8,307.8	822.3	**12,126.6**
Investments in associates	-	-	28.2	**28.2**
Derivative financial instruments	2,517.2	336.5	70.4	**2,924.1**
Contingent liabilities	232.1	184.0	611.9	**1,028.0**
Irrevocable commitments	41.7	5.2	290.9	**337.8**
Securities lending and repo transactions	3,335.7	-	-	**3,335.7**
Total	58,587.6	12,233.0	4,110.4	**74,931.0**

[1] Includes the positions lombard loans and mortgages.

In the above tables balance sheet and off-balance sheet positions exposed to credit risk, counterparty credit risk and securitisation risk are disclosed, with the exception of the following balance sheet positions: accrued income and prepaid expenses, deferred tax assets and other assets. The list below explains the differences between the total amounts according to the Basel III BIS approach and the corresponding balance sheet and off-balance sheet positions:

– The difference in the due-from-banks position is attributable to the fact that under IFRS reverse repurchase positions are recognised on the balance sheet. This differs from the Basel III BIS approach, under which reverse repurchase positions are disclosed as off-balance sheet items under securities lending and repurchase positions. The credit risk tables have been adjusted to avoid double counting.
– In the financial investments available-for-sale position the unrealised gains are deducted from the market value under the Basel III BIS approach.
– The total amount of exposure in derivative financial instruments under the Basel III BIS approach corresponds to the total of the replacement values as disclosed in the balance sheet, plus calculated add-ons, minus any netting permitted under Basel III BIS. The add-on is a percentage of the notional amount of the instrument underlying the contract. The percentage depends on the type of the underlying and the residual term to maturity of the contract. Positive and negative replacement values of derivative exposures with the same counterparty (irrespective of maturity or currency) are netted against each other if a legally acknowledged netting agreement has been signed.
– Under the Basel III BIS approach, the total contingent liabilities and irrevocable commitments off-balance sheet positions correspond to the calculated credit equivalents. The credit equivalent of each off-balance sheet position is determined by multiplying its nominal value (or current value should this be lower) by a credit-conversion factor. The conversion factor depends on the original maturity of the contract. The contingent liabilities and irrevocable commitments as presented in the credit risk tables do not qualify as contingent liabilities under IFRS.
– Under the Basel III BIS approach, securities lending and repurchase transactions are disclosed including risk premiums. The percentage of the risk premium depends on the quality of the security involved in each securities lending or repo transaction.

The reconciliation of the credit risk totals (including credit risk, counterparty credit risk and securitisation risk) is disclosed on page 113 of the Annual Report 2017 (published in the Financial Reporting section of the www.juliusbaer.com website).

Impaired loans

The tables below provide a breakdown of impaired loans by geographical region and sector. The amounts shown are IFRS carrying values. The geographical distribution is based on the legal domicile of the counterparty or issuer.

Table 11 (CRB): Impaired loans by region

		31.12.2017
	Gross loans *CHF m*	Specific allowance *CHF m*
Switzerland	24.6	-9.9
Europe	19.0	-7.2
Americas	0.3	-0.3
Asia/Pacific		
Other countries		
Total	**43.9**	**-17.4**

Table 11 (CRB): Impaired loans by sector

		31.12.2017
	Gross loans *CHF m*	Specific allowance *CHF m*
Government and agency	4.4	-4.4
Financial institutions		
Private clients	39.5	-13.0
Other		
Total	**43.9**	**-17.4**

Restructured exposures

Any credit case requiring restructuring is assessed on an individual basis and individual provisions are booked if required. The main goal of such restructuring actions is to avoid the client's default and minimize the loss potential for the Group. Typical terms and conditions offered in case of restructuring may be postponed payments of interest or principal, adjusted interest rates or the modification of the repayment schedule or even an increase of the credit exposure to limit the client's liquidity shortage.

Any case which is in a restructuring process remains classified as impaired and provisions are built or maintained to cover foregone interest and potential losses. Special conditions granted to clients without the need to preserve clients from default are not considered as restructuring measures. As at 31 December 2017 the Group had no restructured exposures outstanding.

CREDIT RISK MITIGATION

The table below presents an overview of Pillar 3 disclosures separately provided in the Annual Report 2017 of the Group (published in the Financial Reporting section of the www.juliusbaer.com website).

Table 12 (CRC): Credit risk: Qualitative disclosure requirements related to mitigation techniques

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
Core features of policies and processes for on- and off-balance-sheet netting, and an indication of the extent to which the bank makes use of such netting	Comment on risk and capital management	– Credit risk	115
	Note Financial instruments	– Financial instruments - Offsetting	174
Core features of policies and processes for collateral evaluation and management	Summary of significant accounting policies	– Accounting policies	94-97
	Comment on risk and capital management	– Credit risk	116-117
Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative protection providers)	Comment on risk and capital management	– Risk governance	104

Additional information on counterparty credit risk mitigation is provided on pages 29–32 of this report.

MITIGATION CREDIT RISK UNDER THE STANDARDISED APPROACH

Approaches used for calculating required capital for credit risk
For calculating the required capital for credit risk, the Group uses the BIS standardised approach (SABIS) according to the Swiss Capital Adequacy Ordinance (CAO). In the CAO and the circulars referred to therein, the calculation procedures are described in detail. In addition, the following subsidiary approaches are used to calculate the required capital for credit risk:

- Collateral is handled under the comprehensive approach, which means that the credit position is netted against the collateral provided. This takes into account add-ons or haircuts on the receivable and the collateral to reflect possible changes in value based on market developments. The resulting net unsecured position remains in the original position category and is risk weighted according to the criteria applicable to this category.
- Lombard loans are also handled under the comprehensive approach described above.
- The regulatory standard haircuts are used for collateral eligible under the comprehensive approach.

The table below provides a breakdown of unsecured and partially or fully secured exposures, including security type, for the categories Loans and Debt securities.

Table 13 (CR3): Credit risk: Overview of mitigation techniques[1]

						31.12.2017
		a	b1	c	e	g
No.		Exposures unsecured/ carrying amount *CHF m*	Exposures to be secured *CHF m*	Exposures secured by collateral *CHF m*	Exposures secured by financial guarantees *CHF m*	Exposures secured by credit derivatives *CHF m*
1	Loans excluding debt securities[2]	14,748.6	50,920.6	47,177.6	130.1	-
2	Debt securities[2]	11,015.1	296.0	27.8	267.9	-
3	**Total assets**	**25,763.7**	**51,216.6**	**47,205.4**	**398.0**	**-**
4	*of which: defaulted*	-	*26.5*	*26.3*	-	-

[1] Adoption of the table structure and the interpretation included in the BCBS document frequently asked questions on the revised pillar 3 disclosure requirements (BCBS 376) issued in August 2016.

[2] The total amounts of loan and debt exposure of columns a and b1 are in line with the amounts of exposure on table CR1 in column d, rows 1 and 2.

The table below illustrates the effect of credit risk mitigation on the calculation of capital requirements under the standardised approach.

Table 15 (CR4): Credit risk: Exposure and credit risk mitigation (CRM) effects under the standardised approach

							31.12.2017
		a	b	c	d	e	f
	Exposure classes	Exposures before CCF[1] and CRM		Exposures post CCF[1] and CRM			
No.		On-balance sheet amount *CHF m*	Off-balance sheet amount *CHF m*	On-balance sheet amount *CHF m*	Off-balance sheet amount *CHF m*	RWA *CHF m*	RWA density *in %*
1	Central governments and central banks	15,298.4	-	15,525.3	-	24.2	0.2
2	Banks and securities firms	12,799.8	92.7	7,561.0	42.0	2,500.1	32.9
3	Other public sector entities and multilateral development banks	1,084.2	57.0	817.5	28.4	184.4	21.8
4	Corporates	7,061.4	480.1	3,357.4	62.4	1,818.6	53.2
5	Retail	42,466.6	1,313.2	12,695.0	120.3	7,873.1	61.4
6	Equity	275.6	-	92.4	-	138.3	149.7
7	Other exposures[2]	382.5	-	382.5	-	356.6	93.2
8	**Total**	**79,368.5**	**1,943.0**	**40,431.2**	**253.1**	**12,895.2**	**31.7**

[1] Credit conversion factors.

[2] Liquidity position of CHF 25.9 million and non-counterparty credit risk position of CHF 356.6 million.

Use of external ratings

The standardised approach requires banks to use, where possible, risk assessments prepared by ECAI or export credit agencies to determine the risk weightings applied to rated counterparties. We use FINMA-recognised ECAI risk assessments to determine the risk weight for certain counterparties according to the BIS defined exposure segments.

The Group uses three FINMA-recognised ECAI for this purpose: Moody's Investors Service, Standard & Poor's and Fitch Ratings. The mapping of external ratings to the standardised approach risk weights is determined by FINMA and published on its website.

The Group risk-weights debt instruments in accordance with the specific issue ratings available. In case there is no specific issue rating published by the ECAI, the issuer rating is applied to the senior unsecured claims of that issuer subject to the conditions prescribed by FINMA.

Table 14 (CRD): Credit risk: Qualitative disclosures of banks' use of external credit ratings under the standardised approach

				31.12.2017
		External rating equivalent		
No.		Moody's	Standard & Poor's	Fitch
1	Central governments and central banks	X	X	X
2	Banks and securities firms	X	X	X
3	Other public sector entities and multilateral development banks	X	X	X
4	Corporates	X	X	X
5	Retail			
6	Equity			
7	Other exposures			

Table 16 (CR5): Credit risk: Exposures by exposure category and risk weights under the standardised approach

											31.12.2017
		a	b	c	d	e	f	g	h	i	j
	Risk weight	0% *CHF m*	10% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% *CHF m*	Other *CHF m*	Total credit exposures amount (post CCF and CRM) *CHF m*
No.											
	Asset classes										
1	Central governments and central banks	15,415.4	-	103.4	-	5.9	-	0.6	-	-	15,525.3
2	Banks and securities firms	-	-	4,687.5	-	2,710.5	-	205.0	-	-	7,603.0
3	Other public sector entities and multilateral development banks	239.8	-	396.1	-	209.9	-	0.2	-	-	846.0
4	Corporates	-	-	1,091.5	148.4	1,263.5	1.9	913.2	1.3	-	3,419.8
5	Retail	-	-	-	7,331.3	-	708.0	4,775.9	0.2	-	12,815.3
6	Equity	-	-	-	-	-	-	0.6	91.8	-	92.4
7	Other exposures	25.9	-	-	-	-	-	356.6	-	-	382.5
8	**Total**	**15,681.1**	**-**	**6,278.4**	**7,479.7**	**4,189.8**	**709.9**	**6,252.0**	**93.3**	**-**	**40,684.3**[1]
9	*of which covered by mortgages*	-	-	-	*7,433.6*	-	*198.6*	*997.8*	-	-	*8,630.1*
10	*of which past due*[2]	-	-	-	*0.2*	-	-	*20.1*	*0.2*	-	*20.5*

[1] The total credit exposures amount (after CCF and CRM) is equal to the sum of the credit exposure amounts in table 15 (CR4) row 8 columns c and d.
[2] Impaired exposures.

COUNTERPARTY CREDIT RISK

Counterparty credit risk (CCR) includes over-the-counter (OTC) and exchange-traded derivatives (ETDs), securities financing transactions (SFTs) and long settlement transactions. The Group applies the current exposure method (CEM) based on the replacement value of derivatives in combination with a regulatory prescribed add-on. For the securities financing transactions (securities borrowing, securities lending, repurchase agreements and reverse repurchase agreements), the Group determines the regulatory credit exposure using the standard approach.

COUNTERPARTY CREDIT RISK MANAGEMENT

The table below presents an overview of counterparty credit risk disclosures separately provided in the Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website.

Table 23 (CCRA): Counterparty credit risk: Qualitative disclosure

Pillar 3 disclosure requirement	Comment on risk and capital management	Disclosure	Annual Report 2017 page numbers
The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures	Comment on risk and capital management	– Credit risk	106-107
Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs	Comment on risk and capital management	– Credit risk	106-107
Policies with respect to wrong-way risk exposures	Comment on risk and capital management	– Credit risk	106
The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade	Comment on risk and capital management	– Credit risk	107

Approaches used for calculating required capital for counterparty credit risk

For calculating the required capital for credit risk, the Group uses the standardised approach SABIS according to the Swiss Capital Adequacy Ordinance (CAO). In the CAO and the circulars referred to therein, the calculation procedures are described in detail. Particularly to mention are the following subsidiary approaches used to calculate the required capital for counterparty credit risk:

- Credit equivalents for derivatives are calculated using the mark-to-market method. The credit equivalent corresponds to the sum of the current replacement value and the add-on which is calculated on the basis of the notional amount of the contract. Netting agreements in this context have to fulfill the conditions as defined by the regulator.
- Securities lending, repo and repo-style transactions are handled in accordance with the comprehensive approach, under which capital is required to cover the difference between the margin provided less a haircut and the securities position plus a risk premium.
- The standard approach is used to quantify the risk of a loss due to credit value adjustments (CVAs) of derivatives based on counterparty credit risks.

Table 24 (CCR1): Counterparty credit risk: Analysis by approach

							31.12.2017
		a	b	c	d	e	f
No.		Replacement cost *CHF m*	Potential future exposure *CHF m*	EEPE *CHF m*	Alpha used for computing regulatory EAD *CHF m*	EAD post CRM *CHF m*	RWA *CHF m*
1	SA-CCR (for derivatives)[1]	1,062.9	1,494.8			940.1	468.9
2	IMM (for derivatives and SFTs)						
3	Simple approach for risk mitigation (for SFTs)						
4	Comprehensive approach for risk mitigation (for SFTs)					367.0	139.4
5	VaR for SFTs						
6	**Total**						**608.4**

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

In addition to the default risk capital requirements for counterparty credit risk determined based on standardised approach, we are required to add a capital charge to derivatives to cover the risk of mark-to-market losses associated with the deterioration of counterparty credit quality, referred to as the CVA. The standardised CVA approach has been used to calculate the CVA. Further detail on our portfolios subject to the CVA capital charge as at 31 December 2017 is provided in the table below.

Table 25 (CCR2): Counterparty credit risk: Credit valuation adjustment (CVA) capital charge

			31.12.2017
		a	b
No.		EAD post CRM *CHF m*	RWA *CHF m*
	Total portfolios subject to the advanced CVA capital charge		
1	VAR component (including the 3 × multiplier)		
2	Stressed VAR component (including the 3 × multiplier)		
3	All portfolios subject to the standardised CVA capital charge	845.6	216.9
4	**Total subject to the CVA capital charge**	**845.6**	**216.9**

Table 26 (CCR3): Counterparty credit risk: Standardised approach to CCR exposures by exposure category and risk weights

		a	b	c	d	e	f	g	h	i
										31.12.2017
No.	Risk weight	0% *CHF m*	10% *CHF m*	20% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% *CHF m*	Other *CHF m*	Total credit exposure *CHF m*
1	Central governments and central banks	-	-	-	-	-	-	-	-	-
2	Banks and securities firms	-	334.8	841.7	316.7	-	68.6	-	-	1,561.9
3	Other public sector entities and multilateral development banks	-	-	-	-	-	10.9	-	-	10.9
4	Corporates	-	-	-	-	-	96.3	-	-	96.3
5	Retail	-	-	-	-	25.7	133.2	-	-	158.8
6	Equity	-	-	191.1	-	0.1	13.5	-	-	204.7
7	Other exposures	-	-	-	-	-	-	-	-	-
8	**Total**	**-**	**334.8**	**1,032.8**	**316.7**	**25.8**	**322.4**	**-**	**-**	**2,032.6**

Table 28 (CCR5): Counterparty credit risk: Composition of collateral for CCR exposure

	a	b	c	d	e	f
						31.12.2017
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated *CHF m*	Unsegregated *CHF m*	Segregated *CHF m*	Unsegregated *CHF m*	*CHF m*	*CHF m*
Cash – CHF	-	116.2	-	55.3	913.0	-
Cash – other currencies	-	64.6	-	277.6	288.5	59.3
Swiss Confederation sovereign debt	-	-	-	-	121.5	-
Other sovereign debt	-	-	-	-	333.4	930.0
Government and agency debt	-	-	-	-	85.7	5.4
Corporate bonds	-	-	607.2	309.3	492.9	594.1
Equity securities	-	-	-	-	372.8	1,262.0
Other collateral	-	-	-	-	3.8	95.8
Total	**-**	**180.8**	**607.2**	**642.2**	**2,611.8**	**2,946.6**

Table 29 (CCR6): Counterparty credit risk: Credit derivatives exposures[1]

		31.12.2017
	a	b
	Protection bought *CHF m*	Protection sold *CHF m*
Notionals		
Single-name CDSs	154.2	161.8
Index CDSs	-	-
Total return swaps	28.5	41.9
Credit options	-	-
Total notionals	**182.7**	**203.8**
Fair values		
Positive replacement value (asset)	0.2	2.4
Negative replacement value (liability)	3.8	2.8

[1] Only trading book positions

Table 31 (CCR8): Counterparty credit risk: Exposures to central counterparties

			31.12.2017
		a	b
No.		EAD (post-CRM) *CHF m*	RWA *CHF m*
1	Exposures to QCCPs (total)		102.8
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	334.8	9.4
3	*of which OTC derivatives*	*27.5*	*0.6*
4	*of which exchange-traded derivatives*	*307.3*	*8.8*
5	*of which SFTs*		
6	*of which netting sets where cross-product netting has been approved*		
7	Segregated initial margin	61.8	
8	Non-segregated initial margin	323.4	64.7
9	Pre-funded default fund contributions	67.3	28.7
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)		
13	*of which OTC derivatives*		
14	*of which exchange-traded derivatives*		
15	*of which SFTs*		
16	*of which netting sets where cross-product netting has been approved*		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

SECURITISATIONS

STANDARDISED RATINGS-BASED APPROACH

The following disclosures refer to traditional securitisations held in our banking book and regulatory capital on these exposures calculated according the Basel framework for securitisations. The Group invests in securitisation-related products created by third parties holding securitisation instruments in the banking book referencing different types of underlying assets including retail real estate loans.

The Group has in place a comprehensive risk management process whereby the front office and risk management work together to monitor positions, portfolio structure, and trading activity and calculate a set of risk measures on a daily basis considering interest rate risk and credit spread risk sensitivities. We have also put in place a set of key risk limits for the purpose of managing the Group's risk appetite framework in relation to securitisation.

The Group holds only traditional securitisation exposures in the banking book at the end of December 2017. We apply the standardised ratings-based approach using external ratings from Moody's Investors Service, Standard & Poor's and Fitch Ratings for all securitisation exposures.

The securitisation positions in the banking book are measured at fair value, reflecting market price.

Table 33 (SEC1): Securitisations: Exposures in the banking book

							31.12.2017
		a/e	b/f	c/g	i	j	k
		Bank acts as originator and/or sponsor			Bank acts as investor		
		Traditional *CHF m*	Synthetic *CHF m*	Sub-Total *CHF m*	Traditional *CHF m*	Synthetic *CHF m*	Sub-Total *CHF m*
No.							
1	Retail (total)				272.8		
2	*of which residential mortgages*				*101.4*		
3	*of which credit card*				*16.0*		
4	*of which other retail exposures*				*155.4*		
5	*of which re-securitisation*						
6	Wholesale (total)				475.8		
7	*of which loans to corporates*				*475.8*		
8	*of which commercial mortgages*						
9	*of which lease and receivables*						
10	*of which other wholesale*						
11	Re-securitisation						
12	**Total exposure**				**748.6**		

Table 36 (SEC4): Securitisations: Exposures in the banking book and associated capital requirements – bank acting as investor

															31.12.2017
		a	b	c	d	e	f	h	i	j	l	m	n	p	q
		Exposure values (by RWA bands)					Exposure values (by regulatory approach)			RWA (by regulatory approach)			Capital charge after cap		
		<= 20% *CHF m*	>20% to 50% *CHF m*	>50% to 100% *CHF m*	>100% to <1250% *CHF m*	1250% *CHF m*	IRB RBA *CHF m*	SA/ SSFA *CHF m*	1250% *CHF m*	IRB RBA *CHF m*	SA/ SSFA *CHF m*	1250% *CHF m*	IRB RBA *CHF m*	SA/ SSFA *CHF m*	1250% *CHF m*
No.															
1	Total exposure	742.1	6.3	0.2				748.6			151.7			12.1	
2	Traditional securitisation	742.1	6.3	0.2				748.6			151.7			12.1	
3	*of which securiti-sation*	742.1	6.3	0.2				748.6			151.7			12.1	
4	*of which retail underlying*	266.3	6.3	0.2				272.8			56.6			4.5	
5	*of which wholesale*	475.8						475.8			95.2			7.6	
6	*of which re-securiti-sation*														
7	*of which senior*														
8	*of which non-senior*														
9	Synthetic securiti-sation														
10	*of which securitisation*														
11	*of which retail underlying*														
12	*of which wholesale*														
13	*of which re-securiti-sation*														
14	*of which senior*														
15	*of which non-senior*														

MARKET RISK

OVERVIEW OF APPLIED METHODS AND MANAGEMENT OF MARKET RISK

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 VaR (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 of the Group's fixed income trading positions is calculated according to the market risk standard method. 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. More information on each of these applicable components is detailed in the following pages.

The table below presents an overview of Pillar 3 disclosures including the management of market risk separately provided in the Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website.

Table 37 (MRA): Market risk: Qualitative disclosure requirements

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
Strategies and processes of the bank for market risk	Comment on risk and capital management	– Risk governance – Market risk (trading book)	103-105 117-121
Structure and organisation of the market risk management function	Comment on risk and capital management	– Risk governance	103-105
Scope and nature of reporting and/or measurement systems	Comment on risk and capital management	– Market risk (trading book)	117-121

The table below presents an overview of Pillar 3 disclosures regarding the use of the internal model approach separately provided in the Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website.

Table 38 (MRB): Market risk: Qualitative disclosures for banks using the Internal Model Approach (IMA)

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
Description of activities and risks covered by the VaR models and stressed VaR models	Comment on risk and capital management	– Market risk (trading book)	117-121
General description of VaR and stressed VaR models	Comment on risk and capital management	– Market risk (trading book)	117-121
Description of stress testing applied to modelling parameters	Comment on risk and capital management	– Market risk (trading book)	118-121
	Additional information	– Fair Value Measurement	168-169
Description of backtesting approach	Comment on risk and capital management	– Market risk (trading book)	118-121

The table below illustrates the required capital for the fixed income and the hedge fund trading positions.

Table 39 (MR1): Market risk: Minimum capital requirements under standardised approach

No.		31.12.2017 a RWA *CHF m*
	Outright products	
1	Interest rate risk (specific)	151.7
2	Equity risk (general and specific)	62.3
3	Foreign exchange risk	
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	**Total**	214.0

The following table shows minimum, maximum, average and period-end regulatory VaR and stressed VaR, 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.

Table 41 (MR3): Market risk: IMA values for trading portfolios

No.		31.12.2017 a CHF m
	VaR (10-day 99%)	
1	Maximum value	20.1
2	Average value	7.4
3	Minimum value	0.5
4	Period end	2.7
	Stressed VaR (10-day 99%)	
5	Maximum value	25.2
6	Average value	10.2
7	Minimum value	0.0
8	Period end	1.9
	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)	

VALUE-AT-RISK

VaR definition

VaR measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. VaR is calculated on a daily basis, using a historical simulation approach, taking into account a 300-days historic period of time with equally weighted observations. For all days within the historic period of time, the changes of all relevant valuation parameters (risk factors) are observed. These risk factor changes are applied to the parameters currently used for valuation. A re-pricing of the current positions using the newly obtained parameters leads to a set of profit-and-loss scenario results. Whenever possible, the profit-and-loss scenario results are obtained by a full re-pricing of the financial instruments. If no suitable model for the financial instrument is available, the re-pricing is based on the current instrument's price plus a price shift calculated by using the instrument's sensitivities to changes of the risk factors. After ordering the profit-and-loss scenario results by value and given the chosen confidence level, the VaR figure is the scenario result that corresponds to the confidence level.

The market risks are being calculated using statistics of the risk factors that mainly influence the price of the positions. Wherever possible, the Group refrains from making simplifying mappings on general market risk factors, such as, but not limited to, equity indices. Instead the Group makes every effort to measure all risks based on risk factors that best model the individual positions. For derivative positions historical changes of implied volatilities derived from their respective volatility surfaces are used. If not available, historical relative changes of the underlying instrument prices are used to derive time series of changes in their historical volatility. These changes are applied to the current implied volatilities. The risk from the issuer-specific valuation component of credit risk bearing fixed-income positions is modelled by a so-called 'structural' model. The price of a position is being partitioned into a general yield curve component and a fixed-income-specific component. The risk from the general yield curve component is modelled in the usual way (the risk factors being the observable vertices of the yield curve). The specific risk component is modelled by assuming that the bond specific price component represents the present value of expected loss due to defaults of the bond. The expected loss is a function of the quantity loss-given-default and the cumulative probability of default. The model further assumes that a default event occurs when the asset value of the firm falls below a certain threshold. As a result from applying the historical simulation approach, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix.

A single VaR model for both internal management purposes and determining market risk regulatory capital requirements is used, although different confidence intervals and time horizons are considered. For internal management purposes, risk limits and exposure measures are established using VaR at the 95% confidence interval with a one-day holding period, aligned to the way risks associated with the trading activities are considered. The regulatory measure of market risk used to underpin the market risk capital requirement according to Basel III requires a measure equivalent to a 99% confidence level using a 10-day holding period.

Additionally, the population of the portfolio within management and regulatory VaR is slightly different. The population within regulatory VaR meets minimum regulatory requirements. Management VaR includes a broader population of positions, for example portfolios with hedge fund exposures which are treated according to banking book rules for regulatory reporting.

Stressed VaR (SVaR) is also used for the calculation of regulatory capital. SVaR adopts broadly the same methodology as regulatory VaR and is calculated using the same population, holding period (10-day) and confidence level (99%). However, unlike regulatory VaR, the historical data set for SVaR is not limited to the recent 300 days, but a time period of 300 days is chosen out of the recent six years of history, which has a significant stress impact for the current portfolio.

All entities of the Group apply the same methodologies to measure market risks in trading books.

Derivation of VaR and SvaR based RWA

The following table shows the VaR and SVaR components of the market risk Basel III RWA:

Calculation of VaR and SVaR based RWA as at 31 December 2017

CHF m	Period-end VaR (A)	60-day average VaR (B)	VaR multiplier (C)	Max (A, B x C) (D)	Risk weight factor (E)	**31.12.2017** Basle III RWA (D x E) (F)
VaR (10-day 99%)	2.7	4.1	3.2	13.2	1250%	164.6
Stressed VaR (10-day 99%)	1.9	4.6	3.2	14.6	1250%	182.4

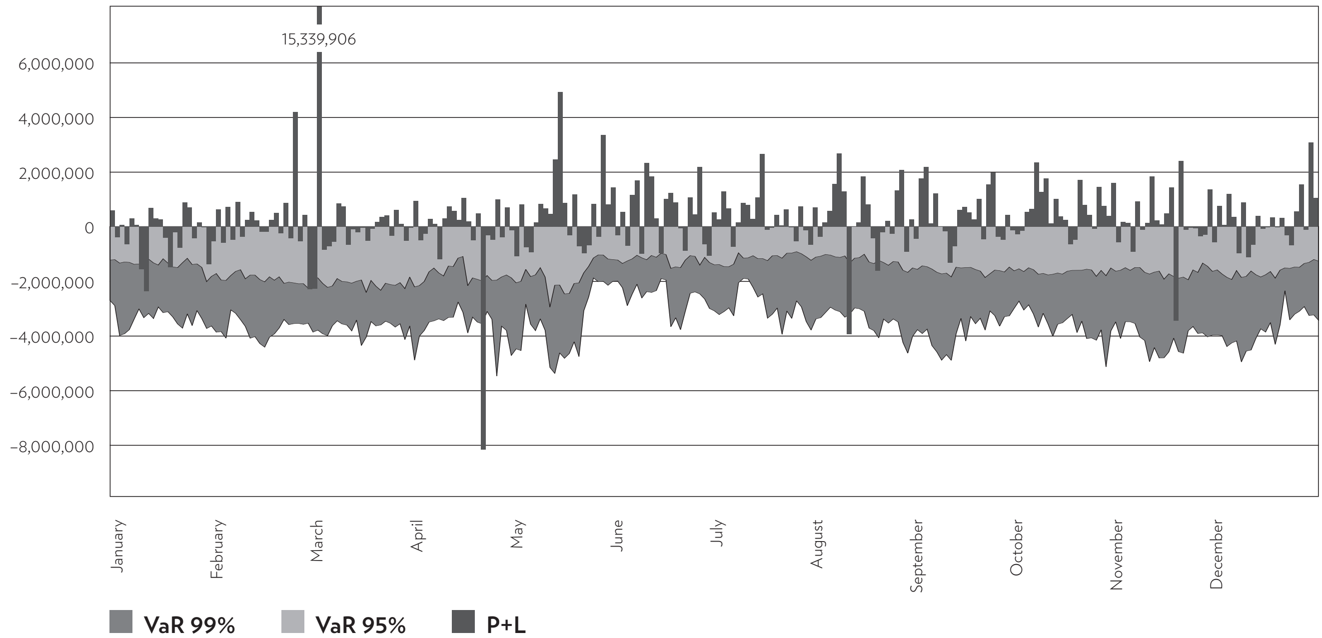
This calculation takes the maximum of the respective period-end VaR measure and the average VaR measure for the 60 trading days immediately preceding the period end, multiplied by a VaR multiplier set by FINMA. The VaR multiplier, which was 3.2 as at 31 December 2017, is dependent upon the number of VaR back-testing exceptions within a 250 business day window. When the number of exceptions is greater than four, the multiplier increases gradually from three to a maximum of four, if ten or more back-testing exceptions occur. This is then multiplied by a risk weight factor of 1,250% to determine RWA.

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 2017 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with these 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.

Back-testing of the Group's trading book positions in 2017 (CHF)

Table 42 (MR4): Market risk: Comparison of VaR estimates with gains/losses



At the beginning of 2017, the preceding twelve-month period contained no back-testing exception. During the course of 2017 two new exceptions occurred: In April increased market volatility in relation with the presidential elections in France lead to a back-testing exception and in August an overall upwards move of equity markets between 1% and 1.7% lead to another back-testing exception. Therefore, the statistical allowed number of back-testing violations was not exceeded and the capital multiplier applied to the Group remained constant for the whole year 2017.

OPERATIONAL RISK

The table below presents an overview of Pillar 3 disclosures separately provided in our Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website. The Group calculates its minimum regulatory capital requirement for operational risks based on the standard approach according to article 90 of the Capital Adequacy Ordinance.

Table 43: Qualitative disclosure requirements related to operational risks

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
Strategy, processes and organisational structure for managing operational risks	Comment on risk and capital management	– Operational risk	126-129

INTEREST RATE RISK IN THE BANKING BOOK

INTRODUCTION

Interest rate risk in the banking book arises from balance sheet positions such as due to customers, debt issued, lombard loans, mortgages, financial assets available-for-sale, certain financial assets and liabilities designated at fair value which are sensitive to changes in interest rates.

The table below presents an overview of Pillar 3 disclosures separately provided in the Annual Report 2017 of the Group, which is published in the Financial Reporting section of the www.juliusbaer.com website.

Table 44: Interest-rate risk in the banking book

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 page numbers
The nature of the interest-rate risks and key assumptions applied	Comment on risk and capital management	– Financing, liquidity and interest rate risk in the banking book	121-123
Management's method for measuring interest-rate risk	Comment on risk and capital management	– Financing, liquidity and interest rate risk in the banking book	121-123
Concept for hedging or mitigating the interest-rate risk	Comment on risk and capital management	– Financing, liquidity and interest rate risk in the banking book	123

INTEREST RATE RISK SENSITIVITY TO PARALLEL SHIFTS IN YIELD CURVES

The interest rate risk associated with products which do not have a contractual maturity, referred to as non-maturing products, is estimated using the methodology of replicating portfolios: Based on the historical behaviour of volumes of these products it assigns the position balance associated with a non-maturing banking product to time bands that are presumed to reflect their empirical maturities. The structure and parameters of the replicating portfolios are reviewed periodically to ensure continued relevance of the portfolios in light of changing market conditions and client behaviour.

The interest rate risk sensitivity figures presented in the following table represent the effect of ±100 and ±200 basis points (bp) parallel moves in yield curves on present values of future cash flows, irrespective of accounting treatment. In the prevailing negative interest rate environment for the Swiss franc in particular, and to a lesser extent for the euro and for Japanese yen, for the purposes of this disclosure table, downward moves of 100/200 bp are floored to ensure that the resulting shocked interest rates do not turn negative. The flooring results in non-linear sensitivity behaviour.

Interest rate sensitivity – banking book

				31.12.2017
	-200 bp	-100 bp	+100 bp	+200 bp
CHF	-147.0	-73.0	71.9	142.6
EUR	-112.6	-55.6	54.2	106.8
GBP	-23.5	-11.5	10.9	21.2
USD	29.4	14.6	-14.4	-28.7
Other	-41.9	-20.5	19.7	38.6
Total effect on fair value of interest rate sensitive banking book positions	**-295.6**	**-146.0**	**142.2**	**280.5**

Interest rate risk in the banking book is not underpinned for capital purposes, but is subject to a regulatory threshold. As at 31 December 2017, the economic-value effect of an adverse parallel shift in interest rates of ±200 bp on the Group's banking book interest rate risk exposures is significantly below the threshold of 20% of eligible capital recommended by regulators.

LEVERAGE RATIO

INTRODUCTION

In November 2014, FINMA published the new 'Leverage Ratio' circular, which sets out the rules for calculating the leverage ratio in Switzerland. In addition to the existing requirement for banks to hold eligible capital proportionate to their risk weighted assets, the circular defines the leverage ratio as a new, non-risk-based metric. The leverage ratio is defined as the ratio between eligible (tier 1) core capital and total exposure. The total exposure encompasses all balance-sheet and off-balance sheet positions, and the new 'Leverage Ratio' circular defines how these are to be calculated. The Basel Committee on Banking Supervision will define the requirements which it will place on the leverage ratio from 2018 after the conclusion of an observation period. That period will also be used to clarify a number of currently open questions regarding the calculation of total exposure. The indicative leverage ratio requirement, which is not yet binding at this stage, is three percent. This may however be subject to change once the observation period has concluded. Basel III regulations also require publication of the leverage ratio from 2015 onwards. This requirement is contained in the valid version of the FINMA circular 2016/1 'Disclosure – banks'.

COMPONENTS

The tier 1 leverage ratio was 4.4% at the end of December 2017. The difference of the total exposures of CHF 96,949 million (number 8 in the following table) to the total on-balance sheet exposures of CHF 97,918 million (number 1) was minus CHF 969 million. The difference is the total of the single amounts of the numbers 2 to 7 in the following table.

Summary comparison of accounting assets versus leverage ratio exposure measure

No.		**31.12.2017** *CHF m*
1	Total assets as per published financial statements	97,917.6
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation (margin nos. 6-7 FINMA circular 15/3), as well as adjustment for assets deducted from Tier 1 capital (margin nos. 16-17 FINMA circular 15/3)	-2,879.3
3	Adjustment for fiduciary assets recognised on the balance sheet for accounting purposes, but excluded from the leverage ratio exposure measure (margin no. 15 FINMA circular 15/3)	-
4	Adjustment for derivative financial instruments (margin nos. 21-51 FINMA circular 15/3)	425.8
5	Adjustment for securities financing transactions (SFTs) (margin nos. 52-73 FINMA circular 15/3)	119.4
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures) (margin nos. 74-76 FINMA circular 15/3)	1,365.8
7	Other adjustments	-
8	**Leverage ratio exposure**	**96,949.4**

Detailed description of the components of the leverage ratio

No.		31.12.2017 CHF m
	On-balance sheet exposures	
1	On-balance sheet items excluding derivatives and SFTs, but including collateral (margin nos. 14-15 FINMA circular 15/3)	95,895.7
2	Assets that must be deducted in determining the eligible Tier 1 capital (margin nos. 7 and 16-17 FINMA circular 15/3)	-2,879.3
3	**Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs**	**93,016.3**
	Derivative exposures	
4	Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements in accordance with margin nos. 22-23 and 34-35 FINMA circular 15/3	1,040.0
5	Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 and 25 FINMA circular 15/3)	1,845.0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (margin no. 27 FINMA circular 15/3)	-
7	Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA circular 15/3.	-447.1
8	Deduction relating to exposures to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting (margin no. 39 FINMA circular 15/3)	-360.7
9	Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (margin no. 43 FINMA circular 15/3)	316.1
10	Adjusted effective notional offsets of bought/written credit derivatives (margin nos. 44-50 FINMA circular 15/3) and add-on deductions for written credit derivatives (margin no. 51 FINMA circular 15/3)	-4.7
11	**Total derivative exposures**	**2,388.5**
	Securities financing transaction exposures	
12	Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per margin no. 57 FINMA circular 15/3) including sale accounting transactions (margin no. 69 FINMA circular 15/3), less the items specified in margin no. 58 FINMA circular 15/3	59.3
13	Netted amounts of cash payables and cash receivables relating to SFT counterparties (margin nos. 59-62 FINMA circular 15/3)	-
14	CCR exposure for SFT assets (margin nos. 63-68 FINMA circular 15/3)	119.4
15	Agent transaction exposures (margin nos. 70-73 FINMA circular 15/3)	-
16	**Total securities financing transaction exposures**	**178.7**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amounts before application of credit conversion factors	1,943.0
18	Adjustments for conversion to credit equivalent amounts (margin nos. 75-76 FINMA circular 15/3)	-577.2
19	**Total of off-balance sheet items**	**1,365.8**
	Eligible capital and total exposure	
20	**Core capital (Tier 1 capital, margin no. 5 FINMA circular 15/3)**	**4,235.1**
21	**Total exposure**	**96,949.4**
	Leverage ratio	
22	**Basel III leverage ratio (margin nos. 3-4 FINMA circular 15/3)**	**4.4%**

LIQUIDITY COVERAGE RATIO

INTRODUCTION

Switzerland's Liquidity Ordinance and FINMA circular 2015/2 'Liquidity risks – banks' make it a regulatory requirement for the Group to calculate and monitor its liquidity coverage ratio (LCR). The LCR provides banks with a metric to assist them in ensuring that they hold a sufficient quantity of highly liquid assets to enable them to withstand a short-term (30-day) company-specific stress situation which coincides with a period of general market stress. The management of the liquidity risks is described in the Annual Report 2017 of the Group in the section 'Management of liquidity and financing risks' (page 122). Basel III regulations also require publication of the liquidity coverage ratio from 2015 onwards. This requirement is contained in the FINMA circular 2016/1 'Disclosure – banks'.

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 (number 1 in the following table) increased in the fourth quarter compared to the previous quarter value. Simultaneously the total of net cash outflows (number 22) decreased in the fourth quarter. The changes resulted in a higher liquidity coverage ratio, significantly above the regulatory required minimum ratio of 80% valid as at 31 December 2017 (100% is required from 2019 onwards).

Information to the liquidity coverage ratio

		Q3 2017		**Q4 2017**	
		3-month average		3-month average	
		Unweighted value	Weighted value	Unweighted value	Weighted value
No.		*CHF m*	*CHF m*	*CHF m*	*CHF m*
A.	**High-quality liquid assets**				
	Cash and balances with central banks		7,158.4		8,771.0
	Securities category 1 and category 2		6,099.6		5,076.2
1	**Total high-quality liquid assets**		**13,285.1**		**13,847.2**
B.	**Cash outflows**				
2	Retail deposits and deposits	36,971.7	5,124.7	38,057.3	5,332.8
3	*of which stable deposits*	*3,380.4*	*169.0*	*3,288.8*	*164.4*
4	*of which less stable deposits*	*33,591.3*	*4,955.7*	*34,768.4*	*5,168.4*
5	Unsecured wholesale funding	34,572.4	22,166.9	36,278.8	23,234.1
6	*of which operational deposits (all counterparties)*				
7	*of which non-operational deposits (all counterparties)*	*30,389.8*	*17,984.3*	*31,629.9*	*18,585.2*
8	*of which unsecured debt*	*4,182.7*	*4,182.7*	*4,648.9*	*4,648.9*
9	Secured wholesale funding		1,243.9		1,324.9
10	Additional cash outflows	4,506.1	4,025.6	5,337.1	4,853.1
11	*of which outflows related to derivatives and other transactions*	*3,833.3*	*3,833.3*	*4,669.0*	*4,669.0*
12	*of which outflows related to loss of funding on debt products*				
13	*of which committed credit and liquidity facilities*	*672.8*	*192.3*	*668.1*	*184.1*
14	Other contractual funding obligations	1,339.5	861.5	1,102.2	955.8
15	Other contingent funding obligations	7,398.7	142.7	7,562.6	149.3
16	**Total cash outflows**		**33,565.4**		**35,850.1**
C.	**Cash inflows**				
17	Secured lending (e.g. reverse repurchase transactions)	677.2	669.2	637.0	627.1
18	Income from fully performing exposures	29,123.5	17,106.8	34,682.2	20,069.7
19	Other cash inflows	5,628.8	5,628.8	6,860.6	6,860.6
20	**Total cash inflows**[1]	**35,429.4**	**23,230.4**	**42,179.8**	**26,586.3**
	Liquidity coverage ratio				
21	Total of high-quality liquid assets		13,258.1		13,847.2
22	Total net cash outflows		10,334.9		9,263.8
23	**Liquidity coverage ratio (in %)**		**128.3%**		**149.5%**

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

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The Julius Baer Group is present in more than 50 locations worldwide,
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