Julius Bär

BASEL III PILLAR 3 DISCLOSURES

June 2023

Julius Baer Group

According to FINMA circular 2016/1
'Disclosure Banks'

Contents

Introduction

Scope of Pillar 3 disclosures

This report provides Pillar 3 disclosures for Julius Baer Group Ltd. (the Group) on a consolidated basis as at 30 June 2023. The disclosures in the report are based on the Swiss Financial Market Supervisory Authority's (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 Supervision (BCBS) in March 2017.

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

The Group's Pillar 3 disclosures as at 30 June 2023, 31 December 2022 and 30 June 2022 are based on fully applied amounts, which means that no Basel III phase-in rules are applied anymore.

Frequency of Pillar 3 disclosures

Pillar 3 reporting is published semi-annually. FINMA has specified the reporting frequency for each disclosure as either annual or semi-annual and has specified the periods for which comparative information and commentaries on movements must be provided. More information regarding qualitative and quantitative Pillar 3 disclosures can be found in the document 'Basel III Pillar 3 Disclosures 2022', published in the Financial Reporting section of the Julius Baer website (www.juliusbaer.com/reporting).

Key metrics at consolidated Group level (KM1)

No.[1]		**30.06.2023** CHF m	31.12.2022 CHF m	30.06.2022 CHF m
	Available capital			
1	Common equity tier 1 (CET1)	**3,311.5**	3,046.3	3,074.8
2	Tier 1 capital	**5,221.0**	4,608.9	4,701.6
3	Total capital	**5,295.5**	4,719.0	4,802.0
	Risk-weighted assets (RWA)			
4	RWA	**21,430.6**	21,700.8	20,548.3
4a	Minimum capital requirements	**1,714.4**	1,736.1	1,643.9
	Risk-based capital ratios as a percentage of RWA			
5	Common equity tier 1 ratio	**15.5%**	14.0%	15.0%
6	Tier 1 ratio	**24.4%**	21.2%	22.9%
7	Total capital ratio	**24.7%**	21.7%	23.4%
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement as per the Basel minimum standards (2.5% from 2019)	**2.5%**	2.5%	2.5%
9	Countercyclical buffer requirement (art. 44a ERV) as per the Basel minimum standards	**0.2%**	0.2%	0.1%
11	Total of bank CET1 specific buffer requirements as per the Basel minimum standards	**2.7%**	2.7%	2.6%
12	CET1 available after meeting the bank's minimum capital requirements as per the Basel minimum standards	**11.0%**	9.5%	10.5%
	Target capital ratios according to appendix 8 CAO (% of RWA)			
12a	Capital buffer according to appendix 8 CAO	**4.0%**	4.0%	4.0%
12b	Countercyclical capital buffer (art. 44 and 44a CAO)	**0.4%**	0.4%	0.1%
12c	CET1 target ratio according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**8.2%**	8.2%	7.9%
12d	T1 target ratio according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**10.0%**	10.0%	9.7%
12e	Total capital target ratio according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**12.4%**	12.4%	12.1%
	Basel III leverage ratio			
13	Total Basel III leverage ratio exposure measure	**102,197.1**	106,496.6	116,511.0
14	Basel III leverage ratio (= no. 2/no. 13)	**5.1%**	4.3%	4.0%
	Liquidity coverage ratio (3-month average)[2]			
15	Total high-quality liquid assets (HQLA)	**26,162.9**	24,268.2	28,715.9
16	Total net cash outflows	**8,082.3**	9,242.2	13,327.4
17	Liquidity coverage ratio, LCR	**323.7%**	262.6%	215.5%
	Net stable funding ratio			
18	Available stable funding	**62,214.1**	65,624.5	69,883.5
19	Required stable funding	**41,835.9**	47,063.4	48,203.4
20	Net stable funding ratio, NSFR	**148.7%**	139.4%	145.0%

1 Row numbers according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table KM1.
2 Amounts for 31.12.2022 amended compared with table KM1 in the "Basel III Pillar 3 Disclosures 2022" report.

Overview of risk-weighted assets

The following table provides an overview of risk-weighted assets (RWA) and the related minimum capital requirement by risk type. Capital requirements presented in the following table are calculated based on 8% of RWA as at 30 June 2023.

OV1: Overview of risk-weighted assets

No.		**30.06.2023** RWA[1] *CHF m*	31.12.2022 RWA[1] *CHF m*	**30.06.2023** Minimum capital requirements *CHF m*
1	Credit risk (excluding CCR – counterparty credit risk)	**11,692.4**	11,822.0	**935.4**
2	*of which standardised approach (SA)*[2]	***11,692.4***	*11,822.0*	***935.4***
3	*of which foundation internal ratings-based (F-IRB) approach*			
4	*of which supervisory slotting approach*			
5	*of which advanced internal ratings-based (A-IRB) approach*			
6	Counterparty credit risk	**1,134.6**	972.4	**90.8**
7	*of which standardised approach for counterparty credit risk (SA-CCR)*	***883.9***	*763.9*	***70.7***
7a	*of which simplified standard approach (VSA-CCR)*			
7b	*of which mark-to-market method*			
8	*of which internal model method (IMM or EPE model methods)*			
9	*of which other CCR*	***250.7***	*208.5*	***20.1***
10	Credit valuation adjustment (CVA)	**227.5**	187.5	**18.2**
11	Equity positions in banking book under market-based approach			
12	Investments in managed collective assets – look-through approach	**94.7**	211.7	**7.6**
13	Investments in managed collective assets – mandate-based approach			
14	Investments in managed collective assets – fall-back approach			
14a	Investments in managed collective assets – simplified approach	**39.8**	152.3	**3.2**
15	Settlement risk	**55.4**	16.9	**4.4**
16	Securitisation exposures in banking book	**77.6**	78.5	**6.2**
17	*of which securitisation internal ratings-based approach (SEC-IRBA)*			
18	*of which securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)*	***77.6***	*78.5*	***6.2***
19	*of which securitisation standardised approach (SEC-SA)*			
20	Market risk	**1,552.6**	1,684.5	**124.2**
21	*of which standardised approach (SA)*	***514.7***	*515.2*	***41.2***
22	*of which internal model approach (IMA)*	***1,037.9***	*1,169.3*	***83.0***
23	Capital charge for switch between trading book and banking book			
24	Operational risk	**6,281.1**	6,230.8	**502.5**
25	Amounts below the thresholds for deduction (subject to 250% risk weight)[3]	**274.9**	344.2	**22.0**
26	Floor adjustment			
27	**Total**	**21,430.6**	21,700.8	**1,714.4**

[1] Explanations on movements between reporting periods 31.12.2022 and 30.06.2023: decrease in RWA primarily due to lower credit risk RWA on treasury portfolio positions (nos. 2, 12 and 14a) and lower capital requirements for market risk (no. 20), partially offset by higher counterparty credit risk RWA and higher operational risk RWA (no. 24) following an increase in income.

[2] Includes RWA of non-counterparty-related risk.

[3] Includes RWA of investments exposed to price risk and accounted at fair value through profit or loss.

Liquidity risk

Introduction

This section provides disclosures in relation to the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). 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 NSFR requires banks to have sufficient available stable funding (ASF) to meet the required stable funding (RSF) over one year. The management of liquidity risks is described in the Annual Report 2022 of the Group in the section 'Treasury risk' (page 110).

Liquidity Coverage Ratio

In the following table, the LCR is disclosed as a 3-month average value per quarter. The total of the high-quality liquid assets (HQLA) (no. 1 in the following table) increased in the second quarter compared to the previous quarter of 2023. Simultaneously, the total of net cash outflows (no. 22) decreased in the second quarter, primarily driven by lower overall average deposit balances and a shift to term deposits, which reduced retail deposits and deposits by small businesses as well as unsecured wholesale funding. The changes resulted in a higher LCR in Q2 2023 than in Q1 2023, both of which were significantly above the regulatory required minimum ratio of 100% and risk tolerances defined internally.

Net Stable Funding Ratio

In the following two tables, the NSFR is disclosed as quarter-end data as at 30 June 2023 and 31 March 2023. The total available stable funding items (no. 14 in the following two tables) decreased in the second quarter compared to the previous quarter of 2023, primarily driven by lower weighted retail deposits and deposits from small business customers (no. 4) as well as lower weighted wholesale funding (no. 7). Simultaneously, the total required stable funding items (no. 33) decreased over the same period, mainly due to a decrease in weighted other assets (no. 26), a decrease in weighted high-quality liquid assets (no. 15) and a decrease in weighted non-HQLA securities (no. 24). The changes resulted in a higher NSFR as at 30 June 2023 of 148.7% compared to 144.6% as at 31 March 2023, both of which were significantly above the regulatory required minimum ratio of 100% and risk tolerances defined internally.

LIQ1: Liquidity coverage ratio

No.		Q1 2023 3-month average Unweighted value CHF m	Q1 2023 3-month average Weighted value CHF m	Q2 2023 3-month average Unweighted value CHF m	Q2 2023 3-month average Weighted value CHF m
A.	**High-quality liquid assets**				
	Cash and balances with central banks		13,653.2		15,890.5
	Securities category 1 and category 2		10,815.7		10,272.4
1	**Total**		**24,469.0**		**26,162.9**
B.	**Cash outflows**				
2	Retail deposits and deposits from small business customers	36,715.4	5,167.8	34,720.4	4,853.2
3	*of which stable deposits*	*2,339.1*	*117.0*	*2,229.7*	*111.5*
4	*of which less stable deposits*	*34,376.3*	*5,050.8*	*32,490.8*	*4,741.7*
5	Unsecured wholesale funding	33,952.9	20,191.7	30,730.9	17,734.5
6	*of which operational deposits (all counterparties)*	*3,089.0*	*749.1*	*3,756.4*	*910.5*
7	*of which non-operational deposits (all counterparties)*	*28,979.9*	*17,558.5*	*25,535.1*	*15,384.6*
8	*of which unsecured debt*	*1,884.1*	*1,884.1*	*1,439.4*	*1,439.4*
9	Secured wholesale funding		1,803.9		1,947.8
10	Additional cash outflows	7,375.2	4,134.8	7,166.7	3,962.9
11	*of which outflows related to derivatives and other transactions*	*5,207.5*	*4,007.5*	*4,449.0*	*3,828.5*
12	*of which outflows related to loss of funding on debt products*	-	-	-	-
13	*of which committed credit and liquidity facilities*	*801.4*	*127.2*	*795.2*	*134.4*
14	Other contractual funding obligations	826.7	818.3	667.1	661.6
15	Other contingent funding obligations	12,706.3	95.2	12,832.2	93.9
16	**Total**		**32,211.6**		**29,253.8**
C.	**Cash inflows**				
17	Secured lending (e.g. reverse repurchase transactions)	4,955.7	1,079.7	6,614.6	832.2
18	Income from fully performing exposures	28,742.2	15,851.7	27,712.2	15,395.9
19	Other cash inflows	5,917.6	5,917.6	5,183.5	5,183.5
20	**Total**	**39,615.5**	**22,849.0**	**39,510.2**	**21,171.6**
	Liquidity coverage ratio				
21	Total of high-quality liquid assets		24,469.0		26,162.9
22	Total net cash outflows		9,362.6		8,082.3
23	**Liquidity coverage ratio (in %)**		**261.3%**		**323.7%**

LIQ2: Net stable funding ratio

No.		As at 30 June 2023				
		Unweighted value by residual maturity				Weighted value
		No maturity CHF m	< 6 months CHF m	6 months to < 1 year CHF m	≥ 1 year CHF m	CHF m
	Available stable funding (ASF) item					
1	Capital	8,242.9				8,242.9
2	*Regulatory capital*	*8,242.9*				*8,242.9*
3	*Other capital instruments*					
4	Retail deposits and deposits from small business customers	23,711.8	16,643.2	1,368.4	890.5	38,476.9
5	*Stable deposits*	*705.4*				*670.2*
6	*Less stable deposits*	*23,006.4*	*16,643.2*	*1,368.4*	*890.5*	*37,806.7*
7	Wholesale funding	23,386.9	14,449.8	1,109.0	1,138.7	15,250.3
8	*Operational deposits*	*3,336.1*				*1,668.1*
9	*Other wholesale funding*	*20,050.7*	*14,449.8*	*1,109.0*	*1,138.7*	*13,582.3*
10	Liabilities with matching interdependent assets					
11	Other liabilities	824.5	211.7	0.2	539.1	244.0
12	*NSFR derivative liabilities*[1]				*515.3*	
13	*All other liabilities and equity not included in the above categories*	*824.5*	*166.2*		*69.5*	*244.0*
14	**Total ASF**					**62,214.1**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					1,423.4
16	Deposits held at other financial institutions for operational purposes	110.2				55.1
17	Performing loans and securities	9,223.2	39,453.4	4,012.0	12,119.9	34,176.3
18	*Performing loans to financial institutions secured by category 1 and 2a HQLA*		*295.4*			*29.5*
19	*Performing loans to financial institutions secured by non-category 1 or 2a HQLA and unsecured performing loans to financial institutions*	*2,683.3*	*1,090.2*	*122.1*	*40.7*	*667.8*
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which*	*2,185.5*	*33,369.6*	*2,555.8*	*3,498.4*	*19,769.5*
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	*62.1*	*5,400.2*	*1,403.0*	*47.9*	*1,213.4*
22	*Performing residential mortgages, of which*	*9.9*	*3,852.6*	*256.6*	*2,265.5*	*3,538.4*
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	*0.6*	*2,915.8*	*111.5*	*1,128.1*	*2,247.2*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	*4,344.5*	*845.5*	*1,077.5*	*6,315.3*	*10,171.0*
25	Assets with matching interdependent liabilities					
26	Other assets	4,379.5	257.4	300.0	2,565.5	6,096.2
27	*Physical traded commodities, including gold*	*538.3*				*457.6*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties*[1]				*824.7*	*701.0*
29	*NSFR derivative assets*[1]				*561.8*	*46.5*
30	*NSFR derivative liabilities before deduction of variation margin posted*[1]				*858.0*	*171.6*
31	*All other assets not included in the above categories*	*3,841.2*	*257.4*	*300.0*	*320.9*	*4,719.5*
32	Off-balance sheet items				2,773.0	84.9
33	**Total RSF**					**41,835.9**
34	**Net stable funding ratio (in %)**					**148.7%**

[1] These amounts are not required to be allocated to a maturity bucket.

No.		As at 31 March 2023 Unweighted value by residual maturity No maturity CHF m	< 6 months CHF m	6 months to < 1 year CHF m	≥ 1 year CHF m	Weighted value CHF m
	Available stable funding (ASF) item					
1	Capital	8,584.8				8,584.8
2	*Regulatory capital*	*8,584.8*				*8,584.8*
3	*Other capital instruments*					
4	Retail deposits and deposits from small business customers	24,888.0	15,887.4	1,609.6	885.9	39,067.3
5	*Stable deposits*	*697.3*				*662.5*
6	*Less stable deposits*	*24,190.7*	*15,887.4*	*1,609.6*	*885.9*	*38,404.8*
7	Wholesale funding	25,303.1	13,575.8	861.4	1,142.4	15,797.4
8	*Operational deposits*	*2,776.1*				*1,388.1*
9	*Other wholesale funding*	*22,527.0*	*13,575.8*	*861.4*	*1,142.4*	*14,409.4*
10	Liabilities with matching interdependent assets					
11	Other liabilities	894.0	722.5	0.1	575.7	196.7
12	*NSFR derivative liabilities*[1]				*575.5*	
13	*All other liabilities and equity not included in the above categories*	*894.0*	*722.5*	*0.1*	*0.2*	*196.7*
14	**Total ASF**					**63,646.2**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					2,074.4
16	Deposits held at other financial institutions for operational purposes	117.8				58.9
17	Performing loans and securities	9,077.7	38,395.2	2,424.8	13,759.5	34,803.3
18	*Performing loans to financial institutions secured by category 1 and 2a HQLA*		*185.0*			*18.5*
19	*Performing loans to financial institutions secured by non-category 1 or 2a HQLA and unsecured performing loans to financial institutions*	*2,445.7*	*934.8*	*96.9*	*71.6*	*627.1*
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which*	*2,080.2*	*32,714.6*	*1,370.0*	*4,404.1*	*20,045.9*
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	*3.5*	*4,090.0*	*14.3*	*900.7*	*1,035.8*
22	*Performing residential mortgages, of which*	*19.7*	*3,774.7*	*205.8*	*2,384.8*	*3,559.7*
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	*3.8*	*2,871.5*	*136.1*	*1,131.8*	*2,241.4*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	*4,532.2*	*786.1*	*752.1*	*6,899.0*	*10,552.1*
25	Assets with matching interdependent liabilities					
26	Other assets	4,244.5	598.1	205.5	3,531.3	7,003.7
27	*Physical traded commodities, including gold*	*79.7*				*67.7*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties*[1]				*1,363.1*	*1,158.6*
29	*NSFR derivative assets*[1]				*750.0*	*174.6*
30	*NSFR derivative liabilities before deduction of variation margin posted*[1]				*979.7*	*195.9*
31	*All other assets not included in the above categories*	*4,164.8*	*598.1*	*205.5*	*438.5*	*5,406.9*
32	Off-balance sheet items				2,776.8	89.7
33	**Total RSF**					**44,030.1**
34	**Net stable funding ratio (in %)**					**144.6%**

[1] These amounts are not required to be allocated to a maturity bucket.

Market risk

Overview of applied methods

The amount of capital required for 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 simplified approach for investments in collective assets (page 6). The required capital for the default risk of the Group's fixed income trading positions is calculated according to the market risk standardised approach. Therefore, the incremental risk charge (IRC) is not applicable. The comprehensive risk measure (CRM) capital charge requirements are also not applicable, as the Group does not engage in trading of multi-risk tranche securitisation positions or nth-to-default credit derivatives.

Changes in RWA under IMA

The following table shows the VaR and SVaR flow statement of the market risk Basel III RWA. Market risk RWA have decreased driven by lower risk positions and lower volatilities. This has been partially compensated by the additional capital charge imposed by FINMA for the time decay effect, which is not incorporated in our VaR model, for other certain model weaknesses, and to reduce the gap between current RWA and anticipated RWA after FRTB go-live (which is also driven by the transition from the current internal model to the standard approach under FRTB), currently expected for 1 January 2025. The total additional capital charge has been fully phased-in as of June 2023. The phase-in add-on amount is captured in point 7 below.

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

							30.06.2023
		a	b	c	d	e	f
		VaR *CHF m*	SVaR *CHF m*	IRC *CHF m*	CRM *CHF m*	Other *CHF m*	Total RWA *CHF m*
No.							
1	**RWA at 31.12.2022**	**583.2**	**586.1**				**1,169.3**
2	Movement in risk levels	-148.5	-178.2				-326.7
3	Model updates/changes						
4	Methodology and policy						
5	Acquisitions and disposals						
6	Foreign exchange movements						
7	Other	68.5	126.8				195.3
8	**RWA at end of reporting period**	**503.2**	**534.7**				**1,037.9**

The following table shows minimum, maximum, average and period-end regulatory VaR and SVaR, using a 10-day holding period and a confidence interval of 99 %.

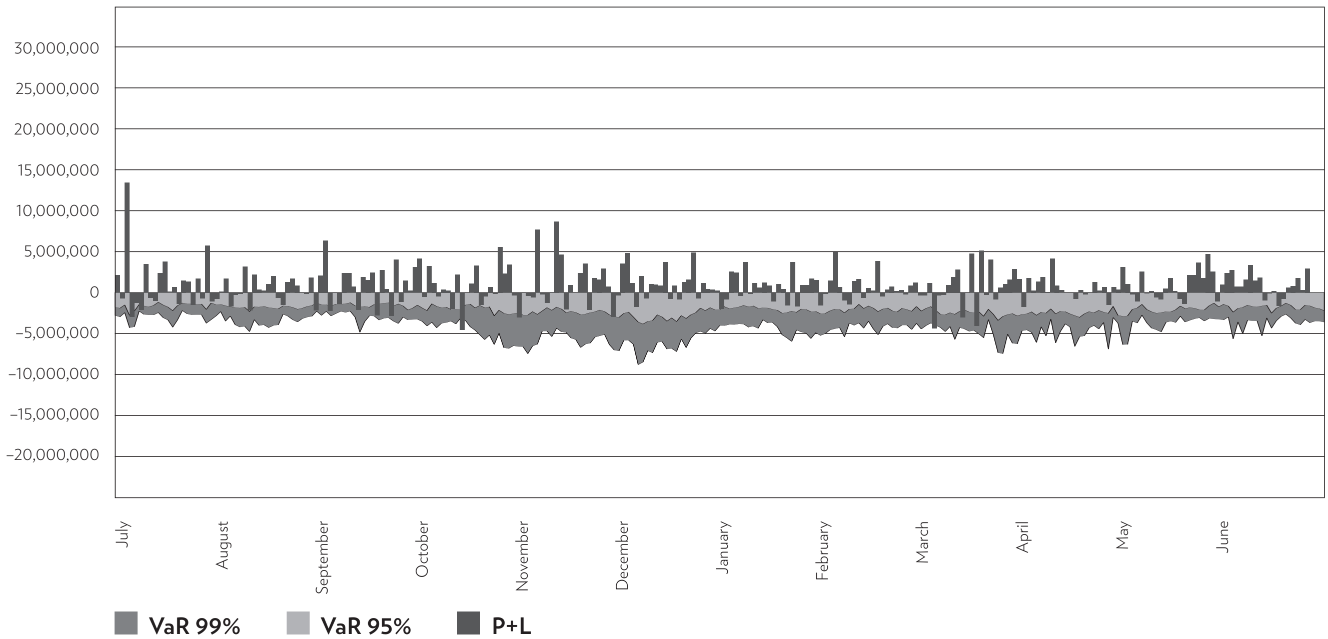
MR3: Market risk: IMA values for trading portfolios

No.		30.06.2023 *CHF m*
	VaR (10-day, 99%)	
1	Maximum value	26.0
2	Average value	10.8
3	Minimum value	1.9
4	Period end	10.5
	Stressed VaR (10-day, 99%)	
5	Maximum value	26.0
6	Average value	11.4
7	Minimum value	2.3
8	Period end	11.7

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 2022/2023 (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.

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



As of 1 July 2022, the preceding 12-month period contained five back-testing exceptions, all of which have fallen out of the observation period during the course of 2022 and 2023.

For the 12-month period starting on 1 July 2022 and ending on 30 June 2023, we have registered additional back-testing exceptions:

- On 10 October 2022, a back-testing loss was recorded in the Treasury unit. The main losses come from the positive USD yield rate sensitivity of positions held in the Treasury unit and an exceptional increase in the USD SOFR rates.
- On 17 March 2023, a back-testing loss was recorded due to losses in Treasury driven by rates volatility and losses in Trading driven by delta losses in the Correlation book.

As of 30 June 2023, the overall number of back-testing exceptions stands therefore at two. Therefore, the VaR capital multiplier applied by the Group has decreased from 3.6 to 3.2.

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