



J. SAFRA SARASIN



Sustainable Swiss Private Banking since 1841

Basel III Pillar 3 Disclosures 31 December 2017

J. Safra Sarasin Holding Ltd.

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Basel III Pillar 3 Disclosures (FINMA circ. 2016/1)

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Introduction

J. Safra Sarasin Holding Ltd. (the “Group” or the “Holding”) is regulated by the Swiss Financial Market Supervisory Authority (FINMA) which requires it to comply with Pillar III disclosures that are part of the Basel III Capital Adequacy Framework. This report discloses the Group’s application of Basel III framework as of 31 December 2017.

In order to have the full view of the Group’s regulatory environment and capital requirements, this report should be read along with the Holding’s Annual Report 2017. For more information on the way the Group manages risk, please refer to the Risk Management (pages 53 – 58) section in the Holding’s Annual Report 2017. Certain disclosures contained in this report can not be reconciled with disclosures in the Annual Report due to the way the Group manages risk internally being different to the way it reports it hereunder.

Consolidation perimeter

The consolidation perimeter includes all entities wholly and partially owned, direct or indirect subsidiaries (and their branches and representative offices). Methodology used is the same than the accounting principles described on page 50 of the Holding’s Annual Report. On page 65 of the Holding’s Annual Report is a list of the main subsidiaries of the Group as at 31 December 2017.

There are no internal and external limits which could prevent the transfer of funds or capital within the Group.

Table 1 : Composition of available own funds / reconciliation

Balance-sheet	According to the accounting rules
(in 1'000 CHF)	31.12.17
Assets	
Liquid assets	6,812,453
Amounts due from banks	1,226,028
Amounts due from securities financing transactions	210,079
Amounts due from customers	10,554,066
Mortgage loans	3,133,288
Trading portfolio assets	1,144,188
Positive replacement values of derivative financial instruments	866,505
Other financial instruments at fair value	1,317,015
Financial investments	8,610,233
Accrued income and prepaid expenses	183,320
Participations	20,230
Tangible fixed assets	322,088
Intangible assets	470,682
Of which goodwill	420,608
Of which other intangible assets	50,074
Other assets	299,860
Of which deferred taxes depending on future revenues	7,800
Of which deferred taxes from temporary differences	51,667
Total assets	35,170,035
Liabilities	
Amounts due to banks	948,333
Liabilities from securities financing transactions	151,609
Amounts due in respect of customer deposits	26,107,696
Trading portfolio liabilities	
Negative replacement values of derivative financial instruments	804,477
Liabilities from other financial instruments at fair value	1,230,926
Cash bonds	
Bond issues and central mortgage institution loans	453,372
Accrued expenses and deferred income	394,540
Other liabilities	217,296
Provisions	69,673
Of which deferred tax on other intangible assets	11,464
Of which deferred taxes	7,346
Total Liabilities	30,377,923
Equity	
Reserves for general banking risks	360,742
Capital	848,245
Of which eligible for CET1	848,245
Legal reserves/Voluntary retained earnings reserve/Profit- Loss carried forward/Profit- Loss of period	2,894,008
Minority interests	689,118
Of which eligible for CET1	656,880
Total own funds	4,792,113

- The scope of regulatory consolidation is the same as for financial consolidation.
- A list of group companies is enclosed in the annual report 2017, page 65.
- There were no essential changes in the scope of consolidation compared to previous year.
- There are no applicable restrictions.

Table 2 : Composition of the regulatory eligible capital / Presentation of the regulatory eligible capital

	Net amounts (after consideration of the transitional provisions)	Impact of the transitional provisions (phase in / phase out for minorities)
(in 1'000 CHF)	31.12.2017	
Common Equity Tier 1 (CET1)		
1 Issued fully paid-up capital, fully eligible	848,245	
2 Retained earnings reserve, incl. Reserves for general banking risks / Retained earning – loss / accumulated profit – loss	1,421,732	
3 Capital reserves / foreign currency translation reserves (+/-)	1,833,018	
4 Issued fully paid-up capital, transitory recognised (phase out)		
5 Minority interests	656,880	-32,238
6 = Common Equity Tier 1 (CET1) before adjustments	4,759,875	-32,238
Adjustments referring to Common Equity Tier 1		
7 Prudential valuation adjustments		
8 Goodwill (net of related tax liability)	-420,609	
9 Other intangible assets other than mortgage-servicing rights (net of related tax liability)	-50,073	
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-6,240	
11 Cash-flow hedge reserve (-/+)		
12 Shortfall of provisions to expected losses		
13 Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)		
14 Gains and losses due to changes in own credit risk on fair valued liabilities		
15 Defined-benefit pension fund net assets		
16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
17 Reciprocal cross-holdings in common equity		
17a Qualified participations, where a controlling influence exists together with other owners (CET1-Instruments)		
17b Participations to be consolidated (CET1-Instruments)		
18 Not qualified participations in the financial segments (max 10%) (Amount exceeding threshold 1) (CET1-Instruments)		
19 Other qualified participations in the financing segment (Amount exceeding threshold 2) (CET1-Instruments)		
20 Mortgage servicing rights (amount above threshold 2)		
21 Deferred tax assets arising from temporary differences (amount above threshold 2, net of related tax liability)	-41,334	
22 Amount exceeding the threshold 3 (15%)		
23 of which: significant investments in the common stock of financials		
24 of which: mortgage servicing rights		
25 of which: deferred tax assets arising from temporary differences		
26 Expected loss for investments based on the PD/LGD-approach		
26a Further adjustments for financial statements with generally accepted international accounting standards		
26b Further deductions		
27 Amount of AT1 deductions, which exceeds the AT1-capital		
28 = Sum of CET1-Adjustments	-518,256	
29 = Common Equity Tier 1 (net CET1)	4,241,619	-32,238
Additional Tier 1 Capital (AT1)		
44 = additional Tier 1 capital (AT1)		
45 Tier 1 capital (T1 = CET1 + AT1)	4,241,619	-32,238

Eligible Tier 2 capital (T2)	
58	= Tier 2 capital (T2)
59	= Total regulatory capital (TC = T1 + T2) 4,241,619
60	Total risk weighted assets 14,715,285
capital ratio	
61	Common Equity Tier 1 (as a percentage of risk weighted assets) para 29 28.82%
62	Tier 1 (as a percentage of risk weighted assets) para 45 28.82%
63	Total capital (as a percentage of risk weighted assets) para 59 28.82%
64	CET1-Requirements according to Basle minimum standard (Minimum requirements + capital conservation buffer + capital buffer for tbtb banks) 7.80%
65	Of which : capital conservation buffer according to Basle minimum standard (in % of risk weighted position) 3.30%
66	Of which : countercyclical buffer according to Basle minimum standard (in % of risk weighted position) 0.03%
67	Of which : capital conservation buffer according to Basle minimum standard (in % of risk weighted positions) n/a
68	Common Equity Tier 1 available to meet buffers according to Basle minimum standards (as a percentage of risk weighted assets) 28.82%
68a	Common Equity Tier 1 according to CAO plus countercyclical buffer (in % of risk weighted positions) 9.43%
68b	Available Common Equity Tier 1 (CET1) (in % of risk weighted positions) 19.39%
68c	Tier 1 minimum ratio according CAO plus countercyclical buffer (in % of risk weighted positions) 11.23%
68d	Available Tier 1 (in % of risk weighted positions) 17.59%
68e	Total requirement of regulatory capital according to CAO plus countercyclical buffer (in % of risk weighted positions) 13.63%
68f	Available regulatory capital (in % of risk weighted positions) 15.19%
Amounts below threshold for deductions (before risk weighting)	
72	Non-qualifying holdings in financial sector
73	other qualifying holdings in financial sector 21,441
74	Mortgage servicing rights
75	Other deferred tax
Applicable caps on the inclusion of provisions in Tier 2	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach BIS
77	Cap on inclusion of provisions in Tier 2 under standardised approach BIS 127,689
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach 61,291

Table 3 (OVA): Bank risk management approach

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 Page number
Risk Profile	Consolidated Financial	Governance	53
	Statements - Consolidated	Risk management framework	53 - 54
	Notes	Organisation of risk management	54 - 55
		Risk categories	55 - 58
Risk Governance	Consolidated Financial	Governance	53
	Statements - Consolidated	Risk management framework	53 - 54
	Notes	Committees	54
Communication	Consolidated Financial	Organisation of risk	54 - 55
	Statements - Consolidated	management	
	Notes	Committees	54
Scope and main features of risk measurement systems	Consolidated Financial	Risk categories	54 - 58
	Statements - Consolidated		
	Notes		
Risk information reporting	Consolidated Financial	Organisation of risk	54 - 55
	Statements - Consolidated	management	
	Notes		
Stress testing	Consolidated Financial	Forms of risk assessment	55
	Statements - Consolidated		
	Notes		
Strategies and processes to manage, capture and mitigate risks	Consolidated Financial	Organisation of risk	54 - 55
	Statements - Consolidated	management	
	Notes	Forms of risk assessment	55
		Risk categories	55 - 58
		Business policy regarding hedging	59

Table 4 (OV1) : Overview of risk weighted assets

	RWA	Minimum Capital Requirement
(in 1'000 CHF)	31.12.2017	
1 Credit risk (excluding counterparty credit risk) (CCR)	10,890,902	871,272
2 Of which standardised approach (SA)	10,890,902	871,272
3 Of which internal rating-based (IRB) approach		
4 Counterparty credit risk		
5 Of which standardised approach for counterparty credit risk (SA-CCR)		
6 Of which internal model method (IMM)		
7 Equity positions in banking book under market-based approach		
8 Equity investments in funds - look-through approach		
9 Equity investments in funds - mandate-based approach		
10 Equity investments in funds - fall-back approach		
11 Settlement risk		
12 Securitisation exposures in banking book		
13 Of which IRB ratings-based approach (RBA)		
14 Of which IRB Supervisory Formula Approach (SFA)		
15 Of which SA/simplified supervisory formula approach (SSFA)		
16 Market risk	1,774,641	141,971
17 Of which standardised approach (SA)	1,774,641	141,971
18 Of which internal model approaches (IMM)		
19 Operational risk	1,996,140	159,691
20 Of which Basic Indicator Approach	1,996,140	159,691
21 Of which Standardised Approach		
22 Of which Advanced Measurement Approach		
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	53,601	4,288
24 Floor adjustment		
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	14,715,285	1,177,223

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

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
(in 1'000 CHF)			31.12.17				
Assets							
Liquid assets	6,812,453	6,812,453	6,812,453				
Amounts due from banks	1,226,028	1,226,028	1,226,028				
Amounts due from securities financing transactions	210,079	210,079	210,079				
Amounts due from customers	10,554,066	10,554,066	10,554,066				
Amounts due secured by mortgage	3,133,288	3,133,288	3,133,288				
Trading portfolio assets	1,144,188	1,144,188	375,689			768,499	
Positive replacement values of derivative financial instruments	866,505	866,505	866,505				
Other financial instruments at fair value	1,317,015	1,317,015	359,529			957,486	
Financial investments	8,610,233	8,610,233	8,610,233				
Accrued income and prepaid expenses	183,320	183,320	183,320				
Participations	20,230	20,230					20,230
Tangible fixed assets	322,088	322,088					
Intangible assets	470,682	470,682					470,682
Other assets	299,860	299,860	198,254				
Bank's capital not paid in							
TOTAL ASSETS	35,170,035	35,170,035	32,529,445	0	0	1,725,985	490,912

Table 8 (CRA): Credit risk: general information

Pillar 3 disclosure requirement	Disclosure	Annual Report 2017 Page number
How the business model impacts the components of the bank's credit risk profile.	Risk strategy and risk profile	34, 55 - 58
	Risk management and risk categories	
Criteria and approach used for defining credit risk management policy and for setting credit risk limits.	Risk management Framework	53 - 54
	Forms of risk management	55
	Risk categories	55 - 58
Structure and organisation of the credit risk management and control function	Organisation of risk management	54 - 55
	Governance of risk management	53
	Risk management Committees	54
Relationships between the credit risk management, risk control, compliance and internal audit functions.		54 - 55
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.	A comprehensive reporting of the qualitative and quantitative development of the Bank's credit book, including the aggregate view on Group level is periodically provided by the Credit Department and distributed to BJSS Management.	

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

		Gross carrying values of		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
(in 1'000 CHF)		31.12.17			
1	Loans (excluding debt securities)	414,923	13,545,931	273,500	13,687,354
2	Debt securities	22,233	7,725,131	16,249	7,731,115
3	Off-balance sheet exposures	0	756,740		756,740
4	TOTAL	437,156	22,027,802	289,749	22,175,209

Impaired loans

If a borrower's total indebtedness exceeds the amount that can foreseeably be realised bearing in mind the counterparty risk and the net proceeds from the liquidation of any collateral that has been pledged, a corresponding value adjustment is made in the income statement.

Non-performing loans

A loan is classified as non-performing as soon as the contractually agreed capital and/or interest payments are 90 days overdue or more. Overdue interest is not shown as income but is recorded directly under value adjustments. Being overdue can indicate that a loan is impaired.

Since the criteria coincide with the indicators for impaired loans, non-performing loans are generally included under impaired loans.

Definitions for accounting purposes and for regulatory purposes are the same.

Table 10 (CR2): Credit risk: Changes in stock of defaulted loans and debt securities

(in 1'000 CHF)		31.12.17
1	Defaulted loans and debt securities at end of the previous reporting period	497,013
2	Loans and debt securities that have defaulted since the last reporting period	27,278
3	Returned to non-defaulted status	-71,858
4	Amounts written off	-23,871
5	Other changes	8,594
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	437,156

Table 11 (CRB): Credit risk: additional information of credit quality of the assets

Segmentation of the credit risk - geographical credit risk

(in 1'000 CHF)	Latin									Total
	Switzerland	Oceania	North America	Liechtenstein	America	Europe	Caribbean	Asia	Africa	
Balance sheet/Amounts due:										
Liquid assets	6,516,666		557		1	283,215	1	12,003	0	6,812,443
Amounts due from banks	196,988	5,549	97,519		168	629,059	173,771	121,136	1,839	1,226,028
Amounts due from securities financing transactions			794			189,313		19,972		210,079
Amounts due from customers	1,159,170	125,402	1,256,584	1,295	313,435	3,604,115	2,388,150	1,475,541	228,339	10,552,031
Mortgage loans	639,537		599,699			1,750,922	87,724	55,405		3,133,288
Trading portfolio assets	661		348,238			26,777	0	12		375,689
Positive replacement values of derivative financial instruments	95,193	9,094	9,442	94	4,675	531,977	174,861	40,765	403	866,505
Other financial instruments at fair value								359,529		359,529
Financial investments	357,490	100,424	1,603,900		2,077,403	1,957,671	603,534	1,866,069		8,566,493
Accrued income and prepaid expenses	47,322	911	28,918	4	9,754	57,503	28,695	10,089	124	183,320
Participations										
Tangible fixed assets										
Intangible assets										
Other assets	61,601		22		844	126,732	5,284	3,771		198,254
Value adjustments not offset according to transitional provisions (negative position)										
Capital not paid in										
Total	9,074,629	241,380	3,945,675	1,393	2,406,280	9,157,284	3,462,020	3,964,291	230,707	32,483,659
Off Balance sheet										
Contingent liabilities	34,676	2,748	62,098	260	17,134	236,273	348,084	40,259	10,208	751,741
Irrevocable commitments	8,380									8,380
Contingent liability for calls and Margin liabilities	1,487									1,487
Commitment credits										
Add-ons	143,950	5,213	24,746	97	2,438	511,894	121,192	22,295	165	831,990
Derivatives	11,335	2	30,493		292	12,212	0	3,327		57,661
Total	199,827	7,963	117,337	356	19,864	760,379	469,276	65,881	10,373	1,651,258
Total 31.12.2017	9,274,456	249,344	4,063,012	1,749	2,426,144	9,917,663	3,931,296	4,030,173	241,080	34,134,917

Table 11 (CRB): Credit risk: additional information of credit quality of the assets

Segmentation of the credit risk - sectors

(in 1'000 CHF)	Central governments and Central banks							Other exposures	Total
	Banks	Institutions	Stockbrokers	Enterprises	Retail	Equity			
Balance sheet/Amounts due:									
Liquid assets	5,923,315						889,128	6,812,443	
Amounts due from banks	58,605	741	1,153,000	13,681				1,226,028	
Amounts due from securities financing transactions			181,136	28,943				210,079	
Amounts due from customers	183,233	12,380	2,311,354	4,464,796	3,569,664		10,604	10,552,031	
Mortgage loans	206	2,145	36,171	1,378,654	1,715,548		566	3,133,288	
Trading portfolio assets	213,837		134,401			27,451		375,689	
Positive replacement values of derivative financial instruments	5,824	1,106	560,313	194,250	104,341		671	866,505	
Other financial instruments at fair value	359,529							359,529	
Financial investments	2,637,498	174,790	2,931,664	1,953,339		835,378	33,823	8,566,493	
Accrued income and prepaid expenses	5,667	398	123,447	41,526	11,875		408	183,320	
Participations									
Tangible fixed assets									
Intangible assets									
Other assets	324		173,717	1,030	211		22,972	198,254	
Value adjustments not offset according to transitional provisions (negative position)									
Capital not paid in									
Total	9,388,039	191,560	7,605,202	8,076,218	5,401,638	862,829	958,173	32,483,659	
Off Balance sheet									
Contingent liabilities	2,636	188	481,923	139,007	127,548		439	751,741	
Irrevocable commitments		7,993		14	373			8,380	
Contingent liability for calls and Margin liabilities			1,487		0			1,487	
Commitment credits									
Add-ons	2,197	1,211	561,618	209,276	56,582		1,106	831,990	
Derivatives						57,661		57,661	
Total	4,833	9,392	1,045,027	348,296	184,503	57,661	1,545	1,651,258	
Total 31.12.2017	9,392,872	200,952	8,650,229	8,424,515	5,586,141	920,490	959,718	34,134,917	

Table 11 (CRB): Credit risk: additional information of credit quality of the assets

Segmentation of the credit risk - duration

(in 1'000 CHF)	at sight	cancellable	within 12				no maturity	Total
			within 3 months	within 3 to 12 months	months to 5 years	after 5 years		
Balance sheet / Amounts due:								
Liquid assets	6,812,443							6,812,443
Amounts due from banks	878,644	27,107	155,149	18,953	146,175			1,226,028
Amounts due from securities financing transactions			210,079					210,079
Amounts due from customers	38,837	2,679,762	5,389,945	608,253	1,446,512	388,721		10,552,031
Mortgage loans		5,294	624,462	280,583	1,743,640	479,310		3,133,288
Trading portfolio assets	375,689							375,689
Positive replacement values of derivative financial instruments	866,505							866,505
Other financial instruments at fair value	359,529							359,529
Financial investments	838,176		1,338,947	979,483	3,867,335	1,542,552		8,566,493
Accrued income and prepaid expenses	67,184	4,776	79,335	23,161	8,396	468		183,320
Participations								
Tangible fixed assets								
Intangible assets								
Other assets	198,254							198,254
Value adjustments not offset according to transitional provisions (negative position)								
Capital not paid in								
Total	10,435,262	2,716,940	7,797,916	1,910,432	7,212,058	2,411,051		32,483,659
Off Balance sheet								
Contingent liabilities	13,136	81,522	40,719	109,610	486,375	20,379		751,741
Irrevocable commitments			387			7,993		8,380
Contingent liability for calls and Margin liabilities	1,487							1,487
Commitment credits								
Add-ons	7,263		389,727	125,860	272,807	36,331		831,990
Derivatives	29,136		6,694	254	21,337	241		57,661
Total	51,022	81,522	437,527	235,724	780,519	64,944		1,651,258
Total 31.12.2017	10,486,283	2,798,462	8,235,443	2,146,157	7,992,577	2,475,996		34,134,917

Table 11 (CRB): Credit risk: additional information of credit quality of the assets

Segmentation of the credit risk - Legal Risk weights

(in 1'000 CHF)	0%	20%	35%	50%	75%	100%	150%	Total
Balance sheet / Amounts due:								
Liquid assets	6,812,443							6,812,443
Amounts due from banks	142,579	902,769		179,437		942	301	1,226,028
Amounts due from securities financing transactions	53,547	9,404		147,127				210,079
Amounts due from customers	7,073,996	332,244	54,300	438,744	119,236	2,314,741	218,769	10,552,031
Mortgage loans	236,592		979,332	17,722	28,099	1,870,582	962	3,133,288
Trading portfolio assets	213,837	134,401					27,451	375,689
Positive replacement values of derivative financial instruments	219,946	243,770	1,686	317,660	7,598	75,745	99	866,505
Other financial instruments at fair value	359,529							359,529
Financial investments	2,834,342	987,708		2,831,203		1,845,963	67,277	8,566,493
Accrued income and prepaid expenses	15,891	68,764	1,503	53,743	672	41,634	1,113	183,320
Participations								
Tangible fixed assets								
Intangible assets								
Other assets	324	167,016		6,095		24,819		198,254
Value adjustments not offset according to transitional provisions (negative position)								
Capital not paid in								
Total	17,963,026	2,846,076	1,036,821	3,991,731	155,605	6,174,427	315,973	32,483,659
Off Balance sheet								
Contingent liabilities	564,967	11,081	70,330	32,827	4,365	26,468	41,702	751,741
Irrevocable commitments	382	7,993			5			8,380
Contingent liability for calls and Margin liabilities						1,487		1,487
Commitment credits								
Add-ons	201,376	167,297	314	400,481		61,308	1,214	831,990
Derivatives							57,661	57,661
Total	766,724	186,370	70,644	433,308	4,370	89,263	100,577	1,651,258
Total 31.12.2017	18,729,751	3,032,446	1,107,465	4,425,039	159,976	6,263,690	416,550	34,134,917

Table 11 (CRB): Credit risk: additional information of credit quality of the assets

Segmentation of the credit risk - Credit risk / depreciation of credit risk

	covered by recognized financial securities or REPOS	covered by garanties and credit derivatives	real security covered	Others	Uncovered	Total
(in 1'000 CHF)						
Balance sheet / Amounts due:						
Liquid assets					6,812,443	6,812,443
Amounts due from banks	141,430	741			1,083,857	1,226,028
Amounts due from securities financing transactions	210,079					210,079
Amounts due from customers	7,026,380	770,936	373,792	47,616	2,333,307	10,552,031
Mortgage loans	235,819	17,722	2,737,697	773	141,278	3,133,288
Trading portfolio assets					375,689	375,689
Positive replacement values of derivative financial instruments	219,813	868	3,064	0	642,760	866,505
Other financial instruments at fair value					359,529	359,529
Financial investments				10,650	8,555,843	8,566,493
Accrued income and prepaid expenses	13,629	593	5,269	67	163,763	183,320
Participations						
Tangible fixed assets						
Intangible assets						
Other assets					198,254	198,254
Value adjustments not offset according to transitional provisions (negative position)						
Capital not paid in						
Total	7,847,149	790,860	3,119,822	59,106	20,666,722	32,483,659
Off Balance sheet						
Contingent liabilities	564,553	11,992	70,377	414	104,405	751,741
Irrevocable commitments	368			14	7,998	8,380
Contingent liability for calls and Margin liabilities					1,487	1,487
Commitment credits						
Add-ons	159,876	1,166	314	14	670,619	831,990
Derivatives					57,661	57,661
Total	724,797	13,158	70,691	442	842,170	1,651,258
Total 31.12.2017	8,571,946	804,018	3,190,514	59,548	21,508,892	34,134,917

Table 11 (CRB): Credit risk: additional information of credit quality of the assets

Segmentation of the credit risk - Rating

(in 1'000 CHF)	1	2	3	4	5	6	7 / 8 / 9	No Rating	Total
Balance sheet / Amounts due:									
Liquid assets	5,673,978							1,138,465	6,812,443
Amounts due from banks	10,660	207,150	555,914	186,922	2,740			262,642	1,226,028
Amounts due from securities financing transactions			112,629					97,450	210,079
Amounts due from customers			52					10,551,979	10,552,031
Mortgage loans								3,133,288	3,133,288
Trading portfolio assets	134,401	213,837						27,451	375,689
Positive replacement values of derivative financial instruments	2,392	30,817	294,620	35,530	3	3	97	503,043	866,505
Other financial instruments at fair value			359,529						359,529
Financial investments	861,988	949,268	2,466,968	1,093,540	1,925,862	60,502	5,985	1,202,380	8,566,493
Accrued income and prepaid expenses	2,122	6,538	23,746	11,290	12,697	2,244	1,036	123,647	183,320
Participations									
Tangible fixed assets									
Intangible assets									
Other assets	6							198,248	198,254
Value adjustments not offset according to transitional provisions (negative position)									
Capital not paid in									
Total	6,685,546	1,407,611	3,813,457	1,327,283	1,941,302	62,749	7,118	17,238,593	32,483,659
Off Balance sheet									
Contingent liabilities			20,000					731,741	751,741
Irrevocable commitments								8,380	8,380
Contingent liability for calls and Margin liabilities								1,487	1,487
Commitment credits									
Add-ons	15,225	30,713	406,942	49,791	58	31	1,183	328,047	831,990
Derivatives			0	195	241			57,225	57,661
Total	15,225	30,713	426,942	49,987	298	31	1,183	1,126,879	1,651,258
Total 31.12.2017	6,700,771	1,438,324	4,240,399	1,377,269	1,941,600	62,780	8,301	18,365,473	34,134,917

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 number
Core features of policies of the extent to which the bank makes use of, on- and off-balance sheet netting.	Consolidated Financial Statements - Consolidated Notes	Amounts due from and liabilities from securities financing transactions	51
		Positive and negative replacement values of derivative financial instruments	52, 59
		Breakdown of securities financing transactions (assets and liabilities)	60
		Presentation of derivative financial instruments (assets and liabilities)	63
Core features of policies and processes for collateral evaluation and management.	Consolidated Financial Statements - Consolidated Notes	Explanations of the valuation of collateral, in particular key criteria for the calculation of current market value and lending value	58 - 59
Information about market or credit risk concentrations under the credit risk mitigation instruments used	Consolidated Financial Statements - Consolidated Notes	Risk categories	55 - 57
		Presentation of derivative financial instruments (assets and liabilities)	63

Table 13 (CR3): Credit risk: Credit risk mitigation techniques – overview

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
(in 1'000 CHF)							
Loans	1,339	13,686,015	13,686,015	789,251	789,251		
Debt securities	7,731,115						
Total 31.12.2017	7,732,454	13,686,015	13,686,015	789,251	789,251		
Of which defaulted	147,410	141,423	141,423				

Table 14 (CRD): Disclosures of banks' use of external credit ratings under the standardised approach

With reference to Art. 63 and 64 of the Capital Adequacy Ordinance the following position categories are covered by external ratings from FINMA recognised credit rating agencies.

Central governments and central banks	Moody's and S&P
Public-sector entities	Moody's and S&P
BIS, IMF and multilateral development banks	Moody's and S&P
Banks and securities traders	Moody's and S&P
Joint institutions	Moody's and S&P
Stock exchanges and clearing houses	Moody's and S&P
Corporates	Moody's and S&P

In case of availability of both ratings the inferior is applied.

All ratings listed above cover both counterparty ratings as well as asset ratings with the exception of corporates, for which only asset ratings are applied.

Table 15 (CR4): Credit risk: Credit risk exposure and effect of the Credit Risk Mitigation (CRM) under the standardised approach

(in 1'000 CHF)

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1 Sovereigns and their central banks	3,217,557		3,217,485		238,667	7.42%
2 Banks and securities traders	5,347,973	958,015	5,939,724	709,585	2,931,780	44.09%
3 Public-sector entities and multilateral developments banks	175,647	8,049	176,799	9,164	61,686	33.17%
4 Corporate	7,908,663	325,025	4,718,617	90,635	3,960,612	82.35%
5 Retail	8,101,195	302,163	2,959,350	58,953	2,646,358	87.68%
6 Equity securities	862,829	57,661	862,829	57,661	345,841	37.57%
7 Other assets	6,869,805	345	7,338,781	22	30,173	0.41%
8 Total 31.12.2017	32,483,669	1,651,258	24,744,596	926,019	10,215,119	39.79%

Table 16 (CR5): Credit risk: exposures by asset classes and risk weights under the standardised approach

Asset classes / Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
(in 1'000 CHF)										31.12.17
1 Sovereigns and their central banks	2,666,432		345,744		71,584		133,726			3,217,485
2 Banks and securities traders	0		2,260,467	70,209	3,767,772		510,126	40,735		6,649,309
3 Public-sector entities and multilateral developments banks	96,946		34,081		131		54,805			185,963
4 Corporate	41,767		358,149	358,443	585,291	7,839	3,443,284	14,479		4,809,251
5 Retail	0		31	678,814	247	152,137	1,972,142	214,933		3,018,303
6 Equity securities	647,850						126,235	146,404		920,490
7 Other assets	6,812,453		33,975		14		23,371			6,869,814
8 TOTAL	10,265,449		3,032,446	1,107,465	4,425,039	159,976	6,263,690	416,550		25,670,615
9 Thereof receivables secured by real estate				1,107,465		25,385	1,985,569			3,118,420

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

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 Page number
Risk management objectives and policies related to counterparty credit risk	Consolidated Financial Statements - Consolidated Notes	Risk Management	53 - 59
		Breakdown of securities financing transactions (assets and liabilities)	60
		Presentation of derivative financial instruments (assets and liabilities)	63
The method used to assign the operating limits for counterparty credit exposures and for CCP exposures	Consolidated Financial Statements - Consolidated Notes	Risk Management	53 - 59
Policies relating to guarantees and other risk mitigants and counterparty risk assessment	Consolidated Financial Statements - Consolidated Notes	Risk Management	53 - 59

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

(in 1'000 CHF)		EAD post CRM	RWA
		31.12.2017	
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	1,316,475	308,400
4	Total subject to the CVA capital charge	1,316,475	308,400

Table 26 (CCR3): Counterparty credit risk: exposures by regulatory portfolio and risk weights under the standardised approach

Asset classes / Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposures
(in 1'000 CHF)									
1 Sovereigns and their central banks	0								0
2 Banks and securities traders	0		166,101	387,345		105			553,551
3 Public-sector entities and multilateral developments banks	0		1,166						1,166
4 Corporates	41,485			13,060		24,049			78,594
5 Retail	0		30	76		37,132	1,214		38,452
6 Equity securities									
7 Other assets	0					22			22
8 Total 31.12.2017	41,485		167,297	400,481		61,308	1,214		671,786

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

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 Page number
Strategies and processes of the bank:	Consolidated Financial	Governance	53
	Statements - Consolidated	Risk management framework	53 - 54
	Notes	Organisation of risk management	54 - 55
		Forms of risk assessment	55
		Business policy regarding hedging	59
Structure and organisation of the market risk management function:	Consolidated Financial	Governance	53
	Statements - Consolidated	Risk management framework	53 - 54
	Notes	Organisation of risk management	54 - 55
Consolidated Financial		Risk categories	54 - 58
Scope and nature of reporting and/or measurement systems.	Statements - Consolidated		
	Notes		

Table 39 (MR1): Market risk: Capital requirements under the standardised approach

	RWA
(in 1'000 CHF)	31.12.2017
Outright products	
1 Interest rate risk (general and specific)	193,910
2 Equity risk (general and specific)	635,526
3 Foreign exchange risk	802,219
4 Commodity risk	116,099
Options	
5 Simplified approach	
6 Delta-plus method	26,887
7 Scenario approach	
8 Securitisation	
9 TOTAL	1,774,641

Table 43: Qualitative disclosure requirements related to operational risks

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 Page number
Description of strategy, processes and organisational structure for managing operational risks.	Consolidated Financial Statements - Consolidated Notes	Operational risk	57

«Basic Indicator Approach» is used to calculate capital requirements.

Table 44: Interest-rate risk in the banking book

The interest-rate risk exposure in the banking book is measured by the impact of 1-basis-point parallel shift in the yield curves over all terms per currency, summed-up in absolute value. Also a twisted shift in the yield curves over all terms and currencies is evaluated in order to estimate the risk resulting out of a change in the interest-rate slope. To estimate the impact of a severe stress event, the effect of a \pm 200-basis-point parallel move in the yield curves on present values of future cash flows is calculated. The interest-rate risk stress testing methodologies assess the impact on the economic value of the balance sheet. The projected interest income for the following twelve months is evaluated at least on a monthly basis based on the assumption of a constant volume and the incorporation of the latest treasury expectations. We also refer to the Risk Management section of our Annual Report.

Pillar 3 disclosure requirement	Annual Report 2017 section	Disclosure	Annual Report 2017 Page number
Nature of interest-rate risks and key assumptions	Consolidated Financial Statements - Consolidated	Forms of risk assessment	55
	Notes	Risk categories	54 - 58
Concept for hedging or mitigating the interest-rate risk	Consolidated Financial Statements - Consolidated Notes	Business policy regarding hedging	59

PVBP in 1'000 CHF with a shift of +1-basis-point

31.12.2017	CHF	EUR	USD
1M	6,076	-12,218	-15,911
2M	27,357	-19,356	-43,480
3M	24,684	-15,361	-27,845
6M	8,894	-7,341	-4,093
9M	-2,103	-2,436	10,125
12M	-15,084	-18,850	-46,192
2Y	-40,875	-26,603	-131,969
3Y	-41,618	-67,500	-213,383
4Y	-78,159	-65,750	-137,582
5Y	-52,411	115,594	-67,681
6Y	-92,162	-10,511	-75,546
7Y	-66,481	-18,509	-88,240
8Y	-14,808	-28,402	11,479
9Y	-20,823	3,811	-969
10Y	-15,949	-10,578	33,930
Total	-373,460	-184,011	-797,357

Table 46: Leverage Ratio: Summary comparison of accounting assets vs leverage ratio exposure measure

	31.12.2017
1 Total consolidated assets as per published financial statements	35,170,035
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes (Cm 6 and 7 FINMA-Circ. 15/3)but outside the scope of regulatory consolidation (Cm 16 and 17 FINMA-Circ. 15/3)	-518,256
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure (Cm 15 FINMA-Circ. 15/3)	
4 Adjustments for derivative financial instruments (Cm 21 to 51 FINMA-Circ. 15/3)	831,990
5 Adjustment for securities financing transactions (ie repos and similar secured lending)(Cm 52 to 73 FINMA-Circ. 15/3)	1,674,775
6 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) (Cm 74 to 76 FINMA-Circ. 15/3)	1,904,041
7 Other adjustments	
8 Leverage ratio exposure	39,062,585

Table 47: Leverage ratio: Detailed view

Item	31.12.17
On-balance sheet exposures	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)(Cm 14 and 15 FINMA-	
1 Circ. 15/3)	34,093,452
2 (Asset amounts deducted in determining Basel III Tier 1 capital) (Cm 7, 16 and 17 FINMA-Circ. 15/3)	-518,256
3 = Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	33,575,196
Derivative exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	
4 (according to Cm 22 and 23, 34 and 35 FINMA-Circ. 15/3)	866,505
5 Add-on amounts for PFE associated with all derivatives transactions (Cm 22 and 25 Circ.-FINMA 15/3)	831,990
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to	
6 the operative accounting framework	
(Deductions of receivables assets for cash variation margin provided in derivatives transactions,	
7 according to cm 36 FINMA-Circ. 15/3)	0
8 (Exempted CCP leg of client-cleared trade exposures) (Cm 39 FINMA-Circ. 15/3)	
9 Adjusted effective notional amount of written credit derivatives (Cm 43 FINMA-Circ. 15/3)	
(Adjusted effective notional offsets (Cm 44 to 50 FINMA-Circ. 15/3)and add-on deductions for written	
10 credit derivatives (Cm 51 FINMA-Circ. 15/3))	
11 = Total derivative exposures (sum of lines 4 to 10)	1,698,495
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions (Cm	
12 69 Circ.-FINMA 15/3) (Cm 58 FINMA-Circ. 15/3)	210,079
(Netted amounts of cash payables and cash receivables of gross SFT assets) (Cm 59 to 62 FINMA-	
13 Circ. 15/3)	
14 CCR exposure for SFT assets (Cm 63 to 68 FINMA-Circ. 15/3)	1,674,775
15 Agent transaction exposures(Cm 70 to 73 FINMA-Circ. 15/3)	
16 = Total securities financing transaction exposures (sum of lines 12 to 15)	1,884,854
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	12,195,478
18 (Adjustments for conversion to credit equivalent amounts) (Cm 75 and 76 FINMA-Circ. 15/3)	-10,291,438
19 = Off-balance sheet items (sum of lines 17 and 18)	1,904,041
Capital and total exposures	
20 Capital and total exposures (Cm 5 FINMA-Circ. 15/3)	4,241,619
21 Total exposures (sum of lines 3, 11, 16 and 19)	39,062,585
Leverage ratio	
22 Basel III leverage ratio (Cm 3 to 4 FINMA-Circ. 15/3)	10.9%

Table 48: Information on the short-term liquidity

(in 1'000 CHF)	Unweighted values		Unweighted values		Unweighted values		Unweighted values	
	Weighted values	Weighted values	Weighted values	Weighted values	Weighted values	Weighted values	Weighted values	Weighted values
	Average Quarter 1/17	Average Quarter 1/17	Average Quarter 2/17	Average Quarter 2/17	Average Quarter 3/17	Average Quarter 3/17	Average Quarter 4/17	Average Quarter 4/17
A. High-quality liquid assets (HQLA)								
1 Total high-quality liquid assets (HQLA)	8,249,598	8,059,639	7,269,078	7,109,974	7,546,853	7,435,996	8,118,533	8,004,796
B. Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	13,592,400	1,599,448	13,699,585	1,682,232	13,731,926	1,735,499	14,222,768	1,812,750
3 Stable deposits	669,022	33,451	688,302	34,415	688,674	34,434	678,289	33,914
4 Less stable deposits	9,991,097	1,565,996	10,433,984	1,647,817	10,554,306	1,701,066	10,920,070	1,778,836
5 Unsecured wholesale funding, of which:	12,804,456	7,316,989	11,854,733	6,989,677	11,428,035	7,246,657	11,473,603	7,390,131
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,101	275						
7 Non-operational deposits (all counterparties)	9,903,422	7,200,364	9,341,699	6,871,249	9,180,095	7,151,969	9,508,002	7,313,821
8 Unsecured debt	7,117	7,117	1,767	1,767	3,533	3,533	1,933	1,933
9 Secured wholesale funding								
10 Additional requirements, of which:	417,418	321,543	492,361	385,449	489,024	450,522	428,357	415,660
11 Outflows related to derivative exposures and other collateral requirements	232,040	232,040	231,593	231,593	333,174	333,174	333,174	333,174
12 Outflows related to loss of funding on debt products	5,333	5,333	7,501	7,501			3,667	3,667
13 Credit and liquidity facilities	35,185	2,123	15,302	898	6,777	389	4,118	306
14 Other contractual funding obligations								
15 Other contingent funding obligations	11,800,695	45,509	12,099,801	52,207	12,541,881	58,624	13,187,852	80,519
16 Total cash outflows	38,614,969	9,283,489	38,146,480	9,109,564	38,190,866	9,491,303	39,312,580	9,699,061
C. Cash inflows								
17 Secured lending (eg reverse repos)	21,368	19,226	36,267	36,267	39,659	24,708	19,936	19,936
18 Inflows from fully performing exposures	6,001,806	3,430,156	5,911,886	3,392,042	5,804,409	3,368,520	6,193,054	3,640,892
19 Other cash inflows	76,301	76,301	123,255	123,255	264,666	264,666	145,631	145,631
20 Total cash inflows	6,099,474	3,525,682	6,071,408	3,551,564	6,108,734	3,657,893	6,358,622	3,806,459
Total adjusted value								
21 Total HQLA		8,059,639		7,109,974		7,435,996		8,004,796
22 Total net cash outflows		5,757,807		5,558,000		5,833,409		5,892,602
23 Liquidity coverage ratio (in %)		140.0%		127.9%		127.5%		135.8%

In 2017, the three-month average total LCR remained stable in a range of 130% - 140%. This level is mainly driven by the stock of HQLA. The stock of HQLA is under the control of Group Treasury. As per December 2017, more than 95% of the stock of HQLA consists of assets that qualify as Level 1, primarily cash holdings and central bank reserves. As a result, a significant part of the HQLA is denominated in CHF. In contrast, the majority of the customer deposits are denominated in USD and EUR. All currencies can easily be converted in times of liquidity stress since the relevant FX spot markets are highly liquid.

In general, sources of funding are well diversified across counterparties as a result of the broad positioning as an international wealth management bank. The bank uses internationally acknowledged ISDA/CSA agreements to mitigate the credit risk arising from OTC derivative transactions that are mainly related to FX, interest rate and equity derivative trading.

Liquidity risk is managed and monitored centrally by the Group Treasury Committee with the involvement of the local Treasury representatives to ensure that all internal and local regulatory requirements are met. Liquidity risk limits are set at a Group and individual entity level and are reviewed and approved at least once a year by the Board of Directors (BoD).

Specific liquidity levels are defined that would trigger various escalation scenarios. Breaches of Group level limits are immediately reported to the Group Treasury Committee, the Executive Committee, and the Group Audit Committee.