Julius Bär

2021

ANNUAL REPORT

Julius Baer Group Ltd.

Net profit achieved in 2021 amounted to CHF 1,083 million. Excluding expenses related to acquisitions or divestments and the taxes on those respective items, the adjusted net profit for 2021 amounted to CHF 1,144 million. Further information on the definition of alternative performance measures, together with reconciliations to the most directly reconcilable IFRS line items, is provided in the Alternative Performance Measures document available from www.juliusbaer.com/APM.

KEY FIGURES

	2021	2020	
Return on equity (ROE)	16.3%	11.1%	-
Return on tangible equity (ROTE), adjusted[1]	28.6%	27.3%	-
Cost/income ratio[1]	65.6%	73.8%	-
Adjusted cost/income ratio[1]	63.8%	66.4%	-

	31.12.2021	31.12.2020	Change %
Consolidated balance sheet			
Total assets (CHF m)	116,305.8	109,137.0	6.6
Total equity (CHF m)	6,743.3	6,434.1	4.8
BIS CET1 capital ratio	16.4%	14.9%	-
BIS total capital ratio	24.0%	21.0%	-
Client assets (CHF bn)			
Assets under management	481.7	433.7	11.1
Total client assets	561.3	505.5	11.0
Personnel			
Number of employees (FTE)	6,727	6,606	1.8
of whom in Switzerland	*3,514*	*3,437*	*2.2*
of whom abroad	*3,214*	*3,170*	*1.4*
Number of relationship managers	1,274	1,376	-7.4

[1] See Alternative Performance Measures document, available from www.juliusbaer.com/APM

Listing	
Zurich, Switzerland	SIX Swiss Exchange under the securities number 10 248 496 Member of the Swiss Leader Index SLI
Ticker symbol	BAER

	2021	2020	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	31.5	30.0	5.0
EPS	5.06	3.25	
Dividend proposal 2021 and dividend 2020	2.60	1.75	-
Share price (as at 31.12.)	61.18	51.00	20.0
Market capitalisation (CHF m, as at 31.12.)	13,535	11,414	18.6
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	-
Capital structure (as at 31.12.)			
Number of shares, par value CHF 0.02	221,224,448	223,809,448	-1.2
Weighted average number of shares outstanding	213,971,833	215,016,327	-
Share capital (CHF m)	4.4	4.5	-1.2

Dear Reader

2021 started with positive tailwinds, helping the world economy to impressively catch up lost ground. The second half of the year was dominated by inflation concerns and saw major central banks taking first steps to curb ultra-loose monetary policies. And with the new Omicron variant of the Corona virus, the COVID 19 pandemic looked likely to evolve into an endemic disease we all must adapt to. The uncertainty created by these developments as the year progressed spurred volatility, yet financial markets showed sustained resilience overall.

Against this demanding background, 2021 was a successful and gratifying year for Julius Baer. The *shift in strategic focus* from asset gathering to sustainable profit growth we initiated in 2020 led to improved financial performance. This shows that the *sharpening of our value proposition* is in tune with the evolving requirements of our clientele. Finally, our *accelerated investments in technology* have proven powerful enablers to reshape our internal processes as well as the experience of our clients. The digitalisation of important parts of our value chain particularly in Asia and Switzerland – such as account opening, secure chat communication with our clients, advisory support and the tailoring of structured products and mandates – earned us recognition as a digital innovator in 2021[1]. The strong growth in revenues from a broader range of capabilities together with further improved cost efficiency resulted in the best annual result ever achieved in Julius Baer's over 130 years of history.

The strong capital generation of our Group reflects this success. We completed the programme to buy back up to CHF 450 million of our own shares early, on 23 December 2021, after only ten months. Capital ratios were nevertheless well above our own floors and significantly in excess of regulatory minimums at the end of 2021: the BIS CET1 capital ratio stood at 16.4% and the BIS total capital ratio, additionally bolstered by an AT1 bond successfully issued in September 2021, at 24.0%. The Board of Directors therefore will propose to the Annual General Meeting on 12 April 2022 to increase the dividend[2] to CHF 2.60 per share for the financial year 2021.

Our financial performance is nothing but the result of the value we create with and for our clients. The global client survey we conducted last year confirmed that our strategy addresses the key trends in their requirements. Eighty percent of the respondents are extremely or very satisfied with Julius Baer. Moreover, over forty percent said they are willing to do even more business with us within the next twelve months. And two thirds intend to recommend Julius Baer to their friends and families – the best endorsement we could have hoped for.

[1] *Best digital innovator of the year in 2021* by renowned *Professional Wealth Management* (PWM), a Financial Times Group publication

[2] Details about the Group's current dividend policy can be found on page 38 of this Annual Report.

In their feedback, clients emphasised the constructive interactions with their relationship manager and with subject matter experts. This is consistent with our aim to bring the best of the entire Bank to our clients – with a personal approach, yet powered by the best that technology has to offer. As acceptance of digital channels increases, so do expectations – again confirming that we are on the right track in pressing forward with our digitalisation agenda.

An area that matters to our clients – and to us – is sustainability. We made great strides in embedding it into our entire value chain – from what we do for our clients to how we run our business. Among other things, we have just committed that by 2030 we will reduce the emissions target in our own operations to net zero and those in our own book of investments and financing by 20%. Most importantly, we have also devised a binding plan to reach those targets.

Thanks to the substantial progress we achieved in the strategic refocusing of Julius Baer, we are confident that we are excellently positioned to continue to delight our clients, reward our shareholders, act as an employer of choice and make our mark as a responsible citizen. We are grateful to all those who dedicated their human and financial capital to bring Julius Baer forward on our path to create value beyond wealth.

Romeo Lacher
Chairman

Philipp Rickenbacher
Chief Executive Officer

Zurich, March 2022

HOW JULIUS BAER HAS BEEN ENHANCING RISK CONTROL AND COMPLIANCE

On 20 February 2020, the Swiss Financial Market Supervisory Authority FINMA announced the closure of its proceeding against Julius Baer concerning PDVSA, a Venezuelan state-owned oil company, and the world soccer federation FIFA. FINMA has found that Julius Baer has shown significant deficiencies in combating money laundering in the context of these matters in the Latin Americas region between 2009 and early 2018. Thus FINMA has instructed Julius Baer to undertake effective measures to comply with its legal obligations in combating money laundering and rapidly finalise the measures it has already launched and started putting in place beforehand.

Julius Baer cooperated extensively with FINMA, assisting in the investigation and conducting its own comprehensive investigation in parallel, both in-house and with the assistance of independent experts. The identified deficiencies have been addressed, and in particular the Bank's control system as well as compliance processes have been improved and strengthened significantly, both in terms of personnel and in the context of in-house rules and management principles.

The changes introduced by Julius Baer include:

- The Group has adapted its strategy under its new leadership. In future, its focus will shift from new money growth to sustainable profit growth.
- Region Latin America has been under new leadership since December 2017, and new appointments have been made to all key positions. The region's strategy has been completely overhauled, including the introduction of a market-specific focus that has resulted, among other things, in the closure of the local business in Panama and Venezuela.
- The Group undertook a comprehensive programme over the last two years to strengthen its global risk and compliance management, and made new appointments to key and leadership positions. This programme addressed many of the weaknesses identified by FINMA. Further investments and measures are being implemented with high priority.
- The documentation standards for client data and active client relationships have already been further developed and improved. Both the front office and the control units were extensively involved in this project ('ATLAS'), which was completed on schedule in late 2019, to ensure that the associated cultural transformation would be embedded in the organisation with lasting effect.
- The effectiveness of the compliance function has been significantly improved thanks to substantial investment in staff – with headcount up by some 40% in recent years – as well as in processes, technology and data analysis. In addition, considerable sums have been and continue to be invested in enhancing transaction monitoring and combating money laundering.

In 2021, we essentially completed the Group's multi-year strategic risk management programme. The Swiss Financial Market Supervisory Authority FINMA lifted the ban on complex acquisitions imposed as part of the enforcement order issued at the beginning of 2020 in early March 2021, confirming the significant progress already made within a year. Throughout 2021, we continued to invest heavily in resources, change projects, data analytics, and the remediation of legacy issues.

Today, we operate with a fundamentally redesigned risk management and tolerance framework. While our efforts in risk management will remain relentless and the overall risk functions will continue to be developed, the work accomplished so far and the robustness of our risk culture provide us with a strong base for foresighted and sustainable growth as we continue to develop our business.

In the context of our updated strategy, the overall design of the Relationship Manager (RM) compensation framework (including a detailed Client and Conduct Excellence Scorecard) has been reviewed. Its aim is to ensure alignment with financial targets, entrepreneurial aspirations, the Group's updated and greatly expanded *Code of Ethics and Business Conduct* and the associated risk and compliance standards. In particular, the revision of the compensation framework mirrors the expectations expressed by FINMA.

This revised compensation framework has been applied in Switzerland, Asia, and parts of the Middle East since 1 January 2021. It was successfully rolled out to the remainder of the relevant RM population over the course of 2021 and became effective as at 1 January 2022. A new target-based compensation structure for front team heads took effect at the same time. It will link the remuneration of team heads with both the financial and qualitative performance of their teams – another step in the harmonisation of our global compensation frameworks.

The Board of Directors and Executive Board of Julius Baer will continue to resolutely enforce implementation of the remainder of the measures initiated and decreed.

I. CORPORATE GOVERNANCE

11 GROUP STRUCTURE AND SHAREHOLDERS
13 CAPITAL STRUCTURE
16 BOARD OF DIRECTORS
42 EXECUTIVE BOARD
47 RULES ABOUT COMPENSATION AND LOANS WITHIN THE GROUP
48 SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2021)
49 CHANGES OF CONTROL AND DEFENCE MEASURES
50 AUDIT
52 INFORMATION POLICY

II. REMUNERATION REPORT

54 LETTER TO OUR SHAREHOLDERS
58 2021 REMUNERATION HIGHLIGHTS
60 COMPENSATION GOVERNANCE
67 GROUP PERFORMANCE AND VARIABLE COMPENSATION FUNDING
71 EXECUTIVE BOARD AND SENIOR MANAGEMENT COMPENSATION
78 OTHER EMPLOYEE COMPENSATION
81 BOARD OF DIRECTORS COMPENSATION
83 COMPENSATION, LOANS AND SHAREHOLDINGS OF THE EXECUTIVE BOARD (AUDITED)
88 COMPENSATION, LOANS AND SHAREHOLDINGS OF THE BOARD OF DIRECTORS (AUDITED)
92 ABBREVIATIONS
93 TERMINATION PROVISIONS OF JULIUS BAER PLANS
94 REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2021

96 CONSOLIDATED FINANCIAL STATEMENTS
96 Consolidated income statement
97 Consolidated statement of comprehensive income
98 Consolidated balance sheet
100 Consolidated statement of changes in equity
102 Consolidated statement of cash flows
104 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
116 COMMENT ON RISK MANAGEMENT
116 Risk management framework
116 Risk tolerance framework
117 Risk governance
120 Risk culture

This Annual Report is published only in English.

121 Group risk landscape
122 Capital planning and liquidity contingency plan
123 Stress testing
124 Risk reporting
125 The three lines of defence
126 Credit risk
129 Market risk
131 Treasury risk
133 Non-financial risk

135 COMMENT ON CAPITAL MANAGEMENT
135 Management of capital including regulatory capital
138 Leverage ratio

139 INFORMATION ON THE CONSOLIDATED INCOME STATEMENT
139 Net interest income
139 Net commission and fee income
140 Other ordinary results
140 Personnel expenses
140 General expenses
141 Income taxes

143 INFORMATION ON THE CONSOLIDATED BALANCE SHEET
143 Classification of financial assets and financial liabilities
145 Financial assets and financial liabilities measured at FVTPL
145 Financial assets measured at FVOCI
146 Property, equipment and leases
148 Goodwill and intangible assets
151 Assets pledged or ceded
151 Financial liabilities designated at fair value
152 Debt issued
156 Deferred tax assets
157 Deferred tax liabilities
158 Provisions
163 Other assets
163 Other liabilities
163 Share capital

164 ADDITIONAL INFORMATION
164 Earnings per share and shares outstanding
165 Reporting by segment
166 Related party transactions
167 Pension plans
172 Securities transactions
173 Derivative financial instruments
175 Financial instruments – Fair values
178 Financial instruments – Fair value determination
183 Financial instruments – Transfers between fair value level 1 and level 2
184 Financial instruments – Expected credit losses
193 Financial instruments – Credit risk analysis
194 Financial instruments – Collateral analysis
195 Financial instruments – Offsetting
196 Market risk measures
200 Interest rate risk measures
201 Hedge accounting
206 Interest rate benchmark reform
208 Liquidity analysis
209 Companies consolidated
213 Investments in associates
213 Unconsolidated structured entities
214 Acquisitions and disposals
216 Share-based payments and other compensation plans
220 Assets under management
223 Requirements of Swiss banking law
223 Events after the balance sheet date

224 ABBREVIATIONS USED IN THE GROUP'S FINANCIAL STATEMENTS

225 REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2021

232 INCOME STATEMENT

233 BALANCE SHEET

234 NOTES

237 SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

239 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 12 APRIL 2022

240 DIVIDENDS

241 REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

This Annual Report is published only in English.

I. CORPORATE GOVERNANCE

11 GROUP STRUCTURE AND SHAREHOLDERS

13 CAPITAL STRUCTURE

16 BOARD OF DIRECTORS

42 EXECUTIVE BOARD

47 RULES ABOUT COMPENSATION AND LOANS WITHIN THE GROUP

48 SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2021)

49 CHANGES OF CONTROL AND DEFENCE MEASURES

50 AUDIT

52 INFORMATION POLICY

Corporate governance is a decisive part of business management. Shareholders, clients and staff are usually considered the key stakeholder groups in the context of corporate governance. Moreover, the focus of Julius Baer Group Ltd. (the Company) on achieving sustained success and consistency in the Group's business rests largely on the principle of retaining shareholders, clients and staff for as long as possible and actively nurturing the relationships over time. These stakeholders therefore have a right to know the individuals and internal bodies that determine the development of the Company, who makes the strategic decisions, who bears the responsibility for them and on what governing principles they are based. The Company therefore aims to thoroughly satisfy these legitimate information needs in this chapter of the Annual Report.

The Organisational and Management Regulations (OMR) of the Company, which are largely based on article 716b of the Swiss Code of Obligations and the Articles of Incorporation of Julius Baer Group Ltd., constitute our primary corporate governance guidelines. Both the OMR and the Articles of Incorporation are available at www.juliusbaer.com/cg.

The corporate governance information of the Company is presented in accordance with the following legal and regulatory requirements:

– *Directive Corporate Governance* of SIX Exchange Regulation AG (revised effective 1 July 2021) available at www.ser-ag.com;
– Guidelines and recommendations of the *Swiss Code of Best Practice for Corporate Governance*, including the appendix on executive compensation, of the Swiss business federation economiesuisse (in its current version dated 29 February 2016) available at www.economiesuisse.ch;
– Circular 2017/1 entitled *Corporate governance – banks* of Swiss Financial Market Supervisory Authority FINMA, available at www.finma.ch;
– The Federal Council's *Ordinance against excessive compensation in listed companies* (in force effective 1 January 2014) available at www.admin.ch.

→ The Group's overall compensation framework, including compensation governance, compensation elements and their application in the period under review, is described in detail in chapter *II. Remuneration Report* of this Annual Report.

The following information corresponds to the situation as at 31 December 2021 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

Operational Group structure of Julius Baer Group Ltd. as at 31 December 2021

Julius Baer Group Ltd.

Board of Directors
Romeo Lacher, Chairman

Chief Executive Officer
Philipp Rickenbacher

Head Switzerland & EMEA	**Head Asia Pacific**	**Head Americas**	**Chief Operating Officer & Head of Intermediaries**
Yves Robert-Charrue	Jimmy Lee Kong Eng	Beatriz Sanchez	Nic Dreckmann

Investment & Wealth Management Solutions

Head of Wealth Management Solutions	**Chief Investment Officer**	**Chief Financial Officer**	**Chief Risk Officer**
Nicolas de Skowronski	Yves Bonzon	Dieter A. Enkelmann	Oliver Bartholet

Executive Board

Operational Group structure of Julius Baer Group Ltd. effective 1 July 2022

Julius Baer Group Ltd.

Board of Directors
Romeo Lacher, Chairman

Chief Executive Officer
Philipp Rickenbacher

Head Switzerland & EMEA	**Head Asia Pacific**	**Head Americas**	**Chief Operating Officer & Head of Intermediaries**
Yves Robert-Charrue	Jimmy Lee Kong Eng	Beatriz Sanchez	Nic Dreckmann

Investment & Wealth Management Solutions

Head of Wealth Management Solutions	**Chief Investment Officer**	**Chief Financial Officer**	**Chief Risk Officer**
Nicolas de Skowronski	Yves Bonzon	Evangelia Kostakis	Oliver Bartholet

Executive Board

The consolidated Group companies are disclosed in Note 29A (‘companies consolidated’) in the section *Additional Information* of chapter *III. Financial Statements Julius Baer Group* of this Annual Report.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2021[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
T. Rowe Price Associates Inc.[5]	5.07%	
BlackRock Inc.[6]	5.06%	0.004%
Wellington Management Group LLP[7]	4.95%	
UBS Fund Management (Switzerland) AG[8]	3.09%	

1 The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that some of the above figures are based on reports made before the following event: capital reduction on 1 July 2021 after the share buy-back programme reduced the number of registered shares of Julius Baer Group Ltd. by 2,585,000 to 221,224,448 (as from 1 July 2021).
2 Purchase positions disclosed pursuant to art. 14 para. 1 a FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA) and sale positions pursuant to art. 14 para. 1 b FMIO-FINMA.
3 Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.ser-ag.com in the section Fundamentals > Notices Market Participants > Significant Shareholders, Issuer Julius Bär Gruppe AG.
4 MFS Investment Management, Boston/USA, and its subsidiaries (reported on 30 December 2013)
5 T. Rowe Price Associates Inc., Baltimore/USA (reported on 2 November 2021)
6 BlackRock Inc., New York/USA (reported on 23 June 2021)
7 Wellington Management Group LLP, Boston/USA (reported on 4 August 2021)
8 UBS Fund Management (Switzerland) AG, Basel/Switzerland (reported on 26 September 2019)

The individual reports that were published during the year under review can be accessed on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.ser-ag.com in the section Fundamentals > Notices Market Participants > Significant Shareholders, Issuer Julius Bär Gruppe AG.

CROSS-SHAREHOLDINGS

There are no cross-shareholdings between Julius Baer Group Ltd. and its subsidiaries or third-party companies.

CAPITAL STRUCTURE

CAPITAL

The share capital of the Company amounted to CHF 4,424,488.96 as at 31 December 2021. It is fully paid up and divided into 221,224,448 registered shares (shares) with a par value of CHF 0.02 each. The shares (Swiss securities number 10 248 496; ISIN CH 010 2484968, ticker symbol BAER) are listed on the SIX Swiss Exchange and are part of the Swiss Leader Index (SLI).

The capital reduction as resolved by the Annual General Meeting of Julius Baer Group Ltd. on 14 April 2021 was executed effective 1 July 2021 by the cancellation of 2,585,000 Julius Baer registered shares, bought back until 26 February 2021 under the share buyback programme launched in 2019.

As announced on 1 February 2021, Julius Baer started a new programme to buy back up to CHF 450 million purchase value of Julius Baer Group Ltd. shares. This share buy-back programme was launched on 2 March 2021 and terminated before the expiry of the maximum period (end of February 2022) on 23 December 2021. A total of 7,423,208 registered shares were bought via a second trading line on the SIX Swiss Exchange (ticker symbol: BAERE.S) at an average price of CHF 60.62. The shares bought back under this programme are expected to be cancelled through a capital reduction to be proposed at the AGM in 2022.

As announced on 2 February 2022, the Board of Directors of Julius Baer has approved the launch of a new programme to buy back up to CHF 400 million purchase value of Julius Baer Group Ltd. shares. The programme is expected to be launched in early March 2022 and to run until the end of February 2023. The execution of the programme is subject to market conditions. The shares will again be bought via a second trading line on the SIX Swiss Exchange. Shares that will have been repurchased under this programme are expected to be cancelled through capital reductions to be proposed at future AGMs.

Disclaimer regarding unsponsored American Depository Receipts (ADR)
Julius Baer does not sponsor any ADR programmes and does not authorise, endorse, support or encourage the creation of any unsponsored ADR programmes in respect of its securities and in any event disclaims any liability whatsoever in connection with any unsponsored ADR or arising out of any unsponsored ADR programme. None of the information in English contained in this Annual Report, on the Group's website (www.juliusbaer.com) or elsewhere is prepared, published and posted, both currently and on an ongoing basis, with the intention of claiming an exemption under Rule 12g3-2 (b) of the U.S. Securities Exchange Act of 1934. Under no circumstances should the contents of this Annual Report, the Group's website (www.juliusbaer.com) or any other Julius Baer publication be interpreted or construed as a solicitation to purchase any securities of/in Julius Baer Group.

CONDITIONAL AND AUTHORISED CAPITAL IN PARTICULAR

There is no authorised capital.

Conditional capital
The Company's share capital may be increased by the issue of up to 10,000,000 shares, to be fully paid up and each with a par value of CHF 0.02, in a maximum total amount of CHF 200,000.00 through the exercise of conversion or warrant rights in connection with bonds issued by the Company or its subsidiaries. Existing shareholders are excluded from subscription rights. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares are subject to the entry limitations set forth in article 4.4 ff. of the Articles of Incorporation, available at www.juliusbaer.com/cg.

In the event that the maximum amount of conditional capital were to be issued and converted as described above, the Company's share capital would increase by CHF 200,000.00, which equates to 4.52% of the existing share capital as at 31 December 2021 (cf. Note 18 ['share capital'] in the section *Information on the Consolidated Balance Sheet* of chapter *III. Financial Statements Julius Baer Group* of this Annual Report).

When issuing convertible or warrant bonds, the Board of Directors may rescind priority subscription rights of existing shareholders for important reasons.

Important reasons can be the securing of optimal conditions in issuing the bonds and ensuring equal treatment of shareholders domestically and abroad. In the event that the Board of Directors precludes the priority subscription rights, the following applies:

a) Conversion rights may be exercised only during a maximum of seven years, and warrant rights only during a maximum of four years from the date of issue of the relevant bond.
b) The new shares shall be issued according to the applicable conversion or warrant conditions. The convertible and warrant bonds must be issued in conformity to market conditions (including the usual market conditions with regard to protection against dilution). The conversion or option price must be not less than the average of the last prices paid on the SIX Swiss Exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds.

CHANGES OF CAPITAL

→ The description of the changes of capital in the last two years is disclosed in the section *Consolidated Financial Statements*, Consolidated statement of changes in equity, in chapter *III. Financial Statements Julius Baer Group* of this Annual Report. For information about changes of capital in periods three or more years back please consult prior editions of the Group's Annual Report at www.juliusbaer.com/reports.

SHARES AND PARTICIPATION CERTIFICATES

Shares

	2021	2020
Number of shares with par value of CHF 0.02 as at 31 December	**221,224,448**	223,809,448

There are no preferential rights or similar rights. Each share entitles to one vote.

The dividend entitlement is detailed in Note 18 ('share capital') in the section *Information on the Consolidated Balance Sheet* of chapter *III. Financial Statements Julius Baer Group* of this Annual Report.

PARTICIPATION CERTIFICATES

There are no participation certificates.

BONUS CERTIFICATES

There are no bonus certificates.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS (AS AT 31 DECEMBER 2021)

The Company shall keep a share register in which the owners and usufructuaries of the shares are entered with their name, address and nationality, and the place of incorporation in case of legal entities. In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administrates the Company's share register.

The shares are issued as uncertificated securities and registered as intermediated securities. They are included in the SIS clearing system for transferred shares. The Company may withdraw shares registered as intermediated securities from the custodian system. Each shareholder may at any time request from the Company a certification about the shares owned by him/her. The shareholders have no right to request the printing and delivery of certificates for their registered shares. The Company, however, may at any time print and deliver share certificates (individual certificates, certificates or global certificates) or convert uncertificated securities and share certificates into any other form, and may cancel issued share certificates once they have been returned to the Company.

Transfers of intermediated securities, including the granting of security interests, are subject to the Swiss Intermediated Securities Act. The transfer of uncertificated shares is effected by a corresponding entry in the books of a bank or depositary institution following an assignment by the selling shareholder and notification of such assignment to the Company by the bank or depositary institution. The transferee must file a share registration form in order to be registered in the Company's share register as a shareholder with voting rights. Failing such registration, the transferee may not vote at or participate in any Meeting of Shareholders but may still receive dividends and other rights with financial value. The uncertificated shares may only be transferred with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder. Further, shares may only be pledged to the bank that administers the book entries of such shares for the account of the pledging shareholder; in such case, the Company needs to be notified.

According to the Articles of Incorporation, available at www.juliusbaer.com/cg, a person having acquired shares will be recorded in the Company's share register as a shareholder with voting rights upon request. The Company may refuse to record a person in the share register as a shareholder with voting rights if such person does not expressly state that he/she has acquired the shares in his/her own name and for his/her own account.

Fiduciaries/nominees may be entered as a shareholder in the share register with voting rights for shares up to a maximum of 2% of the share capital. Shares held by a fiduciary/nominee that exceed this limit may be registered in the share register with voting rights if such fiduciary/nominee discloses to the Company the name, address, nationality or registered office and shareholdings of any person or legal entity for whose account it holds 0.5% or more of the share capital. Fiduciaries/nominees who are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or who have a common management or are otherwise affiliated, are deemed one fiduciary/nominee as regards the application of such entry limitations.

The Board of Directors may cancel the entry in the share register of a shareholder or fiduciary/nominee with voting rights upon a hearing of such shareholder or fiduciary/nominee if the entry in the share register is based on false information. The affected shareholder or fiduciary/nominee has to be notified of the cancellation immediately.

CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds.

BOARD OF DIRECTORS

All members of the Board of Directors of Julius Baer Group Ltd. are non-executive members. They are independent according to article 14 of the *Swiss Code of Best Practice for Corporate Governance* of the Swiss business federation economiesuisse and the Swiss Financial Market Supervisory Authority FINMA's circular 2017/1 entitled *Corporate governance – banks*. The latter states that at least one third of the Board of Directors shall consist of independent members. According to this circular, members of the Board of Directors are deemed independent if they

– are not and have not in the previous two years been employed in some other function within the institution;
– have not been employed in the previous two years by the institution's regulatory audit firm as lead auditor responsible for the institution;
– have no commercial links with the institution which, in view of their nature and scope, would lead to conflicts of interest; and
– are not a qualified participant (within the meaning of the Banking Act and the Stock Exchange Act) of the institution and represent no such participant.

Julius Baer envisages a share of at least two-thirds of its Board members to be independent in the sense of the aforementioned definitions.

The Board of Directors of the Group's principal operating company, Bank Julius Baer & Co. Ltd., is composed of the same members in identical responsibilities as the Board of Directors of Julius Baer Group Ltd.

MEMBERS OF THE BOARD OF DIRECTORS

Romeo Lacher (born 1960), Swiss citizen; PhD in Economics (Dr. oec. HSG), University of St. Gallen, 1995; Advanced Management Program (AMP), Harvard Business School, 1999. Institut für Versicherungswirtschaft, St. Gallen, Project Manager, Junior Consultant, 1987–1990; Credit Suisse Group, Switzerland, 1990 until February 2017: Direct Marketing/Project Manager, Marketing Department, 1990–1994; Head Product Management Direct Banking Products and member of Senior Management, 1995–1996; Head of Retail Banking Switzerland and member of Senior Management, 1997–1999; Head of e-Channels, member of the Executive Board, e-Business, 2000–2002; Chief Operating Officer CS Corporate and Retail Banking, and member of the Management Committee, CS Financial Services, 2002–2003; Global Head of Operations and Product Management and member of the Private Banking Management Committee, 2004–2011; member of the Risk & Credit Committee of the Private Banking Division, 2004–2016; Head of Private Banking EMEA/Western Europe and member of the Private Banking Management Committee, 2011–2015; member of the Region EMEA Disciplinary/Reputation Committee, 2012–2015; Chief Operating Officer International Wealth Management and member of the IWM Management Committee, 2016; member of the Board of Directors and of the Audit & Risk Committee of Credit Suisse (Luxembourg) SA, 2012–2016; member of the Board of Directors and of the Audit Committee of Telekurs AG, Zurich (now SIX Group), 2002–2007; SIX Group, Zurich, from 2008 until 2020: Vice Chairman, Chairman of the Nomination and Compensation Committee, 2008 until October 2016; Chairman of the Board of Directors, 2016 until March 2020; member of the Board of Directors and Chairman of the Nomination and Governance Committee of CLS, AG, 2005–2012; member of the Board of Directors and of the Nomination and Compensation Committee of Swisscard AECS, Switzerland, 2002–2016; member of the Board of Directors and of the Nomination and Compensation Committee of Bank Now AG, Switzerland, 2012–2016; Chairman of the Board of Directors from October 2016 until 14 March 2020; Worldline SA, Bezons, France, member of the Board of Directors, incl. Chairman of the Nomination and Remuneration Committee, Vice-Chairman of the Investment Committee and Co-Chairman of the Strategy and Innovation Committee from November 2018 until May 2019; Vice-Chairman of the Bank Council and member of the Nomination Committee and Chairman of the Compensation Committee of the Swiss National Bank, Zurich, since 30 April 2021. Chairman of the Board of Directors of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2019.

Gilbert Achermann (born 1964), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), St. Gallen, 1988; Executive MBA, IMD Lausanne, 2000. UBS Investment Banking, 1988–1998: Graduate trainee programme Trading & Sales, 1988–1989; Associate Corporate Finance / Capital Markets; Assistant to Regional Head North America, 1990–1994; Director Corporate Finance Advisory, 1995–1998; Straumann Group, Basle, since 1998: Chief Financial Officer and Deputy CEO, 1998–2001; Chief Executive Officer, 2002–2010; Chairman of the Board of Directors since 2010. Vitra Group, 2012–2015: Chairman of the Board of Directors from July 2013 until December 2015; Co-CEO from July 2014 until December 2015. Vifor Pharma Group, St. Gallen, member of the Board of Directors and Chairperson of the Audit & Risk Committee from May 2020 to May 2021; Ypsomed Holding Ltd., Burgdorf, member of the Board of Directors and of the Compensation Committee since July 2020. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012.

Heinrich Baumann (born 1951), Swiss citizen; PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: Project Leader IT/Logistics and Finance, 1975–1985; COO Singapore Branch and Deputy Branch Manager, 1985–1987; Chief of Staff International Division and Section Head Management Support, 1987–1990; member of the Regional Management Committee (New York), Chief Operating Officer Region North America, 1990–1994; Department Head Finance and Controlling on Group level, 1994–1998; independent Management Consultant, 1998–1999; HSBC Guyerzeller Bank Ltd., 1999–2009: Chief Operating Officer, 1999–2002; Vice-President of the Executive Committee/Chief Operating Officer (with additional responsibilities for the Legal & Compliance, the Human Resources and Credit functions, and for defining/implementing a risk management concept for the bank), 2003–2005; Chief Executive Officer, 2006–2009; independent Management Consultant since 2009. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2011 – member of the Audit Committee since 2011 and Chairman of the Audit Committee since 2014.

Richard M. Campbell-Breeden (born 1962), British citizen; Bachelor of Science in Mechanical Engineering, University of Bristol, UK, 1984. Rolls-Royce, sponsored undergraduate, Aero-Engine Division, 1980–1984; 3i Group plc, 1984–1987: Executive, City Office, Large LBOs, 1984–1985; Executive, Shipping Division, 1985–1987; Goldman Sachs & Co., 1989–2016: Associate, M&A, New York, 1989–1991; Vice-President Investment Banking Division, London, 1991–1999; Managing Director, Partner, 2000–2016, Head of UK Investment Banking, London, 1999–2005; Head of M&A, Asia-Pacific Ex-Japan (APEJ), Hong Kong, incl. Chairman Industrials APEJ, 2008–2011; Vice-Chairman, Investment Banking Asia Pacific Ex-Japan (APEJ), Hong Kong, incl. member of APEJ Commitments Committee (internal risk committee) and member of APEJ Client & Business Standards Committee (internal compliance committee), 2011–2016; Omeshorn Capital Advisors (founder) London, UK, since 2016; Omeshorn Holding Ltd., British Virgin Islands, Director since 2016; Arq Limited (incl. Arq International Limited, Arq UK Management Limited and Arq IP Limited), Chairman of the Board of Directors since 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2018.

Ivo Furrer (born 1957), Swiss citizen; PhD in Law, University of Zurich, 1985. Winterthur Insurance, 1983–1999: Group Insurance Marketing and project management in Europe, Canada and the USA, 1983–1991; Winterthur International, USA, Underwriting, 1992–1994; Winterthur International, London, different management positions, 1994–1997; Chief Underwriting Officer Global Corporate, 1998–1999; Credit Suisse Group, 1999–2002: Personal Financial Services, Head of the Executive Committee, amongst others implementation of an Internet bank in Luxembourg, 1999–2001; member of the Executive Committee e-Investment Services Europe, 2001–2002; Zurich Financial Services, 2002–2008: Zurich Financial Services, Germany, Head of international key account business, 2002–2005; member of the Global Corporate Executive Committee; responsible for the development of key accounts and distribution management globally, 2005–2007; CEO Life Switzerland, member of the Global Life Executive Committee, 2007–2008; Swiss Life Group, CEO Switzerland and member of the Corporate Executive Board from September 2008 until March 2017; Valiant Holding AG, Berne, member of the Board of Directors and of the Strategy and Risk Committee, 2013–2017; Sanitas Krankenversicherung, Zurich, member of the Board of Directors and of the Audit and Risk Committee, 2012–2018; member of the Board of Directors of Financial Market Authority Liechtenstein, Vaduz, Liechtenstein, 2011–2021; digitalswitzerland, Zurich, member of the Executive Committee since 2018, president from 2018 until July 2021; Helvetia Insurance, St. Gallen, member of the Board of Directors and Chairperson of the Audit Committee since April 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2017.

Claire Giraut (born 1956), French citizen; Master in Biotech Engineering, Institut National Agronomique, Paris, 1978. Sanders Group, Paris, various positions, 1978–1985; Serete Group, Paris, various positions in finance and accounting, 1985–1996; Association of French Lawyers, Financial Controller, 1996–1997; Coflexip Stena Offshore, Paris, Chief Financial Officer (among others responsible for the deployment of a global control framework for the financial risk standards of all group companies as well as the management of the group's acquisitions and divestitures) and Group Head of Communications, member of the Executive Committee, 1997–2001; Technip Group, Paris, Chief Financial Officer of the offshore division and member of the Executive Board, 2002; Ipsen Group, Paris, Chief Financial Officer (among others responsible for the deployment of a global risk mapping and a global ERP covering all group units worldwide as well as the management of the group's acquisitions and divestitures) and member of the Executive Committee, 2003–2011; Europcar Groupe S.A., Guyancourt, Chief Financial Officer, 2011–2012; bioMérieux, Marcy l'Etoile, Corporate Vice-President Purchasing and Information Systems from September 2013 until March 2018, Chief Financial Officer from January 2014 until March 2018; DBV Technologies, Montrouge, member of the Board of Directors from June 2016 until March 2021. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010.

David Nicol (born 1955), British citizen; Bachelor of Arts (BA, Hons) in Accountancy, University of Strathclyde, UK, 1977; Chartered Accountant, Institute of Chartered Accountants Scotland ICAS, 1980; Arthur Young McClelland Moores & Co., London, UK, Trainee, 1977–1981; Peat Marwick Mitchell Hong Kong, Hong Kong, Deputy Manager, 1981–1983; Morgan Stanley, 1984–2010: FX Business Unit Controller in Finance, 1984–1985, various Operations roles, 1985-1995, Head of Operations, Europe & Asia, 1995–2000, Head of Equity and EIS Infrastructure, Europe & Asia, 2000–2004, Chief Administrative Officer EMEA and Director of Morgan Stanley International plc and Morgan Stanley International Ltd. (including responsibility of the group's infrastructure areas, including operations, technology, finance and risk), 2004–2010; KPMG UK, Special Advisor, 2011–2013; Brewin Dolphin, London, UK, 2012–2020: Non-Executive Member of the Board of Directors, 2012–2013; Chief Executive Officer, 2013–2020. Member of the Board (since 2012) and Chairman of the Appointments Committee (since 2017) of Federated Hermes Property Trust, London, UK; Trustee of the Urology Foundation, London, UK, since 2017; Non-Executive member (since March 2021) and Chairman (since 1 May 2021) of the Board of Multrees Investor Services Limited, London, UK. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2021.

Kathryn Shih (born 1958), British citizen; Bachelor of Arts (BA), Indiana University, Bloomington, USA, 1978; Master in Business Management, Asian Institute of Management, Manila, Philippines, 1980; Advanced Executive Program, Northwestern University, Evanston, USA, 1999. Citibank, Hong Kong, Assistant Vice President and Head Sales and Customer Service Consumer Lending, 1984–1986; UBS AG, 1987–2018: Various Wealth Management leadership roles, 1987–2002; Chief Executive Officer, UBS Hong Kong, 2003–2008; Head Wealth Management, Asia Pacific, 2002–2015; member of the Wealth Management Asia Pacific Risk & Governance Committee (2002–2015), of the region's cross-divisional Risk & Governance Committee (2002–2018) as well as of the Global Wealth Management Risk & Governance Committee (2002–2015), covering regulatory, compliance, conduct, market and credit risks; Group Managing Director, 2008–2015; President Asia Pacific and member of Group Executive Board of UBS AG, 2016–2018, overseeing the Wealth Management, Asset Management and Investment Bank businesses in APAC. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 September 2020.

Eunice Zehnder-Lai (born 1967), dual Swiss and Chinese (Hong Kong SAR) citizen; Bachelor of Arts (BA), Harvard University, USA, 1989; Master of Business Administration (MBA), Harvard Business School, USA, 1994. Merrill Lynch Capital Markets, New York, Investment Banking Analyst, 1989–1991; Procter & Gamble, Hong Kong, Assistant Brand Manager, 1991–1992; Booz Allen Hamilton, Hong Kong, Summer associate, 1993; Goldman, Sachs & Co., New York, London, Hong Kong, Zurich, Executive Director, Equities and Private Wealth Management, 1994–2001; Zehnder-Lai Investment Advisors (founder), Baech, Switzerland, 2002–2004; LGT Capital Partners, Pfaeffikon, Switzerland, Fund Manager/Executive Director, 2005–2014; IPM Institut für Persönlichkeitsorientiertes Management AG, Pfaeffikon, Switzerland, 2014–2018: Managing Director, 2014–2015; Chief Executive Officer, 2015–2018; Geberit Group, Rapperswil-Jona, Switzerland, member of the Board of Directors since 2017; DKSH Group, Zurich, Switzerland, member of the Board of Directors since 2018. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2019.

Olga Zoutendijk (born 1961), dual Dutch and Australian citizen; Bachelor of Science in Business Administration, San José State University, USA, 1983; Master of International Management (Finance), Thunderbird School of Global Management, USA, 1985; Advanced Management Program INSEAD, Fontainebleau, France, 1999; Graduate of the Australian Institute of Company Directors, Australia, 2012. ABN AMRO Bank N.V., 1986–2001: International Career Banker Training Program, the Netherlands, 1986–1987; Officer, Emerging Markets, the Netherlands, 1987–1988; Client Banker, Large Corporates, USA, 1988–1995; Head of Wholesale Banking, Ireland, 1995–1997; Deputy CEO Australia and New Zealand, 1997–1999; CEO, Portugal, 1999–2001; Westpac Banking Corporation, 2001–2007: Group General Manager, Business and Consumer Banking Products (responsibility for Consumer Mortgages, Credit Cards, General Insurance, Personal Loans, Current Accounts and Deposits product divisions as well as Business Credit/Loans/Leasing products to the SME and Middle Market client segments), 2001–2002; Group General Manager, Corporate and Institutional Banking (global responsibility for Client Relationship Management, Structured Finance, Capital Markets, Corporate Finance/M&A, Foreign Exchange Sales, Derivatives Sales, Project Finance, Global Transaction Banking (incl. Custody and Trade Finance) and the Corporate Credit business divisions), 2003–2007; Standard Chartered Bank, Group Head of Wholesale Banking Asia (overseeing revenue growth, acquisitions, compliance and governance in the corporate and investment banking businesses in 22 countries across APAC), and member of the global Executive Committee of the Wholesale Bank, 2007–2011; ABN AMRO Group N.V. and ABN AMRO Bank N.V., 2014–2018: member of the Supervisory Board, 2014–2015; member of the Audit Committee as well as of the Risk & Capital Committee, 2014–2018, Vice-Chairwoman of the Supervisory Board and Chairwoman of the Risk & Capital Committee (overseeing group-wide risk appetite, risk tolerance and risk management frameworks, compliance procedures, standards and controls, management and resolution of large complex legal cases as well as capital and liquidity planning), 2015–2016; Chairwoman of the Supervisory Board, member of the Audit, Risk & Capital as well as of the Nominations & Remuneration Committees, 2016–2018. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2019.

HONORARY CHAIRMAN

The Honorary Chairman has no active function in the Board of Directors.

Raymond J. Baer (born 1959), Swiss citizen; Law Degree, University of St. Gallen, 1984; Master of Law LL.M., Columbia Law School, New York, USA, 1985. Salomon Bros. Inc., New York and London, 1985–1988. Entry into Bank Julius Baer & Co. Ltd., 1988: Head of the Swiss Capital Market Group, Zurich, 1988; New York branch, Deputy Branch Manager, 1990–1993; Zurich Head Office, member of the Management Committee, 1993–1996; Julius Baer Holding Ltd., 1996–2009: member of the Group Executive Board and Head of the Private Banking business line as of 1996; Vice-President of the Group Executive Board from 2001 until 13 May 2003; Co-Head of the Private Banking business line from January 2003 until 13 May 2003; Chairman of the Board of Directors, 2003–2009. Chairman of the Board of Directors of Bank Julius Baer & Co. Ltd., 2003–2012; Chairman of the Board of Directors of Julius Baer Group Ltd., 2009–2012. Honorary Chairman of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2012.

Elections and re-elections at the Annual General Meeting 2021
At the Annual General Meeting of Julius Baer Group Ltd. on 14 April 2021, the Board members Romeo Lacher, Gilbert Achermann, Heinrich Baumann, Richard Campbell-Breeden, Ivo Furrer, Claire Giraut, Kathryn Shih, Eunice Zehnder-Lai and Olga Zoutendijk were re-elected for a one-year term.

David Nicol was elected as new independent member of the Board of Directors for a one-year term.

After having served as a Board member for 15 years and as Vice-Chairman for four, Charles Stonehill did not stand for re-election.

Romeo Lacher was re-elected as Chairman of the Board of Directors for a one-year term.

Gilbert Achermann, Richard Campbell-Breeden, Kathryn Shih and Eunice Zehnder-Lai were re-elected as members of the Compensation Committee (part of the Nomination & Compensation Committee) for a one-year term.

Proposed changes to the Board of Directors at the Annual General Meeting 2022: nomination of a new member
On 23 December 2021, the Board of Directors of Julius Baer Group Ltd. announced its intention to propose Tomas Varela Muiña for election as a new independent member of the Board at the Annual General Meeting (AGM) on 12 April 2022. Tomas Varela Muiña shall succeed Claire Giraut, who will not stand for re-election at the AGM as she is about to reach the maximum term limit for Julius Baer Board members. All other current members of the Board of Directors will stand for re-election.

OTHER ACTIVITIES AND INTEREST TIES

In applying the *Corporate Governance Directive* and the corresponding commentary of the SIX Swiss Exchange as well as the *Ordinance against excessive compensation in listed companies*, the Company fundamentally discloses all mandates and interest ties of its Board members outside of the Julius Baer Group according to the applicable paragraphs of article 13 ('Mandates outside the Group') of the Articles of Incorporation, available at www.juliusbaer.com/cg, which state:

No member of the Board of Directors may hold more than ten additional mandates, of which no more than four mandates in listed companies.

The following mandates are not subject to the aforementioned limitations:

a) mandates in companies that are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or companies controlled by it. No member of the Board of Directors may hold more than five such mandates;
c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity that is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

Mandates in exchange-listed companies:

Romeo Lacher:
- Vice-Chairman of the Bank Council and member of the Nomination Committee and Chairman of the Compensation Committee of the Swiss National Bank, Zurich (since 30 April 2021).

Gilbert Achermann:
- Chairman of the Board of Directors of Straumann Group, Basle, Switzerland;
- Member of the Board of Directors and of the Compensation Committee of Ypsomed Holding AG, Burgdorf, Switzerland.

Ivo Furrer:
- Member of the Board of Directors and Chairperson of the Audit Committee of Helvetia Insurance, St. Gallen, Switzerland.

Eunice Zehnder-Lai:
- Member of the Board of Directors of DKSH Group, Zurich, Switzerland;
- Member of the Board of Directors of Geberit Group, Rapperswil-Jona, Switzerland.

Mandates in non-listed companies:

Heinrich Baumann:
- Vice-President of the Board of Directors of Atlis AG, Biberist, Switzerland;
- Member of the Board of Directors of KSHB Holding AG (holding company of Atlis AG, Biberist, Switzerland), Berne, Switzerland.

Richard M. Campbell-Breeden:
- Director, Omeshorn Holding Ltd., British Virgin Islands (and Founder and Chairman of the Board of Directors of Omeshorn Capital Advisors, London, UK, 100% owned by Omeshorn Holding Ltd.);
- Chairman of the Board of Directors of Arq Limited (incl. Arq International Limited, Arq UK Management Limited and Arq IP Limited), London, UK.

Ivo Furrer:
- Member of the Board of Directors of inventx, Chur, Switzerland;
- Member of the Board of Directors of responsAbility Investments AG, Zurich, Switzerland;
- Member of the Board of Directors of Fundamenta Group AG, Zug, Switzerland.

Other mandates:

Romeo Lacher:
- Vice-Chairman of the Board of Directors of Swiss Finance Institute, Zurich, Switzerland;
- Member of the Board of Trustees of think tank avenir suisse, Zurich, Switzerland.

Gilbert Achermann:
- Member of the Board of Directors of the ITI International Team of Implantology Association and ITI Foundation, Basle, Switzerland;
- Member of the Committee and its Executive Committee of Handelskammer beider Basel, Basle, Switzerland;
- Member of the Supervisory Board of IMD and Chairperson of the Audit and Risk Committee, International Institute for Management Development, Lausanne, Switzerland;
- Member of the Board of Swiss Medtech, Basle, Switzerland.

Heinrich Baumann:
- Vice-President of the Foundation Board of International Foundation for Research in Paraplegia, Chêne-Bourg, Switzerland.

Ivo Furrer:
- Member of the Executive Committee of digitalswitzerland, Zurich, Switzerland;
- Member of the Foundation Board of Swiss Foundation for Work and Further Education, Brugg, Switzerland.

Claire Giraut:
- Member of the Finance Commission of Institut Curie, Paris, France (since 15 September 2021).

David Nicol:
- Member of the Board (since 2012) and Chairman of the Apppointments Committee (since 2017) of the Federated Hermes Property Unit Trust, London, UK;
- Trustee of the Urology Foundation, London, UK;
- Non-Executive member and Chairman of the Board of Multrees Investor Services Limited, London, UK.

Kathryn Shih:
- Member of the Investment Committee of the Island Evangelical Community Church, Hong Kong (since 1 June 2021);
- Member of the Council of Advisors of the Hong Kong University of Science and Technology Business School, Hong Kong;
- Temasek Fellow at the Wealth Management Institute, Singapore;
- Director of Shih Co Charitable Foundation Ltd., Hong Kong.

Eunice Zehnder-Lai:
- Member of the Foundation Board of Insights for Education, Zurich, Switzerland (since 1 July 2021);
- Member of the Board of Directors of Asia Society Switzerland, Zurich, Switzerland, as well as member of the Global Board of Trustees, Asia Society, New York, USA;
- President of the Foundation Board of Friends of Asia Society Switzerland Arts & Culture Foundation, Zurich, Switzerland.

Olga Zoutendijk:
- Member of the Board of Governors and Chairwoman of the Audit Committee, Leiden University, Leiden, the Netherlands;
- Chairwoman of the Board of Directors of Fnality International Limited, London, UK (as of 23 February 2022).

ELECTIONS AND TERMS OF OFFICE

The members of the Board of Directors have been elected on an individual basis by the Annual General Meeting since 2012 for a one-year term both in the case of new elections and re-elections. The period between two Annual General Meetings is deemed one year. Members whose term of office has expired are immediately eligible for re-election. Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee (part of the Nomination & Compensation Committee) by the Annual General Meeting, the Board of Directors constitutes itself. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members who have reached their 75th year of age generally do not seek re-election at the end of their current term.

PROFILE OF THE BOARD OF DIRECTORS OF JULIUS BAER GROUP LTD.

The breadth and variety of competencies of its members, both personally and professionally, fundamentally defines the quality of a board of directors. It is one of the key determining factors to ensure that the board as a whole can satisfactorily perform its overall and specific oversight duties.

The members of Julius Baer Group Ltd.'s Board of Directors represent a diverse and broad set of backgrounds, skills and experiences. The Board is composed of individuals who possess relevant functional skills and credentials, have acquired extensive international experience and developed a global business perspective.

Diversity in culture, ethnicity and opinion are important aspects of Board composition. The female-to-male ratio on the Board may vary in any given year; the Board, however, is committed to working towards an overall balanced gender representation over the long term.

Board members need to have the ability to assess complex situations swiftly and to challenge management constructively. They need to provide leadership within a framework of prudent and effective controls. Board members need to bring the highest ethical standards of integrity and probity and show deep affinity with Julius Baer's values, purpose and corporate culture.

Biographical overview

Board member	Age *31.12.2021*	Gender	Nationality	Board member since	Independence
Romeo Lacher	61	male	Swiss	2019	Independent
Gilbert Achermann	57	male	Swiss	2012	Independent
Heinrich Baumann	70	male	Swiss	2011	Independent
Richard M. Campbell-Breeden	59	male	British	2018	Independent
Ivo Furrer	64	male	Swiss	2017	Independent
Claire Giraut	65	female	French	2010	Independent
David Nicol	66	male	British	2021	Independent
Kathryn Shih	63	female	British	09/2020	Independent
Eunice Zehnder-Lai	54	female	Swiss/ Chinese (HK SAR)	2019	Independent
Olga Zoutendijk	60	female	Dutch/ Australian	2019	Independent

Core skills

Core skills represent universal professional, business and management capabilities that can be gained and used at any company regardless of sector. The core skills shown in the following table and detailed further below are principal requirements that need to be represented on Julius Baer's Board of Directors.

Core skills overview

Board member	Banking	Senior Executive	Audit/ Finance	Risk	Compliance/ Legal
Romeo Lacher	x	x	x	x	x
Gilbert Achermann	x	x	x		
Heinrich Baumann	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Ivo Furrer		x		x	x
Claire Giraut		x	x	x	
David Nicol	x	x	x	x	
Kathryn Shih	x	x	x	x	x
Eunice Zehnder-Lai	x	x	x		
Olga Zoutendijk	x	x	x	x	x

Banking comprises relevant experience in the banking industry, supplemented and combined with a sound understanding of global banking, financial markets and financial regulation.

Relevance: Banking experience gained in a senior position within the banking industry assists in understanding and reviewing Julius Baer's core business and strategy.

Senior Executive encompasses a proven record of accomplishments as a former or active executive of a publicly listed or large private multinational company. This typically results in gaining profound insights and credentials in areas such as recruiting and staffing as well as performance management.

Relevance: The exposure as CEO or in a senior executive role significantly deepens the understanding of developing, implementing and assessing business strategies and operating plans for an organisation of the scale and complexity of Julius Baer.

Audit/Finance includes a broad range of expertise relating to auditing (e.g. current or former partner of an auditing company, senior role in an auditing capacity or member of an audit committee) or a degree in the subject. It also covers a variety of finance aspects such as the function as current or former financial expert, proficiency in financial accounting and reporting as well as academic or advanced degrees in economics, e.g. former CFO role, Chartered Accountant (CA), Master of Business Administration (MBA), Master of Arts (MA) in Economics, Certified Public Accountant (CPA) or Chartered Financial Analyst (CFA).

Relevance: Expertise and experience in audit/finance are important prerequisites for soundly evaluating Julius Baer's financial statements, assessing its capital structure and required regulatory capital strength, and assisting in understanding and overseeing the integrity of the Group's financial reporting.

Risk includes a broad range of expertise related to risk management and risk control in a global environment (e.g. current or former Chief Risk Officer, current or former front management role with considerable risk exposure, current or former management and/or supervisory role on a risk committee) or a degree related to the subjects.

It also covers experience in establishing risk and control frameworks, setting an organisation's risk appetite and overseeing its risk culture.

Relevance: Besides understanding the Group's financial and regulatory audit reports, expertise in risk management is important to the Board's role in assessing and overseeing the endogenous and exogenous risks facing Julius Baer. In particular, it is a prerequisite for ensuring that appropriate policies and instruments are in place to effectively manage risk.

Compliance/Legal includes a broad range of expertise related to leading a company's compliance function in a global environment (e.g. current or former Head Compliance, current or former management and/or supervisory role on a company-wide or regional compliance committee), expertise as a current or former legal expert (e.g. current or former General Counsel, lawyer, partner in a law firm) or general degree in the subjects. It also covers experience in establishing compliance and legal frameworks and setting and monitoring an organisation's compliance culture.

Relevance: Compliance/Legal qualifications and/or practices assist Julius Baer's Board in assessing and meeting its legal requirements, and ensuring the Group's adherence to local and international regulations and industry standards in the highly complex financial markets globally.

Specific skills

Specific skills represent expertise in those individual business and functional areas that are particularly important to be represented on Julius Baer's Board. The specific skills shown in the following table and detailed further below are principal requirements given the Group's business portfolio, organisational set-up and corporate strategy.

Specific skills overview

Board member	Wealth Management	Mergers & Acquisitions	Capital Markets	Credit	IT/Technology/ Operations/ Fintech
Romeo Lacher	x	x		x	x
Gilbert Achermann		x	x		
Heinrich Baumann	x			x	x
Richard M. Campbell-Breeden		x	x		
Ivo Furrer		x			x
Claire Giraut		x	x		x
David Nicol	x	x			x
Kathryn Shih	x		x	x	
Eunice Zehnder-Lai	x	x	x		
Olga Zoutendijk	x	x	x	x	

Wealth Management encompasses relevant experience gained in senior wealth management functions, including meaningful exposure to some or all of Julius Baer's key markets.

Relevance: With wealth management being the Group's core business, solid representation of wealth management expertise assists in understanding, reviewing and setting Julius Baer's business focus and strategy.

Mergers & Acquisitions (M&A) represents expertise in the area of corporate M&A gained during current or former roles in investment banking or fund management, through proven experience with M&A or via current or former corporate advisory roles.

Relevance: Expertise in M&A assists in understanding and evaluating Julius Baer's M&A activities as part of its growth strategy.

Capital Markets represents expertise accumulated during current or former roles in investment banking, fund management or via leading functions in balance sheet management or executing capital market transactions.

Relevance: Capital markets experience assists in understanding and reviewing Julius Baer's business activities and strategy in this area.

Credit summarises experience gained as current or former private-client-oriented senior credit officer (e.g. Chief Credit Officer) or proven knowledge of the credit business acquired in executive positions in wealth management, investment or corporate banking.

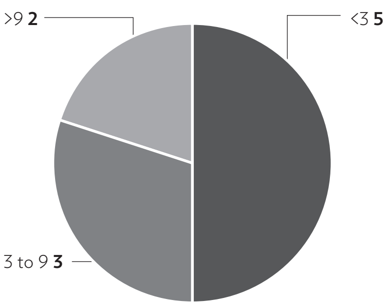
Relevance: Experience in credit-related business areas assists in understanding, reviewing and assessing Julius Baer's client-related credit strategy and associated risks.

IT/Technology/Operations/Fintech encompasses experience gained in current or former executive roles in the IT/Operations sector or expertise in areas such as software and digital technology or academic degrees in these subjects. Similar competencies include a strong understanding of technology, its impact on innovation and the related development and implementation of initiatives to enhance production and management processes as well as organisational structures.

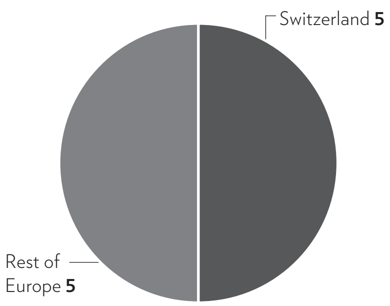
Relevance: Experience in these areas is relevant for Julius Baer in many aspects ranging from client experience to internal operations. In particular, it is instrumental in assessing the impact of new technologies and related corporate investment decisions. Expertise in organisation and processes management gives a practical understanding of developing, implementing and validating Julius Baer's operating plan and business strategy.

Graphical summary of Board attributes

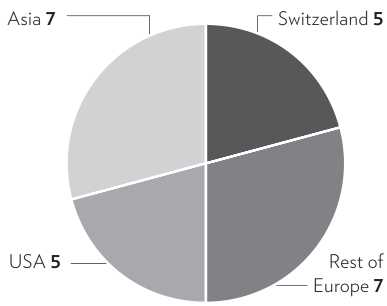
Term of office (years)



Geographic diversity based on primary nationality

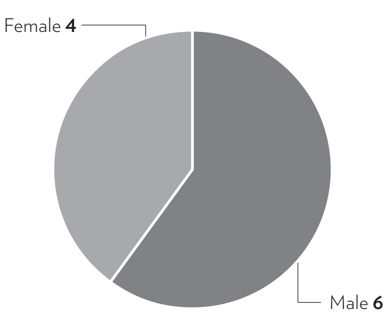


Geographic diversity based on work experience[1]

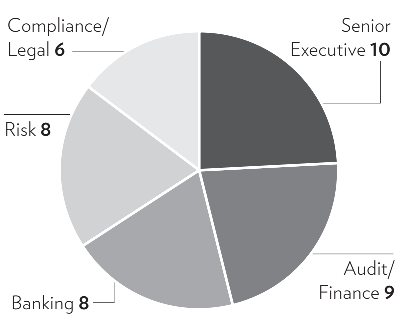


[1]Multiple selections possible

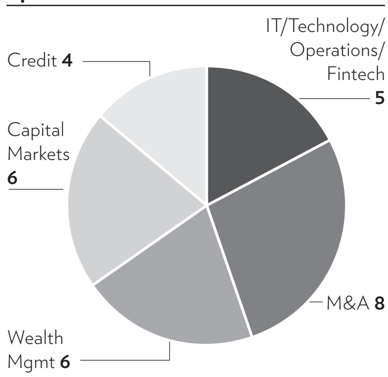
Gender diversity



Core skills



Specific skills



INTERNAL ORGANISATIONAL STRUCTURE

The Board of Directors consists of five or more members. It meets as often as business requires, but at least once per quarter. The presence of a majority of its members is necessary for resolutions to be passed, with the exception of the ascertainment resolution and the resolution concerning the amendment of the Articles of Incorporation, cf. ww.juliusbaer.com/cg, as well as the capital increase report in the case of capital increases. Resolutions are passed by an absolute majority of votes of members present. The members of the Board of Directors may also be present by phone or electronic means. Resolutions for urgent or routine businesses of the Board of Directors may also be passed by way of written consent (letter, fax) or by way of an electronic data transfer, provided that no member requests oral deliberation. In such cases, the text of written resolutions must be sent to all members and approved by all members of the Board of Directors to be valid.

In the case of a tie vote at meetings, the Chairman shall have the casting vote. For resolutions passed by the Board of Directors with regard to agenda items that have been subject to prior resolution by a Committee of the Board of Directors (pre-resolving Committee) and if the members of such pre-resolving Committee (taking into consideration the casting vote of the Chairman) would represent a majority of votes on the Board of Directors, the casting vote shall not be with the Chairman of the Board but with the Chairperson of the Audit Committee, unless the Chairperson of the Audit Committee is also a member of such pre-resolving Committee, in which case the casting vote shall be with the member of the Board of Directors who is not a member of such pre-resolving Committee and who has served the longest total term of office on the Board of Directors. The CEO and CFO are standing guests in the meetings of the complete Board of Directors, while the other members of the Executive Board of Julius Baer Group Ltd. are invited to participate as guests for those topics that are within their business responsibility as well as for specific reporting sessions. These meetings generally take up a full day.

In order to gauge the effectiveness of its activities, the Board of Directors as a whole as well as the respective committees carry out an annual self-assessment. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the committees are brought to the attention of the complete Board of Directors.

At intervals, the effectiveness of the Board’s activities is also assessed externally. The first such external assessment took place in 2018. Conducted by specialised consultant Egon Zehnder, a comprehensive process meticulously reviewed the use of best industry and other practices at both individual and Board level. The assessment confirmed that the Board of Directors and its committees work effectively and meet the requirements of modern-day corporate governance, which is reflective of the expertise, commitment and independent stance of the individual Board members at the time.

In 2021, the Board of Directors undertook a *Board of Directors Effectiveness Review*, conducted by Egon Zehnder International in close collaboration with our Chairman of the Board of Directors. The overall objective of the review was to align and, where necessary, improve the Board’s focus and effectiveness in order to have a stronger impact. In addition, it serves as a basis for each member of the Board of Directors to improve her/his personal effectiveness in the boardroom. The review covered several key dimensions, such as Board structure and composition, personal dynamics, boardroom dynamics, Board committees, Board meetings and information flow, Company strategy and performance as well as tracking board effectiveness.

The review methodology comprised an online questionnaire that was completed by each Board member as well as feedback collected from all Executive Board members on their relationship with the Board of Directors. The findings were presented to the Chairman of the Board of Directors and subsequently discussed with the whole Board of Directors. Measures to work on the proposed areas for improvement were agreed upon and taken into consideration in the goal-setting process of the Board of Directors and its committees for 2022 and beyond.

In addition, each Board member had to provide feedback on all other Board members in a *Director Peer-to-Peer Assessment* (DPPA). The results of the DPPA were summarised for each Board member in an individual report, which was then discussed in bilateral meetings with the Chairman.

The Board of Directors normally meets for one strategy seminar a year. The purpose of this seminar is to analyse the positioning of the Julius Baer Group as well as to review and, if necessary, redefine its strategic direction in light of the prevailing macroeconomic, sector-related and company-specific circumstances.

Each Board member must be diligent and invest significant amounts of time and energy in monitoring management's conduct of the business and compliance with the corporation's operating and administrative procedures. It is also important that Board members are able to work together effectively while preserving their ability to differ with one another on particular issues. Consequently, Board members are expected to have the ability and commitment to attend 100% of the Board meetings as well as meetings of the Board Committees of which they are a member, with a minimum expected attendance rate of 80%.

In the period under review, the complete Board of Directors of Julius Baer Group Ltd. held nine (physical or remote) meetings, including a two-day strategy seminar (offsite).

Attendance of the members of the Board of Directors at the respective meetings

First half of 2021	January[1]	March[1]	April[1]	June[1]
Romeo Lacher, Chairperson	x	x	x	x
Gilbert Achermann	x	x	x	x
Heinrich Baumann	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x
Ivo Furrer	x	x	x	x
Claire Giraut	x	x	x	x
David Nicol[2]	-	-	x	x
Kathryn Shih	x	x	x	x
Charles G. T. Stonehill[3]	x	x	-	-
Eunice Zehnder-Lai	x	x	x	x
Olga Zoutendijk	x	x	x	x

1 Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
2 Joined the Board of Directors in April 2021
3 Left the Board of Directors at the Ordinary Annual General Meeting on 14 April 2021

Second half of 2021	July[1]	September[1]	October	October offsite	December[1]
Romeo Lacher, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Ivo Furrer	x	x	x	x	x
Claire Giraut	x	x	x	x	x
David Nicol	x	x	x	x	x
Kathryn Shih	x	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x	x
Olga Zoutendijk	x	x	x	x	x

[1] Due to the COVID-19 situation these meetings had to be held as either a telephone or a video conference call

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee (part of the Nomination & Compensation Committee) by the Annual General Meeting, the Board of Directors elects the members of the committees of the Board of Directors from among its members. The Chairpersons of the committees are responsible for seeking advice from external specialists as well as from members of the Executive Board as needed.

According to the Articles of Incorporation of Julius Baer Group Ltd., available at www.juliusbaer.com/cg, the Board of Directors has the following non-transferable and irrevocable duties:

a) to supervise the Company and issue the necessary instructions;
b) to determine the organisation of the Company;
c) to arrange the accounting, financial control and financial planning inasmuch as they are necessary for the management of the Company;
d) to appoint and remove the persons entrusted with the Company's management;
e) to control those persons entrusted with the management of the Company, also in relation to compliance with laws, statutes, regulations and instructions;
f) to draw up the business report, the remuneration report and to prepare the General Meetings of Shareholders and the implementation of its resolutions;
g) to inform the judge in the event of insolvency.

The Board of Directors may assign the preparation and implementation of its resolutions or the supervision of business transactions to committees or individual members. It must make sure that its members are suitably informed.

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in the respective section on page 36 of this chapter of the Annual Report.

The responsibilities and composition of the currently existing committees of the Board of Directors

The members of the Board of Directors discuss specific topics in the Board's committees. Each of these committees works under its own charter, available at www.juliusbaer.com/cg > Standards and Policies, and is chaired by an independent director (according to article 14 of the *Swiss Code of Best Practice for Corporate Governance* of the Swiss business federation economiesuisse and the Swiss Financial Market Supervisory Authority FINMA's circular 2017/1 entitled *Corporate governance – banks)*. Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues. In addition, the minutes and the pre-reading/preparatory material of the committee meetings are made available to the complete Board of Directors.

Governance & Risk Committee
The Governance & Risk Committee (GRC) consists of at least three members of the Board of Directors who are specifically skilled and experienced in areas of finance, corporate governance and risk control. The GRC is responsible for governance, risk, business conduct and ethic as well as compliance topics. In particular, the GRC is responsible for

- ensuring that the requirements for effective compliance and the promotion of an adequate compliance/conduct/ethic culture and organisation are given the necessary attention at the level of the Board of Directors
- assessing the Group's exposure to risk/compliance/conduct/ethical issues as well as the respective frameworks to address such matters, for example monitoring of regulatory developments, operational/enterprise risk management framework, information/cyber security strategy and the Group's business continuity management strategy (including policies, procedures and organisational structure)
- performing an annual assessment of the risks and risk-mitigating measures (including of respective exceptions) with regard to relationships with clients from countries with an increased risk of corruption
- monitoring and assessing the effectiveness of programmes and processes relating to anti-money-laundering requirements, client identification and know-your-client, client on-boarding, monitoring of off-boarding, politically exposed persons, economic and trade sanctions, anti-bribery and anti-corruption policies as well as client tax compliance
- reviewing the status of ongoing procedures as well as the implementation of key initiatives on compliance/conduct topics
- reviewing reports (including reports of internal and external auditors, in coordination with the Audit Committee) on material matters related to compliance and matters concerning employee conduct, as well as advising the Nomination & Compensation Committee with regard to the consideration of compliance and conduct topics and issues in the compensation process.

Furthermore, the GRC is responsible for

- developing and upholding principles of corporate governance and corporate sustainability for the Julius Baer Group
- authorising certain market, credit and financial risks, taking into consideration the respective risk parameters, including, in particular, loans granted to members of the Board of Directors and of the Executive Board and/or affiliated entities and related parties ('Organkredite') as defined by the relevant Swiss accounting standards
- upholding the standards and methodologies for risk control, which are employed to comply with the principles and risk profile adopted by the Board of Directors or other relevant supervisory or managing bodies.

The GRC determines, coordinates and reviews the risk limits in the context of the overall risk policy and reviews the policies with regard to risk. The GRC approves and supervises the implementation of the yearly Compliance Programme. The GRC bases its risk-related work on the risk management and risk tolerance framework and the respective processes (cf. section *Comment on Risk and Capital Management* in chapter *III. Financial Statements Julius Baer Group* of this Annual Report), as approved by the Board of Directors once a year. The GRC furthermore approves the issuance of guarantees, letters of comfort and similar items relative to Julius Baer Group Ltd. and the principal operating subsidiaries. It approves the entry into, and the dissolution and modification of joint ventures of strategic importance by the principal operating subsidiaries, and approves the issue and amendment of Organisational and Management Regulations of the principal operating subsidiaries, cf. www.juliusbaer.com/cg, including the allocation of responsibilities. The GRC furthermore approves the formation, the change in capital or ownership structure, the change of legal form or licences, and the liquidation or closure of all subsidiaries. The GRC decides on requests from members of the Board of Directors and of the Executive Board to serve on outside boards of directors or advisory boards, boards of trustees or foundation boards and gives its consent to such members to serve in public office or government.

The GRC generally convenes monthly. During the year under review, the Committee held eleven (physical or remote) meetings of approximately five hours each. The Chief Executive Officer and the Chief Financial Officer are permanent guests, while the other members of the Executive Board of the Company participate for specific reporting sessions in the meetings of the GRC.

Members David Nicol (Chairperson), Richard M. Campbell-Breeden, Romeo Lacher and Olga Zoutendijk

Attendance of the members of the Governance & Risk Committee at the respective meetings

First half of 2021	January[1]	February[1]	March[1]	April[1]	May[1]	June[1]
David Nicol, Chairperson[2]	-	G	G	x	x	x
Charles G. T. Stonehill[3]	x	x	x	-	-	-
Richard M. Campbell-Breeden	x	x	x	x	x	x
Romeo Lacher	x	x	x	x	x	x
Olga Zoutendijk	x	x	x	x	x	x
Heinrich Baumann	G (part.)	G (part.)	G (part.)	G (part.)	G (part.)	G (part.)

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
[2] Joined the Committee in April 2021 as new Chairperson
[3] Former Chairperson; left the Board of Directors at the Ordinary Annual General Meeting on 14 April 2021
G = attended the meeting as a guest (part. = attended the meeting partially)

Second half of 2021	August[1]	October I[1]	October II[1]	November	December[1]
David Nicol, Chairperson	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Romeo Lacher	x	x	x	x	x
Olga Zoutendijk	x	x	x	x	x
Heinrich Baumann	G (part.)	G (part.)		G (part.)	G (part.)

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest (part. = attended the meeting partially)

Audit Committee

The Audit Committee (ACB) is responsible for the integrity of controls for financial reporting and the review of the Company's and the Group's financial statements, including the interim management statements, but in particular the consolidated statements of the Group and the annual and semi-annual financial statements before they are presented to the complete Board of Directors for approval. It also reviews the internal and external communication regarding the financial data and accounting statements and related information. The ACB monitors compliance by the Company with its respective legal and regulatory obligations and ensures the receipt of regular information as to compliance by its subsidiaries with such obligations as well as with regard to the existence of an adequate and effective internal control in relation to financial reporting.

The Committee monitors the activities of Group Internal Audit and ultimately determines the compensation paid to the Head of Group Internal Audit. The Chairperson of the Committee meets with the Head of Group Internal Audit on a regular basis throughout the year, usually every two months.

The Committee ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with the internal auditors. The Committee is also responsible for assessing the performance of the external auditors on an annual basis, cf. section *Audit – External Auditors* of this chapter of the Annual Report. It reviews their reports about the rendering of the accounts and the management letter and provides a recommendation to the complete Board of Directors on the election of the external auditor at the Annual General Meeting.

All members of the ACB are independent (according to article 14 of the *Swiss Code of Best Practice for Corporate Governance* of the Swiss business federation economiesuisse and the Swiss Financial Market Supervisory Authority FINMA's circular 2017/1 entitled *Corporate governance – banks*) and, based on their education and professional expertise, are financial experts. The ACB performs an in-depth annual self-assessment with regard to its own performance. The ACB convenes at least four times a year for about four hours on average. The CEO, CFO and CRO are permanent guests, the other members of the Executive Board of Julius Baer Group Ltd. participate in the meetings of the ACB if requested. The Head of Group Internal Audit and representatives of the external auditor participate in every meeting. During the year under review, the ACB held seven (physical or remote) meetings of approximately four hours each.

Members Heinrich Baumann (Chairperson), Ivo Furrer, Claire Giraut, Eunice Zehnder-Lai and Olga Zoutendijk

Attendance of the members of the Audit Committee at the respective meetings

First half of 2021	January[1]	April[1]	June[1]
Heinrich Baumann, Chairperson	x	x	x
Ivo Furrer	x	x	x
Claire Giraut	x	x	x
Eunice Zehnder-Lai	x	x	x
Olga Zoutendijk	x	x	x
Romeo Lacher			G (part.)
David Nicol			G (part.)
Richard M. Campbell-Breeden			G (part.)

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest (part. = attended the meeting partially)

Second half of 2021	September[1]	October	November[1]	December[1]
Heinrich Baumann, Chairperson	x	x	x	x
Ivo Furrer	x	x	x	x
Claire Giraut	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x
Olga Zoutendijk	x	x	x	x
Romeo Lacher	G (part.)		G (part.)	

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest (part. = attended the meeting partially)

Nomination & Compensation Committee
The Nomination & Compensation Committee (NCC) consists of members of the Board of Directors who are adequately skilled and experienced to assess remuneration and succession topics and assume the related responsibilities.

Compensation-related responsibilities:

The NCC carries out the Board's overall responsibility for drawing up the remuneration principles, remuneration strategy and policies covering the Chairman of the Board of Directors, the further non-executive members of the Board of Directors, the Chief Executive Officer (CEO) and the further members of the Executive Board within the Julius Baer Group. This includes reviewing any compensation principles (changes thereof have to be submitted for approval to the complete Board of Directors), reviewing and approving compensation policies relating to the Company as a whole as well as any compensation policies within the Group that are linked to the shares of the Company.

The NCC, with the support of external advisors if needed, undertakes to advise the full Board of Directors on whether the current compensation for the Chairman, the Board of Directors, the CEO and the Executive Board is in line with market practices.

The NCC annually reviews the compensation elements and the share ownership programmes by considering possible impacts of new regulatory developments and feedback received from stakeholders.

The NCC is responsible for reviewing and approving the Company's principles of total compensation and benefits (Remuneration Policy). It annually reviews that the principles are operated as intended and that the policy is compliant with national and international regulations and standards.

The NCC determines the compensation of the Chairman and of the Executive Board (excl. CEO) and submits the respective proposals for the other members of the Board of Directors and the CEO to the complete Board of Directors for approval. The compensation proposals for the Chairman, the Board of Directors, the CEO and in aggregate form for the Executive Board are subsequently submitted to the Annual General Meeting for approval by the shareholders.

The NCC annually prepares and proposes to the Board of Directors, and subsequently to the attention of the shareholders, a Remuneration Report as well as other reports required by law or regulations.

→ The Group's overall compensation framework, including compensation governance, compensation elements and their application in the period under review, is described in detail in chapter *II. Remuneration Report* of this Annual Report.

Nomination-related responsibilities:

In general, the role of the NCC is to assist the Board of Directors in the effective discharge of its responsibilities, ensuring that the Board of Directors comprises individuals who are best able to discharge the responsibilities of directors, in accordance with applicable laws and regulations as well as the principles of sound corporate governance. The NCC is responsible for the long-term succession planning at the level of the Board of Directors. It assesses candidates as possible new members of the Board of Directors of the Company and prepares respective nominations for approval by the complete Board of Directors as well as for final consideration by the Annual General Meeting.

The NCC is also responsible for the long-term succession planning of the Chief Executive Officer (CEO) and the other members of the Executive Board of the Company, and in this function assesses potential candidates and prepares respective nominations for approval by the Board of Directors. In particular, the NCC has the following powers, duties and responsibilities:

a) establishment of profiles describing necessary and desirable competencies and skills of members of the Board of Directors and of the CEO;
b) search for and identification of suitably qualified candidates for appointment to the Board of Directors;
c) conduct of exploratory talks and application talks with possible candidates;
d) submission of proposals to the Board of Directors with regard to the election of members of the Board of Directors and nomination of the CEO;
e) preparation of a succession plan for the Board of Directors, the CEO and other Executive Board members.

The members of the Compensation Committee (as part of the NCC) are elected on a yearly basis by the shareholders at the Annual General Meeting. The Chairman of the Board of Directors shall not be a member of the NCC. The NCC elects its own chairperson. With respect to decisions of a specialised nature, the NCC may seek advice from additional members of the Board of Directors.

The NCC consists of at least three members, of whom all shall be independent Board members. As a rule, the NCC convenes once per quarter. In the period under review, the NCC held eight meetings of three hours on average.

Members Richard M. Campbell-Breeden (Chairperson), Gilbert Achermann, Kathryn Shih and Eunice Zehnder-Lai

Attendance of the members of the Nomination & Compensation Committee at the respective meetings

First half of 2021	January[1]	March workshop[1]	April[1]	May workshop[1]	June[1]
Richard M. Campbell-Breeden, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Kathryn Shih	x	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x	x
Romeo Lacher	G	G	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest except for segments of the meeting in which a conflict of interest might have arisen

Second half of 2021	September[1]	October	December[1]
Richard M. Campbell-Breeden, Chairperson	x	x	x
Gilbert Achermann	x	x	x
Kathryn Shih	x	x	x
Eunice Zehnder-Lai	x	x	x
Romeo Lacher	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest except for segments of the meeting in which a conflict of interest might have arisen

Development & Innovation Committee

The primary aim of the Development & Innovation Committee (DIC) is to support the Board of Directors in its overall oversight responsibilities relating to long-term transformational challenges, business development and innovation as well as to respective plans as developed by the Executive Board.

The DIC consists of members of the Board of Directors who are adequately skilled and experienced to identify and assess existing and future trends in the financial services industry as well as the means and methods to cope with them successfully and sustainably. Areas of particular interest relate to structural changes in the banking industry in general and the wealth management industry in particular, the business and operating model of the Group, the applied technology and innovation, as well as the assessment of their possible impact on the Group and on new business opportunities.

The DIC acts as both a competence centre and a sounding board and seeks close exchange with related areas of the Group, such as business transformation, people transformation, information technology and processes, automatisation and artificial intelligence, business operations and business development.

The DIC convenes at least twice a year and consists of a minimum of three members of the Board of Directors who are appointed by the Board of Directors. During the year under review, the DIC held three meetings for an average duration of approximately three hours.

Members Claire Giraut (Chairperson), Gilbert Achermann, Heinrich Baumann, Ivo Furrer and Kathryn Shih

Attendance of the members of the Development & Innovation Committee at the respective meetings

	January[1]	June[1]	September[1]
Claire Giraut, Chairperson	x	x	x
Gilbert Achermann	x	x	x
Heinrich Baumann	x	x	x
Ivo Furrer	x	x	x
Kathryn Shih	x	x	x
Romeo Lacher	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest

DEFINITION OF AREAS OF RESPONSIBILITY

Julius Baer's strategic framework for long-term value creation

In 2021, as every year, Julius Baer's Board of Directors reviewed the Group's long-term strategy together with the Group's management.

Julius Baer's long-term strategy is focused exclusively on international wealth management. This strategy was introduced in 2009 with the Group's separation from its asset management business, a move accompanied by the independent listing of today's Julius Baer Group. In its strategy, Julius Baer has always targeted wealthy private clients, family offices and external asset managers through a client-centric business model, providing clients with holistic advice tailored to their needs. Julius Baer's model is built on highly personal interaction with clients, powered by a relevant and comprehensive offering, an open product platform, proprietary research and state-of-the-art digital execution capabilities.

At the start of 2020, we presented an update and refinement of our strategy for the medium and longer term. First and foremost, we will remain true to our wealth management focus and business model. We will continue to build on our core strengths while dynamically modernising the way we operate, creating even more value for our clients through a sharpened value proposition and accelerated investments in human advice and technology. At the same time, the Group will continue to strengthen its corporate values and its robust risk and compliance culture, based on professional integrity and teamwork, and further invest in the implementation of our sustainability ambition, which is to empower our clients, employees and other stakeholders to make a positive impact on society and the environment. Julius Baer will continue to enable shifts in capital flows towards a more equitable future and healthier planet and take environmental, social and governance (ESG) actions within the Group as a responsible corporate citizen.

Calibrating the strategy in a changing environment
At the outset of a fresh decade, new secular dynamics are unfolding in wealth management:

- Client needs are shifting structurally – from wealth creation to wealth preservation and from individual needs rooted in one geography to changing family settings with multinational requirements. Complexity is increasing and expectations are on the rise, calling for even broader capabilities and deeper expertise in wealth management.
- Generational dynamics are accelerating. Over the coming 20 years, huge amounts of assets will be handed from one generation to the next. This future generation is looking beyond just the management of assets and is interested in giving meaning to their wealth.
- The economics of our business have changed. Commoditisation combined with negative interest rates in many of our key markets has resulted in strong margin pressure over recent years. In parallel, more complex regulations, changes in technology and increasing competition are driving up the structural costs of doing business.

Despite these pressures, wealth management remains an attractive industry, with longer-term growth rates expected to exceed GDP expansion in most markets. Capturing these opportunities, however, requires an update of our strategy, as announced at the start of 2020.

In order to capture these opportunities, we are looking beyond the immediate pressure for change and want to make our company fit for the next decade. We will explore the substantial untapped potential to deliver value to our targeted client segments. As the architects of our clients' wealth, we will tailor highly individual solutions in a client-centric, integral way – as personal as possible, yet powered by the best that technology has to offer.

Sharpening the value proposition for sophisticated high net worth and ultra-high net worth individuals
Julius Baer will offer our two core client segments, HNWIs and UHNWIs, a sharpened and unique value proposition. We will serve those clients individually, as families and over generations. The complexity inherent in these client relationships plays to our strengths and capabilities.

Contrary to industry trends, we will continue to serve HNWIs in a personal way, with a dedicated relationship manager (RM). They will be offered an unrivalled breadth of solutions that can be customised based on technology, supporting scalability. UHNWIs and wealthy families will benefit from Julius Baer's capabilities as true wealth architects, combining access to the Group's expertise, its global coverage and its ability to deliver highly bespoke solutions, based on its open product platform and its balance sheet, without the conflict of other lines of business.

We serve our clients directly via our dedicated global front organisation as well as indirectly through selected intermediaries. These intermediaries are an important business-to-business segment with whom we aim to build long-term partnerships along their full value chain and across the entire cycle of their business development.

The Group will continue to look to strengthen its critical mass in core markets while investing further in its range of solutions and expertise – already among the most comprehensive in the industry – to enhance its relevance for clients and capture new market opportunities. Examples of innovation in this area are digital assets, structured lending and impact investing.

Accelerating investments in human advice and technology
Investments in technology to power human advice have been accelerated, creating new revenue opportunities and further improving efficiency. The main shift is away from the modernisation of the back-end towards investments in enhancing client value at the front-end.

To create new revenue opportunities, we are accelerating our investments in artificial intelligence and data. Predictive data analysis, for example, improves client retention and explores share-of-wallet potential. To facilitate scalable tailoring of discretionary mandates and a consistent and scalable advisory process, we continue to invest in our Mandate Solution Designer and our proprietary advisory platform DiAS, which are already contributing to increased revenues and enhanced margins. And to increase quality and efficiency, we continue to re-engineer processes such as our workflows in risk management and compliance with anti-money-laundering policy as well as driving robotics in mid- and back-office processes, again with the aim to realise margin benefits.

In order to excel in wealth management, we believe we also need to move beyond just managing wealth. With our more than one hundred thousand client relationships globally, Julius Baer is ideally positioned to be a facilitator, offering our clients a platform that reflects the Group's purpose: creating value beyond wealth. Our vision is to build cross-generational communities, providing spaces in which they can share and exchange, ultimately enabling them to co-create content and business opportunities together with us.

Julius Baer will continue to attract the top entrepreneurial talent in the industry – RMs as well as specialists and technology experts. The Group will invest in developing junior RMs in-house and has successfully rolled out the planned upgrade to its incentive and compensation systems in line with the Group's financial targets, entrepreneurial aspiration and risk standards.

Creating long-term shareholder value by shifting the leadership focus to sustainable profit growth
With Julius Baer's shift from an asset-gathering strategy to one focused on sustainable profit growth, the Group introduced new targets for shareholder value creation at the start of the current three-year cycle (2020–2022):

- An adjusted[1] pre-tax margin of 25 to 28 basis points by 2022
- An adjusted[1] cost/income ratio of 67% or lower by 2022
- Over 10% annual growth in adjusted[1] pre-tax profit over the cycle, assuming no meaningful deterioration in markets or foreign exchange rates
- Adjusted[1] return on CET1 capital of at least 30% by 2022, supported by active capital management

Julius Baer remains committed to maintaining the quality and strength of its balance sheet and capitalisation. The management floors of its BIS total capital ratio and BIS CET1 capital ratio remain at 15% and 11%, respectively, representing a prudent buffer of around three percentage points above regulatory minimums.

In view of the strongly capital-generative nature of Julius Baer's business model, the Group's dividend policy has been updated effective as of the 2021 financial year with an increase in the target ordinary dividend payout ratio ratio from approximately 40% to approximately 50% of adjusted[1] net profit attributable to shareholders. As was the case in the previous dividend policy, in the absence of significant events the per-share ordinary distribution is intended to be at least equal to the previous year's dividend per share. As hitherto, ordinary annual dividend distribution can be complemented by share buy-backs or special dividends.

The Executive Board's compensation structure, with the cumulative economic profit and relative total shareholder return components of its equity performance plan, is aligned with the Group's focus on sustainable, profitable growth and long-term shareholder value creation.

[1] For a definition of adjusted results, please refer to the document Alternative Performance Measures available at www.juliusbaer.com/APM

Fundamentals

The governing bodies are responsible for the strategic direction of the Julius Baer Group and the Company as well as for determining and implementing the principles of organisation, management and monitoring. They are accountable for providing the means necessary to achieve the targeted objectives and bear ultimate responsibility for the overall results. They supervise the maintenance of the Julius Baer Group as a whole and coordinate and oversee all activities carried out by and in the name of the Company. The Board of Directors has a clear strategy-setting responsibility and supervises and monitors the business, whereas the Executive Board, led by the Chief Executive Officer (CEO), has executive management responsibility. Julius Baer operates under a strict dual board structure, as mandated by Swiss banking law. The functions of Chairman of the Board and CEO are assigned to two different individuals, thus ensuring a separation of powers. This structure establishes checks and balances and preserves the institutional independence of the Board of Directors from the day-to-day management of the Company, for which responsibility is delegated to the Executive Board under the leadership of the CEO.

→ The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations (OMR). All relevant information contained in the OMR is substantially disclosed in the respective sections of this chapter of the Annual Report. The OMR is available at www.juliusbaer.com/cg.

The decisions of the governing bodies are implemented by the Group companies in compliance with the respective applicable legal and supervisory regulations.

Board of Directors

The Board of Directors is responsible for the ultimate direction, supervision and control of the Company, which it fulfils within the scope of the duties stipulated in article 716a of the Swiss Code of Obligations and through calling on its various committees. The complete Board of Directors is especially responsible for preparing all topics that fall within the competence of the Meetings of Shareholders (Annual General Meeting and Extraordinary [if any] Meetings) and receives support and advice from the Audit Committee, in particular in matters of financial reporting and other capital management questions. Based on the proposal of the Audit Committee, the complete Board of Directors decides on the external auditors to be recommended for appointment at the Annual General Meeting. Entry into, and dissolution and modification of joint ventures of strategic importance by the Company also fall within the competence of the complete Board of Directors. Moreover, the complete Board of Directors appoints the CEO and the Chief Risk Officer as well as the other members of the Executive Board and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Head of Group Internal Audit. With regard to the Group's principal operating subsidiaries, the complete Board of Directors decides on the appointment and dismissal of the Chairman of the Board of Directors, of members of the Board of Directors and of advisory board members (if any). The complete Board of Directors is responsible for determining the overall risk policy of the organisation as well as for the design of accounting, financial controlling and strategic financial planning. It also decides on capital market transactions involving shares of Julius Baer Group Ltd., on such transactions resulting in the issue of bonds of the Company as well as on the issue of bonds by subsidiaries based on a graduated competence schedule regarding the capital and time commitment involved.

Executive Board

The Executive Board is responsible for the implementation of the Company's and the Group's overall strategy – within the respective parameters established by the Board of Directors, and is accountable for all operational and organisational matters as well as for the operating results. Except when delegated by the Board of Directors to another supervisory or managing body, the Executive Board is ultimately responsible for all the day-to-day activities of the Company, including those assigned or delegated by the Executive Board.

The Executive Board is responsible for ensuring the consistent development of the Julius Baer Group in accordance with established business policies, for establishing the organisation of the Executive Board itself and for representing the Executive Board in its relationship with the Board of Directors and third parties.

The Executive Board has the right to issue binding policies to and require reporting or consultation from Group companies before a decision is taken. It proposes the formation, the change in capital or ownership structure, the change of legal form or licenses, and the liquidation or closure of principal operating companies and other subsidiaries to the Governance & Risk Committee for final approval. The Executive Board grants permission to employees (other than the members of the Executive Board) to serve on outside boards of directors or advisory boards, boards of trustees or foundation boards and gives its consent to serve in public office and government.

In addition, the Executive Board may form committees for specific tasks and regulate their activities. Their formation as well as the areas of responsibility must be approved in advance by the Governance & Risk Committee of the Board of Directors.

The Executive Board is responsible for general corporate administration, in particular the registration of shareholders in and the maintenance of the share register. The Executive Board coordinates media contacts, media conferences and media releases and is responsible for investor relations and corporate identity (including corporate design and trademarks) of the Company. It also monitors and evaluates financial and other risks as well as compliance with rules governing equity capital, risk distribution and liquidity maintenance. Additionally, the Executive Board coordinates the contacts with the regulatory authorities. The Executive Board is empowered to issue binding instructions, which may be of general application or related to specific business matters, and may require the submission of reports or consultation with the Executive Board prior to making decisions.

The Executive Board is presided over by the CEO (the President of the Executive Board). The CEO is responsible, in particular, for ensuring the consistent management development of the Company in accordance with established business policies and strategies, representing the Executive Board in its relationship with the Board of Directors and third parties, and establishing the organisation of the Executive Board itself within the framework as provided by the Articles of Incorporation as well as the Organisational and Management Regulations of Julius Baer Group Ltd. Both documents are available at www.juliusbaer.com/cg.

The Executive Board of the Group's principal operating company, Bank Julius Baer & Co. Ltd., is composed of the same members in identical responsibilities as the Executive Board of Julius Baer Group Ltd. Details of the Executive Board's composition can be found in the section *Group Structure and Shareholders* of this chapter of the Annual Report.

INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE BOARD

In order to control the business activity of the Julius Baer Group, the Board of Directors has formed the committees listed in the section *Internal organisational structure* on page 27 of this chapter of the Annual Report. Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues. In addition, the minutes of the committee meetings and the pre-reading/preparatory material are made available to the complete Board of Directors.

The different committees are regularly kept informed by means of relevant reports from within the Group. Moreover, these reports are discussed in depth during regular meetings with the relevant bodies.

At the meetings of the Board of Directors, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and the other Executive Board members regularly update the Board on important issues, either in writing or verbally. At such meetings, the Board members may request from Board or Executive Board members any information about any matters concerning the Company or the Julius Baer Group that they require to fulfil their duties.

The Executive Board or its individual members submit the following major reports to the Board of Directors and its committees (all such reports are made available to the complete Board of Directors but are discussed in the responsible Board Committees. In addition, the complete Board of Directors is provided with the minutes and the pre-reading/preparatory material of all Board Committee meetings):

– Written report by the CEO (quarterly to complete Board of Directors)
– Written report by the General Counsel (quarterly to complete Board of Directors)
– Written or oral reporting by the CRO (monthly to Governance & Risk Committee, quarterly to complete Board of Directors)
– Written or oral reporting by the members of the Executive Board (as needed monthly to Governance & Risk Committee and/or quarterly to complete Board of Directors)
– Financial reporting by the CFO (Monthly Financial Report to complete Board of Directors; enlarged written and oral reporting on a quarterly basis to complete Board of Directors)
– Financial statements by the CFO (Interim Management Statements to Audit Committee, half-year and full-year results to Audit Committee and complete Board of Directors)
– Forecast by the CFO (quarterly to complete Board of Directors)
– Pension Fund update by the CFO (annually to complete Board of Directors)
– Treasury/Asset & Liability Management update by the CFO or the Head Treasury (annually to complete Board of Directors)
– Budget, Capital Management and Scenario Planning by the CEO/CFO (annually to complete Board of Directors)
– List of loans granted to members of the Board of Directors and of the Executive Board and/or affiliated entities and related parties (‘Organkredite’) (quarterly to Governance & Risk Committee)
– Regulatory reporting of large concentrations of risk (‘Klumpenrisiken’) (quarterly to Governance & Risk Committee)
– Group Risk reporting by the CRO (quarterly to Governance & Risk Committee, annually to complete Board of Directors)
– Risk Management Framework, Risk Control Framework and Group Risk Landscape by the CRO (annually to complete Board of Directors)

In addition, the Board of Directors has an independent Group Internal Audit unit at its disposal. The obligations and rights of Group Internal Audit are set forth in a separate code of responsibilities. Group Internal Audit has an unlimited right to information and access to documents with respect to all companies and elements of the Group. Furthermore, in consultation with the Chairman of the Board of Directors and the Chairperson of the Audit Committee, the Executive Board may ask Group Internal Audit to carry out special investigations outside of the planned auditing activities. The Head of Group Internal Audit is appointed by the Board of Directors. The Head of Group Internal Audit submits a report to the complete Board of Directors on a yearly basis and to the Audit Committee usually on a quarterly basis.

EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

Philipp Rickenbacher (born 1971), Swiss citizen; Master of Science (MSc.) in Biotechnology, Swiss Federal Institute of Technology (ETH), Zurich, 1992–1997; Executive Program, Swiss Finance Institute, 2006; Advanced Management Program (AMP), Harvard Business School, 2013. Union Bank of Switzerland, Zurich, Trading support, 1996–1997; McKinsey & Company, Zurich and London, Associate Principal, 1997–2004; Bank Julius Baer & Co. Ltd., Zurich, 2004–2007: Head Business Development, Trading, 2004–2006; Co-founder and business management, Alternative Risk Trading, 2004–2007; GAM (Switzerland) Ltd., Zurich, Head GAM Structured Investments, 2008–2009; Bank Julius Baer & Co. Ltd., Zurich, since 2009: Head Structured Products, 2009 until July 2016; member of the Executive Board of Bank Julius Baer & Co. Ltd. and Head Advisory Solutions, from August 2016 until 31 December 2018; member of the Executive Board of Bank Julius Baer & Co. Ltd. and Head Intermediaries & Global Custody from 1 January 2019 until 31 August 2019; member of the Executive Board and Chief Executive Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 September 2019.

Oliver Bartholet (born 1966), Swiss citizen; Master of Law, Universities of Basle and Lausanne, 1990; Attorney at Law, admission to the bar in Switzerland, 1992; PhD in Law, University of Basle, 1995; Chartered Financial Analyst, CFA®, 1999. Canton of Aargau, tax administration, legal department, 1991–1995; Swiss Bank Corporation, 1995–1998: Associate Director, projects, 1995–1997; Director, transfer pricing, Basle and New York, 1997–1998; UBS AG, 1998–2018: Regional Tax Counsel Europe, Middle East and Africa, tax counsel for the Bank's Private Equity Business, London, 1999–2001; International Tax, projects, Zurich, 2001–2002; Head International Tax, Zurich, 2002–2003; Global Head of Tax, incl. member of the Group Managing Board (2008–2009) and member of the Group Legal & Compliance Executive Committee, 2004–2009; General Counsel Wealth Management & Swiss Bank, incl. member of the Wealth Management Executive Committee and member of the Group Legal & Compliance Executive Committee, 2009–2013; Head Legal Regulatory Affairs & Strategic Initiatives, incl. member of the Group Legal Executive Committee and member of the Group Regulatory Relations & Strategic Initiatives Management Committee, 2013–2018; Group Managing Director, 2008 until February 2018. Member of the Executive Boards and Chief Risk Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 March 2018.

Yves Bonzon (born 1965), Swiss citizen; Degree in Economics (lic. oec. HEC), University of Lausanne, 1986. Union Bank of Switzerland, graduate programme in wealth management and corporate banking, 1986–1989; Pictet Group, 1989–2015: Junior private banker, 1989–1990; member of the Pictet Group Investment Committee, 1990–1997; member of the Executive Committee Pictet Wealth Management, 1997–2015; Chief Investment Officer Wealth Management, 1998–2015; Equity Partner, 2006–2015. Entry into Bank Julius Baer & Co. Ltd. 2016: Head Investment Management, Chief Investment Officer and member of the Executive Board from 2016 until December 2019. Member of the Executive Boards and Chief Investment Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Nicolas de Skowronski (born 1973), dual Swiss and Polish citizen; Master of Science (MSc.) in Physics, Swiss Federal Institute of Technology (EPFL), Lausanne, 1993–1998; Chartered European Financial Analyst, Swiss Training Centre for Investment Professionals (AZEK), 2002–2003. UBS Warburg, Zurich, Market Risk Manager for Fixed Income desk, 1999–2001; Banque Cantonale Vaudoise (BCV), Lausanne, Quantitative Financial Analyst, 2001–2003; Ferrier Lullin & Cie SA, Geneva, Head Asset Allocation and member of the Investment Committee (IC), 2003–2005. Entry into Bank Julius Baer & Co. Ltd. 2005: Head of Advisory Geneva and member of the Executive Committee Private Banking French-speaking regions, 2005–2009; Head of Investment Advisory and member of the Investment Committee, 2009–2015; Chief of Staff, 2013–2015; Deputy Head Advisory Solutions and Head Advisory Operations and Development, 2015–2018; Head Advisory Solutions and member of the Executive Board from January until December 2019. Member of the

Executive Boards and Head Wealth Management Solutions of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Nic Dreckmann (born 1974), Swiss citizen; Degree in Business Administration and Corporate Finance (lic. oec. publ.), University of Zurich, 1999; various finance seminars, New York University, 2002; Financial Risk Manager, Global Association of Risk Professionals, 2003; Advanced Management Program (AMP), Harvard Business School, 2021. Accenture AG, Zurich, Business Project Manager, Consultant, 2000–2004. Entry into Bank Julius Baer & Co. Ltd. in 2004 as Product Manager private banking, 2004–2005; Business Development in private banking, 2005; Senior Project Manager in the post-merger integration of the acquired SBC Wealth Management businesses, 2005–2006; Head Strategic Management & Regional Coordination, 2006; Chief of Staff to the CEO and COO of Bank Julius Baer, 2006–2012; Global Head integration of the International Wealth Management business acquired from Bank of America Merrill Lynch, 2012–2015; Programme Director of JB 2.0 – the Group-wide operating model transformation programme, 2014–2016. Member of the Executive Board and Chief Operating Officer of Bank Julius Baer & Co. Ltd. since 1 August 2016, member of the Executive Board and Chief Operating Officer of Julius Baer Group Ltd. since 1 January 2017; additionally Head Intermediaries & Global Custody a.i. of Bank Julius Baer & Co. Ltd. from 1 September to 31 December 2019. Member of the Executive Boards and Chief Operating Officer & Head Intermediaries of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking in Zurich and London, 1985–1997; Swiss Re 1997–2003: Head Corporate Financial Management and Investor Relations, 1997–2000; Chief Financial Officer of the business unit Financial Services, 2001–2003; Barry Callebaut, Chief Financial Officer, 2003–2006; Cosmo Pharmaceuticals NV, Dublin, Ireland, member of the Board of Directors since 2006. Entry into Julius Baer Group Ltd. on 11 December 2006 as member of the Group Executive Board and Group Chief Financial Officer; Chief Financial Officer and member of the Management Committee of Bank Julius Baer & Co. Ltd., 2006–2007; member of the Executive Board and Group Chief Financial Officer since 15 November 2007; administrative and organisational manager of the Executive Board of Julius Baer Holding Ltd. from 1 September 2008 until 30 September 2009. Member of the Executive Board and Chief Financial Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. from 1 October 2009 until 30 June 2022.

Jimmy Lee Kong Eng (born 1962), Singaporean citizen; Bachelor of Business Administration, National University of Singapore, 1986; Bachelor in Business Administration with honours, National University of Singapore, 1987. Swiss Bank Corporation, Singapore, Associate Director, 1994–1996; Morgan Guaranty Trust Company of New York, Singapore, Vice President, 1996–1998; Coutts Bank (Schweiz) AG, Singapore, Head of Private Banking South Asia, 1999–2000; Credit Suisse Private Banking, Singapore, Regional Market Director, 2000–2004; Deutsche Bank AG, Singapore, Head Private Wealth Management South East Asia/South Asia, 2004–2009; Clariden Leu AG, Singapore, Chief Executive Officer Asia, 2009–2012; Credit Suisse AG, Asia Pacific, 2012–2015: Head Integration Manager from April 2012 until January 2013; Market Leader Malaysia from February 2013 until August 2013; Market Leader Hong Kong from September 2013 until January 2015; Market Group Head Hong Kong from February 2015 until September 2015. Entry into Bank Julius Baer & Co. Ltd. in October 2015: Designated Head Asia Pacific from October 2015 until December 2015; Head Asia Pacific and member of the Executive Board from January 2016 until December 2019. Member of the Executive Boards and Head Asia Pacific of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Yves Robert-Charrue (born 1973), Swiss citizen; Degree in Economics (lic. oec. HSG), University of St. Gallen, 1992–1997; École Supérieure de Commerce, Lyon, 1995; London Business School, 2001. Credit Suisse Private Banking, 1998–2004: Project Management Fund Lab, 1998–1999; Development and structuring of alternative investment products, 2000–2002; Head of Product Development, Structuring & Implementation, 2003–2004; Sabbatical, various music projects, 2004–2005; Credit Suisse Group, 2006–2009: Head of Mergers & Acquisitions for the Asset Management division, 2006–2007; Global Head of Single Manager Hedge Funds, 2007–2009. Entry into Bank Julius Baer & Co. Ltd. 2009: Head of Funds and Product Management from April 2009 until December 2009; Head Investment Solutions Group and member of the Executive Board from January 2010 until July 2011; CEO Switzerland and member of the Executive Board from August 2011 until December 2012; Head Intermediaries and member of the Executive Board from January 2013 until August 2016; additionally Head Investment Solutions Group a.i. from May 2016 until August 2016; Head Europe and member of the Executive Board from September 2016 until December 2019. Member of the Executive Boards and Head Switzerland, Europe, Middle East & Africa of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Beatriz Sanchez (born 1956), dual Swiss and American citizen; Bachelor of Arts (BA), University of Miami, 1978; Master's Degree in Business Administration, University of Miami, 1979. Manufacturers Hanover Leasing Corporation, N.A., New York, Vice-President Project Financing, 1981–1983; Chase Manhattan Bank, N.A., New York, Vice-President, Private Banking, 1983–1991; Republic National Bank of New York (Suisse) SA, Geneva, Head of Hispanic Latin America, 1991–2000; HSBC Private Bank (Suisse) SA, Geneva, member of the Private Bank Executive Committee & Global Head Private Banking/Latin America, 2000–2008; Goldman Sachs & Co., Miami, 2008 until September 2017: General Manager of Goldman Sachs Bank AG, Switzerland, November 2008 until January 2010; Regional Head Private Wealth Management Latin America from May 2008 until July 2015; Managing Director & Chairwoman Private Wealth Management Latin America from July 2015 until September 2017. Entry into Bank Julius Baer & Co. Ltd. 2017: Head Latin America and member of the Executive Board from 2017 until December 2019. Member of the Executive Boards and Head Americas of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Changes in the Executive Board

On 22 December 2021, Julius Baer announced that Evangelia (Evie) Kostakis, Deputy Chief Financial Officer (Deputy CFO) of Julius Baer, will assume the position of CFO of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. effective 1 July 2022 and will become a member of the Bank's and the Group's Executive Board. She will succeed Dieter A. Enkelmann, who after more than 15 years as Julius Baer's CFO has decided to step down from his position and from the Bank's and the Group's Executive Boards and employ his experience in non-executive responsibilities outside Julius Baer.

The curriculum vitae of **Evangelia Kostakis** (born 1976): dual Greek and American citizen; Bachelor of Social Science in Economics (BSc), London School of Economics, 1993–1996; Master in Public Policy (MPP), University of Chicago, 1997–1999; Chartered Financial Analyst, CFA®, 2006. Junior Associate, Securities Practice, Mitchell Madison Group, New York, 2000; Associate, Strategic Planning & Product Development Group, Morgan Stanley Asset Management, New York, 2000–2001; Assistant Vice President, Global Strategy Group, Merrill Lynch Investment Managers, New York, 2001– 2002; Vice President, Investments, Webster Financial Corporation, Stamford, USA, 2002–2005; Head of Investment Strategy & Analysis, EFG Mutual Funds, Eurobank EFG, Athens, Greece, 2005–2007; Portfolio Manager at a family office with shipping interests, Athens, Greece, 2007–2009; Director, Corporate Finance & Business Development Group, National Bank of Greece, 2009–2013. Entry into Bank Julius Baer & Co. Ltd., 2013: Managing Director Senior Advisor and Deputy Head Corporate Development & Strategy, 2013–2017; Managing Director and Deputy Head Investment Management as well as Head Alternatives, 2017–2019; Managing Director and Deputy CFO of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. from January 2020 until 30 June 2022. Member of the Executive Boards and Chief Financial Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. effective 1 July 2022.

Evangelia Kostakis has been a member of the Board of Directors of SEBA Bank AG, Zug, Switzerland, since May 2020.

Details of the Executive Board's composition effective 1 July 2022 can be found in the section *Group Structure and Shareholders* of this chapter of the Annual Report.

OTHER ACTIVITIES AND INTEREST TIES

In applying the *Corporate Governance Directive* and the corresponding commentary of the SIX Swiss Exchange as well as the *Ordinance against excessive compensation in listed companies*, the Company fundamentally discloses all mandates and interest ties outside of the Julius Baer Group according to the applicable paragraphs of article 13 ('Mandates outside the Group') of the Articles of Incorporation, available at www.juliusbaer.com/cg, which state:

No member of the Executive Board may hold more than five additional mandates of which no more than one mandate in listed companies.

The following mandates are not subject to the aforementioned limitations:

a) mandates in companies which are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or companies controlled by it. No member of the Executive Board may hold more than five such mandates;
c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Executive Board may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity, which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

Mandates in exchange-listed companies:

Dieter A. Enkelmann:
- Member of the Board of Directors of Cosmo Pharmaceuticals NV, Dublin, Ireland, including Chairman of the Audit Committee and member of the Nomination Committee.

Other mandates:

Philipp Rickenbacher:
- Member of the Board of Directors of the Swiss Bankers Association, Basle, Switzerland;
- Councillor, Masayoshi Son Foundations for Scholarship, Tokyo, Japan;
- Member of the Foundation Board of IMD, International Institute for Management Development, Lausanne, Switzerland;
- Chairman of the Association of Swiss Asset and Wealth Management Banks, Zurich, Switzerland;
- Member of the Advisory Board of Beijing International Wealth Management Institute Co. Ltd., Beijing, China;
- Member of the Advisory Board of >>venture>> Foundation, Zurich, Switzerland (since 2021).

Oliver Bartholet:
- Member of the Board of the Europa Institut at the University Zurich, Switzerland;
- Vice-Director and Lecturer at the IFF, Institute of Public Finance, Fiscal Law and Law and Economics, University of St. Gallen (HSG), Switzerland.

Nic Dreckmann:
- Member of the Council of the Institute of Marketing and Analytics, Luzern, Switzerland;
- Member of the Steering Committee of digitalswitzerland, Zurich, Switzerland.

Yves Bonzon:
- Member of the Board of Directors of ISREC Foundation, Lausanne, Switzerland;
- Member of the Foundation Board of Verbier Festival, Verbier, Switzerland.

Dieter A. Enkelmann:
- Chairman of the Foundation Board of Stiftung für angewandte Krebsforschung, Zurich, Switzerland.

Jimmy Lee Kong Eng:
- Member of the Board of Directors of Beijing International Wealth Management Institute Co. Ltd., Beijing, China;
- Member of the Advisory Board for Wealth Management at the Singapore Management University;
- Member of the Board of Director of SCB-Julius Baer Securities Co., Ltd. (Thailand).

Yves Robert-Charrue:
- Member of the CEO Action Group for the European Green Deal of the World Economic Forum.

Beatriz Sanchez:
- Chair of the Advisory Board of Georgetown Institute for Women, Peace and Security, Washington DC, United States;
- Member of the Advisory Board of Foundation for Human Rights in Cuba, Miami, United States.

MANAGEMENT CONTRACTS

There are no management contracts between Julius Baer Group Ltd. and companies (or individuals) outside of the Group.

RULES ABOUT COMPENSATION AND LOANS WITHIN THE GROUP

The topics of compensation and loans within the Group are fundamentally defined in the Articles of Incorporation of the Company. The outline below provides a summary. The full version of the rules can be found in the current version of the Articles of Incorporation, available at www.juliusbaer.com/cg.

VOTE ON PAY

The approval of compensation by the General Meeting of Shareholders is defined in article 11.1 of the Articles of Incorporation and determines:

a) the maximum aggregate amount of compensation of the Board of Directors for the next term of office;
b) the maximum aggregate amount of fixed compensation of the Executive Board for the financial year following the respective General Meeting of Shareholders;
c) the aggregate amount of variable cash-based compensation elements of the Executive Board for the financial year preceding the respective General Meeting of Shareholders;
d) the aggregate amount of variable equity-based compensation elements of the Executive Board granted in the current financial year.

The supplementary amount for payments to members of the Executive Board appointed after the vote on pay at the General Meeting of Shareholders shall not exceed 40% for the Chief Executive Officer and, for each other member, 25% of the aggregate amounts of compensation last approved by the General Meeting of Shareholders as detailed in article 11.2 of the Articles of Incorporation.

COMPENSATION OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE BOARD

Article 11.3 of the Articles of Incorporation details the compensation of the Group's two main governing bodies. Compensation of the members of the Board of Directors shall comprise a fixed remuneration only. Compensation of the members of the Executive Board shall consist of fixed and variable compensation.

Variable cash-based compensation elements shall be governed by performance objectives and metrics that take into account the performance of the Company or parts thereof, targets in relation to the market, other companies or comparable benchmarks and/or individual objectives, and achievement of which is generally measured during a one-year period. Variable equity-based compensation elements shall be governed by performance objectives and metrics that take into account strategic objectives of the Company, and achievement of which is generally measured during a perennial period.

Compensation may be paid or granted in the form of cash, shares, options (for Executive Board members only), similar financial instruments or units, or in the form of other types of benefits. In 2020 and 2021, the compensation of both bodies did not include any grants of options.

LOANS

To loans, separate rules apply as set forth in article 14 of the Articles of Incorporation:

Loans to members of the Board of Directors and of the Executive Board may only be granted if their amount complies with the Bank's market practice and applicable internal guidelines of the Company. The total amount of loans outstanding must not exceed CHF 15 million per member of the Board of Directors or of the Executive Board.

Loans to members of the Executive Board may be granted at employee conditions, which correspond to the conditions for employees of the Julius Baer Group. Loans to members of the Board of Directors shall be granted at market conditions.

→ The Group's overall compensation framework, including compensation governance, compensation elements and their application in the period under review, is described in detail in chapter *II. Remuneration Report* of this Annual Report.

SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2021)

VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. The shareholder shall exercise its rights in the affairs of the Company at the General Meeting of Shareholders. It may represent itself or be represented by the independent voting rights representative or a third party at the General Meeting of Shareholders.

The General Meeting of Shareholders shall elect the independent voting rights representative for a term of office expiring after completion of the next Annual General Meeting of Shareholders. Re-election is possible.

The independent voting rights representative shall inform the Company of the amount, kind, nominal value and category of shares represented by it. The Chairman shall convey this information to the General Meeting of Shareholders.

The Group's shareholders are given the possibility to vote their shares through an electronic voting tool. Such votes will be delegated to the independent voting rights representative.

There are no voting rights restrictions; each share entitles to one vote.

STATUTORY QUORUMS

Except when otherwise required by mandatory law and/or by article 8.14 of the Articles of Incorporation, available at www.juliusbaer.com/cg, all resolutions of the General Meetings of Shareholders are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

CONVOCATION OF THE GENERAL MEETINGS OF SHAREHOLDERS

The convocation of the General Meetings of Shareholders complies with the applicable legal regulations. The convocation of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the share capital. The Board of Directors must convene the requested General Meeting within six weeks of receiving the request.

AGENDA

Shareholders who represent shares of a nominal value of CHF 100,000 may demand that matters be put on the agenda. This request must be submitted to the Company at least six weeks before the date of the General Meeting of Shareholders. The request to convene a meeting and to put a matter on the agenda must be done in writing, including the matters to be handled and the proposals.

REGISTRATIONS IN THE SHARE REGISTER

In the invitation to the Annual General Meeting of Shareholders, the Board of Directors states the applicable record date by which shareholders must be registered in the share register to be eligible to participate and vote at the meeting.

CHANGES OF CONTROL AND DEFENCE MEASURES

DUTY TO MAKE AN OFFER

The Articles of Incorporation, available at www.juliusbaer.com/cg, do not deviate from the standards set by the law (no opting-out or opting-up rules).

CLAUSES ON CHANGES OF CONTROL

Executive Board members are not entitled to specific payments upon a change of control or upon termination of employment related to a change of control; however, they are eligible to receive such benefits (e.g. accrued holiday pay, death/disability/retirement benefits under the pension plan, etc.) as are generally available to other Julius Baer employees. The Executive Board members, however, are not entitled to other severance pay or special termination benefits under the pension plans that may apply to the general staff population.

Special change-of-control provisions may be available under the Equity Performance Plan. All provisions remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control. More details can be found in chapter *II. Remuneration Report* of this Annual Report.

AUDIT

Audit is an integral part of corporate governance. While retaining their independence, the External Auditor and Group Internal Audit (GIA) closely coordinate their work. The Audit Committee and ultimately the Board of Directors supervise the adequacy of audit work.

EXTERNAL AUDITOR

The statutory auditor of the Julius Baer Group is KPMG AG (KPMG), Räffelstrasse 28, 8036 Zurich, Switzerland. The mandate was first given to KPMG for the business year 2006. Since the 2019 Annual General Meeting, Mirko Liberto has been acting as the Lead Auditor. Swiss law requires the Lead Auditor to rotate at least every seven years.

KPMG attends all meetings of the Audit Committee. At each meeting, KPMG reports on the findings of its audit and/or interim review work. The Audit Committee reviews KPMG's audit plan on an annual basis and evaluates the performance of KPMG and its senior representative in fulfilling their responsibilities. Moreover, the Audit Committee recommends to the Board of Directors the appointment or replacement of the External Auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, the policy that governs the cooperation with the External Auditor strives to ensure an appropriate degree of independence of the Group's External Auditor. The policy limits the scope of service that the External Auditor may provide to Julius Baer Group Ltd. or any of its subsidiaries in connection with its audit and stipulates certain permissible types and caps of additional audit-related and other services. In accordance with this guidance and as in prior years, all KPMG audit, audit-related and other services provided in 2021 were pre-approved. KPMG is required to report to the Chief Financial Officer and the Audit Committee periodically the extent of services provided and the fees for the services performed to date.

The External Auditor is assessed yearly by the Audit Committee. The assessment includes a judgement of the External Auditor's qualification and independence (based on the External Audit Guideline). In addition, the Audit Committee assesses the scope and quality of the reports and management letters submitted to Management and the Audit Committee.

Fees paid to External Auditors

	2021 *CHF m*	2020 *CHF m*
Audit fees[1]	**6.2**	6.1
Audit-related fees[2]	**0.5**	0.5
Other services fees[3]	**0.9**	1.5

[1] Fees related to Group and stand-alone financial statement and regulatory audit
[2] Fees related to accounting and regulatory compliance services and other audit and assurance services
[3] Fees related to tax compliance and consultancy services

GROUP INTERNAL AUDIT

With 41 professionals as at 31 December 2021, compared with 38 as at 31 December 2020, Group Internal Audit (GIA) performs the global internal audit function for the Julius Baer Group. GIA is an independent and objective function that provides independent and objective assurance to the Board of Directors on safeguards taken by management to (i) protect the reputation of the Group, (ii) protect its assets and (iii) monitor its liabilities. GIA provides assurance by assessing the reliability of the risk management system, internal controls including operational information, as well as compliance with laws and regulations. All audit reports are made available to all Board members. Audit reports are addressed to the responsible Executive Board member and other relevant functions in the Group. Audit reports with key audit findings are provided to the entire Executive Board, the Audit Committee and the Chairman. In addition, the Chairman and the Audit Committee members are regularly informed about all audit reports and significant audit findings. GIA further assures the closure and successful remediation of audit findings addressed by management actions.

To maximise its independence from management, the Head of GIA, Ralph Dicht, reports directly to the Chairman and to the Chairperson of the Audit Committee for delegated duties. GIA has unrestricted access to all accounts, books, records, systems, property and personnel, and must be provided with all information and data needed to fulfil its auditing duties. The Chairman and the Chairperson of the Audit Committee may request special assignments to be conducted. Other Board of Directors members and the Executive Board may ask for such special assignments with the approval of the Chairman or the Chairperson of the Audit Committee.

Coordination and close cooperation with the External Auditors enhance the efficiency of GIA’s work.

INFORMATION POLICY

Julius Baer Group Ltd. has four scheduled financial reporting events: the full- and half-year results as well as two so-called interim management statements, published between the full- and half-year results, usually covering the business performance for the first four and the first ten months of each year. It also publishes media releases, presentations and brochures as needed.

To avoid potential trading or selective dissemination of information collected and processed for the preparation of the aforementioned reporting events, Julius Baer has implemented quiet periods, such as so-called blackout periods, during which trading in Julius Baer shares and derivatives is prohibited. Such periods are applicable to and imposed on the Board of Directors, the Executive Board and employees who, during the process of establishing financial reports, effectively or potentially, given their function or otherwise, will get access to or become aware of share-price-sensitive financial information of the Group.

The blackout period starts 30 trading days before and ends on the respective publication day, whereas such period amounts to 10 trading days prior to the interim management statements. Employees subject to such periods are determined prior to each publication through a predefined selection process, essentially comprising members of senior management and the Board of Directors, including their assistants and selected members mainly of the following departments: Finance, Communications, Chief Risk Officer area, Group Legal, Human Resources, Chairman's Office and CEO Office.

→ Current as well as archived news items can be accessed via www.juliusbaer.com/news.

→ Stakeholders and interested parties can be kept informed about our Group automatically by subscribing to Julius Baer's News Alert service at the address www.juliusbaer.com/newsalert.

IMPORTANT DATES

21 March 2022	Publication of Annual Report 2021 and Sustainability Report 2021
12 April 2022	Annual General Meeting, Zurich
14 April 2022	Ex-dividend date
19 April 2022	Record date
20 April 2022	Dividend payment date

Additional information events are held regularly and as deemed appropriate in Switzerland and abroad.

→ Please refer to the corporate calendar at the address www.juliusbaer.com/calendar for the publication dates of financial statements and further important corporate events.

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II. REMUNERATION REPORT

54 LETTER TO OUR SHAREHOLDERS

58 2021 REMUNERATION HIGHLIGHTS

60 COMPENSATION GOVERNANCE

67 GROUP PERFORMANCE AND VARIABLE COMPENSATION FUNDING

71 EXECUTIVE BOARD AND SENIOR MANAGEMENT COMPENSATION

78 OTHER EMPLOYEE COMPENSATION

81 BOARD OF DIRECTORS COMPENSATION

83 COMPENSATION, LOANS AND SHAREHOLDINGS OF THE EXECUTIVE BOARD (AUDITED)

88 COMPENSATION, LOANS AND SHAREHOLDINGS OF THE BOARD OF DIRECTORS (AUDITED)

92 ABBREVIATIONS

93 TERMINATION PROVISIONS OF JULIUS BAER PLANS

94 REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

For more than 130 years, we at Julius Baer have managed our clients' wealth, serving them as trusted, truly personal and holistic advisors. Building on the strong base laid by our founders and on 'what we do' as an organisation, the Group focused on 'why we do' what we do through the roll-out of our purpose in 2021, articulated via the statement 'creating value beyond wealth'.

At the core of our purpose is the value we create for our clients: helping them grow, protect, and pass on their wealth across generations. However, our purpose extends beyond our business's core, by enabling client families and new generations to thrive and helping them understand and shape the future. The Group has empowered its employees to bring this purpose to life both at a professional and personal level, to find ways to improve our business from the inside out and to create value beyond wealth.

Group strategy, transformation and performance
Leveraging its 2020 achievements, the Group further progressed on its path of sustainable profit growth and continued to deliver on its strategic objectives. Under the Group's strategic programmes, revenues from a broader and much enhanced range of capabilities significantly increased while costs were successfully managed (under the previously-announced cost programme). Additional investments into innovative solutions, IT programmes and new services reshaped both our internal processes and the experience of our clients.

As part of our pay-for-performance principles, we place great importance on variable compensation reflecting achievements and contributions to our strategic objective of sustainable profit growth. In line with the Group's strong performance in 2021, the variable compensation pool increased in absolute terms relative to 2020, though at a more moderate rate than the overall increase in performance. In determining the increase of the variable compensation pool, due consideration was given to, inter alia, economic profit performance, relative peer performance and profit distribution to our various stakeholders.

Risk awareness and governance
Risk awareness continues to be a critical element within our compensation systems as well as a developing area of cultural change throughout our organisation. Our annual compensation assessment processes continue to place a significant emphasis on risk awareness, with all employees assessed on both their value- and risk-related behaviours. As a result, employees develop an understanding that 'how' they achieve their goals is as important as 'what' they achieve.

As reported in March 2021, the Swiss Financial Market Supervisory Authority FINMA lifted a ban on complex acquisitions previously imposed as part of an enforcement order issued in early 2020. This action reflects the significant progress the Group has made in strengthening its company-wide risk management already within one year, particularly with regard to money laundering prevention as well as its compensation and incentive framework.

Remuneration enhancements

Following a senior management compensation review, in 2021 the Group further aligned its senior management compensation structure with the interests of shareholders by extending its equity-based deferred compensation awards vesting horizon (under the Equity Performance Plan) from three to five years and introducing new Share ownership requirements (SOR) for the Executive Board (below the level of CEO) from 30,000 shares to 50,000 shares/awards.

Our compensation for client-facing staff continued to evolve in 2021. The first year of the new Relationship Manger (RM) Compensation framework brought balance and increased accountability to affected RMs, and the framework was successfully rolled out throughout the remaining target locations in the course of 2021 (applicable to RMs as of 1 January 2022).

The Group also rolled out a new target-based compensation structure for RM team heads in 2021 (effective 1 January 2022). The framework, which links team head compensation to both the financial and non-financial performance of their teams, further aligns the Group's global compensation framework with its strategic initiatives and risk awareness goals.

Human resource initiatives

The Group is proud of the many steps it has taken in 2021 to continue to improve the organisation and drive cultural, educational, professional and personal growth.

Educationally, the Group focused on developing its staff, nurturing excellent leaders and promoting life-long learning and personal development. Leadership identification is now a regular practice within the Group, with educational opportunities designed for leaders at all levels (from future leaders to senior executives). We have also partnered with the best institutions in the market, including leading business schools, to offer dual certification from Julius Baer and the business schools to showcase our development results.

As we recognise that leadership starts from the ground up, our very successful Graduate Programme, an 18-month rotational programme offering young professionals the opportunity to engage with departments throughout the Group, doubled in size this year and further expanded internationally.

Equal opportunity employer
Julius Baer strives to nurture a culture where our people can thrive at work and where their contributions matter in achieving our strategic goals. Our Diversity & Inclusion (D&I) programmes were augmented in 2021 through various measures: increased employee engagement (via survey), expanded learning opportunities focused on disability, age (multi-generation) and LGBT, and the launch of our global D&I Committee. The D&I Committee's focus is on defining concrete measurements and targets that aim at realising tangible benefits for our employees, clients, and other stakeholders.

As part of our ongoing equal opportunity initiatives, the Group has made equal pay a priority over the past years. As a result of its historical assessments and efforts, in 2021 the Group was deemed compliant (via external audit) with the Swiss-based Equal Pay regulations.

Employer of choice
Launched this year, our award-winning #BeBär campaign significantly contributed to expanding Julius Baer's global brand and to promoting our many achievements within the talent space. The programme, which enhanced our social media presence and brought our Employer Value Proposition to life, received a number of awards (among them, the Brandon Hall Gold Award in the Category: Best Advance in Leadership Development). We are confident that this was just the beginning and we look forward to further strengthening our position on the global talent market.

Annual General Meeting
It is important for Julius Baer to continue an open dialogue with our shareholders around compensation matters, and we appreciate the meaningful feedback our shareholders provided in 2020 and 2021. In response to this feedback, the enclosed Remuneration Report includes expanded details of compensation assessment weightings and continues to provide more clarity around Executive Board pay decisions. We will again ask for your feedback via the vote on the disclosed compensation arrangements for the Board of Directors and the Executive Board, alongside a consultative vote on this Remuneration Report.

We look forward to the year ahead and are confident that our purpose, strategic goals and pure wealth management focus leave us well positioned to continue evolving our business for the benefit of all of our stakeholders.

On behalf of the Board of Directors,

Romeo Lacher	Richard M. Campbell-Breeden
Chairman	*Chairman of the Nomination*
	& Compensation Committee

2021 REMUNERATION HIGHLIGHTS

The following summarises the key elements of Julius Baer Group Ltd.'s compensation programmes and the core performance metrics utilised in the compensation decision-making process.

Group performance summary

Julius Baer Group Ltd. (Julius Baer or the Group) had a strong 2021 performance year, and the achieved performance against the Group's strategic three-year plan can be summarised as follows:

Adjusted profit before taxes[1] CHF 1,328.9 million (+19.2% from 2020)	Adjusted pre-tax margin[1] 28.2 bp (from 27.2 bp in 2020)	RoCET1[2] 34% (from 32% in 2020)	Adjusted cost/income ratio[3] 63.8% (from 66.4% in 2020)
• Record setting net profit levels • Supported by significant cost efficiency improvement	• Exceeds 3-year strategic targets (25 to 28 bp) • Improvement despite 6 bp decline in gross margin to 82 bp	• Driven by capital-efficient business model • Further strengthened already solid capitalisation • BIS capital ratios well above regulatory and own floors	• Significant improvement in cost efficiency • Spurred by structural cost reduction programme

1 The document Alternative Performance Measures available at www.juliusbaer.com/APM provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.
2 Adjusted return on common equity tier 1 capital
3 Excluding adjusted provisions and losses

Sound compensation governance philosophy and practices

Julius Baer employs strong corporate governance practices, including the following highlights:

✓ **Pay linked to performance**
Use of adjusted net profit before bonus and taxes as baseline for the available bonus pool size directly links variable compensation (VC) to the performance of the Group

✓ **Risk governance**
Sound policies to manage operational and behavioural risks via qualitative assessment processes

✓ **Compensation benchmarking**
Annual review and assessment of compensation against peers within the Group's defined benchmarking quartiles

✓ **No 'golden' arrangements**
No additional entitlements upon joining/departing the Group or upon a change of control

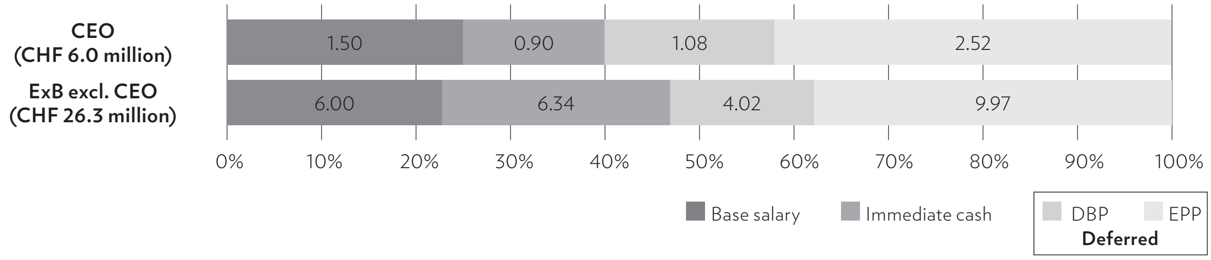
✓ **Pay at risk**
Significant portion of compensation deferred over 4 to 5 years (increased duration as of 2021) subject to vesting and/or malus and clawback provisions

✓ **Shareholder-aligned compensation**
Equity-based deferred compensation linked to share price, relative shareholder return and Group cumulative economic profit

✓ **Strong shareholding guidelines**
Board of Directors (BoD) and Executive Board (ExB) members subject to minimum shareholding requirements

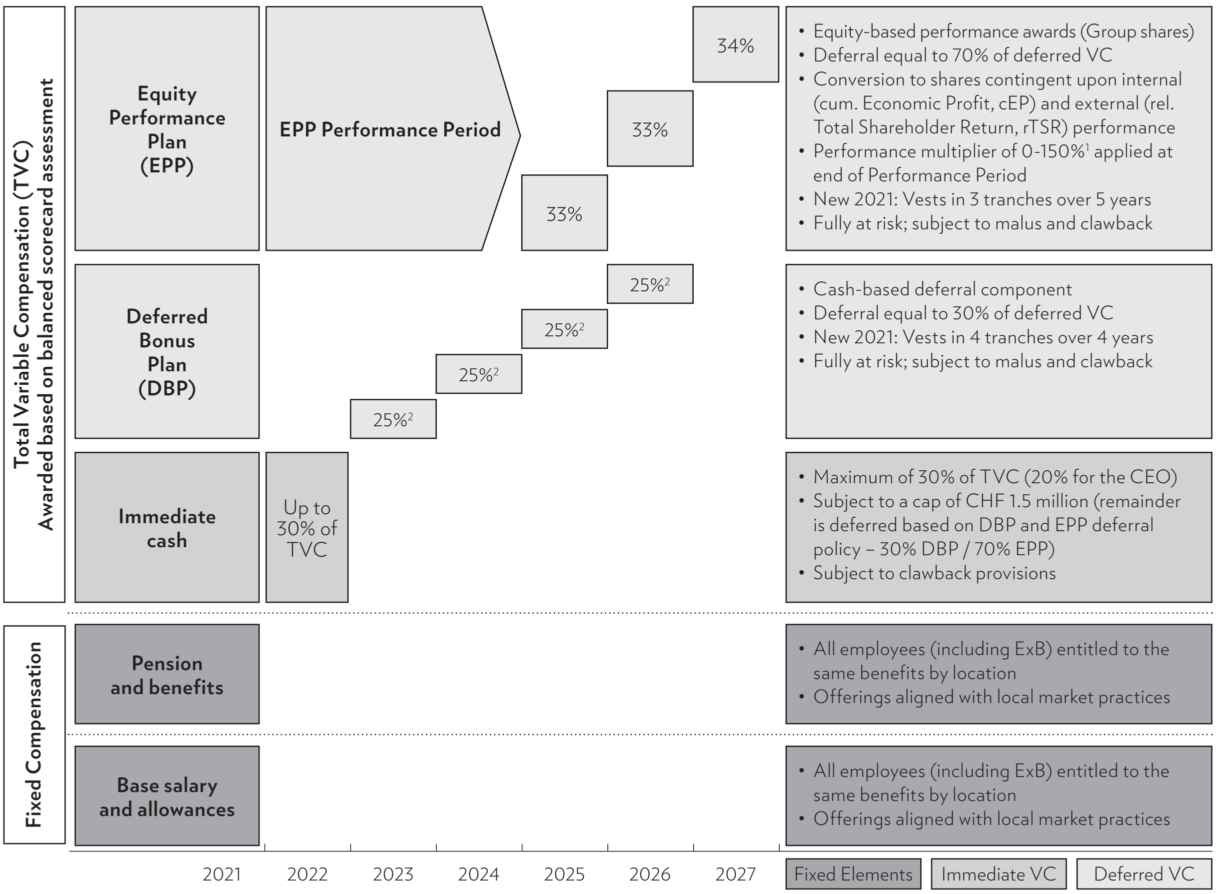
Pay linked to performance

Executive Board compensation reflects the dual objectives of being performance-oriented and risk-appropriate. The following represents the 2021 total compensation allocation (in millions [m], excluding pension fund, social security and varia) paid to the Group's nine ExB members:



Overview of Executive Board compensation structure

Julius Baer's compensation package links pay to both past performance and future development of the Julius Baer Group. The structure aligns compensation with stakeholder interests and encourages prudent risk management over a multi-year period. While the underlying scheme remains substantially similar to prior years, in 2021 the overall vesting duration for senior management was lengthened.



[1] Subject to KPI Performance assessment on 3rd anniversary of the Grant Date, share allocation capped at 150% of Performance Units granted; vesting share value dependent on market performance at vesting date.

[2] Represents % of DBP award granted. Cash awards vested/paid in February each year. Residual amounts delivered in the final vesting tranche.

COMPENSATION GOVERNANCE

NOMINATION & COMPENSATION COMMITTEE AUTHORITY AND RESPONSIBILITIES

Julius Baer operates a multi-tiered system of compensation governance with clear processes governing all aspects of compensation. The Board of Directors (BoD) sets the overall remuneration policy and retains full responsibility for designing and monitoring all aspects of the compensation paid to the BoD and the ExB. All compensation is delivered in line with the compensation principles set forth in the Articles of Incorporation (cf. www.juliusbaer.com/cg).

The Nomination & Compensation Committee (NCC) supports the BoD by specifically:

- Defining the Julius Baer Group's compensation principles and strategy (changes to which are submitted for approval to the BoD).
- Overseeing compensation of the BoD (including the Chairperson), ExB members (including the CEO) and employees of Julius Baer on a collective basis.
- Controlling compensation policies linked to shares of the Group.
- Managing the long-term succession planning at the level of the BoD, CEO and ExB.

If pertinent, the NCC also collaborates with other Board members or other Julius Baer Group committees (e.g. the Audit Committee and the Governance & Risk Committee) when shaping policy or in case decisions of a specialised nature are required.

Every year, the NCC reviews the compensation elements and the share ownership programmes in the context of Julius Baer Group's current business strategy, market practice, the possible impact of new regulatory developments and feedback received from stakeholders. The NCC also carries out an annual review of the Group's compliance with these principles and policies and ensures that the relevant policies conform to national and international standards and regulations. For each group of recipients, the following table shows the procedures for recommendations and decisions on compensation:

Compensation recipient	**Recommended by**	**Reviewed and agreed by**	**Approved by**
Chairperson of the BoD	Chairperson of the NCC	NCC	Shareholders
BoD members (excluding the Chairperson)	NCC	BoD	Shareholders
CEO	Chairperson of the BoD and Chairperson of the NCC	NCC/BoD	Shareholders
Executive Board (excluding the CEO)	CEO	NCC/BoD	Shareholders
Regulated staff (e.g. Group Key Risk Takers)	Line management	CEO/ExB	NCC
High-income earners	Line management	CEO/ExB	NCC

To avoid any conflicts of interest, the Chairperson of the BoD, the CEO and other members of the ExB do not participate in those segments of the NCC meetings that serve to discuss and determine their proposed compensation.

The NCC consists of at least three members of the BoD who are elected by the Annual General Meeting (AGM). The current NCC is made up of four members.

Members: Richard M. Campbell-Breeden (Chairperson), Gilbert Achermann, Kathryn Shih and Eunice Zehnder-Lai. As described in the section *Board of Directors* of chapter *I. Corporate Governance* of the Annual Report, these four individuals are experienced Board members who have a broad range of expertise in the industry as well as in matters of governance.

The NCC convenes as often as required and holds a minimum of three meetings each year. During the year under review, the NCC held eight meetings, each lasting an average of four hours.

The following tables show the meetings held by the NCC of Julius Baer Group Ltd. in 2021, attendance at such meetings and the topics covered during the relevant meetings:

Nomination & Compensation Committee

First half of 2021	January[1]	March workshop[1]	April[1]	May workshop[1]	June[1]
Richard M. Campbell-Breeden, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Kathryn Shih	x	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x	x
Romeo Lacher	G	G	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest except for segments of the meeting in which a conflict of interest might have arisen

Second half of 2021	September[1]	October	December[1]
Richard M. Campbell-Breeden, Chairperson	x	x	x
Gilbert Achermann	x	x	x
Kathryn Shih	x	x	x
Eunice Zehnder-Lai	x	x	x
Romeo Lacher	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held as either a telephone or a video conference call
G = attended the meeting as a guest except for segments of the meeting in which a conflict of interest might have arisen

NCC activities 2021[1]

Topics/activities	Jan	Mar Workshop	Apr	May Workshop	Jun	Sep	Oct	Dec
Compensation Strategy and Disclosure								
Compensation design and award plans	x	x	x	x	x	x	x	x
Pay-for-performance alignment / fair pay	x					x		x
Compensation policies						x	x	x
Compensation disclosure	x					x		
HR strategy and people development	x		x		x	x	x	x
Risk and Regulatory Landscape								
Regulatory developments and compensation impacts					x	x	x	
Disciplinary event and policy breach governance	x							
Year-End Compensation Review								
Variable compensation funding	x		x		x	x	x	x
ExB and BoD compensation governance and assessment	x							x
KRT, control function & High earner compensation review	x							x
Nomination Activities and Governance								
NCC governance	x		x		x			
Nomination activities	x		x		x	x	x	x
External Landscape								
Stakeholder and proxy advisor feedback			x			x		
Market trends and benchmarking					x	x		

[1] This NCC activities summary includes the committee's March and May compensation workshops.

KEY NCC ACTIVITIES AND DECISIONS

The NCC concluded its multi-year review of the Group's compensation structure in 2021. The review, which included external assessments, compensation benchmarking and regulatory considerations, resulted in numerous incremental adjustments to the Group's compensation structure and processes since 2019. The 'highlights' of these changes include the following:

- a revised annual performance management process with ExB compensation transparently linked to both financial and non-financial performance,
- harmonisation of performance management through new four-point (descriptive) rating scale,
- implementation of the new, sustainable profit-based RM compensation framework,
- introduction of the target-based team head compensation framework (linked to team performance, effective 1 January 2022),
- more standardised deferral practices (tiered by role/function with higher deferral rates) and introduction of the fixed Variable Compensation Cash Cap,
- increasing overall Senior Management deferral duration (lengthening of equity-based deferrals from three-year cliff vesting to five-year pro rata vesting [in years three, four and five] with cash-based deferral over four years),
- increased risk management behaviour standards,
- revised Share ownership requirements, and
- stronger malus/clawback provisions.

The NCC had significant input and oversight throughout this process, ensuring that executive pay outcomes remain strongly tied to Group and financial performance while still enabling discretionary performance differentiation.

FINMA REMEDIATION

As reported in March 2021, FINMA lifted a ban on complex acquisitions previously imposed as part of an enforcement order in early 2020. The lifting was based on a remediation implementation report of the independent auditor mandated by FINMA in the context of such order and reflects the significant progress the Group has made in strengthening its company-wide risk management, particularly with regard to money laundering prevention and including its compensation and incentive framework. The remediation audit as mandated by FINMA remains fully on track, with Julius Baer actively addressing any potential findings and recommendations of the independent auditor.

FRONT COMPENSATION

As noted previously, the first Relationship Managers (RMs) joined the new RM compensation framework in January 2021, and the Group successfully introduced the framework to the remaining applicable jurisdictions during 2021. As a result, the framework shall be fully implemented across Julius Baer's target population as of January 2022.

In support of the Group's strategic shift to sustainable profit growth, in 2021 the Group introduced a new team head compensation structure aimed at aligning the compensation of our client-facing managers more closely with sustainable profit growth. The structure, effective as of 2022, is designed to ensure that front management compensation rewards not only team-based financial performance achievements but also risk management and the establishment of compliant and ethical team behaviour.

COMPENSATION PRINCIPLES

The primary compensation principles of the Group are to:

- attract and retain industry professionals who are dedicated to contributing value to the Group;
- foster risk awareness and control, while ensuring full alignment with regulatory compliance;
- incentivise management by rewarding achieved performance and by providing incentives for the creation of future shareholder value; and
- ensure that performance-based variable compensation is in line with the Group's business strategy and relevant current market practice.

The compensation of the members of the BoD and of the ExB is governed by and in line with the principles set out in the Articles of Incorporation (Article 11.3, cf. www.juliusbaer.com/cg). These principles outline the structure and elements of compensation offered to the BoD and the ExB as well as the roles and responsibilities related to the determination of ExB performance objective setting, metrics, measurement and decision-making processes.

SUSTAINABILITY IN COMPENSATION

Julius Baer recognises the importance of environmental, social and governance (ESG) sustainability elements throughout its business activities, including within its compensation systems. ESG is reflected in various aspects of the Group's compensation systems through proper governance, performance measurement standards (around values, client satisfaction and employee development) and risk management considerations.

The compensation schemes are designed to reflect ESG by ensuring compliance with global rules and regulations in support of a sound risk culture. Group and divisional compensation decisions include assessments of financial-, market-, legal-, risk- and compliance-related metrics to ensure that compensation properly reflects both internal and external factors. Compensation deferral mechanisms, with risk-adjusted performance metrics, are applied to deter excessive risk-taking. Socially, the Group operates various initiatives related to talent management, workforce diversity and employee satisfaction, which are strengthened each year to help us attain our employer-of-choice goals and support our sustainability aspirations. At the individual level, all employees are held to high conduct standards via the Code of Ethics and Business Conduct and are specifically measured on their ability to reflect the core Values (Care, Passion and Excellence) and risk behaviours throughout business activities.

EQUAL OPPORTUNITY

The Group aims to foster an inclusive environment built on Care, which embraces individuality and supports employee acceptance to drive a working culture of innovation and results.

The Diversity & Inclusion (D&I) Committee was established in 2021 with the goal of fostering a culture that is inclusive of all individuals. It has implemented a globally-driven strategy with needs-based regional/jurisdictional priorities.

The Group is committed to compensating employees on a fair, equitable, and gender-neutral basis, delivering equal pay for work of equal value. On an annual basis, the Group conducts internal reviews as well as an external, independent equal pay analysis. Since 2015, Julius Baer has partnered with Ernst and Young AG (EY) to conduct this assessment for our major locations worldwide. Potential gender pay discrepancies are identified through linear modelling as the Group seeks to eliminate any systemic gender bias embedded within pay-related decisions. The Group's assessed equal pay gap in Switzerland (via an academically credited approach) was audited by KPMG in 2021. Based on the audit, Julius Baer is proud to be significantly below the Swiss Federal Office for Gender Equality's 5% regulatory tolerance threshold.

PEER BENCHMARKING

It is important to the NCC and the BoD that the Group ensures that its compensation practices, structure and pay levels (adjusted for performance) remain competitive within the marketplace and are comparable with those of its peers. As such, the Group reviews its peer group and relevant peer positioning on an annual basis.

The Group has defined a bespoke industry and Swiss market peer group for the purposes of ExB compensation comparisons and for assessing corporate governance practices and relative performance reviews. Taking into account the Group's market capitalisation and industry complexity, the Group targeted its positioning around the median of selected peers. This selected peer group includes the companies in the table below.

Overview of peer group for compensation benchmarking and relative performance review

Bespoke Peer Group (* denotes entities reviewed mainly on a wealth management division basis)			
Bank of Singapore*	DBS	JP Morgan*	UBS*
Barclays*	Deutsche Bank*	LODH	Vontobel
BNP Paribas*	EFG	Morgan Stanley*	
Citigroup*	Goldman Sachs*	Pictet	
Credit Suisse*	HSBC*	Standard Chartered*	

EXTERNAL ADVISORS

In 2021, Julius Baer obtained advice from Boston Consulting Group (BCG) related to compensation framework design and implementation based on global trends within the financial sector. HCM International Ltd. advised on equity-based award valuation. During the year, Willis Towers Watson and McLagan (a business division of Aon) provided compensation survey data and analyses that were utilised internally by the Group for benchmarking purposes. KPMG AG was retained to provide global mobility advisory and expatriate income tax-related services, and Ernst & Young AG (EY) was mandated to prepare an analysis of various aspects of compensation and diversity. With the exception of HCM, all of the aforementioned advisors also had other mandates within the Group.

SAY-ON-PAY

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Companies (Ordinance), Julius Baer reports the compensation awarded to members of both the BoD and the ExB on a business year basis. This Remuneration Report aims to provide sufficient and meaningful information for shareholders to assist them in analysing and interpreting the compensation numbers on which they vote under the Ordinance.

The approval of compensation by the AGM is defined in the Articles of Incorporation (cf. www.juliusbaer.com/cg). This approval at the AGM 2022 determines:

1. the maximum aggregate amount of compensation paid to the BoD for its next term of office (2022 AGM to 2023 AGM);
2. the maximum aggregate amount of fixed compensation of the ExB for the financial year following the respective General Meeting of Shareholders (2023);
3. the aggregate amount of variable cash-based compensation elements of the ExB for the financial year preceding the respective General Meeting of Shareholders (2021); and
4. the aggregate amount of variable equity-based compensation elements of the ExB granted in the current financial year (2022, and relating to performance in the preceding calendar year [2021]).

In addition, a consultative vote on the Remuneration Report is again scheduled for the AGM on 12 April 2022. The BoD is committed to maintaining a dialogue with shareholders on compensation matters. The detailed compensation data will be provided to shareholders as part of their invitations to the AGM.

The following table summarises the outcomes of the binding say-on-pay votes on compensation and the consultative vote on the Remuneration Report held at the 2021 AGM and 2020 AGM.

Results of say-on-pay shareholder approvals

Say-on-pay shareholder approvals	Vote 'for' at 2021 AGM	Vote 'for' at 2020 AGM
Board of Directors maximum aggregate amount of compensation	95.62%	97.79%
Executive Board maximum aggregate amount of fixed compensation	92.21%	93.88%
Executive Board aggregate amount of variable cash-based compensation	92.15%	90.07%
Executive Board aggregate amount of variable equity-based compensation	89.92%	91.17%
Consultative vote on the Remuneration Report	85.56%	79.38%

If the aggregate amount of the fixed compensation approved by shareholders for the ExB is not sufficient to cover the fixed compensation (including any replacement award) of a new member of the ExB (joining after the AGM), the Group may award a supplementary amount. This supplementary amount is defined (in article 11.2 of the Articles of Incorporation, cf. www.juliusbaer.com/cg):

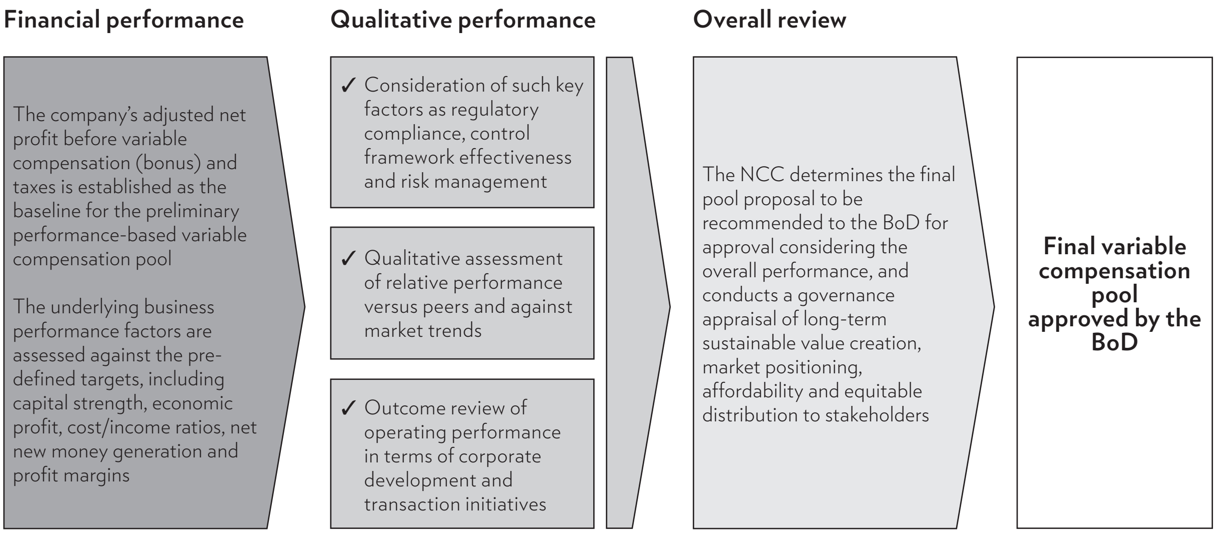
- for a new CEO as a maximum of 40% of the aggregate amounts of compensation last approved by shareholders for the ExB;
- for a new member of the ExB as a maximum of 25% of the aggregate amounts of compensation last approved by shareholders for the ExB.

No supplementary amount was awarded to the members of the Executive Board for the 2021 financial year.

GROUP PERFORMANCE AND VARIABLE COMPENSATION FUNDING

VARIABLE COMPENSATION FUNDING

Variable compensation funding process



Financial performance assessment
The baseline for calculating the Group's variable compensation pool is the adjusted net profit before variable compensation (bonus) and taxes (ANPbBT, as reconciled by the Audit Committee). Adjusted net profit is derived by excluding from the audited IFRS financial statements items such as integration and restructuring expenses as well as amortisation of intangible assets related to previous acquisitions or divestments, as provided in the Alternative Performance Measures document (cf. www.juliusbaer.com/APM). ANPbBT, representing the underlying, sustainable operating profit generated by the business, reflects the Group's actual performance, thus giving the NCC a clear indication of operating performance and providing a reliable baseline for comparing the year-on-year development of the Group.

In determining the pool, the NCC also takes other financial metrics into consideration, such as changes in and/or the development of the capital ratios, adjusted cost/income ratio, gross/adjusted pre-tax margin, economic profit and net new money generation. All quantitative metrics are measured against the overall mid-term plan, the strategic goals of the Group and its historical results.

Qualitative performance assessment
The qualitative review of performance is multifaceted in order for the NCC to gain a perspective on the sustainability of the financial results and quality of earnings. Firstly, the Group's performance is measured in terms of how successfully key aspects, affecting current and future performance, have been managed with regard to operational achievements, regulatory compliance, control framework effectiveness and risk. Secondly, the financial results (specifically, NNM, adjusted cost/income ratio, profit margin and gross margin) are assessed against the performance of peers and market trends, which guide the determination of the relative value contribution. Finally, the progression and outcomes of key strategic initiatives pertaining to corporate development and transactions (merger and acquisition activity) are also appraised.

Overall review
Before approval, a final review of the proposed variable compensation pool is undertaken (based on financial and qualitative performance) to consider factors such as long-term sustainable value creation, affordability and market positioning. The NCC recommends adjustments only in exceptional cases and does not make adjustments to the pool in subsequent years to take into account reduced or revoked variable compensation due to ex-ante or ex-post performance adjustments made in prior

years. This additional governance process ensures a balance between the development of the pool and the Group's corporate performance.

As part of the approval of the final variable compensation pool, the BoD seeks to ensure that the profit distribution amongst stakeholders (principally through shareholder dividends, global taxes paid to the relevant authorities, employee variable compensation and reinvestment into the business) is sustainable and reflects an appropriate, equitable distribution.

This approved variable compensation pool is allocated across the various business units and entities based on such factors as headcount, financial performance, significant achievements, regulatory compliance and contributions to the ANPbBT. This policy has been consistently employed over many years and thus allows meaningful year-on-year comparisons and the continued implementation of a stable compensation system.

2021 JULIUS BAER GROUP PERFORMANCE[1]

The Group reported the highest profit in its history in 2021, and overall performance reflected the value created with and for clients. The quality of the 2021 financial performance is the result of the strategic agenda we initiated in 2020, with a shift to smart and profitable asset growth, a sharpening of our value proposition, and an acceleration of our investments in technology.

The record high net profits were attributable to strong growth in assets under management (AuM) and a significant improvement in cost efficiency. AuM rose to CHF 482 billion, an increase of 11.1%, supported by net new money growth of CHF 20 billion (4.5%) and positive market performance. Of note, the Group saw positive net inflows in all regions, with particularly strong contributions from clients domiciled in Western Europe, Asia, the UAE, and Brazil. Operating income grew by 7.7% to CHF 3,858 million on the back of a strong increase in net commission and fee income; and the implementation of the structural cost reduction programme resulted in an improved adjusted cost/income ratio of 63.8% (down from 66.4% in 2020) despite a 6 bp decline in gross margin to 82 bp.

As a result, adjusted net profit (excluding M&A-related items) was up 19.6% to CHF 1,144 million, with adjusted EPS attributable to shareholders of Julius Baer Group Ltd. up 20.2% to CHF 5.34. IFRS net profit attributable to Group shareholders was up 55.0% to CHF 1,083 million and IFRS earnings per share (EPS) up 56% to CHF 5.06.

In addition, the Group's capital generation remains strong, and the business is using this capital efficiently to the benefit of our clients and shareholders. The capital-efficient business model helped to drive further improvement in capital ratios: BIS CET1 capital ratio 16.4% (end 2020: 14.9%) and BIS total capital ratio 24.0% (end 2020: 21.0%), all of which are well above minimum regulatory requirements and the Group's own floors.

The Group enters the final year of our three-year strategic cycle from a position of strength. The strategic refocusing of Julius Baer over the past years has placed us confidently in a position to continue to delight our clients, reward our shareholders, act as an employer of choice and make our mark as a responsible citizen.

[1] This section references certain adjusted performance measures that are not defined or specified by IFRS. The document Alternative Performance Measures available at www.juliusbaer.com/APM provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.

2021 VARIABLE COMPENSATION POOL

The Group considers it fundamental that the amount of performance-based variable compensation available for distribution to its employees is directly linked to the overall performance of the Group, while also considering individual and business unit performance.

As noted above, the Group had an exceptional performance year. Operating income rose to CHF 3,857.8 million (up 7.7% from 2020) driven by historically high levels of revenues, while strict cost management throughout the Group saw adjusted operating expenses increase by 2.4%. The resulting ANPbBT for 2021 increased by more than 19% over 2020.

Due to the increasing ANPbBT, the Group's available variable compensation pool (including the negative impacts of certain legacy issues) also increased. In the NCC's financial performance assessment, the growth of the pool was supported by the Group's increasing capital ratios, strong adjusted cost/income ratio and adjusted pre-tax margin.

From a qualitative perspective, the variable compensation pool review considered:

- Operational performance and achievements in terms of qualitative elements (such as strategic project achievements, awards and recognition, digitalisation, regional/divisional achievements, Wealth Management service offerings, cost management, risk management) and external market factors including the continued impact of COVID-19;
- Value creation in terms of Economic Profit;
- Relative performance comparison against peers; and
- Developments of the Group's profit distribution (including proposed dividends).

The final variable compensation payout ratio for 2021 was well below the Group's internally defined payout ratio guidelines. This ratio was achieved primarily thanks to a rigorous and disciplined pool allocation process combined with the strong operating performance.

As part of the Group's pay-for-performance principles, it is critical that variable compensation reflects current-year achievements and contributions to our strategic objective of sustainable profit growth. The increase in the final variable compensation pool for 2021 takes Group performance into consideration, though at a proportionally lesser rate.

OVERVIEW OF 2021 VARIABLE COMPENSATION PLANS

The following table summarises the key features of the Group's variable compensation plans funded by the variable compensation pool, including the relevant population eligibility:

Summary of 2021 deferred compensation plans

		Ongoing plans[1]				Hiring-related replacements[2]	Employee share purchase
		Deferred Bonus Plan (DBP)	Equity Performance Plan (EPP)	Deferred Cash Plan (DCP)	Premium Share Plan (PSP)	Long-Term Incentive Plan (LTI)	Staff Participation Plan (SPP)
Eligibility		Executives and selected senior management with bonus over CHF 125,000	Executives and selected senior management with bonus over CHF 125,000	Employees with bonus over CHF 125,000	Employees with bonus over CHF 125,000	New hires who lost compensation due to change in employer	All employees who are not participants in other company share plans[3]
Purpose		Align with sustainable value creation	Align long-term performance and retention	Align with sustainable value creation	Align long-term performance and retention	Attraction and long-term alignment	Shareholder alignment
Funding drivers		Company, business and individual performance		Company, business and individual performance		Business and company affordability checks	Mainly self-financed[4]
Duration		4 years[5]	5 years[5]	3 years	3 years	3 years	3 years
Payout factors	Share price		•		•	•	•
	Vesting performance conditions		•				
	Forfeiture clauses and clawback	•	•	•	•	•	• (additional shares)
Settlement		Cash	Shares	Cash	Shares	Shares	Shares

1 Staff who are participants of the DBP and EPP are not eligible to participate in the DCP and PSP, and vice versa.

2 The LTI may be used in exceptional cases for retention awards or in lieu of the PSP if restrictions on variable compensation apply. It is also utilised to deliver vested but blocked shares as part of immediate cash variable compensation to regulated staff.

3 Employees in some locations are excluded from participating for legal, regulatory or administrative reasons.

4 For every three shares purchased by the employee, one additional share is delivered free of charge at the end of the three-year vesting period.

5 Plan durations adjusted in 2021 with cash-based deferrals under DBP shifting from 5 to 4 years and equity-based deferrals under EPP from 3 years (cliff) to 5 years (pro rata in years 3, 4 and 5).

EXECUTIVE BOARD AND SENIOR MANAGEMENT COMPENSATION

This section provides the details of the compensation system for members of the Executive Board and selected members of senior management (Senior Management).

Summary of 2021 compensation components

<table>
<tr><th></th><th>Element</th><th>Payment Structure</th><th>Description</th><th>Governance</th></tr>
<tr><td rowspan="2">Fixed compensation</td><td>Base salary and allowances</td><td>100% in cash (monthly)</td><td>Base salary is set individually taking into account the market value of the function based on role (benchmarked), responsibilities, experience, level of education, degree of seniority and level of expertise.
Similar to Group employees, Senior Management is eligible for allowances based on rank, function level and their location of employment.</td><td>Provides an appropriate level of income by function at market rates, while permitting the Group to operate a fully flexible policy for variable compensation.</td></tr>
<tr><td>Pension and other benefits</td><td></td><td>Senior Management (including the ExB) are entitled to the same pension and benefits as other employees within their employment location.</td><td></td></tr>
<tr><td rowspan="3">Total variable compensation</td><td>Immediate cash</td><td>100% in cash delivered following shareholder approval</td><td>Annual, variable compensation determined based on the Group and individual performance (via Scorecard for ExB). Developed to link compensation to business strategy and to ensure that participants continue to manage Julius Baer for sustainable long-term shareholder value creation, emulate Julius Baer values and carry out all business activities in a regulatory-compliant manner.

The ExB is subject to deferral at rates from 30% to 70% (80% for the CEO) of total variable compensation determined for the performance year. The deferral can exceed the maximum rate if the total non-deferred portion of variable compensation reaches the annual Variable Compensation Cash Cap (CHF 1.5 million). All amounts in excess of the Variable Compensation Cash Cap are deferred. Amounts below the minimum threshold are not subject to deferral.</td><td>Links compensation to Group performance in a risk-aligned manner.

Immediate cash payment is capped and is delivered to ExB only following shareholder approval.</td></tr>
<tr><td>Deferred Bonus Plan (DBP)</td><td>NEW: 100% in cash delivered in 4 vesting tranches over 4 years (fully deferred)</td><td>The cash portion of the annual variable compensation deferral is delivered in the form of DBP awards which, as of 2021, vest on a pro rata basis over 4 consecutive years subject to service-based vesting conditions. The DBP is not eligible for interest or any additional compensation elements during the deferral period. The DBP is subject to forfeiture/clawback provisions.</td><td>Deferral promotes a long-term orientation, allowing for clawback in the event of legal/regulatory breaches, financial losses and other events where conduct has substantially contributed to a financial loss or has caused reputational damage.</td></tr>
<tr><td>Equity Performance Plan (EPP)</td><td>NEW: 100% in equity delivered in 3 vesting tranches over 5 years (in years 3, 4 and 5) (fully deferred)</td><td>The equity portion of the annual variable compensation deferral is delivered in the form of Performance Units under the EPP. This incentive functions as a retention element and links compensation to Julius Baer share price and the Group's future performance via two KPIs (internal: cumulative Economic Profit [cEP][1] and external: relative Total Shareholder Return [rTSR][2]).
The number of shares delivered under the EPP (assessed in year 3) is 0% - 150% of the Performance Units granted (with each individual KPI capped at a maximum multiplying factor of 200%). The cEP target is set based on the strategic three-year budget/plan that is approved by the BoD on an annual basis. KPI targets are set by the NCC each year for the upcoming grant. Multiplier performance target ranges remain unchanged for 2021:
<table><tr><th></th><th>Minimum (0% KPI multiplier)</th><th>Target (100% KPI multiplier)</th><th>Maximum (200% KPI multiplier)</th></tr><tr><td>cEP</td><td>-50%</td><td>100%</td><td>+50%</td></tr><tr><td>rTSR</td><td>-22%</td><td>+3%</td><td>+28%</td></tr></table>
Performance of each KPI is measured on a linear basis within the target ranges. The EPP is subject to forfeiture/clawback provisions.</td><td>Equity-based deferral duration extended in 2021 (from 3-year cliff to 5-year pro rata).

Aligns compensation with shareholders' interests and ties it more closely to contributions to the future performance of the Group via internal and external metrics which are market-linked and risk-adjusted. Through a capped multiplier, promotes stable growth that does not incentivise excessive risk-taking.

The final cEP is based on figures approved by the Audit Committee. The calculation and all its components are audited. The NCC reviews and approves the final multiplier.</td></tr>
<tr><td>Other</td><td>Other compensation</td><td></td><td>Senior Management (including the ExB) are not entitled to receive any other special compensation elements which are not offered to other employees within their employment location.</td><td></td></tr>
</table>

1 cEP = ANPbB – Taxes – CoC; where ANPbB = adjusted net profit before variable compensation (as defined previously) adjusted for non-performance-related extraordinary events approved by the NCC. Fair value calculated externally using a probabilistic model of potential deviation from the Group's strategic plan (MTP).

2 The Julius Baer Group's TSR is compared against the performance of the STOXX Europe 600 Banks (gross return) Index (the Index).

TOTAL COMPENSATION ASSESSMENT AND PAY MIX

The total compensation of the members of the ExB including the CEO consists of a base salary in cash and performance-linked variable compensation, which is partially deferred in cash (under the DBP) and partially in equity (under the EPP). No changes were made in 2021 to ExB base salaries.

The ExB targets (via Scorecard) maintained the same weighting as in prior years (60% linked to financial [Group and/or regional/divisional] performance)[2] and a minimum 20% weighting applied to Risk and Business Conduct criteria. Qualitative objectives incorporate both Group targets and specific regional/divisional targets.

VARIABLE COMPENSATION

Performance assessment process

Julius Baer rewards ExB members who contribute to enhancing value by employing investor capital efficiently while at the same time managing risks, adhering to regulatory requirements, and meeting Julius Baer's corporate culture standards.

Although Julius Baer's variable compensation scheme is discretionary, the final amounts allocated are based on a careful assessment of the attainment of a mix of specific quantitative and qualitative objectives. These objectives are individually weighted to support the alignment of managerial actions with shareholder interests as part of a balanced scorecard (Scorecard), which results in an Overall Performance Rating (OPR). The following illustration provides an overview of this process:

Executive Board objective setting and performance assessment

The BoD and/or NCC are involved in all steps of the performance assessment and compensation decision-making processes

	Objective setting	**Performance assessment**	**Compensation recommendations**	**Approval**
CEO	• BoD Chairperson sets CEO's key current- and multi-year performance objectives (in consultation with the NCC Chairperson) • Quantitative targets based on Group, regional and divisional performance (with the baseline being the BoD-agreed MTP and Strategic Goals) • Qualitative targets aligned with current strategies, projects and value drivers • Goal weightings designed to promote sustainable performance, risk management and regulatory compliance	• BoD Chairperson assesses CEO performance via Scorecard based on the Group's overall (quantitative) results relative to target and achievements (qualitative) • BoD Chairperson reviews entire CEO Scorecard with the NCC • NCC verifies/agrees CEO's OPR and submits to BoD	The BoD Chairperson together with the NCC propose CEO and aggregate ExB compensation to the BoD for agreement	Compensation recommendations submitted to the shareholders for approval (in aggregate)
Executive Board (ExB)	• CEO sets each ExB member's key current- and multi-year performance objectives • Quantitative targets based on Group (MTP), strategic targets, CEO Scorecard, and regional and/or divisional role • Qualitative targets aligned with Group/regional/divisional strategic targets, projects and value drivers • Goal weightings designed to promote sustainable performance, risk management and regulatory compliance	• The CEO assesses each ExB member's performance via Scorecard based on the Group's overall (quantitative) results relative to target and achievements (qualitative) • CEO defines an individual OPR • Scorecard summaries and individual ExB member OPRs discussed with the BoD Chairperson and NCC • NCC verifies/agrees ExB members' OPRs and submits summary to BoD		

[2] Exception applies for the Group Chief Risk officer who has a more significant weighting for risk KPIs.

The following Scorecard summarises the key performance objectives set for the Group CEO and the ExB in 2021, along with the individual assessments leading to the related OPRs.[3]

			CEO	ExB (average)
	2021 Target Range	Achieved	Performance Assessment (Weighting)	Performance Assessment (Weighting)
Financial KPIs			60% weighting	58% weighting[2]
Adjusted pre-tax profit (CHF m)	968 – 1,070	1,329	Exceeded (50%)	Exceeded (33%)
CET1 ratio (%)	13.2% – 14.4%[1]	16.4 %	Fully Met (25%)	Fully Met (16%)
Adjusted cost/income ratio (%)	69.1% – 70.1%	63.8 %	Exceeded (12.5%)	Exceeded (8%)
Pre-tax margin (bp)	22 – 24 bp	28.2 bp	Exceeded (12.5%)	Exceeded (8%)
Regional/divisional KPIs	Varies by region/division			Fully Met (35%)
		Total	**Exceeded**	**Exceeded**

[1] Targets reflect the Group's risk tolerance level below which a performance downgrade is triggered; this safeguard cannot be overachieved (max. FM rating).

[2] Weightings for Group KPIs apply equally to all ExB members. Regional/divisional KPIs can account for up to 20% per ExB member (depending on role/responsibility)

Qualitative KPIs	20% weighting	21% weighting

Drive sustainable profitability

- Profitability driven higher through enhancing overall solution capabilities and managing pricing and costs appropriately
- Increased offerings to address client needs and support profitable growth strategy (e.g. sustainable and impact investing products, securities lending, and a wider range of private market investment opportunities)
- Successfully launched more modular discretionary mandates accommodating all asset classes, investment styles/themes, and allowing room for client personalisation; a scalable model that can be expanded globally to support our clients
- The Group established a binding execution plan this year to reach our 2030 net-zero carbon emissions target (in our own operations)
- In addition, significant progress was achieved in the area of corporate social responsibility and sustainable investments (new responsible investing products launched, sustainability training curriculum, carbon reduction of 20% in our own book of business, etc.)

Business transformation

- Further sharpening of our value proposition to provide best in class, bespoke service to our clients
- Our newly articulated Purpose (Creating value beyond wealth) was successfully developed and rolled out with strong engagement across our organisation (more than 92% of engagement session participants indicated support for co-creating and embedding the Purpose into our daily business)
- Revised Intermediaries strategy launched with tailored services based on clients' needs at the personal, transactional and digital levels
- Our front management configuration was streamlined to further align it with the regional strategies
- Key steps taken in 2021 to identify specific corporate development goals in our strategic growth markets leading to some corporate restructuring
- Final roll-out of the RM compensation framework in our remaining target jurisdictions executed in a timely and efficient manner
- The new team/group head compensation programmes were developed and rolled-out, further linking pay to holistic team performance with strengthened risk and compliance accountability

Regional/Divisional achievements

- Our regions substantially delivered across their financial targets in accordance with business plans
- Repositioning and strategic realignment executed globally (e.g. set-up of Brazilian advisory business; further development of onshore India; expanded offerings via our SBC JB Thailand joint venture; spin-off of Wergen & Partners [2022])
- The Swiss strategic goal of extending our real estate offerings commenced through partial acquisition (83%) of KMP
- Active contributions to the impact-investing ecosystem through new and/or transformed product solutions, including the successful launch of JB Access funds and a new product suite in line with internally agreed ESG criteria
- Maintained our strong personal touch in client communication with clear and consistent investment guidance via various media channels
- Actively managed performance of strategy funds to ensure they remain market competitive and in line with benchmarks
- The Group's agile transformation programme was introduced with maximum focus on business priorities and reduced time to market. The Group is already seeing the first resulting signs of success across the organisation
- Improved cost efficiency throughout the organisation
- Continued accelerated investments in technology which have proven to be powerful enablers: reshaping internal processes and client experiences
- Proactive, internal crisis management continued throughout the pandemic focused on ensuring that the Group continues to support our staff from all sides (technical, professional, personal/well-being, etc.)
- Collaboratively driving the development of the first line of defence system with implementation of a stable Swiss-based control framework
- Regional succession planning for short- and medium-term succession completed across all regions/divisions to identify critical roles, develop job profiles and investment in the professional development of successors

	CEO	ExB (average)
Total	**Fully Met**	**Fully Met**

[3] The Group moved from a 5-point rating scale (A++ to C) to a 4-point, descriptive rating scale in 2021. Performance achievement utilised for purposes of the OPR determination is now defined as: Exceeded (>105%), Fully Met (>95% to >= 105%), Partially Met (>85% to <= 95%), Not Met (<85%).

	CEO	ExB (average)
Risk and business conduct	10% weighting	21% weighting
• Completion of the CRO Strategic Roadmap at the end of 2021 mark a major milestone in the Group's efforts to operationalise the overall risk management process and embed risk awareness into the daily mind-set and culture of the Group • The risk transformation process included an overhaul of Group policies, processes and procedures as well as substantial investments in improved risk and compliance tools • Risk transformation progress highlighted by the lifting of the FINMA ban (based on feedback from the independent, external examiner) • Diligent management of outstanding legal cases with proactive communication to stakeholders • Strong focus on continued reduction of policy breaches and operational losses/legal cases year-on-year		
Total	**Fully Met**	**Fully Met**

Personal objectives	10% weighting
• Significant focus was placed on D&I to build a stronger leadership team and overall organisation (supported by the launch of the D&I Committee and a number of talent initiatives focused on unlocking the talent within our organisation) • Succession planning pipelines were further refined in 2021 for the ExB and their direct reports	
Total	**Fully Met**

Weighted average rating	**CEO**	**ExB (average)**
Final Scorecard assessment	**Exceeded**	**Fully Met**

In addition to the above performance achievements, the Group's success was also recognised through the receipt of the following awards during the 2021 calendar year:

Organisation	Award
PWM/The Banker Global Private Banking Awards 2021	• Best Leader in Private Banking (CEO, Phillip Rickenbacher) • Best Private Bank in the Middle East
Private Banker International Global Wealth Awards 2021	• Outstanding Global Private Bank: Global
The Asset Asian Awards 2021	• Best Boutique Private Bank in Asia (12th consecutive year)
FocusEconomics 2021 Analyst Forecast Awards	• Six Julius Baer Research analysts were among the winners of the coveted FocusEconomics Analyst Forecast Awards

Organisation	Award
Asian Private Banker Awards for Distinction	• Best Private Bank South Asia (including Thailand, Malaysia, the Philippines, Indonesia, Singapore and India, as well as other ASEAN countries) • Best Private Bank Global Indians (2nd consecutive year)
WealthBriefingAsia Magazine's WealthTechAsia Awards 2021	• Front Office award (in recognition of its Digital Advisory Suite)
PWM Wealth Tech Awards 2021	• Best Digital Innovator of the Year, Global

CEO compensation decisions

The CEO's base salary remained unchanged at CHF 1.5 million in the 2021 performance year.

In line with the Group's performance and weighting scale (60% financial and 40% non-financial), the CEO's OPR (Exceeded) reflects the Group's and his performance in overachieving his (financial, qualitative, and personal) targets in aggregate.

From a financial perspective, the Group substantially overachieved its 2021 budgetary targets with adjusted pre-tax profit nearly 25% above target, adjusted cost/income ratio more than 5% below target, pre-tax margins 18% above target, and a continuously improving capital base.

Qualitatively, the CEO continues to deliver on his multi-year strategic goals with diligent implementation of the measures that support the growth of the business in a sustainable, profitable and risk-appropriate manner. The Group's performance is reflective of the value we create with and for clients, with strong recurring revenues and greater efficiency underscoring the quality of our earnings. Our proximity to clients and the development of the overall client experience were confirmed by the positive feedback in our first global client survey (with over 5,500 responses, of which 80% confirmed to be extremely or very satisfied with Julius Baer). The CEO has gained industry recognition for his achievements and was named Best Leader in Private Banking at the PWM/The Banker Global Private Banking Awards 2021.

Finally, while the CEO's (and the Group's) many achievements have been described in detail in the aforementioned Scorecard, the Group specifically recognises the overall achievements related to the Group's multi-year targets (e.g. developments due to our sustainable profit growth strategy, the execution of the CRO Roadmap [a key contributor to the lifting of the FINMA ban], and the overall cultural shift in risk alignment). Such accomplishments underlie much of Julius Baer's success and its strong positioning for future growth.

Based on the CEO's (and the Group's) performance achievements, the NCC proposes an overall increase in awarded total variable compensation of 15% (CHF 4.5 million in 2021, compared to CHF 3.9 million in 2020) for the CEO. Of these amounts, the CEO will remain subject to deferral on 80% of his variable compensation (of which 56% of total variable compensation will be delivered in share-based awards).

The determined value is in line with the Group's target pay mix and caps and is deemed appropriate given the Group's overall financial performance and the CEO's 2021 achievements.

Executive Board compensation decisions
This section relates specifically to the eight (8) ExB members and excludes any compensation related to the CEO.

No adjustments were made to the base salary of ExB members in the 2021 performance year.

The ExB's OPR (Fully Met) reflects target achievement in 2021 against overall (financial, regional/divisional, and qualitative) targets. Group financial performance has a strong influence on the OPR determination. The ExB members overachieved their regional/divisional targets on average with qualitative achievements meeting and or exceeding the vast majority of 2021 targets. However, while various ExB members received an Exceeded OPR, the overall average across the ExB was Fully Met.

ExB coordination across the Group qualitative targets have enabled the Group to continue to grow through cross-collaboration, centralised processes, and a more global mindset. The ExB members collectively served as Purpose ambassadors in 2021, helping to implement and align our Purpose journey on a global scale and further accelerating our business transformation. At the regional and divisional levels the shift of our leadership focus from an asset-gathering strategy to one of sustainable profit growth showed tangible results, and the acceleration in human advice and technology continued to profoundly alter our organisation and the way we serve our clients.

The achievements of our leadership team are reflected in the gratifying feedback we received from our clients, which confirmed that our strategic priorities point in the right direction and that our efforts to transform Julius Baer into the most reputable and admired wealth manager in our industry are well on track.

Based on the ExB's (and the Group's) performance achievements, the NCC proposes an overall increase in awarded total variable compensation of 14% for the ExB (CHF 20.3 million in 2021, compared to CHF 17.8 million in 2020). Of these amounts, the ExB will be subject to deferral at a rate of 69%[4] of variable compensation (of which 49% of total variable compensation will be delivered in share-based awards).

The determined values are in line with the Group's target pay mix and deemed appropriate given the Group's and individuals' performance.

COMPENSATION CAPS

The NCC agrees that it is important to ensure that the compensation paid to members of the ExB is benchmarked and subject to specifically defined caps that set an appropriately balanced pay mix. There are no changes to the prior year's compensation caps.

[4] ExB members subject to regulatory restrictions under European regulations are required to receive a minimum of 50% of variable compensation in cash and 50% in equities/instruments. For such regulated employees, equity-based awards shall make up 50% of deferred variable compensation. In addition, 50% of immediate cash-based variable compensation is also granted in Group shares, which are subject to a 6-month blocking period.

2021 maximum caps for the Executive Board (all caps as a multiple of base salary)

	Cap	
	Average ExB	CEO
Total variable compensation (Bonus, DBP and EPP)	4.0	4.0
Cash-based variable compensation (Bonus and DBP)	2.0	2.0
Equity-based variable compensation (EPP)	2.0	2.0

For 2021, the members of the ExB are subject to the following caps:

- The total sum of the variable compensation allocated to the members (in aggregate) of the ExB (including the CEO) shall be capped at four times the total sum of the base salaries paid to the entire ExB.
- The total sum of the DBP and the total sum of the EPP allocated to all members (in aggregate) of the ExB (including the CEO) will each be capped at two times the total sum of the base salaries paid to the entire ExB.
- The total sum of the variable compensation allocated to the CEO shall be capped at four times the CEO's base salary.
- The total sum of the DBP and the total sum of the EPP allocated to the CEO will each be capped at two times the CEO's base salary.

The NCC is responsible for ensuring that the total variable compensation paid to the ExB members is compliant with the applicable compensation caps.

SHARE OWNERSHIP REQUIREMENTS

In 2021, following a benchmark review, the Group introduced revised Share ownership requirements (SOR) which increased shareholding requirements (below the level of the CEO) and allowed for unvested deferred awards to contribute to the SOR. Under the new guidelines, the ExB members are required to build up the following shareholdings:

Executive Board member	Share ownership requirement (in Julius Baer Group Ltd. Shares/Awards)
Chief Executive Officer (CEO)	100,000 shares/awards
Executive Board members (excluding the CEO)	50,000 shares/awards

Under the SOR, individual shareholdings shall include all vested shares and non-performance-linked equity awards plus 75% of any equity awards that are linked to performance. The members of the ExB have a period of five (5) full calendar years starting from the beginning of their appointment to the ExB to build up their Julius Baer Group Ltd. shareholdings. The final measurement will be performed on 31 December of the fifth calendar year following the ExB member's appointment to the ExB.

Details of the shareholdings of each member of the ExB can be found in the *Compensation, loans and shareholdings of the Executive Board* section of this Remuneration Report. In accordance with the NCC's instructions, 50% of all outstanding equity-based grants may be held back from any ExB member who has not reached his or her target at the measurement date until the defined level has been reached.

ExB members are not permitted to hedge Julius Baer Group Ltd. shares.

EMPLOYMENT CONTRACTS

As part of article 12.2 of the Articles of Incorporation (cf. www.juliusbaer.com/cg), employment agreements for the ExB may have a maximum notice period of twelve months. In practice, the notice period for all members of the ExB does not exceed six months. The ExB members are not entitled to any special severance payments or special termination benefits under the pension plans compared to the general staff population.

Furthermore, non-compete agreements for members of the ExB for the time after the termination of an employment agreement are permissible (see article 12.3 of the Articles of Incorporation, cf. www.juliusbaer.com/cg) for a duration of up to two years. The consideration payable to such former members in respect of such agreements shall not exceed the total annual compensation last paid to them prior to termination.

OTHER VARIABLE COMPENSATION

Newly joining ExB members are not entitled to hiring bonuses; however, they may be eligible to receive a replacement of compensation that was forfeited at their previous employer (including unpaid current-year and/or prior-year outstanding deferred compensation). All replacements of lost compensation must be documented prior to being replaced by Julius Baer and are replaced based on the prevailing fair market value (i.e. no increase to the replacement value). Current-year compensation replacements are partially deferred at rates in line with the Group's standard variable compensation deferral policy and will be delivered partially in immediate cash and partly in deferred equity-based awards under the Group's Long-Term Incentive Plan. Prior-year outstanding deferred compensation shall be replaced in a fully deferred manner under the Group's Long-Term Incentive Plan.

CLAUSES FOR CHANGE OF CONTROL

ExB members are not entitled to specific payments upon a change of control or upon termination of employment related to a change of control; however, they are eligible to receive such benefits (e.g. accrued holiday pay, death/disability/retirement benefits under the pension plan) that are generally available to other Julius Baer employees. The ExB members are not entitled to other severance payments or special termination benefits under the pension plans compared to the general staff population.

Change-of-control and good-leaver provisions may be available under the variable compensation plans. The 'Termination Provisions of Julius Baer Plans' table at the end of this Remuneration Report provides general details of the vesting and forfeiture rules for termination events. All share-based units/shares outstanding (as noted within Note 31 of the 2021 Annual Report under the chapter *III. Financial Statements Julius Baer Group 2021, Share-based payments and other compensation plans*) and all outstanding cash-based awards (with an intrinsic value of CHF 104.6 million at the end of the 2021 performance year) would be eligible for the treatment described in said table at the time of the change of control. All provisions and treatments remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control. The ExB members are not entitled to special change-of-control provisions under the deferred compensation plans compared to the general staff population.

OTHER EMPLOYEE COMPENSATION

This section provides details of the ongoing compensation system for the employees of Julius Baer (excluding the ExB and Senior Management, whose compensation was addressed in the previous section). Swiss rules regarding the disclosure of compensation concern only the BoD and the ExB; thus, it is on these groups that this Remuneration Report focuses. However, Julius Baer's success depends on the continued excellence of all its employees. Accordingly, this section describes the salient features of the compensation system for non-executive employees.

Summary of 2021 employee compensation components

Element	Payment structure	Description	Governance
Base salary and allowances	100% in cash (monthly)	Base salary is set individually based on the Group's functional model comprising ten function levels, each of which represents an increasing degree of job complexity. Salary bands are assigned to each function level which define the target base salary range for jobs assigned to the respective function level concerned. Individual salaries are then determined in accordance with these salary bands, taking market benchmarks into account. Group employees are eligible for allowances based on rank, function level and their location of employment.	Provides an appropriate level of income by function at market rates while permitting the Group to operate a fully flexible policy for variable compensation.

Short-term variable compensation	100% in cash or partially deferred into cash- and share-based awards	Individual variable compensation amounts depend on the formal year-end assessment of performance against a range of quantitative and qualitative objectives (e.g. adherence to compliance and regulatory standards and to the Group policies, core values and procedures) as well as skills, expertise, and conduct and value behaviours.
		
		In addition to the plans offered to the members of Senior Management (as described previously), Julius Baer also offers equity- and cash-based deferred plans to members of the global staff population. Participation in these plans depends on various factors such as function level, overall variable compensation and/or nomination for participation in the relevant plan on an annual basis. In general the deferral structure is the following:
		• Variable compensation below the annual deferral threshold: 100% immediate cash payment
		• Variable compensation at or above the annual deferral threshold: deferral applies to the full variable compensation amount (based on the same linear deferral scale and rates applicable to Senior Management). Unless required otherwise by regulation, deferred awards are subject to 3-year pro rata vesting with service-based vesting, malus and clawback provisions. The deferral structure generally results in a maximum deferral of the following:
		  • 50% of immediate cash (subject to the Variable Compensation Cash Cap of CHF 1.5 million)
		  • 25% deferred cash (Deferred Cash Plan [DCP])
		  • 25% deferred equity (Premium Share Plan [PSP]) plus a premium share component equal to one-third of the granted PSP
		
		Variable compensation in excess of the Group's Variable Compensation Cash Cap is fully deferred (equally under the DCP and PSP).
			In line with market practice, the Group's balanced variable compensation scheme targets deferral for the more senior and/or high-performing members of staff and provides immediate cash to the remainder.
			
			For eligible staff members, the deferral programme serves as a retention mechanism, promotes long-term orientation allowing for clawback (including the same provisions as noted in the DBP) and aligns compensation with shareholders' interests. The Variable Compensation Cash Cap augments the deferral programme and increases the overall deferral for the Group's highest earners.

Pension and other benefits		Julius Baer offers competitive and market-appropriate pension and benefit programmes throughout its global offices. All programmes are in compliance with rules and regulations of the country in which they operate.	
Other compensation		Benefits and other compensation arrangements are offered globally by Group entities based on the prevailing market practices and the local rules and regulations.	

COMPENSATION ARRANGEMENTS IN STRATEGIC PARTNERSHIPS

In certain current or former strategic partnerships, Julius Baer operates special compensation arrangements unique to the organisation concerned. Such arrangements can include compensation linked to the strategic partner entity's shares or, where required by regulations, compensation linked to the performance of the strategic partner entity's managed investment funds.

KEY RISK TAKERS AND REGULATED STAFF

Julius Baer takes particular care in identifying staff whose professional activities may have a material impact on the Group's (or a Group subsidiary's) risk profile (Key Risk Takers [KRTs]) and in applying the proper pay-out structure for such employees. KRTs are identified on an annual basis throughout the entire Group. The Group's role-based guidelines for identifying KRTs take into consideration both quantitative and qualitative criteria in the identification process. KRTs of Julius Baer Group Ltd. are considered Senior Management for the purpose of their deferral and are thereby subject to higher rates of deferral (up to 70%) and a longer deferral horizon than employees not in such roles. KRTs of Group subsidiaries may be considered as Group KRTs depending upon their role or function.

The European regulatory requirements include a number of provisions that impact the variable compensation awarded to employees and directors of the Group entities that fall under the jurisdiction of the European Economic Area. Julius Baer has adopted pay-out process rules to ensure that the variable compensation of certain employees (e.g. identified KRTs) in applicable European Union subsidiaries meets the legislative requirements of the jurisdiction. To comply with the applicable regulatory requirements, identified KRTs may be subject to pay-out process requirements that differ from the Group's standards: fixed deferral rates/thresholds, minimum deferral periods, and instrument-based variable compensation (i.e. vested/blocked shares, share awards, and/or fund-linked instruments).

Furthermore, one of the central provisions of the European Capital Requirements Directive requires that variable compensation paid to specific individuals (e.g. regulated KRTs) shall not exceed the value of their fixed remuneration unless shareholder approval is obtained to increase this cap. The Julius Baer entities within the European Economic Area requested and were granted approval by their respective shareholders to increase the variable compensation cap to two times fixed compensation.

CONTROL FUNCTIONS

Control functions (which, amongst others, includes Internal Audit) at Julius Baer are critical roles with responsibility for independently monitoring and managing our risk effectively. In order to ensure proper remuneration governance, the Group places a stronger emphasis on fixed compensation and operates a fully discretionary variable compensation programme whereby employees are rewarded independently from the performance of the operating business units' corporate functions they monitor or control. In order to ensure effective risk management and avoid conflicts of interest, role-based objectives remain the key driver of variable compensation awards, and achievement of the core functional objectives is rewarded regardless of the results of the business activities.

OTHER VARIABLE COMPENSATION

Although Julius Baer only offers performance-based compensation to its current staff (including the ExB), it may in the course of its recruitment processes offer incentives (e.g. sign-ons and replacements of forfeited compensation from their previous employment) for specific new hires when they join the Group. Such incentives may be made in the form of cash (subject to a minimum one-year clawback from hiring date) and/or deferred shares (under the Group's Long-Term Incentive Plan [LTI]). As a general policy, Julius Baer offers such forms of remuneration only on an exceptional basis, typically in the first year of employment.

Additionally, retention payments may be made to current staff in extraordinary or critical circumstances (e.g. restructuring situations). Such incentives are generally in the form of deferred shares (under the Group's LTI Plan).

Actual parameters may vary according to location, local regulation and the specific circumstances of the employee. In all cases where equity-based awards are not permitted in a specific location, such awards are made in cash in accordance with the terms and conditions in the DCP.

Long-Term Incentive Plan (LTI)
Group LTI awards generally run over a minimum plan period of three years (pro rata vesting permitted). The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out at grant. The plan allows for the addition of post-vesting blocking periods and/or performance metrics.

In cases where a deferral-eligible employee cannot receive the additional shares granted under the PSP (generally for legal or regulatory reasons), the individual will be granted an LTI award.

EMPLOYEE SHARE PURCHASE

Staff Participation Plan (SPP)
The SPP is offered to most of Julius Baer's global employee population. Individuals may be excluded from participating because, for example, the employee participates in another Julius Baer equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal, regulatory or administrative reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer Group Ltd. shares at the prevailing market price, and for every three shares purchased, they will be granted one additional matching share free of charge. These matching shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

The objective of this plan is to strengthen the employee's identification with the Group, to encourage entrepreneurial spirit, to generate greater interest in the business through ownership and to provide employees with financial recognition for their long-term dedication to the Group.

BOARD OF DIRECTORS COMPENSATION

This section provides details of the compensation system for members of the Board of Directors.

Summary of compensation components

Element	Payment Structure	Description	Governance
Fixed compensation	Cash and share-based awards	Members of the Board of Directors (including the Chairperson) are only entitled to fixed compensation for their term of office in the form of a combination of cash and share-based awards. This fixed compensation is determined by the workload of the individual Board member based on the Board Committees on which he or she serves and his or her committee position. The cash-based compensation is paid in December each year for all members of the Board of Directors except the Chairperson, who receives the cash element on a quarterly basis. Share-based awards are granted under the Group's Long-Term Incentive Plan at the beginning of each term based on a fixed total compensation value. The grant price is equal to a five-day volume-weighted average price with a one-year, service-based vesting period (equal to that of the individual's term of office). Under the award's forfeiture provisions, the award will only vest if the Board member concerned fulfils the entire term for which he or she has been elected or re-elected. No dividends are payable on unvested awards; all shares are delivered unrestricted at vesting (subject to the Guidelines on Share Ownership provided below). No additional compensation is paid to members of the Board of Directors for attending meetings.	Reflecting the independent status of all members of the Board of Directors (including the Chairperson), the remuneration package does not include a variable component and is therefore not dependent on the financial performance of the Group. However, a share-based element is included to align their compensation with shareholder interests.
Other benefits		Members of the Board of Directors benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.	In order to avoid conflicts of interest, no other preferential staff conditions (e.g. lower rates on mortgages or Lombard loans) are offered to members of the Board of Directors.

The cash element of fixed compensation is disclosed on a business-year basis (i.e. split across the two calendar years that make up a Board member's term) and the share-based element is disclosed at grant value in the year of election or re-election.

The NCC benchmarks Board of Directors compensation against a selected peer group, including the lower quartile of the SMI and the upper quartile of the Swiss Market Index Mid-cap (SMIM). The Chairperson's and overall Board of Directors' compensation pay mix remains in line with market standards and pay levels are in line with Julius Baer's target pay levels.

The maximum aggregate compensation amount will again be presented to shareholders for approval at the 2022 AGM for the subsequent compensation period (2022 AGM to 2023 AGM).

SHARE OWNERSHIP REQUIREMENTS

Share ownership is considered an additional factor underscoring commitment towards Julius Baer. The BoD believes these requirements will strengthen the ownership mentality of Board members and ensure the alignment of the BoD's decisions with the interests of our shareholders.

The members of the BoD will be required to build up their total vested shareholdings until they reach the following levels:

Board member	Share ownership requirement (in vested Julius Baer Group Ltd. shares)
Chairperson of the Board of Directors	25,000 shares
Members of the Board of Directors (excluding the Chairperson)	7,500 shares

The members of the BoD will have a period of three full calendar years starting from their initial election to the BoD to build up their Julius Baer Group Ltd. shareholdings. The final measurement will be performed on 31 December of the third calendar year following the Board member's election to the Julius Baer Group Ltd. BoD. If the above shareholding requirements are not reached by the measurement date, 50% of the shares vesting from the individual's equity-based compensation grant may be held back until the defined level of shareholding has been reached.

Under these rules, all individuals who were members of the BoD from May 2018 have been required to build up the aforementioned Julius Baer Group Ltd. shareholdings by 31 December 2021. All members of the BoD with at least three full years of tenure have fulfilled their Share ownership requirements as at 31 December 2021.

Details of the shareholdings of each member of the BoD can be found in the *Compensation, loans and shareholdings of the Board of Directors* section of this Remuneration Report.

CONTRACTS

The members of the BoD do not have contracts with Julius Baer Group Ltd. that provide for benefits upon termination of their term of office on the BoD.

COMPENSATION, LOANS AND SHAREHOLDINGS OF THE EXECUTIVE BOARD (AUDITED)

This section provides the data for 2021 and 2020. The details of the compensation system for members of the Executive Board are presented in the *Executive Board and Senior Management compensation* section of this Remuneration Report.

			Variable compensation (VC)[4]				
				Deferred elements[5]			
				Cash-based	Equity-based		
		Base salary[2] CHF 1,000	Immediate cash[6] CHF 1,000	Deferred cash[9] CHF 1,000	Units[11] CHF 1,000	Pension fund, social security contributions and varia[14] CHF 1,000	Total CHF 1,000
Total compensation Executive Board 2021 (9 members)[1]	**2021**	**7,499[3]**	**7,240[7]**	**5,100**	**12,491[12]**	**3,139[15, 16]**	**35,469**
Highest paid Philipp Rickenbacher (CEO)		**1,500**	**900**	**1,080**	**2,520**	**534[17]**	**6,534**
Total compensation Executive Board 2020 (9 members)	2020	7,496[3]	6,189[7, 8]	4,697[10]	10,846[13]	2,826[15]	32,054
Highest paid Philipp Rickenbacher (CEO)		1,500	780	936	2,184	490[17]	5,890

[1] Details provided relate to the same 9 members of the ExB for the roles performed in 2020 and 2021. Foreign exchange rates applied to cash-based Singapore dollar compensation were 0.681 for 2021 (0.678 for 2020).

[2] All current members of the ExB have a full-time (100%) employment relationship with the Group. The disclosed amounts include an allowance of SGD 50,000 for the ExB member in Singapore and lump sum expense allowances up to CHF 22,800 p.a. per member of the ExB in Switzerland and CHF 24,000 p.a. to the CEO.

[3] Includes total 2021 expense allowance of CHF 217,650 (CHF 217,500 for 2020).

[4] Variable compensation for 2021 relates to 2021 performance and is subject to shareholder approval at the AGM in April 2022. Variable compensation disclosed for 2020 relates to 2020 performance and was approved by shareholders at the AGM in April 2021.

[5] All deferred elements are subject to forfeiture and/or clawback provisions.

[6] Includes the full value of variable cash-based compensation for 2021 and 2020 awarded to the identified executives. Amounts are not paid to the recipients until shareholder approval has been granted at the AGM.

[7] Includes the portion of variable compensation delivered in blocked shares to the one ExB member subject to deferral rates and payout restrictions under the European Securities and Markets Authority (ESMA) requirements. Such vested shares are granted under the Group's LTI programme and subject to a 6-month blocking period.

[8] Includes the amount of CHF 105,861 granted to the former CEO, Bernhard Hodler, as variable compensation for the 2020 performance year.

[9] Subject to receipt of shareholder approval, deferred cash amounts are paid in equal tranches in February over four years for 2021 awards and five years for 2020 awards.

[10] Includes the amount of CHF 48,306 granted to the former CEO, Bernhard Hodler, in the form of deferred cash (vesting over 5 years) in relation to variable compensation awarded for the 2020 performance year.

[11] Units include any awards granted under the Group's Equity Performance Plan (EPP). EPP grant date fair value of CHF 47.97 (SGD 69.67; grant date: 15 February 2022) and CHF 45.08 (SGD 67.25; grant date: 15 February 2021).

[12] The average ratio of fixed to variable compensation amounted to 23%:77% in 2021. 71% of the variable compensation of the members of the ExB in the reporting period was deferred either for a period of four years for the DBP or five years for the EPP.

[13] The average ratio of fixed to variable compensation amounted to 26%:74% in 2020. 72% of the variable compensation of the members of the ExB in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP.

[14] Includes actual employer contributions to social security (AHV/ALV) for base salaries and estimated future contributions based on the grant values of the DBP for the 2021 and 2020 performance years and the fair value of the Performance Units/EPP awards granted for performance years 2021 and 2020. These amounts also include premiums for additional accident insurance.

[15] Includes social security and accident insurance costs of CHF 1,963,383 in 2021 and CHF 1,757,398 in 2020.

[16] Includes the amount of CHF 39,666 paid as a reimbursement of lost pension fund contributions to one ExB member upon reaching the legal retirement age under the Group's pension plan.

[17] Includes social security and accident insurance costs of CHF 409,028 in 2021 and CHF 364,853 in 2020.

The above tables are based on the accrual principle, which means that the amounts shown are compensation earned for the respective year. The actual payment of a portion of the amounts for the performance-related components may, however, be effected at a later date. In particular, under the DBP, a portion of the cash-based variable compensation is paid following shareholder approval (generally in April) with the remainder being deferred over a four-year period (disbursed in equal instalments in February over the following four years).

LOANS TO THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

	31.12.2021		31.12.2020	
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Executive Board				
Total	**28,044,000**	**-**	19,805,000	-
of which the highest amount: Yves Robert-Charrue, Head Switzerland, Europe, Middle East & Africa	**12,404,000**	**-**	11,968,000	-

The loans granted to the members of the ExB consist of Lombard loans on a secured basis (through pledging of securities portfolios or other marketable coverage), fixed-rate mortgages (on a fixed-rate basis), Libor mortgages and floating-rate mortgages (the latter two on a variable-rate basis). Such loans are made on substantially the same terms as those granted to employees, including those relating to interest rates and collateral. For investment properties, the standard mortgage conditions for external clients apply, including those relating to pricing and amortisation.

No loans to former members of the ExB (and their related parties) were outstanding at year-end 2021 or were granted in 2021 at conditions that were not in line with market conditions.

Members of the ExB benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

SHAREHOLDINGS OF THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

Shareholdings of the members of the Executive Board[1]		Number of shares/awards
Philipp Rickenbacher, Chief Executive Officer	**2021**	**124,340**
	2020	38,419
Dieter A. Enkelmann, Chief Financial Officer	**2021**	**141,986**
	2020	84,615
Oliver Bartholet, Chief Risk Officer	**2021**	**71,640**
	2020	29,220
Nic Dreckmann, Chief Operating Officer & Head Intermediaries	**2021**	**108,513**
	2020	30,049
Yves Bonzon, Co-Head IWMS and CIO (joined the Executive Board on 1 January 2020)	**2021**	**91,138**
	2020	40,250
Jimmy Lee Kong Eng, Region Head Asia Pacific (joined the Executive Board on 1 January 2020)	**2021**	**109,355**
	2020	38,799
Yves Robert-Charrue, Region Head Switzerland and EMEA (joined the Executive Board on 1 January 2020)	**2021**	**143,831**
	2020	119,324
Beatriz Sanchez, Region Head Americas (joined the Executive Board on 1 January 2020)	**2021**	**71,227**
	2020	3,376
Nicolas de Skowronski, Co-Head IWMS (joined the Executive Board on 1 January 2020)	**2021**	**48,276**
	2020	10,064
Total	**2021**	**910,306**
Total	2020	394,116

[1] Including shareholdings of related parties (the 2021 figures are disclosed according to the revised Share Ownership Requirements; for details see Chapter II. Remuneration Report of this Annual Report)

None of the members of the ExB held any option positions on Julius Baer Group Ltd. shares as at year-end 2021 and 2020.

Share ownership requirements (SOR) for the members of the ExB were introduced with effect from 2014 and revised in 2021.

According to the revised SOR, the CEO is required to build up and maintain 100,000 (all other Executive Board members 50,000 each) shares of Julius Baer Group Ltd. (build-up over five full calendar years from the promotion to the new role). The SOR may be covered by awards subject to vesting conditions, with only a portion (75%) of the outstanding awards that are subject to performance-based conditions counting towards the SOR. The SOR apply for the duration of the Executive Board member's tenure in the applicable role.

FORMER EXECUTIVES (AUDITED)

No additional compensation was granted and paid to former members of the ExB who left the ExB in 2021 that related to such member's prior function within the ExB.

No compensation was granted to parties related to members of the ExB or former members of the ExB. No severance payments to members of the ExB or former members were effected in 2021 or 2020.

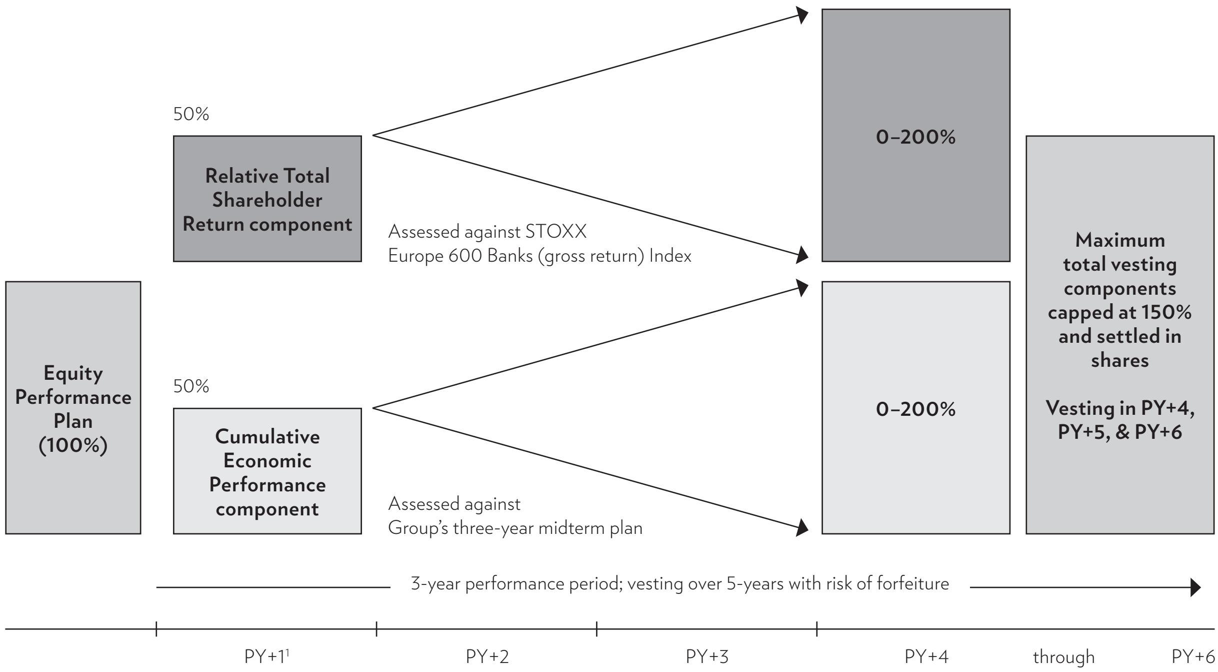
ADDITIONAL HONORARIA, RELATED PARTIES, OTHER IMPORTANT INFORMATION (AUDITED)

The compensation disclosed for the ExB members includes the compensation for the same function those members assume at the level of the ExB of Bank Julius Baer & Co. Ltd., the principal entity of Julius Baer Group Ltd.

No compensation has been granted to parties related to members of the ExB.

VESTED COMPENSATION

The EPP vesting is contingent upon the performance of the two KPIs (namely, the cEP and the rTSR). As illustrated below, the number of shares delivered under the EPP is between 0% and 150% (final multiplier of 0 to 1.5) of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%).



[1] Grant takes place in February following the performance year (PY).

The final multiplier for the 2019 EPP programme (vesting 15 February 2022) is 1.500 (capped), calculated as follows:

Final multiplier	Weighting	KPI Performance	Target range	Multiplier
rTSR	50.0%	56.4%	-22% / +28%	3.137
cEP	50.0%	17.2%	+/- 50%	1.345
Final multiplier (uncapped)				**2.241**
Final multiplier (capped)				**1.500**

Of which the individual KPI performance was calculated as follows:

	2019 to 2021		
rTSR Performance	**INDEX[1]**	**BAER**	**rTSR**
rTSR performance (+3% target):	**12.29%**	**68.73%**	**56.4%**

cEP Performance 2019–2021 cumulative totals in CHF m	TARGET	ACTUAL	cEP
Operating income	**10,912**	**10,824**	
Adjusted operating expenses[2]	-7,648	-7,284	
of which adjusted bonus	-1,177	-1,082	
Operating expenses before bonus	-6,471	-6,202	
Adjusted net operating profit before bonus and taxes	**4,441**	**4,622**	
Adjusted income taxes before taxes and bonus	-788	-661	
Adjusted net operating profit before bonus and after taxes	**3,653**	**3,961**	
Cost of capital[2]	-794	-610	
Economic profit before bonus[2]	**2,859**	**3,352**	
cEP performance:			**17.2%**

[1] STOXX Europe 600 Banks (gross return) Index

[2] Economic profit before bonus is calculated as the sum of adjusted profit before bonus (using the same tax rate as for the full adjusted profit calculation), cost of capital and non-compensable items. The definition of adjusted profit is available from the Alternative Performance Measures document, available from www.juliusbaer.com/apm. The cost of capital charge is calculated by applying a pre-defined cost of capital rate to the average required capital for the period, with a lower pre-defined cost of capital rate being applied to average excess capital for the period.

COMPENSATION, LOANS AND SHAREHOLDINGS OF THE BOARD OF DIRECTORS (AUDITED)

This section provides the data for 2021 and 2020. The details of the compensation system for members of the BoD are presented in the *Board of Directors compensation* section of this Remuneration Report.

Compensation of the members of the Board of Directors[1]		Base salary[2] *CHF 1,000*	Share-based payments[3] *CHF 1,000*	Social security contributions and varia[4] *CHF 1,000*	**Total** *CHF 1,000*
Romeo Lacher – Chairman	**2021**	**400**	**600**	**119**	**1,119**
	2020	400	600	84	1,084
Gilbert Achermann	**2021**	**127**	**120**	**31**	**278**
	2020	132	120	24	276
Heinrich Baumann	**2021**	**163**	**120**	**31**	**314**
	2020	166	120	24	310
Richard M. Campbell-Breeden	**2021**	**210**	**120**	**61**	**391**
	2020	210	120	49	379
Paul Man Yiu Chow (left the Board at AGM 2020)	**2021**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2020	29	0	8	37
Ivo Furrer	**2021**	**127**	**120**	**31**	**278**
	2020	139	120	25	284
Claire Giraut	**2021**	**145**	**120**	**28**	**293**
	2020	141	120	22	283
Christian Meissner (joined the Board at AGM 2020 and left the Board on 12 October 2020)	**2021**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2020	75	0[5]	26	101
David Nicol (joined the Board at AGM 2021)	**2021**	**113**	**120**	**27**	**260**
	2020	n.a.	n.a.	n.a.	n.a.
Kathryn Shih (joined the Board on 1 September 2020)	**2021**	**132**	**120**	**27**	**279**
	2020	43	75	6	124
Charles G. T. Stonehill (left the Board at AGM 2021)	**2021**	**38**	**0**	**27**	**65**
	2020	153	120	36	309
Eunice Zehnder-Lai	**2021**	**140**	**120**	**32**	**292**
	2020	137	120	25	282
Olga Zoutendijk	**2021**	**175**	**120**	**51**	**346**
	2020	175	120	0	295
Total	**2021**	**1,770**	**1,680**	**465**	**3,915**
Total	2020	1,800	1,635	329	3,764

At the end of 2021, the BoD consisted of ten members (consistent with the end of 2020). Raymond J. Baer remains Honorary Chairman of the Board of Directors. For 2021, he was compensated with CHF 12,924 (incl. VAT) through a third-party agreement for his activities on behalf of Julius Baer (CHF 61,000 incl. VAT in 2020).

[1] The members of the BoD of Julius Baer Group Ltd. assume similar director roles on the BoD of Bank Julius Baer & Co. Ltd. For more information on the detailed compensation components of the BoD please refer to the *Board of Directors compensation* section of this Remuneration Report.

[2] The base salaries are disclosed on a business year basis according to the requirements of the Ordinance.

The Chairman is paid a fixed base salary in cash of CHF 400,000 per term (AGM to AGM); no further compensation is paid for his work at the level of the Board Committees.

The work on the Board Committees (excl. the Chairman) is compensated as follows (all figures per term AGM to AGM): (1) General base payment: CHF 90,000; (2) Governance & Risk Committee: membership and chairmanship: CHF 60,000; (3) Audit Committee: chairmanship CHF 60,000, membership CHF 25,000; (4) Nomination & Compensation Committee: chairmanship CHF 60,000, membership CHF 25,000; and (5) Development & Innovation Committee: chairmanship CHF 30,000, membership CHF 12,500.

[3] The share-based elements reflect a fixed amount in CHF (currently CHF 120,000 for BoD members and CHF 600,000 for the Chairman, rounded up to the next share) and are granted each year upon election or re-election to the BoD. The share-based payments are valued at fair value at the grant date (CHF 57.53 per share of Julius Baer Group Ltd. as at 2 May 2021; CHF 37.31 per share of Julius Baer Group Ltd. as at 2 May 2020).

At the AGM in 2021, Romeo Lacher (Chairman), Gilbert Achermann, Heinrich Baumann, Richard M. Campbell-Breeden, Ivo Furrer, Claire Giraut, Kathryn Shih, Eunice Zehnder-Lai and Olga Zoutendijk were re-elected for a term of one year, and David Nicol was elected as a new BoD member.

[4] The amounts reported for 2021 and 2020 include Julius Baer's actual contributions to social security in the respective reporting period in accordance with the Ordinance, amounting to CHF 369,720 for 2021 and CHF 252,181 for 2020. Depending on the domicile of the BoD member and the applicable local legislation, contributions to social security vary despite the similar level of compensation among members of the BoD.

The value of the share-based payments shown in the above table cannot be compared with the figures in Note 31 of the 2021 Annual Report under the chapter *III. Financial Statements Julius Baer Group 2021, Share-based payments and other compensation plans* because the latter discloses the compensation expense for the shares that have been recognised during the applicable reporting periods.

[5] The share grant made to Christian Meissner forfeited upon his departure from the BoD in October 2020 (i.e. prior to the end of his one-year term).

Under the forfeiture clause, the members of the BoD are only entitled to the shares granted to them if they fulfil the entire term for which they have been elected or re-elected. Should a BoD member resign between two AGMs, any unvested shares are generally forfeited. In that event, the cash element of their compensation will, however, be paid on a pro rata basis. In the event of dismissal of the Chairperson or a BoD member by an Extraordinary General Meeting, both the cash and the share elements will be paid on a pro rata basis. In the event of disability or death, all awards granted may be retained by the BoD member and no forfeiture applies.

BoD members are not entitled to participate in any performance-related share or cash programme at either Group or Bank level.

No compensation was granted to parties related to members of the BoD.

LOANS TO THE MEMBERS OF THE BOARD OF DIRECTORS (AUDITED)

	31.12.2021		31.12.2020	
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Board of Directors				
Romeo Lacher – Chairman	**-**	**-**	-	-
Gilbert Achermann	**-**	**-**	-	-
Heinrich Baumann	**500,000**	**-**	2,780,000	-
Richard M. Campbell-Breeden	**-**	**-**	-	-
Ivo Furrer	**-**	**-**	-	-
Claire Giraut	**-**	**-**	-	-
Christian Meissner (joined the Board at AGM 2020 and left it on 12 October 2020)	**n.a.**	**n.a.**	n.a.	n.a.
David Nicol (joined the board as AGM 2021)	**-**	**-**	n.a.	n.a.
Kathryn Shih (joined the Board on 1 September 2020)	**-**	**-**	-	-
Charles G. T. Stonehill (left the Board at AGM 2021)	**n.a.**	**n.a.**	-	-
Eunice Zehnder-Lai	**-**	**-**	-	-
Olga Zoutendijk	**-**	**-**	-	-
Total	**500,000**	**-**	2,780,000	-

The loans granted to members of the BoD consist of Lombard loans on a secured basis (through pledging of securities portfolios or other marketable coverage), fixed-rate mortgages (on a fixed-rate basis), Libor mortgages and floating-rate mortgages (the latter two on a variable-rate basis).

The interest rates on the Lombard loans and the mortgages for BoD members and related parties are in line with normal market rates at the time the loans were granted and do not include any preferential conditions.

Members of the BoD benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS (AUDITED)

Shareholdings of the members of the Board of Directors[1]		Number of shares
Romeo Lacher – Chairman	**2021**	**28,183**
	2020	12,100
Gilbert Achermann	**2021**	**22,188**
	2020	18,971
Heinrich Baumann	**2021**	**13,393**
	2020	14,698
Richard M. Campbell-Breeden	**2021**	**14,375**
	2020	9,658
Ivo Furrer	**2021**	**7,500**
	2020	8,867
Claire Giraut	**2021**	**31,478**
	2020	28,261
David Nicol (joined the Board at AGM 2021)	**2021**	**-**
	2020	n.a.
Kathryn Shih (joined the Board on 1 September 2020)	**2021**	**2,011**
	2020	n.a.
Charles G. T. Stonehill (left the Board at AGM 2021)	**2021**	**n.a.**
	2020	18,631
Eunice Zehnder-Lai	**2021**	**5,637**
	2020	2,420
Olga Zoutendijk	**2021**	**5,637**
	2020	2,420
Total	**2021**	**130,402**
Total	2020	116,026

[1] Including shareholdings of related parties

None of the BoD members held any option positions on Julius Baer Group Ltd. shares as at year-end 2021 and 2020.

Share ownership requirements (SOR) for the members of the BoD were introduced with effect from 2014.

The Chairperson of the BoD is required to build up and maintain 25,000 vested shares of Julius Baer Group Ltd., the other members of the BoD 7,500 each.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years following election (and reached at year-end of the respective year) and maintained until the Board member leaves the BoD.

BoD members who were elected and/or re-elected in 2018 or earlier (i.e. all BoD members except for Romeo Lacher [Chairman], David Nicol, Kathryn Shih, Eunice Zehnder-Lai and Olga Zoutendijk) were required to reach the targeted number of shares by year-end 2021. Romeo Lacher (Chairman), Eunice Zehnder-Lai and Olga Zoutendijk are required to reach the targeted number of shares by year-end 2022, Kathryn Shih is required to reach such target by year-end 2023, and David Nicol by year-end 2024.

FORMER DIRECTORS

In 2021, no compensation was granted to BoD members who left the BoD in 2020 or earlier.

No loans to former members of the BoD (or their related parties) were outstanding at year-end 2021 or were granted in 2021 at conditions that were not in line with market rates.

ABBREVIATIONS

AGM	Annual General Meeting
ANPbBT	Adjusted net profit before variable compensation (bonus) and taxes
BIS	Bank for International Settlements
BoD	Board of Directors
bp	Basis points
CCE	Client and Conduct Excellence
CCO	Chief Communications Officer
CEO	Chief Executive Officer
cEP	Cumulative Economic Profit
CFO	Chief Financial Officer
CoC	Cost of Capital
COO	Chief Operating Officer
CRO	Chief Risk Officer
CRD	Capital Requirements Directive
D&I	Diversity & Inclusion
DBP	Deferred Bonus Plan
DCP	Deferred Cash Plan
ExB	Executive Board of Julius Baer Group Ltd.
EMEA	Europe, Middle East & Africa
EP	Economic Profit
EPP	Equity Performance Plan
ESG	Environmental, Social & Governance
IFRS	International Financial Reporting Standards
Index	STOXX® Europe 600 Banks Index (gross return)
KMP	Kuoni Mueller & Partner
KPI(s)	Key Performance Indicator(s)
KRT(s)	Key Risk Taker(s)
LTI	Long-Term Incentive Plan
MTP	Strategic 3-year Mid-Term Plan
NCC	Nomination & Compensation Committee
NNM	Net New Money
OPR	Overall Performance Rating
Ordinance	Swiss Ordinance against Excessive Compensation in Listed Companies
PSP	Premium Share Plan
RM(s)	Relationship Manager(s)
rTSR	Relative Total Shareholder Return
SMI	Swiss Market Index
SMIM	Swiss Market Index Mid-cap
SOR	Share ownership requirements
SPP	Staff Participation Plan
TSR	Total Shareholder Return
TVC	Total variable compensation
VC	Variable compensation

TERMINATION PROVISIONS OF JULIUS BAER PLANS

Award Name	Voluntary termination	Termination without cause	Death	Disability	Retirement	Termination for cause	Change of control
Deferred Bonus Plan (DBP)	Unvested awards are forfeited upon notice of termination.	Unvested awards vest in accordance with the original vesting schedule.	Unvested awards vest within 30 days of the notification of the event.	Unvested awards vest within 30 days of the date of termination.	Unvested awards vest in accordance with the original vesting schedule.	Unvested awards are forfeited upon notice of termination; vested awards subject to clawback.	Award adjustments solely at BoD discretion based on intrinsic value outstanding.
Equity Performance Plan (EPP)	Unvested awards are forfeited upon notice of termination.	Pro rata portion of unvested awards vests upon the date of termination subject to final performance multiplier assessment at the end of the plan period.	Unvested awards vest based on an assumed final multiplier of 100% and are transferred within 30 days of the notification of the event.	Unvested awards vest based on an assumed final multiplier of 100% and are transferred within 30 days of the date of termination.	Risk of forfeiture lapses on the date of retirement, vesting subject to the final multiplier performance assessment at the end of the plan period.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at BoD discretion. Intrinsic value roll-over of awards and/or early evaluation of actual performance followed by vesting permitted.
Deferred Cash Plan (DCP)	Unvested awards are forfeited upon notice of termination.	Unvested awards vest in accordance with the original vesting schedule.	Unvested awards vest within 30 days of the notification of the event.	Unvested awards vest on the date of termination.	Unvested awards vest in accordance with the original vesting schedule.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at NCC's discretion based on intrinsic value outstanding.
Premium Share Plan (PSP)	Unvested awards from deferral and premium shares are forfeited upon notice of termination.	Unvested awards from deferral vest in accordance with the original vesting schedule. Premium shares are forfeited.	Unvested awards from deferral and premium shares vest within 30 days of the notification of the event.	Unvested awards from deferral and premium shares vest within 30 days of termination.	Unvested awards from deferral and premium shares vest in accordance with the original vesting schedule.	Unvested awards from deferral and premium shares are forfeited upon notice of termination.	Award adjustments solely at NCC's discretion based on intrinsic value outstanding.
Long-Term Incentive Plan (LTI)	Unvested awards are forfeited upon notice of termination.	All or a portion of unvested awards vest in accordance with the original vesting schedule (dependent on termination reason).	Unvested awards vest within 30 days of the notification of the event.	Unvested awards vest on the date of termination.	Unvested awards vest in accordance with the original vesting schedule.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at NCC's discretion based on intrinsic value outstanding.

REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

Report of the Statutory Auditor

To the General Meeting of Julius Baer Group Ltd., Zurich

We have audited the sections marked as (audited) on the pages 83 to 92 of the remuneration report of Julius Baer Group Ltd. for the year ended 31 December 2021.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2021 of Julius Baer Group Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

M. Liberto C. Wipfler

Mirko Liberto Licensed Audit Expert Auditor in Charge	Corina Wipfler Licensed Audit Expert

Zurich, 15 March 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2021

96 CONSOLIDATED FINANCIAL STATEMENTS
96 Consolidated income statement
97 Consolidated statement of comprehensive income
98 Consolidated balance sheet
100 Consolidated statement of changes in equity
102 Consolidated statement of cash flows

104 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

116 COMMENT ON RISK MANAGEMENT
116 Risk management framework
116 Risk tolerance framework
117 Risk governance
120 Risk culture
121 Group risk landscape
122 Capital planning and liquidity contingency plan
123 Stress testing
124 Risk reporting
125 The three lines of defence
126 Credit risk
129 Market risk
131 Treasury risk
133 Non-financial risk

135 COMMENT ON CAPITAL MANAGEMENT
135 Management of capital including regulatory capital
138 Leverage ratio

139 INFORMATION ON THE CONSOLIDATED INCOME STATEMENT
139 Net interest income
139 Net commission and fee income
140 Other ordinary results
140 Personnel expenses
140 General expenses
141 Income taxes

143 INFORMATION ON THE CONSOLIDATED BALANCE SHEET
143 Classification of financial assets and financial liabilities
145 Financial assets and financial liabilities measured at FVTPL
145 Financial assets measured at FVOCI
146 Property, equipment and leases
148 Goodwill and intangible assets
151 Assets pledged or ceded
151 Financial liabilities designated at fair value
152 Debt issued
156 Deferred tax assets
157 Deferred tax liabilities
158 Provisions
163 Other assets
163 Other liabilities
163 Share capital

164 ADDITIONAL INFORMATION
164 Earnings per share and shares outstanding
165 Reporting by segment
166 Related party transactions
167 Pension plans
172 Securities transactions
173 Derivative financial instruments
175 Financial instruments – Fair values
178 Financial instruments – Fair value determination
183 Financial instruments – Transfers between fair value level 1 and level 2
184 Financial instruments – Expected credit losses
193 Financial instruments – Credit risk analysis
194 Financial instruments – Collateral analysis
195 Financial instruments – Offsetting
196 Market risk measures
200 Interest rate risk measures
201 Hedge accounting
206 Interest rate benchmark reform
208 Liquidity analysis
209 Companies consolidated
213 Investments in associates
213 Unconsolidated structured entities
214 Acquisitions and disposals
216 Share-based payments and other compensation plans
220 Assets under management
223 Requirements of Swiss banking law
223 Events after the balance sheet date

224 ABBREVIATIONS USED IN THE GROUP'S FINANCIAL STATEMENTS

225 REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	2021 CHF m	2020 CHF m	Change %
Interest income on financial instruments measured at amortised cost or FVOCI		**758.6**	825.2	-8.1
Interest expense on financial instruments measured at amortised cost		**131.6**	203.5	-35.3
Net interest income	1	**627.0**	621.7	0.9
Commission and fee income		**2,566.9**	2,250.1	14.1
Commission expense		**271.0**	235.1	15.3
Net commission and fee income	2	**2,295.9**	2,015.0	13.9
Net income from financial instruments measured at FVTPL		**884.3**	943.5	-6.3
Net credit losses/(recoveries) on financial assets		**1.8**	35.5	-
Other ordinary results	3	**52.4**	38.4	36.4
Operating income		**3,857.8**	3,583.1	7.7
Personnel expenses	4	**1,660.7**	1,595.5	4.1
General expenses	5	**682.6**	710.7	-4.0
Depreciation of property and equipment	10	**95.7**	100.5	-4.8
Amortisation and impairment of customer relationships	11	**57.9**	70.1	-17.3
Amortisation and impairment of intangible assets	11	**102.2**	260.4	-60.8
Operating expenses		**2,599.1**	2,737.2	-5.0
Profit before taxes		**1,258.7**	845.9	48.8
Income taxes	6	**176.1**	147.3	19.5
Net profit		**1,082.7**	698.6	55.0

Attributable to:				
Shareholders of Julius Baer Group Ltd.		**1,082.0**	698.0	55.0
Non-controlling interests		**0.7**	0.6	-
		1,082.7	698.6	55.0

	Note	2021 CHF	2020 CHF	Change %
Share information				
Basic earnings per share (EPS)	19	**5.06**	3.25	55.8
Diluted earnings per share (EPS)	19	**5.06**	3.23	56.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 *CHF m*	2020 *CHF m*
Net profit recognised in the income statement	**1,082.7**	698.6
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**-101.5**	105.7
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-9.8**	-15.0
Effective portion of changes in fair value of hedging instruments designated as cash flow hedges	**-8.7**	-
Translation differences	**-7.8**	-165.6
Realised (gains)/losses on translation differences reclassified to the income statement	**-1.4**	2.5
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**32.1**	-11.6
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**3.1**	-3.9
Remeasurement of defined benefit obligation	**56.8**	21.0
Other comprehensive income	**-37.1**	-66.8
Total comprehensive income	**1,045.6**	631.8
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**1,044.8**	631.2
Non-controlling interests	**0.7**	0.6
	1,045.6	631.8

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2021** *CHF m*	31.12.2020 *CHF m*
Assets			
Cash		**19,851.2**	14,544.4
Due from banks		**4,598.4**	7,349.9
Loans	26	**50,417.1**	47,207.6
Financial assets measured at FVTPL	8/25	**14,589.1**	13,429.8
Derivative financial instruments	24	**2,086.6**	2,562.3
Financial assets designated at fair value	25	**322.9**	269.6
Financial assets measured at FVOCI	9/26	**13,360.6**	13,796.4
Investments in associates	29	**28.9**	21.2
Property and equipment	10	**514.6**	580.5
Goodwill and other intangible assets	11	**2,660.7**	2,637.4
Accrued income and prepaid expenses		**418.9**	363.7
Deferred tax assets	15	**28.3**	20.1
Other assets	17	**7,428.5**	6,354.1
Total assets		**116,305.8**	109,137.0

	Note	**31.12.2021** *CHF m*	31.12.2020 *CHF m*
Liabilities and equity			
Due to banks		**4,217.2**	5,087.9
Due to customers		**83,201.2**	77,784.5
Financial liabilities measured at FVTPL	8/25	**749.5**	896.5
Derivative financial instruments	24	**2,547.1**	2,554.6
Financial liabilities designated at fair value	13	**14,459.0**	13,154.8
Debt issued	14	**2,644.3**	1,478.2
Accrued expenses and deferred income		**768.9**	688.0
Current tax liabilities		**291.6**	209.8
Deferred tax liabilities	15	**84.5**	74.5
Provisions	16	**96.8**	115.9
Other liabilities	17	**502.3**	658.1
Total liabilities		**109,562.5**	102,702.8
Share capital	18	**4.4**	4.5
Retained earnings		**7,615.8**	6,931.9
Other components of equity		**-200.0**	-106.1
Treasury shares		**-685.8**	-404.7
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,734.4**	6,425.6
Non-controlling interests		**9.0**	8.6
Total equity		**6,743.3**	6,434.1
Total liabilities and equity		**116,305.8**	109,137.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*	OCI related to equity instruments at FVOCI *CHF m*	OCI related to debt instruments at FVOCI *CHF m*
At 1 January 2020	4.5	6,557.4	132.0	33.5
Net profit	-	698.0	-	-
Items that may be reclassified to the income statement	-	-	-	90.8
Items that will not be reclassified to the income statement	-	21.0	-11.6	-
Total other comprehensive income	-	21.0	-11.6	90.8
Total comprehensive income	-	718.9	-11.6	90.8
Changes in non-controlling interests	-	-1.6	-	-
Dividends	-	-331.8[2]	-	-
Dividend income on own shares	-	8.4	-	-
Share-based payments expensed for the year	-	71.6	-	-
Share-based payments vested	-	-52.6	-	-
Changes in derivatives on own shares	-	-35.2	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	-3.3	-	-
At 31 December 2020	4.5	6,931.9	120.4	124.2
At 1 January 2021	**4.5**	**6,931.9**	**120.4**	**124.2**
Net profit	**-**	**1,082.0**	**-**	**-**
Items that may be reclassified to the income statement	**-**	**-**	**-**	**-111.3**
Items that will not be reclassified to the income statement	**-**	**56.8**	**32.1**	**-**
Total other comprehensive income	**-**	**56.8**	**32.1**	**-111.3**
Total comprehensive income	**-**	**1,138.7**	**32.1**	**-111.3**
Capital reduction	**-0.1**	**-113.2**	**-**	**-**
Changes in non-controlling interests	**-**	**-0.5**	**-**	**-**
Dividends	**-**	**-385.8**[3]	**-**	**-**
Dividend income on own shares	**-**	**6.7**	**-**	**-**
Share-based payments expensed for the year	**-**	**93.3**	**-**	**-**
Share-based payments vested	**-**	**-62.0**	**-**	**-**
Changes in derivatives on own shares	**-**	**-10.6**	**-**	**-**
Acquisitions of own shares	**-**	**-**	**-**	**-**
Disposals of own shares	**-**	**17.2**	**-**	**-**
At 31 December 2021	**4.4**	**7,615.8**	**152.5**	**12.9**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
[2] Dividend payment per share CHF 0.75 and CHF 0.75
[3] Dividend payment per share CHF 1.75

Other components of equity						
Cash flow hedges *CHF m*	Own credit risk on financial liabilities designated at FV *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
-	0.0	-183.9	-363.2	6,180.2	9.2	6,189.4
-	-	-	-	698.0	0.6	698.6
	-	-163.0	-	-72.2	-0.1	-72.3
-	-3.9	-	-	5.5	-	5.5
-	-3.9	-163.0	-	-66.8	-0.1	-66.8
-	-3.9	-163.0	-	631.2	0.6	631.8
-	-	-	-	-1.6	1.6	-
-	-	-	-	-331.8	-2.7	-334.6
-	-	-	-	8.4	-	8.4
-	-	-	-	71.6	-	71.6
-	-	-	52.6	-	-	-
-	-	-	42.4	7.3	-	7.3
-	-	-	-368.4	-368.4	-	-368.4
-	-	-	231.9	228.6	-	228.6
-	-3.9	-346.9	-404.7	6,425.6	8.6	6,434.1

-	**-3.9**	**-346.9**	**-404.7**	**6,425.6**	**8.6**	**6,434.1**
-	**-**	**-**	**-**	**1,082.0**	**0.7**	**1,082.7**
-8.7	**-**	**-9.1**	**-**	**-129.1**	**0.0**	**-129.1**
-	**3.1**	**-**	**-**	**92.0**	**-**	**92.0**
-8.7	**3.1**	**-9.1**	**-**	**-37.1**	**0.0**	**-37.1**
-8.7	**3.1**	**-9.1**	**-**	**1,044.8**	**0.7**	**1,045.6**
-	**-**	**-**	**113.2**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-0.5**	**2.3**	**1.7**
-	**-**	**-**	**-**	**-385.8**	**-2.6**	**-388.4**
-	**-**	**-**	**-**	**6.7**	**-**	**6.7**
-	**-**	**-**	**-**	**93.3**	**-**	**93.3**
-	**-**	**-**	**62.0**	**-**	**-**	**-**
-	**-**	**-**	**13.7**	**3.1**	**-**	**3.1**
-	**-**	**-**	**-659.3**	**-659.3**	**-**	**-659.3**
-	**-**	**-**	**189.2**	**206.5**	**-**	**206.5**
-8.7	**-0.8**	**-356.0**	**-685.8**	**6,734.4**	**9.0**	**6,743.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 *CHF m*	2020 *CHF m*
Net profit	**1,082.7**	698.6
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
– Depreciation of property and equipment	**95.7**	100.5
– Amortisation and impairment of intangible assets	**160.1**	330.5
– Change in loss allowance	**1.8**	35.5
– Deferred tax expense/(benefit)	**-12.3**	-3.7
– Net loss/(gain) from investing activities	**-4.5**	-0.9
– Other non-cash income and expenses	**93.3**	71.6
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-849.0**	1,869.3
– Net financial assets measured at FVTPL and derivative financial instruments	**-846.8**	131.5
– Net loans/due to customers	**2,203.2**	6,062.5
– Issuance and repayment of financial liabilities designated at fair value	**1,254.0**	-94.8
– Accrued income, prepaid expenses and other assets	**-1,127.3**	-2,686.2
– Accrued expenses, deferred income, other liabilities and provisions	**-51.9**	-192.7
Adjustment for income tax expenses	**188.4**	151.0
Income taxes paid	**-105.3**	-145.3
Cash flow from operating activities	**2,081.9**	6,327.4
Purchase of property and equipment and intangible assets	**-196.8**	-185.5
Disposal of property and equipment and intangible assets	**0.2**	0.5
Net (investment in)/divestment of financial assets measured at FVOCI	**497.4**	-964.8
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-18.5**	0.3
Deferred payments of acquisition of subsidiaries and associates	**-25.0**	-13.1
Cash flow from investing activities	**257.2**	-1,162.6
Net movements in treasury shares and own equity derivative activity	**-443.0**	-124.1
Dividend payments	**-385.8**	-331.8
Changes in debt issued	**1,201.5**	-349.9
Dividend payment to non-controlling interests	**-2.6**	-2.7
Cash flow from financing activities	**370.1**	-808.6
Net (decrease)/increase in cash and cash equivalents	**2,709.3**	4,356.2

	2021 *CHF m*	2020 *CHF m*
Cash and cash equivalents at the beginning of the year	**23,062.8**	18,566.0
Cash flow from operating activities	**2,081.9**	6,327.4
Cash flow from investing activities	**257.2**	-1,162.6
Cash flow from financing activities	**370.1**	-808.6
Effects of exchange rate changes on cash and cash equivalents	**27.6**	140.6
Cash and cash equivalents at the end of the year	**25,799.7**	23,062.8

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Cash and cash equivalents are structured as follows:		
Cash	**19,851.2**	14,544.4
Debt instruments measured at FVOCI (original maturity of less than three months)	**1,485.8**	1,325.8
Due from banks (original maturity of less than three months)	**4,462.7**	7,192.6
Total	**25,799.7**	23,062.8

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Additional cash flow information		
Interest received in cash	**702.5**	897.8
Interest paid in cash	**-86.7**	-321.9
Dividends on equities received (including associates) in cash	**205.1**	225.5

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Leases		
Cash payments – leases	**-61.7**	-57.2
Cash payments – interest paid	**-4.9**	-5.7
Short-term lease payments	**-2.5**	-3.5
Total	**-69.1**	-66.4

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Julius Baer Group Ltd. is a Swiss corporation which is committed to the wealth management business. The consolidated financial statements as at 31 December 2021 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 1 February 2022. In addition, they are submitted for approval to the Annual General Meeting on 12 April 2022.

Amounts in the consolidated financial statements are stated in Swiss francs. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets measured at fair value through profit or loss or at fair value through other comprehensive income, derivative financial instruments, as well as certain financial liabilities that are measured at fair value and precious metals that are measured at fair value less costs to sell.

USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results in future periods could differ from such estimates.

Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are in part discussed in the corresponding notes: determination of the fair values of financial instruments, assessment of the business model when classifying financial instruments, uncertainties in measuring provisions and contingent liabilities, loss allowances (measurement of expected credit losses), pension assets and liabilities (measurement of defined benefit obligation), income taxes (judgement regarding the interpretation of the applicable tax laws and the respective tax practice, such as transfer pricing or deductible versus non-deductible items, and anticipation of tax audit issues), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount) and contingent considerations.

ACCOUNTING POLICIES

All Group companies apply uniform accounting and measurement principles, which have remained the same as in the previous year, except as outlined at the end of this summary in the section changes in accounting policies.

Business combinations
In a business combination, the acquirer obtains control over one or more businesses. The business combination is accounted for using the acquisition method. This involves recognising the identifiable assets, including previously unrecognised intangible assets, and liabilities of the acquired business at acquisition-date fair value. Any excess of the consideration provided, such as assets or equity instruments issued and measured at acquisition-date fair value, over the identifiable net assets acquired, is recognised as goodwill. Transaction costs are expensed as incurred.

Subsidiaries and associates
Investees in which Julius Baer Group Ltd. exercises control are fully consolidated. The following three elements constitute control:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor’s returns.

If the Group is exposed to all three elements, it controls an investee. The assessment is based on all facts and circumstances and is reassessed as conditions may change.

A complete list of these companies is provided in Note 29A. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

Companies in which Julius Baer Group Ltd. has the ability to exercise significant influence over the financial and operating policies are reported in the consolidated financial statements using the equity method. These associates are initially recorded at cost as of the date of acquisition. Subsequently, the carrying amount is adjusted for the post-acquisition change in the Group's share of the associate's net assets.

The effects of all intercompany transactions and balances are eliminated on consolidation. Gains and losses resulting from transactions with associates are recognised only to the extent of the unrelated investor's interest in the associate.

Foreign currency translation
The Group companies prepare their financial statements in their respective functional currency. The balance sheets of Group companies that are denominated in foreign currencies are translated into Swiss francs at the closing exchange rates on the balance sheet date. Average exchange rates for the reporting period are used for the income statements. Exchange differences arising from consolidation using closing and average exchange rates for the reporting period are recognised in other comprehensive income. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal.

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2021	31.12.2020	**2021**	2020
USD/CHF	**0.9111**	0.8839	**0.9150**	0.9340
EUR/CHF	**1.0362**	1.0816	**1.0795**	1.0705
GBP/CHF	**1.2341**	1.2083	**1.2580**	1.2060

Revenue recognition
The Group uses a model for the recognition of revenues which features a contract-based five-step analysis of transactions to determine whether, to what extent and when revenue is recognised:

- identify the contract(s) with a customer (step 1);
- identify the performance obligations in the contract (step 2);
- determine the transaction price (step 3);
- allocate the transaction price to the performance obligations in the contract (step 4);
- recognise revenue when (or as) the Group satisfies a performance obligation (step 5).

The Group recognises fee and commission income related to its wealth management-related services either at the time the service is performed, i.e. upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time. In all cases, the fees and commissions must be based on a legally enforceable contract. Income and income components that are based on performance are recognised to the extent that it is highly probable that a significant reversal will not occur.

Financial instruments
Recognition
All financial instruments are initially measured at fair value; for financial instruments not at fair value through profit or loss, eligible transaction costs are included.

Foreign exchange, securities and derivatives transactions are recorded in the balance sheet on trade date. All other financial instruments are recorded on settlement date.

Measurement
Two criteria are used to determine how financial assets should be classified and subsequently measured:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

A business model refers to how an entity manages its financial assets in order to achieve a particular business objective and to generate cash flows:

- by collecting contractual cash flows, i.e. cash flows stem primarily from interest payments and repayment of principal;
- by selling the financial assets, i.e. cash flows stem primarily from buying and selling the financial asset; or
- by a combination of the two models above.

The additional criterion for determining the classification of a financial asset is whether the contractual cash flows are solely payments of principal and interest (SPPI criterion). Interest under this model mainly comprises returns for the time value of money, credit risk, administration costs and a profit margin. Interest is accounted for under the effective interest method.

Based on the analysis of the business model and the nature of the contractual cash flows, a financial asset is allocated at initial recognition to one of the three principal classification categories and subsequently measured at either:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

Amortised cost: A debt instrument is measured at amortised cost if the following conditions are fulfilled:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- it meets the SPPI criterion.

The Group originates Lombard and mortgage loans related to its business with wealth management clients. Such loans are held to maturity and to collect the contractual interests during the loan term. In addition, they fulfil the SPPI criterion. The Group's loans are therefore measured at amortised cost.

The Group holds balances with other banks, which are accounted for at amortised cost if the above conditions are fulfilled.

Fair value through other comprehensive income (FVOCI): A debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

– it is held within a business model in which assets are managed both in order to collect contractual cash flows and for sale; and
– it meets the SPPI criterion.

The Group acquires debt instruments (bonds, money market instruments) for its asset and liability management purposes, i.e. to collect the contractual cash flows, and/or for sale. The Group's debt instruments in this portfolio are therefore measured at fair value through other comprehensive income if the SPPI criterion is fulfilled as well.

Fair value through profit or loss (FVTPL): All financial assets that do not meet the SPPI criterion and/or are not held in a business model 'held to collect' or 'held to collect or for sale' are measured at fair value through profit or loss.

The Group applies this measurement principle to its trading portfolio, its derivatives and some financial instruments mandatorily measured at FVTPL.

In addition, at initial recognition, an entity has the option to irrevocably designate financial instruments as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities, or recognise the gains or losses on them, on different bases.

The Group applies this fair value option to certain financial assets related to its issued structured notes.

Equity instruments: Equity instruments are generally accounted for at fair value through profit or loss. However, at initial recognition, an entity may make an irrevocable election, on an instrument-by-instrument basis, to present in other comprehensive income (OCI) changes in the fair value of the equity instrument that is not held for trading.

The Group applies the OCI option to its investments in service providers that are necessary to run the Group's daily business. All other equity investments, including the equities held for trading purposes, are measured at FVTPL.

Financial liabilities: Financial liabilities are classified and subsequently measured at amortised cost, except for instruments that are held for trading (including derivatives), which are recognised at FVTPL.

The Group applies this measurement principle to its amounts due to banks and customers (deposits) and its debt issued (bonds).

Financial liabilities may initially be designated as at fair value through profit or loss (the fair value option – see conditions above).

This fair value option for financial liabilities requires that the amount of change in fair value attributable to changes in the own credit risk of the liability be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement.

The Group applies the fair value option to its issued structured notes.

Expected credit losses (ECL)
General ECL model: An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the

amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments.

In general, the expected credit loss model uses a dual measurement approach:

- if the credit risk of a debt instrument has not increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to the 12-month expected credit losses (‘stage 1’ ECL);
- if the credit risk of a debt instrument has increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to lifetime expected credit losses (‘stage 2’ ECL) or the debt instrument is impaired (‘stage 3’ ECL).

At initial recognition, the Group classifies all financial assets in stage 1 since it does not acquire or originate credit-impaired debt instruments.

Significant increase: If a significant increase in credit risk has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination. This implies that for financial assets with initially lower default probabilities, a relatively higher deterioration in credit quality is needed to trigger a significant increase than for those assets with originally higher probabilities of default.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the financial asset is transferred back into the 12-month expected credit losses category (stage 1).

Measurement of ECL: An entity should measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, i.e. based on probability of default;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Generally, ECL calculations are based on four components:

- probability of default (PD)
- exposure at default (EAD)
- loss given default (LGD)
- discount rate (IR)

These four components are used in the following basic formula: ECL = PD * EAD * LGD * IR

Recognition of the loss allowance and write-offs: The impairment loss recognised in the income statement (net impairment losses/[recoveries] on financial assets) is the amount required to adjust the loss allowances from the previous reporting date to the current reporting date due to the periodic detailed ECL calculation.

In the balance sheet, the loss allowance related to debt instruments measured at amortised cost is deducted directly from the asset. For debt instruments measured at FVOCI, the loss allowance is recognised in other comprehensive income (equity) and therefore does not reduce the carrying amount of the asset in the balance sheet. This ensures that the carrying amount of these assets is always measured at the fair value.

The gross carrying amount of a financial asset is written off when there is no reasonable expectation of recovery of the amount, i.e. the amount outstanding is deemed uncollectible or forgiven. The time of each write-off is individually determined on a case-by-case basis once the Credit Department decides that there is no reasonable expectation of recovery. For collateralised loans, it is only after a foreclosure sale of the pledged assets that a write-off takes place for any remaining uncovered balance.

Cash
Cash includes notes and coins on hand, as well as balances held with central banks.

Securities lending and borrowing transactions
Securities lending and borrowing transactions are collateralised by securities or cash. The transactions are usually conducted under standard agreements employed by the market participants; the counterparties are subject to the Group's normal credit risk process.

Securities borrowed as well as securities received by the Group as collateral under securities lending transactions are only recorded in the balance sheet if the Group obtains control of the contractual rights (risks and rewards of ownership) associated with these securities. Similarly, securities lent as well as securities provided by the Group as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Group relinquishes control of the contractual rights associated with these securities. Securities lent and securities provided as collateral that remain in the balance sheet are remeasured according to the respective position they are recorded in. The fair values of securities received or provided are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Cash collateral received is recognised with a corresponding obligation to return it, and cash collateral provided is derecognised and a corresponding receivable reflecting the Group's right to receive it back is recognised.

Fees received or paid in connection with securities lending and borrowing transactions are recognised as commission income or commission expenses on an accrual basis.

Repurchase and reverse repurchase transactions
Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and are recorded at the value of the cash provided or received. The transactions are generally conducted under standard agreements employed by the market participants; the counterparties are subject to the Group's normal credit risk process.

Securities received and securities delivered are only recorded in the balance sheet or derecognised from the balance sheet if control of the contractual rights (risks and rewards of ownership) associated with these securities is relinquished as well. The fair values of the securities received or delivered are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Cash received is recognised with a corresponding obligation to return it, and cash provided is derecognised and a corresponding receivable reflecting the Group's right to receive it back is recognised.

Interest income from reverse repurchase transactions and interest expenses from repurchase transactions are accrued in the corresponding periods over the life of the underlying transactions in the respective interest positions.

Derivative financial instruments and hedging
The Group applies the respective IFRS 9 guidelines for the treatment of derivative financial instruments including hedging.

Derivative financial instruments held for trading, including foreign exchange products, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (written options as well as purchased options), are recognised at fair value through profit or loss. In order to calculate the fair value, corresponding stock exchange prices, discounted cash flow models and option pricing models are employed. Derivatives are reported as an asset position if their fair value is positive and as a liability position if their fair value is negative. Changes in fair value on trading positions are recognised in net income from financial instruments measured at FVTPL.

An entity may choose to designate a hedging relationship between a hedging instrument and a hedged item in order to achieve hedge accounting. Prior to the application of hedge accounting, all of the following steps must have been completed:

- identification of eligible hedged item(s) and hedging instruments;
- identification of an eligible hedged risk;
- verification that the hedge relationship meets the definition of one of the permitted types (see below);
- verification that the qualifying criteria for hedge accounting are met; and
- formal designation of the hedge relationship.

The Group applies the following hedge accounting models:

Fair value hedge (FVH) accounting: The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect the income statement. The changes in fair value might arise through changes in interest rates, foreign exchange rates or equity prices, i.e. the item to hedge is 'some fixed item', which however underlies variability due to market changes, which shall be prevented.

For an FVH, an adjustment is made to the carrying value of the hedged item to reflect the change in the value due to the hedged risk, with an offset to the income statement for the change in value of the hedging instrument. Where the offset is not complete, this will result in ineffectiveness to be recorded in the income statement.

Cash flow hedge (CFH) accounting: The risk being hedged in a cash flow hedge is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, an unrecognised firm commitment or a highly probable forecast transaction, and could affect the income statement. The item to hedge is 'some variable item', i.e. producing some variable cash amount, which shall be stabilised (the amount shall be fixed).

For a CFH, the carrying amount of the hedged item, which may not even be recognised yet, is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument in other comprehensive income. Any ineffective portion remains in the income statement as ineffectiveness.

Net investment hedge (NIH) accounting:
The risk being hedged in a net investment hedge is the currency risk associated with the translation (into the consolidated financial statements) of the net assets of subsidiaries reporting in a different currency. The item to hedge is a net investment in a foreign operation.

For an NIH, the carrying amount of the hedged item is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument (i.e. the change in the foreign exchange rate of the derivative) in other comprehensive income. Any ineffective portion remains in the income statement as ineffectiveness.

Remaining hedge accounting under IAS 39: As permitted under IFRS 9, the Group continues to apply the hedge accounting requirements of IAS 39 to fair value hedges of portfolio interest rate risk related to Lombard loans.

Economic hedges: Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Group. However, in view of the strict and specific guidelines of IFRS, they do not fulfil the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as trading positions. Changes in value are recorded in the income statement in the corresponding period.

Property and equipment
Property and equipment includes bank premises, IT, communication systems, leasehold improvements as well as other equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. IT hardware is depreciated over three years, and other items of property and equipment generally over five to ten years.

Leasehold improvements are investments made to customise buildings and offices occupied under lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a liability for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that the Group will profit from the future economic benefits of the investment. Current maintenance and servicing costs are recognised in general expenses.

On each balance sheet date, the items of property and equipment are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the item is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Leases
A lessee recognises right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the respective lease payments during the lease term. The lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability in the income statement.

The vast majority of lease contracts where the Group is the lessee relates to office leases, with a limited number of leases of vehicle and other items. The Group does not apply lease accounting to software or other intangible assets. Generally, non-lease components in the lease contract are excluded from the accounting under this standard.

As the implicit rate in leases is generally not available, the Group as a lessee applies its incremental borrowing rate. This rate is determined based on the Group's actual funding rate (by currency and term), which is provided to the Group by external sources on a regular basis.

The Group is lessor in a very limited number of lease contracts only, with all the leases qualifying as operating leases, meaning that the underlying assets remain on the balance sheet of the lessor and the lease payments are recognised on a straight-line basis.

Goodwill and intangible assets
Goodwill and intangible assets are classified into the following categories:

Goodwill: In a business combination, the acquiree's identifiable assets and liabilities are recognised at their respective fair value at acquisition date. Goodwill is measured as the difference between the sum of the fair value of consideration transferred and the recognised amount of the identifiable assets acquired and liabilities assumed. Goodwill is not amortised; it is tested for impairment annually at the cash-generating-unit level, and an impairment loss is recognised if the recoverable amount is less than its carrying amount.

Customer relationships: This position comprises long-term customer relationship intangibles from recent business combinations that are initially recognised at fair value at the date of acquisition. Customer relationships are amortised over their estimated useful life not exceeding ten years, using the straight-line method.

Software: The Group capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised using the straight-line method over its useful life not exceeding ten years.

On each balance sheet date, the intangible assets with a finite life (customer relationships, software) are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the intangible assets is fully recoverable, and an impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Provisions
A provision is recognised if, as a result of a past event, the Group has a legal or constructive present obligation existing on the balance sheet date that will probably lead to an outflow of resources and whose amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation as at the balance sheet date, taking into account the risks and uncertainties related to the obligation. The recognition and release of provisions are recorded in the income statement through general expenses.

Income taxes
Income tax expense comprises current and deferred taxes. The Group is subject to income taxes in numerous countries. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offsetting are capitalised if it is likely that sufficient taxable profits will be available against which those differences or loss carryforwards can be offset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets will be realised or the tax liabilities settled.

Current tax assets and tax liabilities are offset against each other when they refer to the same taxable entity, concern the same tax authority, and an enforceable right to offset exists. The same rule applies to deferred tax assets and liabilities.

Current and deferred taxes are credited or charged directly to equity if the taxes refer to items that are credited or charged directly to equity.

Post-employment benefits
For defined benefit plans, the net defined benefit liability recognised in other liabilities in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ('asset ceiling').

The Group applies the projected unit credit method to determine the present value of the defined benefit obligation and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

All changes in the present value of the defined benefit obligation and in the fair value of the plan assets are recognised in the financial statements immediately in the period they occur. Service costs, including past service costs, and net interest on the net defined benefit liability are recognised in the income statement in personnel expenses. The Group determines the net interest expense based on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation. The remeasurement of the net defined benefit liability, which comprises movements in actuarial gains and losses and returns on plan assets (excluding net interest cost), is recognised in other comprehensive income.

For defined contribution pension plans, the contributions are expensed when the employees render the corresponding service to the Group.

Share-based payments
The Group maintains various share-based payment plans in the form of share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period or to other vesting conditions are expensed over the respective vesting period. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related services and non-market performance vesting conditions are expected to be met.

Share-based payment plans that are settled in own equity instruments (i.e. Julius Baer Group Ltd. shares) result in a corresponding increase in equity and are not remeasured for subsequent changes in the fair value of the underlying equity instruments.

Share capital
The share capital comprises all issued, fully paid shares of Julius Baer Group Ltd.

Treasury shares and contracts on treasury shares
Shares of Julius Baer Group Ltd. held by the Group are classified in equity as treasury shares and accounted for at weighted average cost. The difference between the proceeds from sales of treasury shares and their cost (net of taxes, if any) is recognised in retained earnings.

Contracts on shares of Julius Baer Group Ltd. that require settlement in a fixed number of shares for a fixed amount are recognised in treasury shares. Upon settlement of such contracts, the proceeds received (net of costs and any taxes) are recognised in retained earnings.

Contracts on shares of Julius Baer Group Ltd. that must be settled net in cash or that offer a choice of settlement methods are treated as derivative instruments, with changes in fair value recognised in net income from financial instruments measured at FVTPL.

For physically settled written put option contracts, the discounted strike price is deducted from equity and recorded as a liability at initial recognition.

The liability is subsequently increased during the term of the contract up to the strike price using the effective interest method. Upon settlement of the contract the liability is derecognised.

Earnings per share (EPS)
Basic consolidated earnings per share is calculated by dividing the net profit for the reporting period attributable to shareholders of Julius Baer Group Ltd. by the weighted average number of shares outstanding during the reporting period.

Diluted consolidated earnings per share is calculated using the same method as for basic consolidated earnings per share, with the determinants adjusted to reflect the potential dilution that could occur if outstanding options, warrants, convertible debt securities or other contracts to issue shares were converted or exercised into shares.

Segment reporting
Determination of the operating segments is based on the management approach. The management approach reflects the way in which management organises the entity for making operating decisions and for assessing performance, based on discrete financial information. Therefore, the adoption of the management approach results in the disclosure of information for segments in substantially the same manner as they are reported internally and used by the entity's chief operating decision maker for the purpose of evaluating performance and making resource allocation decisions.

Contingent liabilities and irrevocable commitments
Contingent liabilities and irrevocable commitments are not recognised in the balance sheet. However, if an outflow of resources becomes probable and is a present obligation from a past event that can be reliably measured, a respective liability is recognised.

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2021, the Group applied the following new standards for the first time. All these amendments had no material impact on the Group's financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)
On 1 January 2021, the Group adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16). These second amendments relate to the interbank offered rates (IBOR) reform and cover issues that might affect financial reporting, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the IBOR benchmark rates with alternative benchmark rates. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, and hedge accounting.

The replacement of the IBOR rates by the new benchmark rates (e.g. SARON, SOFR) accelerated in the second half of 2021. However, the application of the new benchmark rates had no material impacts on the Group's financial statements. Refer to Note 28C for more information.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
This practical expedient is an extension of the initial amendment to IFRS 16 in 2020, which introduced an optional practical expedient that simplifies how lessees account for rent concessions that are a direct consequence of COVID-19. The amendment applies only if certain conditions are met and is limited up to 30 June 2022. The Group did not benefit from material COVID-19 rent concessions.

IFRS 9 Financial Instruments: Adoption of hedge accounting requirements
The Group adopted the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2021, which resulted in changes to the Group's accounting policies. The Group applies the new hedge accounting rules to fair value hedges of interest rate risks, to cash flow hedges of interest rate risks and foreign exchange risks, and to net investment hedges.

As permitted by IFRS 9 Financial Instruments, the Group has prospectively adopted the hedge accounting requirements of this standard for all its existing hedges previously accounted for under the guidelines of IAS 39 Financial Instruments: Recognition and Measurement, except for fair value hedges of portfolio interest rate risk, which continue to be accounted for under IAS 39.

The hedge accounting model in IFRS 9 improves the alignment of the Group's risk management practices with the respective accounting treatment. In addition, it amends the hedge effective testing requirements, extends possibilities of the application of hedge accounting and permits the amortisation of the option's time value as 'cost of hedging'.

The adoption of these requirements had no material financial impact on the Group's financial statements. However, since adopting the new standard, the Group increasingly designates more effective hedge accounting relationships due to the more favourable rules and applications, and hence reduces volatility in the income statement. The Group also introduced cash flow hedge accounting to hedge the interest rate risk of certain groups of assets (Lombard loans) as well as to hedge future stable and predictable foreign currency cash flows.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, revisions and interpretations of existing standards were published that must be applied in future financial periods. The Group plans not to adopt these in advance. A number of these changes may have an impact on the Group's consolidated financial statements, as outlined below.

The following amendments may be relevant to the Group:

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
These amendments regarding the application of materiality to disclosure of accounting policies require companies to disclose their material accounting policies, rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of an entity's financial statements make on the basis of those financial statements.

The amendments will be effective 1 January 2023. They are not expected to have a material impact on the Group's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8
Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty, meaning that the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy.

The amendments will be effective 1 January 2023. They are not expected to have a material impact on the Group's financial statements.

COMMENT ON RISK MANAGEMENT

In pursuing its strategy and business, Julius Baer Group (the Group) is exposed to risks, e.g. events that may have an impact on its financial, business, regulatory and reputational standing. Therefore, risk management is an integral part of the Group's business model and is designed to protect its franchise and reputation.

RISK MANAGEMENT FRAMEWORK

The Group's Risk Management Framework (RMF) links and integrates all relevant activities, governance and processes of the Group to identify, assess, manage, monitor and report risks across the organisation.

Risk management activities are structured according to the Group's risk categorisation, which represents the material risks the organisation is exposed to.

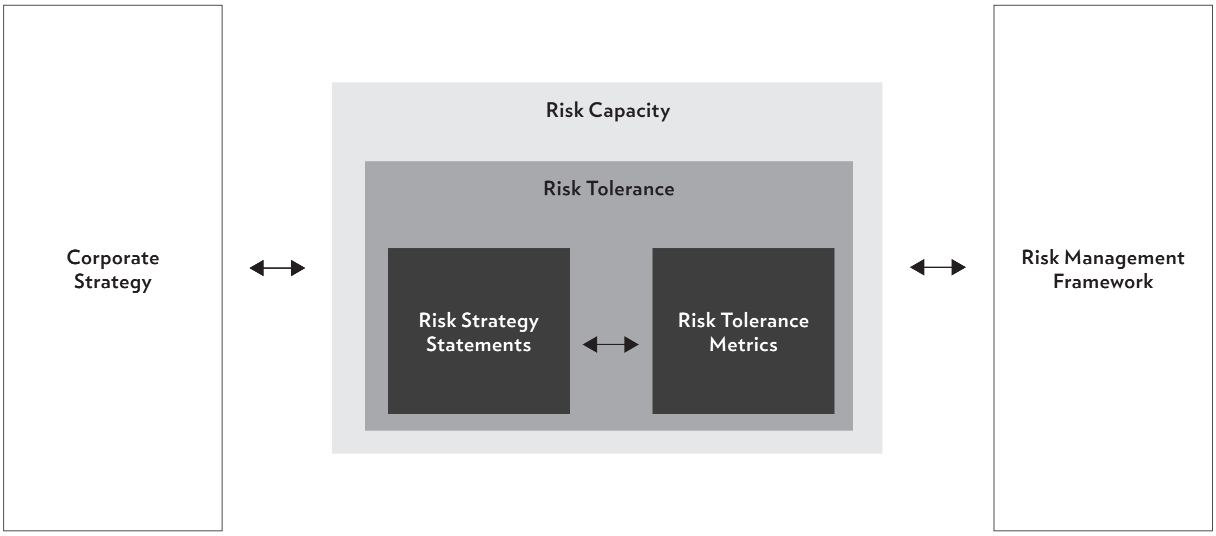
Besides credit, market and treasury risk, the Group is exposed to non-financial risks, covering operational risk, compliance and legal risk, as well as strategic, business and reputational risk. The risk categorisation allows for individual assignment of responsibilities to Risk Type Owners (RTO), who maintain the risk management framework of each material risk type by means and in accordance with the RMF.

RISK TOLERANCE FRAMEWORK

Not all risks can be eliminated, fully controlled and mitigated at all times. However, the Group's Risk Tolerance Framework (RTF) supports and ensures that risk-taking is in line with the strategic objectives and within the Group's overall risk capacity. The Group's risk tolerance is defined as the aggregate level of risk, subject to appropriate mitigating actions, that the Group is willing to accept across all relevant risk categories. It is formalised by a set of qualitative risk statements and quantitative risk metrics along the Group's key risk categories.

The risk capacity describes the maximum level of risk the Group can assume given the Group's capabilities and resources, taking account of capital, earnings and liquidity constraints (financial risk capacity), regulatory requirements and the firm's reputational standing (regulatory and reputational risk capacity). The latter reflects all relevant laws and regulations that affect the overall business operations and conduct of the Group.

The key components of the Group's RTF are illustrated by the following figure:



RISK GOVERNANCE

The Group has established a robust risk governance, involving several stakeholders across the organisation and various committees, functions and business units.

The Board of Directors (BoD) is responsible for establishing the strategic course of the Group and the guiding principles for the Group's corporate culture. It approves the Group-wide RMF and RTF. This ensures that risks are managed effectively at Group level and that suitable processes are in place.

Regular reporting enables the BoD to monitor whether the risk tolerance, policies, instructions and mandates are being complied with, and whether they remain appropriate, given the Group's business model, risk profile and strategy. In addition, the BoD regularly reviews reports analysing the Group's risk exposure.

The BoD has established the following committees to supervise specific risk management-related areas and to prepare topics for consideration by the complete board.

Governance & Risk Committee	• Ensuring that the requirements for proper compliance and the promotion of an adequate compliance/conduct culture and organisation are given the necessary attention • Assessing the Group's exposure to compliance/conduct issues as well as the Compliance Framework and related projects to address such matters, in particular those relating to anti-money-laundering and know-your-customer, client on-boarding, monitoring and off-boarding, politically exposed persons, economic and trade sanctions, anti-bribery and anti-corruption as well as client tax compliance • Developing and upholding principles of corporate governance for the Company and the Group • Authorising certain market, credit and financial activities taking into consideration the respective risk parameters • Ensuring that the standards and methodologies for risk control which are employed to comply with the principle and risk profile adopted by the BoD and other bodies
Audit Committee	• Examining and assessing compliance with laws and regulations, articles of incorporation, internal regulations and policies • Discussing the financial statements, the scope and quality of the audit work performed and the appropriateness of the internal control systems (financial and non-financial)
Nomination & Compensation Committee	• Drawing up the remuneration principles and policies aligned with the Group's overall business strategy • Annually reviewing compensation elements and sharing ownership programmes by considering possible impacts of regulatory developments and stakeholder feedback • Assisting the BoD in the effective discharge of its responsibilities in accordance with applicable laws and regulations as well as the principles of sound corporate governance • Leading and preparing the long-term succession planning at the level of the BoD, CEO and the other members of the ExB
Development & Innovation Committee	• Supporting the BoD in its overall oversight responsibilities relating to long-term transformational challenges, business development, innovation and to respective plans as developed by the Executive Board • Identifying and assessing existing and future trends in the areas such as structural changes in the financial industry, the business and operating model of the Group, the applied technology and innovation, as well as assessing their possible impact on the Group and new business opportunities

For further details, please refer to the Board of Directors section of this report.

The Executive Board (ExB) is overall responsible for developing and maintaining the RMF and the RTF for approval by the BoD. As part of its responsibility for managing the core (wealth management) business of the Group as laid down in the Group's and Bank Julius Baer's Organisational and Management Regulations (OMR), the ExB defines specific instructions with regard to risk management, implements the RMF and enforces that the Group's risk management practices are sound and in accordance with the business model, strategy plan, risk tolerances and the defined mitigating actions set out in them. In doing so, executive boards assume the responsibilities for the management of business, strategic and reputational risks.

The following committees enable the ExB to delegate decision-making in the daily course of business.

Credit Committee	• Measuring and supervising credit risk • Developing policies governing credit risk, passing resolutions of credit business and credit limits within its authorisation, delegating credit authority and sanctioning credit risk reports
Risk Committee	• Reviewing and deciding on business conduct and risk standards, the ways in which risk is measured on an aggregate, Group-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), and the policies and procedures in place to mitigate risks and the actions to be taken if risk limits are exceeded • Ensuring that appropriate measures are in place for businesses with increased reputational, compliance, legal and operational risk profiles • Reviewing and assessing the Group's information/cyber security strategy and the Group's business continuity management strategy
Group Asset and Liability Management Committee	• Pursuing the Group's aims to ensure adequate liquidity and funding of activities and to optimise net interest earnings and present value of future cash flows • Steering, monitoring and developing the management of the Group's financial assets and liabilities held in banking books or the balance sheet in general
Transformation Committee	• Defining, overseeing and steering the Group's transformation roadmap • Providing strategic steering of multiyear transformation programmes and significant individual projects as well as acting as escalation body for intraproject issues
Sustainability Board	• Defining, overseeing and steering the overall Corporate Sustainability and Responsible Investment strategy and roadmap • Providing strategic guidance and ensuring overall coordination, alignment and prioritisation of the Corporate Sustainability and Responsible Investment roadmap within the Group

For further details, please refer to the Executive Board section of this report.

Overall responsibility for the implementation of the Group's RMF lies with those members of the ExB with designated independent risk management duties – the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO), in cooperation with the Group General Counsel (GGC).

The CRO division develops and oversees the global framework for risk identification, assessment, management, monitoring and reporting within the risk tolerance for the various business activities of the Group, aiming at sustainable growth of the franchise. It accomplishes this mission by being an independent partner in constructively challenging the business activities from a risk management perspective.

The CRO division is responsible for the control of market risk (trading book and banking book), treasury risk (liquidity and financing risk of the banking book), operational risk as well as compliance and legal risk. Additionally, the CRO division oversees the interaction between risks and supports the mitigation of risks together with other divisions. The CRO coordinates his activities with regard to legal risk (including regulatory risk) matters with the GGC.

The CFO division oversees the Group's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up. It is also responsible for balance sheet, capital, funding and liquidity management, and the management and oversight of credit risks. The CFO's duties thus include maintaining a sound ratio of eligible capital to risk-weighted positions and ensuring that sufficient liquidity is available. In doing so, the division maintains monitoring systems to ensure compliance with supervisory regulations on the above topics.

RISK CULTURE

The Group recognises that successful risk management requires a combination of a sound risk culture, organisation and supporting processes as well as controls.

A sound risk culture is the key pillar in effectively managing risks. It promotes sound risk-taking and ensures that emerging risks or risk-taking activities beyond the Group's risk tolerance are appropriately identified, assessed, escalated and addressed in a timely manner. To this effect, the following four levers are viewed as critical elements in ensuring a strong alignment between the expected behaviour standards and the strategic objectives of the Group:

- *Strong leadership and tone from the top*: The BoD and senior management communicate clear expectations on managerial standards with respect to risk-taking and management, as well as leadership culture, transparency, collaboration, responsibility and accountability on all levels. The BoD and the ExB set the Group's Code of Ethics and Business Conduct (the Code), which outlines the principles of Care, Passion and Excellence to guide employee behaviour.
- *Accountability and clear roles and responsibilities*: In addition to a robust policy framework, the Group ensures that clearly defined roles, responsibilities and accountability standards for specific risks and risk areas are in place in each of the three lines of defence.
- *Effective communication and challenge*: The Group fosters a culture of open communication and constructive challenge in which decision-making processes encourage a range of views, allow for a continuous revalidation of current practices, stimulate a positive, critical attitude among staff members and promote an environment of open and effective employee engagement.
- *Employee life cycle and incentives*: Employees are rewarded for excellent performance, including sound risk awareness and exemplary behaviour that will promote the long-term sustainable success of the organisation.

Based on Julius Baer's long-standing core values 'Care, Passion and Excellence', a set of guiding principles and professional standards for ethical business conduct have been established and formalised in the Group's Code.

The Code covers a range of topics, from values, beliefs and culture to how behaviour affects clients, employees and business activities. It supports the Group's aspiration to act with the utmost professional expertise and integrity, and articulates the Group's expectation to adhere to high standards of ethical business conduct and to comply with all applicable laws and regulations.

The Code is globally applicable, and the principles described in the Code are reflected in the Group's internal policies and procedures. To ensure adherence to the Code, employees are regularly trained on its content and provide regular confirmations of their understanding and compliance through a formal self-attestation framework. Further, the non-adherence to the Code is reflected in an employee's value and risk behaviour assessment and rating and may lead to disciplinary action.

Employees are expected to raise any concerns or suspicions regarding deficient processes and/or any type of unethical or improper behaviour, including any breaches of law and/or policy. They are asked to report any such issues directly to their line management, a member of the CRO function and/or Human Resources.

Alternatively, other channels are available to report concerns, observations or complaints, such as contacting the Group's Ombudsman or reporting the incident anonymously through the Group's reporting tool (integrity line). The Group will not retaliate against any employee who reports a concern in good faith.

To support good practices and reinforce a sound risk culture, clear consequences are defined through performance management, compensation and disciplinary actions should an employee's behaviour contribute to a financial loss, reputational damage, a breach of fiduciary duty, or represent a policy infringement. To ensure that incentive and compensation systems are aligned with the Group's risk standards and target risk culture, relationship managers (RMs) and their line managers are subject to the new RM Compensation Framework introduced in 2020. The procedures dealing with policy breaches by employees are defined in a separate policy and regulation breach process to ensure a standardised global approach to sanction non-compliant behaviour as well as policy and regulation infringements. The process aims to

- ensure quality of decision and fair treatment of all employees,
- conduct consolidated analyses and reports with the objective of identifying and preventing systemic risks,
- provide transparent information about the impact of non-compliant behaviour respectively policy and regulation breaches to employees, and
- ensure data protection and privacy.

Depending on the severity of the non-compliant behaviour, a variety of measures can be imposed, such as reprehension, reprimand, warning, promotion ban, financial sanction or termination of work contract.

GROUP RISK LANDSCAPE

In order to make risks transparent and to put them into perspective, a Risk Landscape is compiled annually and continuously maintained. To comprehensively and holistically identify and assess existing and emerging risks as well as disclose them transparently to the BoD and ExB, the following multilayered approach is applied:

- A yearly bottom-up Risk and Control Self-Assessment (RCSA) of operational, legal and compliance risks is performed by the Group's entities and the Business Functions at Head Office and challenged by the second line of defence.
- The RCSA is complemented by the top-down Risk Type Owner Assessment (RTOA), which is performed annually by the RTOs for all operational, legal and compliance risk types.
- All risk categories are assessed, depicting both a 'normalised' and a 'stressed' risk profile (with low probability).
- The above is supplemented by a review and a top-down assessment by ExB (under the auspices of the CRO) of strategic, reputational and major risks – and subsequently 'back-tested' against the Group's overall risk capacity.

The Risk Landscape, which is discussed and evaluated at ExB and BoD level, is an integral part of the Group's strategic capital planning process.

CAPITAL PLANNING AND LIQUIDITY CONTINGENCY PLAN

Regulatory capital standards require banks to calculate their capital requirements by quantifying all of the inherent risks the Group is exposed to.

In the capital planning process of the Group, its ability to withstand the impact of credit, market and other risk events is assessed. The current and future required capital is planned in relation to the strategic targets of the Group and is therefore an integral part of the yearly budgeting and mid-term planning process. It provides a reliable forecast of available capital on the basis of business planning and budgeting, future profits, dividend policy and targeted corporate transactions.

In assessing whether the capital base is adequate, the Group takes into account the economic cycle and shows in its capital planning that it is in a position to meet its capital adequacy requirements over a three-year horizon even in the event of an economic downturn and revenues falling sharply and a funding stress scenario.

This includes the risk of unplanned pension liabilities since the present value of future pension obligations minus plan assets currently calculated under IAS 19 is recorded in retained earnings and as such, risk events could reduce the available eligible regulatory capital of the Group. Possible reasons are (i) increasing liabilities, in particular due to regulatory change, such as higher minimum guaranteed amounts and decreasing interest rates; or (ii) decreasing assets, e.g. due to reduced assumed returns on investments; or (iii) a combination of both, caused for instance by changes to the pension fund scheme, acquisitions, increasing longevity or assumption of higher risks due to a reduced insurance offering. In case of extraordinary situations, the capital plans are reviewed on an ad hoc basis.

The Group Liquidity Contingency Plan sets out procedures and action plans for the various departments to respond to severe disruptions in the Group’s ability to fund some or all of the activities in a timely manner. It enhances the Group Liquidity and Funding Manual, which outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Group.

In order to trigger the Liquidity Contingency Plan, the CFO (deputised by the CRO) convokes the Liquidity Crisis Committee and Liquidity Analysis Committee, whose members and responsibilities are defined in the Contingency Plan. A trigger can be based either on the development of early warning indicators or on an extraordinary event threatening the Group’s liquidity. Well-defined escalation steps related to the number of triggered early warning indicators, which are monitored on a daily basis, are in place.

The Group Liquidity Contingency Plan is reviewed at least once a year by the Group Asset and Liability Committee, and its effectiveness is also tested at least once a year.

STRESS TESTING

The risks identified in the Risk Landscape process enter the capital planning process by means of direct stress impacts for financial risks and indirect stress impacts for idiosyncratic risks.

- Direct stress impacts, which are calibrated to the macroeconomic scenarios used as foundation of the capital plan, cover market-driven financial risk events, i.e. considering trading and non-trading market risk in the trading and banking book, as well as credit risk materialising in the Lombard lending, mortgages, and investment book.
- Indirect stress impacts are used to cover non-correlated or idiosyncratic risk events as identified in the Risk Landscape.

Further stress testing may be conducted regularly or ad hoc both on a singular business or risk level (to assess the exposure in certain areas of the business or in specific risk categories) as well as for single entities or Group-wide. It allows to estimate the potential impact on income, capital or liquidity (or other aspects if deemed relevant) resulting from significant changes in market conditions, credit environment, liquidity demands or other risk factors. All stress-testing activities are developed with input from a broad range of stakeholders, and results are integrated into management decision-making processes for capital, market risk limits, credit risk strategy and funding strategy. There are three types of stress testing:

- Standardised stress-testing procedures are applied to assess the viability of the business under less favourable conditions and are used as input for the formulation and implementation of preparative and contingency activities.
- Reverse stress-testing aims to identify scenarios that might be particularly harmful to the Group. Whereas regular stress testing analyses the potential outcome of (historical or hypothetical) scenarios, reverse stress testing reveals potential causes of severe harm to the institution. Such reverse stress testing is performed at least annually in the context of the review of the Risk Landscape.
- Topical stress testing is being applied for a variety of specific topics to gain assurance that preventive, detective and responsive measures to defined scenarios are adequate.

The following financial risks are regularly stress-tested and are reported on a regular basis to the ExB and BoD:

- Credit risk: pledged portfolios (consisting of securities, precious metals) and derivative exposures (consisting of over-the-counter interest options/swaps, foreign exchange margins) are stress-tested twice a year to assess the potential negative market impact on the Lombard credit book. The negative impact on the mortgage book is evaluated by reducing the assigned property market value and stressing additionally pledged assets (e.g. pledged insurance policies, pledged portfolios). A stress test is also carried out for professional counterparty risk.
- Market risk: on a daily basis, a set of granular and standardised scenarios are calculated and the results are measured against a set of limits. Further, once per week, historical stress tests serve as a source for insight on the risks in the trading book.
- Treasury risk: on a daily basis, liquidity stress tests serve to assess the liquidity position of the Group.

Stress testing of non-financial risks is performed at least annually as part of the Group Risk Landscape process.

Operational risk, compliance and legal risk as well as strategic, business and reputational risk are assessed and reported within a structured process concentrating on the major risks relevant for the Group. The compilation of such risks follows a stress scenario assumption, e.g. focusses on events that may happen, but only rarely, and whose severity, upon happening, is exceptionally high. In addition, the estimated losses are being used in reverse stress testing of the risk capacity.

RISK REPORTING

As a key component of an effective risk management framework, risk reporting is used to understand, monitor, manage and mitigate risks and escalate them to the senior management. It mainly aims at informing the respective levels of management up to the BoD and the ExB on the overall risk profile, particular risk exposures as well as the levels of the Group's financial ratios and capital and risk indicators. It takes place in the form of regular reports on financial risk and key ratios prepared by the CRO and CFO throughout the year.

The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas. They are generally catered to provide reassurance on the adherence to risk tolerance, to provide escalation on respective non-adherence and to provide early warnings for exposures to approach of risk levels, which may in turn exceed the Group's RTF.

The Governance & Risk Committee and the Audit Committee are periodically (at least quarterly) informed by the CRO and the Head of Risk Management about the general risk situation through the Group Quarterly Risk Report prepared by the CRO. Once a year, the Group Quarterly Risk Report is also discussed in the BoD. Additionally, management informs the BoD immediately in case of exceptional events. The Group allocates a sufficient level of resources to risk monitoring against approved risk limits. Processes are established for reporting changes in risks to the relevant management bodies and risk committees. This enables the BoD and the ExB to review their risk and crisis management frameworks early to implement new regulatory requirements, expand risk and crisis capabilities, and improve efficiency.

With regard to reporting of the adherence to risk tolerance thresholds, exposure reporting for risk tolerance metrics is integrated in the Quarterly Risk Report.

THE THREE LINES OF DEFENCE

The Group has adopted the Three Lines of Defence model as a guiding organisational framework for managing risk in the functions operating across the Group. This encompasses the Internal Control System (ICS), which is, among other things, the sum of controls and processes that operate across the three lines of defence to ensure that risk is being incurred in a deliberate and disciplined manner.

The Group seeks to follow an approach of assigning clear accountability in identifying, assessing, managing, monitoring and reporting risks. In doing so, the Group has implemented and continues to strengthen the Three Lines of Defence model across its global business operations.

The Three Lines of Defence model is defined according to the following key principles:

The Three Lines of Defence model

Functions operating across the Group

First Line of Defence

- Comprises revenue-generating functions and other business units that incur risk
- Function heads are accountable for the risk that is being incurred in these functions
- Controls are operated to detect and prevent risk

Second Line of Defence

- Comprises independent control functions
- Responsible for overseeing the activities of the business and providing challenge
- Reviews the performance of first-line controls and operates independent controls

Third Line of Defence

- Comprises Internal Audit
- Responsible for performing periodic assurance to determine whether the first and second line are operating in accordance with their respective mandates
- Independent of first and second lines of defence

Internal Control System

CREDIT RISK

Credit risk is the risk of financial losses due to a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Group or to an individual Group company.

The Group's focus is on lending money to its wealth management clients either on a collateralised basis in the form of Lombard loans or as mortgages in combination with core business.

Professional counterparty exposure
The Group engages in transactions with banks, brokers and selected institutional clients on both a secured and unsecured basis. This involves individual risk limits and settlement limits being approved for each counterparty. The credit exposures arising from these transactions are monitored on a daily basis, and netting agreements and collateral agreements are used to mitigate exposures further. As a result, the vast majority of the replacement values of the exposure arising from trading transactions are covered by collateral. The Group places excess liquidity with central banks. It also makes short-term money-market placements with banks and invests in high quality, repo-eligible bonds and secured debt instruments issued by governments, public institutions, banks and corporations.

The Group has a credit system for managing and monitoring credit risks in the due from banks book. Several controls are incorporated in the system to ensure timely risk management and granting of credit facilities according to delegated credit approval authorities. Credit approvals are processed using a four-eye principle. Approval authorities are continuously kept up to date taking into consideration a number of factors such as risk type, counterparty risk rating and exposure. The credit risks associated with all the counterparties and issuers are subject to a wide range of rules and limits. These ensure that the Group's consolidated credit exposure, both on a single-counterparty and a counterparty-group basis,

- is not subject to concentration by exposure type,
- is not disproportionate to the size, shareholders' equity and scale of business of the counterparty, and
- is clearly within the Group's risk capacity and the applicable regulatory limits.

The Group settles a substantial proportion of its trading and derivatives business indirectly through central counterparties (CCPs). The credit risks associated with CCPs are negligible, because the Group works through a variety of specialised service providers and therefore generally does not directly participate in the clearing systems concerned.

Given the focused nature of its activities, the Group is not exposed to any material correlation risk or wrong-way risk (i.e. the risk which arises when exposure to a counterparty is negatively correlated to its credit quality). Furthermore, the Group holds cash collateral for the majority of the counterparty risk arising from its open derivatives positions. The Group's securities lending business policies explicitly prohibit transactions involving correlation risk.

The Group has a general policy of avoiding group-rating triggers in its collateral agreements for derivatives transactions. As a result, were its rating to decline below a given level, the Group would not be required to provide additional collateral.

For professional counterparties, a regular stress test is in place. The current exposure is stressed and set against current limits and against stressed equity of the counterparty.

Lombard lending

The Group has a policy of lending to wealth management clients on a collateralised basis. The credit risk results from lending activities and derivatives transactions requiring a margin.

The Group uses credit risk models and frameworks to assess the riskiness of its portfolio in line with the respective lending policies. On that basis, conservative lending values are set as a percentage of the collateral market value. These lending values can be determined or adjusted for a specific security or for individual clients.

Every counterparty with a credit line is assigned an internal credit rating. The risk rating reflects the underlying credit risk and primarily depends on the collateral provided by the counterparty, collateral concentration and client-specific conditions. In the case of the rating classes R1 to R6 (neither past due nor impaired), the outstanding balances are serviced; the lending value of the collateral (at fair value) pledged for collateralised exposures equals or exceeds the balances, and repayment of the balance is not in doubt. Balances in rating class R7 are partially past due (e.g. interest past due), but the exposure is still covered by collateral. For balances in rating classes R7 to R10, loss allowances are established on a case-by-case basis.

The risk rating and size of the counterparty's credit limit also determines the approval authority level, the monitoring and review frequency.

The Group's objective is to achieve a growth in Lombard lending commensurate with the evolution of its wealth management business. To that end, the Board of Directors for example defines corridor values for credit penetration (the ratio of credit cash exposure to assets under management). In addition, the Group has implemented a set of regularly reviewed limits for the ongoing management and systematic monitoring of various credit risk concentrations in the Lombard business in line with its risk strategy. This includes limits related to single asset collaterals, client groups, geographical (on country-of-risk level) or risk rating concentrations; all of these limits have the same significance and are adhered to equally. Any breach of the limits becoming apparent would be dealt with in line with the general risk governance policy described above. Furthermore, management triggers exist for these limits, which allows management to take the necessary actions at an early stage so that any potential breach can be avoided. None of the internal risk limits has been exceeded during the business years 2021 and 2020.

Additionally, an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically, is in place. The maximum ratio has not been exceeded during the business years 2021 and 2020.

Regular and ad hoc stress testings are performed. These are calibrated to reflect the prevailing market and political situation. The results are reviewed by the credit-monitoring units and reported to the relevant decision-making committees. All distressed and non-performing loans are identified at an early stage and managed proactively. Collateral shortfalls (e.g. margin calls) are processed on a daily basis and prioritised according to their severity.

The Group is using a credit system for managing and monitoring Lombard risks. The system draws the relevant position data from the bookkeeping systems of Group companies that grant loans. The system is able to enrich this data with credit-specific information and to consolidate it with data on client and counterparty positions from the various booking centres. Several controls are incorporated in these systems. All Lombard risks are monitored daily, as are current limit usage and the quality of the collateral pledged. In addition, for clients with derivatives positions whose exposure requires intraday monitoring, real-time systems are also available.

Mortgages
The Group grants mortgages to wealth management clients in Switzerland and in a limited number of international locations. The properties pledged are assessed and valued individually as part of the credit risk management process. These valuations are carried out based either on a factor model or by qualified internal and external appraisers. Maximum mortgage amounts are determined based on the characteristics of each property and client. An additional financial sustainability assessment is also carried out before a mortgage is granted. In many cases, supplementary collateral in the form of securities is required in addition to the pledged property itself. Every mortgage is assigned a risk rating. The rating reflects the underlying credit risk, which primarily depends on the counterparty assessment, the property and potentially supplementary collateral. The risk rating for the requested limit size also determines the approval level and review frequency. The Group tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

The Group conducts regular stress tests with different scenario size depending on the location and ad hoc portfolio analysis to assess potential negative market impacts on the mortgage book.

The mortgage positions are monitored in a supervision system globally. Additionally, a workflow system for monitoring and managing credit risks for the Swiss mortgage book is in place. Several controls are incorporated in these systems to ensure timely registration and collateral valuation, the granting of credit facilities according to delegated credit approval authorities, and formalised monitoring procedures.

MARKET RISK

Market risk refers to the potential losses from changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors.

It could be further separated into:

- Trading market risk, resulting from trading book transactions, being pursued with the intention of benefiting from actual or expected differences between the opening and closing price of proprietary positions, with the intention of benefiting from arbitrage profits, or with the intention of hedging risks from positions meeting aforementioned criteria, and
- Non-trading market risk, resulting from the management of financial assets and liabilities held in the Group's banking books with exposures mainly to interest rate risk, currency risk, credit spread risk and equity risk.

The Group assumes market risk exposure through activities of the subdivision Markets (trading market risk) and CFO (non-trading and trading market risk in the Treasury department) as well as through the purchase of participations and financial investments triggered by the authorised body.

Identification of trading and non-trading market risks is ensured with a strict product approval process, including the assessment and validation of models, implementation in trading and risk systems to assure the capture of all risk components. A regular review of positions and models in trading and banking books assures an ongoing identification of new risks or the need for changing models or processes.

The Group uses statistical measures to assess trading and non-trading market risks and to represent these risks in the Risk Landscape. These measures are part of the toolbox used in the day-to-day market risk management and measurement process. As an example, the Group calculates probability-loss curves using Value at Risk (VaR) and expected shortfall measures. These curves determine the potential loss that may occur with a given probability over the next three years using the previous year's market data (and the assumption that after losses of four times the VaR, the risk positions would be hedged to avoid further losses). This is done separately for trading and non-trading market risk, producing two probability-loss curves.

Further, the Group performs market risk portfolio analyses and stress testing on a regular basis as well as in relation to specific events. Efforts are made to ensure that the net effect under various stressed conditions is taken into account in the risk assessment and monitoring processes. The purpose of market risk stress testing is

- to assess the adequacy of the Group's financial resources for periods of severe stress, and develop contingency plans for the Group if the need arises,
- to promote risk identification and add further insight into the need for setting new limits, and
- to serve as a supplement to the ongoing quality assurance for market risk management practices.

The stress-testing programme provides additional perspectives on market risk by applying multiple methodologies to scenarios with various degrees of severity. The complexity of the methodologies ranges from simple sensitivity analyses to complex scenario stress testing (as required to meet the purpose of the stress test).

For trading market risk assumed in the Markets subdivision, the Market Risk and Product Control unit oversees the application of the framework set by the BoD. Authorities and responsibilities for trading activities are cascaded down from the ExB to the subdivision Head Markets, Business Line Heads and Trading Desk Heads.

For non-trading and trading market risk managed within the Treasury department, the Market Risk and Product Control unit oversees the application of the framework set by the BoD and the Group Asset and Liability Committee, and issues additional rules and constraints as deemed required.

Market risk management activities are described in various key policies. A control environment for market risk has been implemented and integrated into key business processes. This ensures that products are approved to be in line with the strategy and risk tolerance, limits are in place and adhered to, front-to-back reconciliation processes are in place, and the valuation of positions follows a fair value approach.

The Group uses a variety of metrics and models to continuously measure and control market risk exposures. Limits are set using these models, reflecting the Group's risk tolerance, including:

- VaR limits
- Scenario and sensitivity limits
- Nominal/market value limits, sensitivity ('Greek') limits
- Stress scenario limits
- Stop loss limits and/or profit and loss volatility limits
- Intraday limits

Internal models are developed and maintained for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices. These models are independently certified and regularly reviewed based on a risk-materiality assessment.

Non-trading market risk models are subject to regular reviews:

- Scenario model to assess the risk of losses caused by interest rate moves on balance sheet mismatch positions and/or model risk arising from assets or liabilities with no fixed maturity
- Scenario model to assess the risk of losses on the balance sheet FX exposure due to unfavourable currency movements
- Scenario model to assess the credit spread risk due to the change in credit risk premium required in the market for a given credit quality of an investment

Regulatory back-testing is performed daily to document the performance of the internal VaR model. Risk and pricing models are independently validated prior to implementation and are subject to formal periodic review.

TREASURY RISK

Treasury risk consists of financing and liquidity risk.

Financing risk is the risk of the Group being unable to finance its existing or planned activities on an ongoing basis at acceptable prices. Liquidity risk, conversely, is the risk of the Group being unable to meet its payment obligations when they fall due.

The Treasury department of Bank Julius Baer & Co. Ltd. is responsible for the Group's liquidity and funding activities. This includes executing the funding plan and managing the liquidity reserve. Liquidity management is centralised and conducted on a consolidated basis to ensure regulatory compliance at the Group level and compliance with internal requirements.

The Market Risk and Product Control unit as part of the Risk Management department validates and challenges the models and assumptions used by the first line of defence for reporting risk measures.

Treasury risk is inherent in basic banking activities such as accepting deposits and providing loans and credits. The transformation of short-term deposits into long-term loans exposes banks to maturity mismatches that cannot be eliminated. The Group manages this liquidity risk by holding sufficient liquidity to meet its obligations and follow its strategies – in particular regulatory obligations, business plans and rating ambitions – even in stressed situations. The key elements of the liquidity and financing risk framework are:

- measurement of risk by using appropriate models
- liquidity ratios and limits
- stress testing
- fund transfer pricing system
- reporting

To identify risks and assure adherence to the liquidity and financing risk framework, the Group follows:

- a new product approval process assuring that any new business or product is assessed by all stakeholders,
- a daily analysis of positions by risk management, and
- a regular review of models used in the measurement of liquidity and financing risks.

The assessment of liquidity and financing risks is primarily drawn from stress-testing results. The Group has a liquidity stress-testing model in place that runs regular liquidity stress tests and enhanced liquidity stress tests taking into consideration longer time periods, currency shocks or contingent liquidity risks. While the Group recognises that stress-testing and the modelling of future cash flows are subject to model uncertainty, the liquidity stress-testing approach captures both funding liquidity risk (e.g. 'bank run' scenarios where an entity may not be able to meet its short-term liabilities) and asset liquidity risk (e.g. the risk that asset valuations may be subject to large haircuts in value).

The Group's liquidity risk management includes incentive measures to maintain a sound balance of short-term liabilities vs. the size of its balance sheet. Furthermore, delegated to the Treasury department, liquidity risk management seeks to ensure that sufficiently large liquid assets are in place (and available for drawdown in normal markets and stressed markets).

The stress-testing models and parameters are annually reviewed and approved by the Group's Asset and Liability Committee.

Various policies and controls are in place to manage treasury risk. The Group Funding Liquidity Manual outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Group, and complements the Group Liquidity Risk and Funding Policy. The manual contains the Group Liquidity Contingency Plan, which would be deployed in the event of a severe deterioration of the Group's liquidity situation. The contingency plan defines responsibilities and lists potential liquidity-generating measures to be evaluated on a case-by-case basis.

Additionally, Group subsidiaries and branches may have issued local liquidity manuals and contingency plans.

The management and measurement of liquidity and financing risks is based on the following risk metrics:

- liquidity stress tests
- Liquidity Coverage Ratio (LCR). For additional information on the LCR, refer to the separate Basel III Pillar 3 Report, published in the Financial Reporting section of the www.juliusbaer.com website (this will be available at the end of April 2022)
- Net Stable Funding Ratio (NSFR)
- funding gap analysis
- funding concentration analysis
- early warning indicators

NON-FINANCIAL RISK

The Group is subject to various non-financial risks by providing services to clients and counterparties, by receiving services from third parties and by operating in a regulated industry.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud.

Compliance risk is the risk of financial loss or damage resulting from a breach of applicable laws and regulations, or the non-adherence to internal or external rules and regulations or market practice. The loss or damage in such circumstances may take the form of fines and/or disgorgement imposed by regulatory and/or criminal authorities, or other sanctions such as restrictions on business activities, the imposition of mandatory remedial measures (including monitoring) or even the loss of license.

Legal risk essentially comprises default and liability risk. Default risk is defined as the risk of loss or damage resulting from an entity being unable to enforce existing or anticipated rights against third parties. Liability risk, on the other hand, arises when an entity, or someone acting on its behalf, fails to meet an obligation owed to a third party or fails to respect the rights of a third party.

Strategic risk is defined as the risk of employing a strategy that fails to secure the adequate returns available from the capital employed in the long run. The Group is exposed to strategic risk in the pursuit of its growth strategy. It may arise from strategic decisions such as joint ventures, mergers and acquisitions, the pricing strategy and strategic recruiting, or the lack of making timely decisions.

Sustainability risks are environmental, social or governance events or conditions which, if they occur, have or may have significant negative impacts on the Group's assets, financial and earnings situation, or its reputation.

Business risk is the risk arising from a bank's long-term business strategy of pure wealth management. It deals with a bank not being able to keep up with changing competition dynamics and/or an unfavourable fiscal, political or regulatory environment.

Reputational risk describes the risk that the reputation the Group has with its stakeholders (including regulators, shareholders, clients, employees and the general public) deteriorates and the trust in its franchise and brand value is negatively influenced. The reputation may deteriorate due to cases in which stakeholders' perception of the Group differs negatively from their expectations. Negative publicity about the Group's business practices can involve any aspect of its operations, but usually relates to topics around business ethics and integrity, or the quality of products and services. This includes signals of unexpected negative press, which may lead to extensive money outflows or client withdrawals. Its reputation may also be at risk if environmental, social and governance standards are not being met or if its actions are misaligned with the expectations of relevant stakeholders.

The Group has defined the underlying risk management processes for every risk type along a Risk Management Cycle.

The continuous identification (step 1) of relevant risks is a key risk management activity. This relates to both emerging threats/risks as well as to increasing risk profiles. New risks may arise from the development and launch of new products and services, a change in the regulatory landscape or a change to the business model.

The assessment (step 2) of identified risks consists of the qualitative analysis and quantification of the inherent risk, the control risk and finally the residual risk along defined risk management principles and methods. It also includes the development, testing and validation of models to measure risks, as well as stress-testing procedures to assess and measure risks in predefined scenarios.

The day-to-day risk management (step 3) has to ensure an adequate response to identified risks and the set risk tolerance. It includes all activities from risk evaluation to the definition and implementation of risk mitigation measures that aim to prevent or reduce risks and damages, e.g. the setting of standards and controls, education and training, automation of processes, and the implementation of standards, limits and metrics.

Monitoring activities (step 4) include the performance of control activities or quality assurance procedures on implemented standards and controls to ensure that the risk profile and exposure is kept within the risk tolerance, e.g. via risk metrics (KRIs or KPIs) and limits.

The reporting (step 5) supports all hierarchy levels to have a transparent and accurate overview of the underlying risk profile and risk exposure. This also includes timely escalation in case of breaches of set risk tolerances. The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas.

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

In managing its capital, the Group considers a variety of requirements and expectations. Sufficient capital must be in place to support current and projected business activities, according to both the Group's own internal assessment and the requirements of its regulators, in particular its lead regulator, the Swiss Financial Market Supervisory Authority (FINMA). Capital is also managed in order to achieve sound capital ratios and to ensure a strong external credit rating.

Ensuring compliance with minimum regulatory capital requirements and targeted capital ratios is central to capital adequacy management. In this ongoing process, the Group manages its capital on the basis of target capital ratios for common equity tier 1 (CET1) capital and total capital. In the target-setting process, the Group takes into account the regulatory minimum capital requirements and regulatory expectations that the Group will hold additional capital above the minimum required for each capital category, the Group's internal assessment of aggregate risk exposure requiring equity capital provision, the views of rating agencies, and comparison to peer institutions based on the Group's business mix and market presence.

In 2021 (and 2020), the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 29A provides an overview of the Group's consolidated companies.

The Group's calculations of its risk-weighted assets published in the Annual Report are identical to those carried out for regulatory reporting purposes.

The Basel III international standard approach requires CET1 capital equivalent to at least 4.5% of risk-weighted assets, plus a CET1 capital buffer of 2.5%, plus 1.5% of additional tier 1 (AT1) capital (or better-quality capital), plus 2% of supplementary tier 2 capital (or better-quality capital). In aggregate, this amounts to an overall capital requirement of at least 10.5% of risk-weighted assets. FINMA minimum capital requirements for the Group are 7.8% for CET1, 1.8% for AT1 and 2.4% for tier 2, which puts its overall minimum capital requirement at 12% of risk-weighted assets. At present, the Group is also required to hold an additional anticyclical CET1 capital buffer for commitments outside Switzerland. This adds a further 0.1% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2021 and at 31 December 2020 was sufficient to meet the relevant Bank for International Settlements (BIS) and FINMA requirements as well as internal capital buffers set by the ExB and BoD.

Capital ratios

	31.12.2021 *Basel III* *CHF m*	31.12.2020 *Basel III* *CHF m*
Risk-weighted positions		
Credit risk	**12,935.7**	13,755.5
Non-counterparty-related risk	**514.6**	580.5
Market risk	**850.5**	1,116.7
Operational risk	**5,973.4**	5,668.0
Total	**20,274.2**	21,120.7
Eligible capital		
CET1 capital	**3,315.7**	3,157.5
Tier 1 capital	**4,747.7**	4,296.3
of which hybrid tier 1 capital instruments[1]	***1,432.0***	*1,138.8*
Tier 2 capital	**111.4**	133.5
Total capital	**4,859.2**	4,429.7
CET1 capital ratio	**16.4%**	14.9%
Tier 1 capital ratio	**23.4%**	20.3%
Total capital ratio	**24.0%**	21.0%

[1] The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. (see Note 14 Debt issued).

Further details regarding tier 1 capital instruments can be found in the Capital Instruments section of www.juliusbaer.com. Also refer to Note 14.

The principal adjustment to the Group's total equity under IFRS for the purpose of determining total eligible capital is the deduction of intangible assets. These and other capital components are shown in the following table. In addition to the table below, a separately prepared Basel III Pillar 3 Report shows the full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 31 December 2021. This report, which is published in the Financial Reporting section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure of the composition of eligible regulatory capital and will be publicly available at the end of April 2022.

Capital components

	31.12.2021 *Basel III* *CHF m*	31.12.2020 *Basel III* *CHF m*
Gross CET1 capital	**6,743.3**	6,434.1
of which non-controlling interests	***9.0***	*8.6*
Goodwill and other intangible assets	**-2,651.3**	-2,622.0
Other deductions	**-776.3**	-654.6
CET1 capital	**3,315.7**	3,157.5
Tier 1 capital instruments	**1,432.0**	1,138.8
of which tier 1 bonds (Basel III-compliant capital instruments)	***1,432.0***	*1,138.8*
Additional tier 1 capital	**1,432.0**	1,138.8
Tier 1 capital	**4,747.7**	4,296.3
Tier 2 capital	**111.4**	133.5
of which other tier 2 capital	***111.4***	*133.5*
Total capital	**4,859.2**	4,429.7

Required capital (see table below) for credit risks arising from amounts due from banks, loans, financial assets measured at FVOCI and derivative financial instruments accounts for more than 64% (2020: 65%) of the total required capital. Capital required for non-counterparty risk (2021: 3%; 2020: 3%) and market risk (2021: 4%; 2020: 5%) is of minor significance. The capital required to cover operational risk accounts for 29% of total required capital (2020: 27%).

Minimum capital requirement

	31.12.2021 *Basel III* *CHF m*	31.12.2020 *Basel III* *CHF m*
Credit risk	**1,034.9**	1,100.4
Non-counterparty-related risk	**41.2**	46.4
Market risk	**68.0**	89.3
Operational risk	**477.9**	453.4
Total	**1,621.9**	1,689.7

LEVERAGE RATIO

In addition to the existing requirement for banks to hold eligible capital proportionate to their risk-weighted assets, the leverage ratio is a non-risk-based metric. The leverage ratio is defined as the ratio between eligible (tier 1) core capital and total exposure. Total exposure encompasses all balance sheet and off-balance sheet positions, and the Leverage Ratio circular defines how these are to be calculated. The minimum leverage ratio requirement is 3% for 2021 (and 2020).

Basel III regulations also require the publication of the leverage ratio. The relevant qualitative and quantitative information is contained in a separate disclosure report (Basel III Pillar 3 Report). The report will be published on the www.juliusbaer.com website and will be available at the end of April 2022.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

NOTE 1 NET INTEREST INCOME

	2021 CHF m	2020 CHF m	Change %
Interest income on amounts due from banks	**3.0**	12.1	-74.9
Interest income on loans	**601.6**	651.5	-7.7
Interest income on debt instruments at FVOCI	**114.7**	134.4	-14.6
Negative interest received on financial liabilities	**39.2**	27.2	44.0
Interest income on financial instruments measured at amortised cost or FVOCI	**758.6**	825.2	-8.1
Interest expense on amounts due to banks	**9.6**	13.3	-28.1
Interest expense on amounts due to customers	**8.1**	73.6	-89.1
Interest expense on debt issued	**56.2**	60.3	-6.7
Negative interest paid on financial assets	**52.7**	50.5	4.4
Interest expense on lease liabilities	**4.9**	5.7	-13.8
Interest expense on financial instruments measured at amortised cost	**131.6**	203.5	-35.3
Total	**627.0**	621.7	0.9

NOTE 2 NET COMMISSION AND FEE INCOME

	2021 CHF m	2020 CHF m	Change %
Advisory and management fees	**1,643.7**	1,350.9	21.7
Brokerage commissions and income from securities underwriting	**839.0**	816.1	2.8
Commission and fee income on other services	**84.1**	83.1	1.2
Total commission and fee income	**2,566.9**	2,250.1	14.1
Commission expense	**271.0**	235.1	15.3
Total	**2,295.9**	2,015.0	13.9

NOTE 3 OTHER ORDINARY RESULTS

	2021 *CHF m*	2020 *CHF m*	Change *%*
Dividend income on equity instruments at FVOCI	**21.0**	1.8	-
Result from disposal of debt instruments at FVOCI	**9.4**	15.9	-40.8
Real estate income	**6.0**	5.4	10.9
Other ordinary income	**21.7**	18.0	20.6
Other ordinary expenses	**5.6**	2.7	112.9
Total	**52.4**	38.4	36.4

NOTE 4 PERSONNEL EXPENSES

	2021 *CHF m*	2020 *CHF m*	Change *%*
Salaries and bonuses	**1,296.4**	1,266.1	2.4
Contributions to staff pension plans (defined benefits)	**80.3**	86.1	-6.8
Contributions to staff pension plans (defined contributions)	**38.7**	36.8	5.3
Other social security contributions	**112.0**	100.7	11.3
Share-based payments	**93.3**	71.6	30.2
Other personnel expenses	**40.0**	34.2	16.9
Total	**1,660.7**	1,595.5	4.1

NOTE 5 GENERAL EXPENSES

	2021 *CHF m*	2020 *CHF m*	Change *%*
Occupancy expense	**30.8**	33.3	-7.5
IT and other equipment expense	**86.3**	87.4	-1.3
Information, communication and advertising expense	**164.2**	153.0	7.3
Service expense, fees and taxes	**324.6**	336.8	-3.6
Provisions and losses	**66.6**	92.6	-28.1
Other general expenses	**10.1**	7.6	33.6
Total	**682.6**	710.7	-4.0

NOTE 6 INCOME TAXES

	2021 *CHF m*	2020 *CHF m*	Change *%*
Income tax on profit before taxes (statutory tax expense)	**239.2**	169.2	-
Effect of tax rate differences in foreign jurisdictions	**-19.8**	21.7	-
Effect of domestic tax rate differences	**5.1**	7.3	-
Income subject to a reduced tax rate	**-26.6**	-52.6	-
Effect of change in applicable tax rate on temporary differences	**0.2**	2.5	-
Effect of utilisation of prior-year losses	**-17.7**	-7.6	-
Effect from unrecognised tax losses	**3.4**	4.1	-
Adjustments related to prior years	**-36.4**	-13.0	-
Non-deductible expenses	**30.9**	16.7	-
Other	**-2.0**	-1.0	-
Actual income tax expense	**176.1**	147.3	19.5

The basis for the above table is the statutory income tax rate of 19% (2020: 20%), which corresponds to the average Group tax rate in Switzerland.

The Group has cumulative unrecognised loss carryforwards of CHF 130.1 million (2020: CHF 226.5 million) that do not expire.

The Group applies management judgement in identifying uncertainties related to income tax treatments and the respective interpretations by local tax authorities. It operates in an international tax environment that has become more complex and challenging in recent years because of multinational (e.g., Base Erosion and Profit Shifting project by OECD/G20) and unilateral initiatives. Among other things, the Group applies transfer pricing arrangements among different Group entities due to its cross-border operations to correctly align taxable profits with value creation. Therefore, the Group subsidiaries' tax filings in different jurisdictions include deductions related to such transfer pricing arrangements and the local tax authorities may challenge the applied tax treatment. However, based on its ongoing analysis of the tax regulations and the respective application in the different locations as well as the benchmarking process, the Group is of the opinion that its transfer pricing arrangements will be accepted by the tax authorities. Moreover, the tax treatment of various items requires an interpretation of local tax law and practice in many jurisdictions to the best of the Group's knowledge. In addition, the Group books provisions where adequate to cover future potential tax. After considering the above, the Group is of the opinion that the tax expense and tax liabilities in the financial statements are adequate and based on reasonable judgements by tax professionals.

	2021 *CHF m*	2020 *CHF m*	Change *%*
Domestic income taxes	**99.3**	75.5	31.5
Foreign income taxes	**76.8**	71.8	6.9
Total	**176.1**	147.3	19.5

Current income taxes	**188.4**	151.0	24.8
Deferred income taxes	**-12.3**	-3.7	-236.0
Total	**176.1**	147.3	19.5

Tax effects relating to components of other comprehensive income

			2021
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-108.7	7.2	-101.5
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-10.1	0.3	-9.8
Cash flow hedges	-8.7	-	-8.7
Translation differences	-7.8	-	-7.8
Realised (gains)/losses on translation differences reclassified to the income statement	-1.4	-	-1.4
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	39.8	-7.7	32.1
Own credit on financial liabilities designated at fair value	3.1	-	3.1
Remeasurement of defined benefit obligation	69.8	-13.0	56.8
Other comprehensive income	**-23.9**	**-13.2**	**-37.1**

			2020
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	111.5	-5.7	105.7
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-15.4	0.5	-15.0
Translation differences	-165.6	-	-165.6
Realised (gains)/losses on translation differences reclassified to the income statement	2.5	-	2.5
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	-14.3	2.7	-11.6
Own credit on financial liabilities designated at fair value	-3.9	-	-3.9
Remeasurement of defined benefit obligation	25.9	-4.9	21.0
Other comprehensive income	-59.3	-7.5	-66.8

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

NOTE 7 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	**31.12.2021** **Total** *CHF m*
Financial assets						
Cash	-	-	-	-	19,851.2	**19,851.2**
Due from banks	-	-	-	-	4,598.4	**4,598.4**
Lombard loans	-	-	-	-	42,240.6	**42,240.6**
Mortgages	-	-	-	-	8,176.5	**8,176.5**
Financial assets measured at FVTPL	14,589.1	-	-	-	-	**14,589.1**
Derivative financial instruments	2,086.6	-	-	-	-	**2,086.6**
Financial assets designated at fair value	-	322.9	-	-	-	**322.9**
Financial assets measured at FVOCI	-	-	13,017.9	342.8	-	**13,360.6**
Accrued income/other assets	-	-	-	-	412.5	**412.5**
Total	**16,675.7**	**322.9**	**13,017.9**	**342.8**	**75,279.1**	**105,638.4**
Financial liabilities						
Due to banks	-	-	-	-	4,217.2	**4,217.2**
Due to customers	-	-	-	-	83,201.2	**83,201.2**
Financial liabilities measured at FVTPL	749.5	-	-	-	-	**749.5**
Derivative financial instruments	2,547.1	-	-	-	-	**2,547.1**
Financial liabilities designated at fair value	-	14,459.0	-	-	-	**14,459.0**
Debt issued	-	-	-	-	2,644.3	**2,644.3**
Accrued expense/other liabilities	-	-	-	-	239.5	**239.5**
Deferred payments related to acquisitions	3.2	-	-	-	-	**3.2**
Total	**3,299.8**	**14,459.0**	**-**	**-**	**90,302.2**	**108,061.0**

						31.12.2020
	FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	Total *CHF m*
Financial assets						
Cash	-	-	-	-	14,544.4	14,544.4
Due from banks	-	-	-	-	7,349.9	7,349.9
Lombard loans	-	-	-	-	38,408.3	38,408.3
Mortgages	-	-	-	-	8,799.3	8,799.3
Financial assets measured at FVTPL	13,429.8	-	-	-	-	13,429.8
Derivative financial instruments	2,562.3	-	-	-	-	2,562.3
Financial assets designated at fair value	-	269.6	-	-	-	269.6
Financial assets measured at FVOCI	-	-	13,522.6	273.7	-	13,796.4
Accrued income/other assets	-	-	-	-	360.8	360.8
Total	15,992.1	269.6	13,522.6	273.7	69,462.7	99,520.7
Financial liabilities						
Due to banks	-	-	-	-	5,087.9	5,087.9
Due to customers	-	-	-	-	77,784.5	77,784.5
Financial liabilities measured at FVTPL	896.5	-	-	-	-	896.5
Derivative financial instruments	2,554.6	-	-	-	-	2,554.6
Financial liabilities designated at fair value	-	13,154.8	-	-	-	13,154.8
Debt issued	-	-	-	-	1,478.2	1,478.2
Accrued expense/other liabilities	-	-	-	-	202.9	202.9
Deferred payments related to acquisitions	18.8	-	-	-	-	18.8
Total	3,469.9	13,154.8	-	-	84,553.6	101,178.3

NOTE 8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FVTPL

	31.12.2021 *CHF m*	31.12.2020 *CHF m*	Change *CHF m*
Financial assets measured at FVTPL			
Trading securities – debt FVTPL	**3,253.6**	3,388.5	-134.9
of which quoted	***2,125.8***	*2,655.4*	*-529.6*
of which unquoted	***1,127.8***	*733.1*	*394.7*
Trading securities – equity FVTPL	**11,239.4**	9,964.7	1,274.7
of which quoted	***9,002.1***	*8,028.1*	*974.0*
of which unquoted	***2,237.3***	*1,936.6*	*300.7*
Other securities mandatorily measured at FVTPL	**96.1**	76.5	19.5
Total	**14,589.1**	13,429.8	1,159.4

Financial liabilities measured at FVTPL			
Short positions – debt instruments FVTPL	**174.0**	239.5	-65.5
of which quoted	***133.1***	*222.1*	*-89.1*
of which unquoted	***41.0***	*17.4*	*23.6*
Short positions – equity instruments FVTPL	**575.5**	657.0	-81.5
of which quoted	***548.3***	*626.3*	*-78.0*
of which unquoted	***27.2***	*30.7*	*-3.5*
Total	**749.5**	896.5	-147.0

NOTE 9 FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2021 *CHF m*	31.12.2020 *CHF m*	Change *CHF m*
Government and agency bonds	**4,480.5**	4,301.0	179.5
Financial institution bonds	**5,308.2**	5,356.9	-48.7
Corporate bonds	**3,229.1**	3,864.7	-635.5
Debt instruments at FVOCI	**13,017.9**	13,522.6	-504.8
of which quoted	***8,957.6***	*9,045.6*	*-88.0*
of which unquoted	***4,060.3***	*4,477.0*	*-416.8*
Equity instruments at FVOCI	**342.8**	273.7	69.1
of which unquoted	***342.8***	*273.7*	*69.1*
Total	**13,360.6**	13,796.4	-435.7

NOTE 10 PROPERTY, EQUIPMENT AND LEASES

	Bank premises *CHF m*	Leases *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost				
Balance on 01.01.2020	423.3	331.4	241.8	996.5
Translation differences	-	-2.9	-3.5	-6.3
Additions	4.8	45.1	22.1	72.0
Changes	-	0.1	-	0.1
Disposals/transfers[1]	-	1.7	34.9	36.6
Balance on 31.12.2020	428.1	372.0	225.5	1,025.6
Translation differences	-	-3.7	-0.7	-4.4
Additions	6.3	8.6	15.8	30.6
Changes	-	1.2	0.1	1.3
Additions from business combinations	-	-	0.1	0.1
Disposals/transfers[1]	-	9.3	50.5	59.8
Balance on 31.12.2021	434.4	368.8	190.3	993.5
Depreciation and impairment				
Balance on 01.01.2020	137.5	63.3	182.9	383.7
Translation differences	-	-1.0	-1.6	-2.6
Charge for the period	9.5	63.5	27.5	100.5
Disposals/transfers[1]	-	1.6	34.9	36.5
Balance on 31.12.2020	147.0	124.3	173.8	445.1
Translation differences	-	-1.6	-0.6	-2.2
Charge for the period	9.1	63.5	23.1	95.7
Disposals/transfers[1]	-	9.4	50.3	59.6
Balance on 31.12.2021	156.1	176.9	146.0	479.0
Carrying value				
Balance on 31.12.2020	281.1	247.8	51.7	580.5
Balance on 31.12.2021	**278.3**	**192.0**	**44.3**	**514.6**

[1] Includes also derecognition of fully depreciated assets

The following information relates to the Group's lease activities:

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Amounts recognised in the income statement		
Depreciation charge	**63.5**	63.5
Interest expense on lease liabilities	**4.9**	5.7
Expense related to short-term/low-value leases	**2.5**	3.5
Total	**71.0**	72.8
Total cash outflows for leases (excluding short-term/low-value leases)	**66.7**	62.9
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**65.4**	64.3
One to five years	**115.0**	142.6
More than five years	**85.6**	72.1
Total undiscounted lease liabilities	**266.0**	279.0

NOTE 11 GOODWILL AND INTANGIBLE ASSETS

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Historical cost				
Balance on 01.01.2020	2,116.9	1,471.7	1,060.7	4,649.2
Translation differences	-45.1	-19.7	-1.4	-66.2
Additions	-	-	158.5	158.5
Additions from business combinations	0.2	-	-	0.2
Disposals/transfers[1]	0.3	14.0	56.8	71.2
Balance on 31.12.2020	2,071.7	1,438.0	1,161.0	4,670.6
Translation differences	-3.1	-3.9	-1.9	-9.0
Additions	-	-	174.7	174.7
Additions from business combinations	10.6	3.4	0.1	14.1
Disposals/transfers[1]	-	-	67.2	67.2
Balance on 31.12.2021	2,079.2	1,437.4	1,266.6	4,783.2
Amortisation and impairment				
Balance on 01.01.2020	99.2	1,226.2	457.8	1,783.1
Translation differences	-	-8.9	-0.6	-9.5
Charge for the period	179.0	70.1[2]	81.3[3]	330.5
Disposals/transfers[1]	-	14.0	56.8	70.8
Balance on 31.12.2020	278.2	1,273.3	481.7	2,033.2
Translation differences	-	-2.9	-0.7	-3.7
Charge for the period	-	57.9	102.2[4]	160.1
Disposals/transfers[1]	-	-	67.2	67.2
Balance on 31.12.2021	278.2	1,328.4	515.9	2,122.5
Carrying value				
Balance on 31.12.2020	1,793.4	164.6	679.3	2,637.4
Balance on 31.12.2021	**1,800.9**	**109.1**	**750.7**	**2,660.7**

[1] Includes also derecognition of fully amortised assets
[2] Includes impairment of CHF 11.4 million related to Kairos
[3] Includes impairment of CHF 8.9 million related to software not used anymore
[4] Includes impairment of CHF 18.7 million related to software not used anymore

	Balance on 01.01.2021 *CHF m*	Additions *CHF m*	Disposals/ Impairment *CHF m*	Translation differences *CHF m*	**Balance on 31.12.2021** *CHF m*
Goodwill					
Julius Baer Wealth Management	1,627.2	10.6	-	0.5	**1,638.4**
Julius Baer Family Office Brasil	92.9	-	-	-3.6	**89.3**
Kairos	39.1	-	-	-0.1	**39.0**
NSC Asesores	34.2	-	-	-	**34.2**
Total	1,793.4	10.6	-	-3.1	**1,800.9**

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generates cash inflows independently from other assets) and is subsequently compared with the carrying amount of that unit. Within the Group, cash inflows are not attributable to either any dimension (e.g. geographical areas, booking centres, clients or products) or group of assets. In addition, management makes operating decisions based on information on the Group level (see also Note 20 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Group, except for the subsidiaries Julius Baer Family Office Brasil, Kairos and NSC Asesores, which are tested on a stand-alone basis. Julius Baer Family Office Brasil, Kairos and NSC Asesores are each regarded a cash-generating unit (CGU) as their cash inflows are generated independently from other assets.

The Group uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the CGUs based on its regular financial planning, taking into account the following key parameters and their single components that are relevant to all CGUs:

- assets under management;
- return on assets (RoA) on the average assets under management (driven by fees and commissions, trading income and net interest income);
- operating income and expenses; and
- tax rate applicable.

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows for the next five years, whereof the first three years are based on the detailed budgeting and the remaining two years on the less detailed mid-term planning (particularly net new money). The Group expects in the medium and long term a favourable development of the wealth management activities, which is reflected in the respective growth of the key parameters, although the Group cannot exclude short-term market disruptions. The Group also takes into consideration its relative strength as a pure wealth management provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments that are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.8% (2020: 11.0%) for Julius Baer Wealth Management. For Julius Baer Family Office Brasil, the pre-tax discount rate used is 19.8% (2020: 23.9%); for Kairos, it is 14.5% (2020: 15.7%) and for NSC Asesores, it is 19.2% (2020: 19.3%). The discount rates used in the calculation represent the Group's specific risk-weighted rates for the respective CGU and are based, depending on the specific unit, on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

The Group's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned and/or started business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of the Group vis-à-vis its respective competitors and in its industry. The long-term growth rate beyond management's planning horizon of five years for assets under management is assumed at 1% for all CGUs. This growth rate is considerably below the actual average rate of the last five years.

Changes in key assumptions

Deviations of future actual results achieved vs. forecast/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific personnel cost development and/or changes in the implementation of known, or the addition of new, business initiatives, and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount, or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions (i.e. discount rate and growth rate) would not result in the carrying amount significantly exceeding the recoverable amounts for all CGUs.

Therefore, no impairment resulted from the ordinary analyses of the CGUs. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market and business-specific environment.

In 2020, the Group recognised a goodwill impairment in the amount of EUR 167 million and a charge to the client relationships in the amount of EUR 10 million (net of tax) in the income statement (together approximately CHF 190 million), both related to Kairos.

NOTE 12 ASSETS PLEDGED OR CEDED

	31.12.2021 Carrying value *CHF m*	31.12.2021 Effective commitment *CHF m*	31.12.2020 Carrying value *CHF m*	31.12.2020 Effective commitment *CHF m*
Securities	**3,449.4**	**3,449.4**	1,142.1	1,142.1
Other	**34.9**	**19.7**	30.5	14.4
Total	**3,484.3**	**3,469.1**	1,172.7	1,156.6

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading. Not included in these numbers are financial assets provided as collateral in securities transactions (refer to Note 23 for details).

NOTE 13 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2022 *CHF m*	2023 *CHF m*	2024 *CHF m*	2025 *CHF m*	2026 *CHF m*	2027–2032 *CHF m*	un-assigned *CHF m*	**31.12.2021** *CHF m*	31.12.2020 *CHF m*
Fixed rate	7,220.2	272.0	8.3	-	-	-	-	**7,500.5**	5,598.5
Interest rates (ranges in %)	0.05–92.3	1.66–36.0	3.0–7.45	-	-	-	-	**-**	-
Floating rate	1,282.4	1,041.4	474.2	340.6	175.4	283.1	3,361.5	**6,958.5**	7,556.3
Total	**8,502.6**	**1,313.4**	**482.4**	**340.6**	**175.4**	**283.1**	**3,361.5**	**14,459.0**	13,154.8

The Group issues to its wealth management clients structured notes for investment purposes. The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd., with fixed interest rate coupons ranging from 0.05% up to 92.3%. The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated.

As the redemption amount on the structured debt issues is linked to changes in stock prices, indices, currencies or other assets, the Group cannot determine the difference between the carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the structured debt issues.

Changes in the fair value of financial liabilities designated at fair value are primarily attributable to changes in the market risk factors of the embedded derivatives. The impact of the credit rating of the Bank on the fair value changes of these liabilities amounted to CHF -0.8 million (2020: CHF -3.9 million).

NOTE 14 DEBT ISSUED

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Money market instruments	**236.6**	135.5
Bonds	**2,407.7**	1,342.7
Total	**2,644.3**	1,478.2

Changes in bonds

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Balance on 01.01.	**1,342.7**	1,747.3
Changes from financing cash flows:		
– Proceeds from issuance of new bonds	**1,100.4**	315.5
– Repayment of bonds	**-**	-655.1
Total changes from financing cash flows	**1,100.4**	-339.6
Changes related to amortisation of premiums/discounts	**1.8**	2.0
Changes related to foreign exchange	**-13.5**	-72.7
Changes related to offsetting own bonds	**-1.0**	0.8
Changes related to hedge accounting	**-22.7**	5.0
Total	**2,407.7**	1,342.7

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	31.12.2021 Carrying value[1] CHF m	31.12.2020 Carrying value[1] CHF m
Julius Baer Group Ltd.						
2016[2]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**220.2**	221.7
Julius Baer Group Ltd.						
2017[3]	4.75	Perpetual tier 1 subordinated bond	USD	300.0	**271.5**	265.5
Julius Baer Group Ltd.						
2017[4]	0.375	Domestic senior unsecured bond	CHF	200.0	**201.4**	203.9
Julius Baer Group Ltd.						
2019[5]	2.375	Perpetual tier 1 subordinated bond	CHF	350.0	**348.8**	348.5
Julius Baer Group Ltd.						
2020[6]	4.875	Perpetual tier 1 subordinated bond	USD	350.0	**303.7**	303.2
Bank Julius Baer & Co. Ltd.						
2021[7]	0.125	Domestic senior unsecured bond	CHF	260.0	**257.4**	-
Bank Julius Baer & Co. Ltd.						
2021[8]	0.000	Senior unsecured bond	EUR	500.0	**516.9**	-
Julius Baer Group Ltd.						
2021[9]	3.625	Perpetual tier 1 subordinated bond	USD	320.0	**287.9**	-
Total					**2,407.7**	1,342.7

1 The Group applies fair value hedge accounting for certain bonds based on specific interest rate swaps. The changes in the fair value that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the bond.
2 The effective interest rate amounts to 5.951%.
3 The effective interest rate amounts to 4.91%.
4 The effective interest rate amounts to 0.32361%.
5 The effective interest rate amounts to 2.487%.
6 The effective interest rate amounts to 5.242%.
7 The effective interest rate amounts to 0.103%.
8 The effective interest rate amounts to 0.092%.
9 The effective interest rate amounts to 3.743%.

Perpetual tier 1 subordinated bonds

The maturities of the perpetual tier 1 subordinated bonds issued by Julius Baer Group Ltd. are essentially perpetual. These bonds are unsecured, subordinate to all borrowings (with the exception of the remainder of the tier 1 capital), fully paid up, capable of sustaining losses and devoid of any voting rights. The bonds can first be redeemed, at the issuer's discretion, five to seven years after their issue date, and at yearly or half-yearly intervals thereafter, provided the regulator approves such redemption. In addition, the bonds may also be redeemed upon a regulatory event or tax event, as described in the prospectus. In the case of a viability event occurring, i.e. at a point in time where there is a threat of insolvency ('Point of non-viability' or 'PONV'), as described in Article 29 of the Capital Adequacy Ordinance of the Swiss Financial Market Supervisory Authority FINMA (CAO), all monies (including par value and any interest) due on the bonds will automatically cease to be payable and the bonds will be completely written off (i.e. their value will be written down to zero). Should a trigger event occur – i.e. should tier 1 common equity (under Basel III) fall below 5.125% (2019 and 2021 issues) or 7.0% (2016, 2017 and 2020 issues) – the value of the bonds will be written down to ensure that the write-down threshold ratio that originally triggered the event is restored to a level equal to or exceeding its trigger level. Here, too, in a worst-case scenario all monies due on the bonds will cease to be payable in their entirety. In the event of the monies payable on the bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the bonds is envisaged or permitted. From the issue date to the reset date, the bonds will pay interest at a fixed rate. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate and a margin. Interest on the bonds is payable, in arrears on a 30/360-day basis, until the bonds have either been redeemed or fully written off. Interest payments on the bonds are prohibited in the event of this being ordered by the regulator (FINMA) or should there be insufficient retained earnings on the balance sheet of Julius Baer Group Ltd. to finance the payment of interest on tier 1 capital and to make any distributions already planned in respect of the previous financial year. Once suspended, any interest payments will permanently cease to be payable. Such interest payments are not cumulative, nor will they be paid at any future date. In the event of interest payments on the bonds being suspended, the Board of Directors of Julius Baer Group Ltd. will not be permitted to recommend any dividend payments to the Annual General Meeting until such time as interest payments on the bonds are resumed. Moreover, in the event of interest payments on the bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

2014 issue

The perpetual tier 1 subordinated bond was issued by Julius Baer Group Ltd. on 5 June 2014. The bonds can first be redeemed, at the issuer's discretion, six years after their issue date (i.e. on 5 June 2020). From the issue date to the reset date (5 June 2020), the bonds paid interest at a fixed rate of 4.25% per annum. Thereafter, the interest payable on the bonds was refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year mid-market CHF swap rate) and a margin of 3.7625%. Interest on the bonds is payable annually in arrears on 5 June in each year. The bond was paid back on the first possible redemption date (5 June 2020) at par value plus accrued interest.

2015 issue

The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 18 November 2015. The bonds can first be redeemed, at the issuer's discretion, five years after their issue date (i.e. on 18 November 2020). From the issue date to the reset date (18 November 2020), the bonds paid interest at a fixed rate of 5.9% per annum. Thereafter, the interest payable on the bonds was refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.32%. Interest on the bonds is payable semi-annually in arrears on 18 May and 18 November in each year. The bond was paid back on the first possible redemption date (18 November 2020) at par value plus accrued interest.

2016 issue
The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 20 October 2016. The bonds can first be redeemed, at the issuer's discretion, on 20 April 2022. From the issue date to the reset date (20 April 2022), the bonds will pay interest at a fixed rate of 5.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.915%. Interest on the bonds is payable semi-annually in arrears on 20 April and 20 October in each year.

2017 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 12 September 2017. The bonds can first be redeemed, at the issuer's discretion, on 12 September 2024 and on every semi-annual interest payment date thereafter. From the issue date to the first reset date (12 September 2024), the bonds will pay interest at a fixed rate of 4.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year USD constant maturity treasury rate) and a margin of 2.844%. Interest on the bonds is payable semi-annually in arrears on 12 March and 12 September in each year.

2019 issue
The perpetual tier 1 subordinated bond, which is denominated in CHF, was issued by Julius Baer Group Ltd. on 25 June 2019. The bonds can be redeemed at the issuer's discretion anytime in the three months prior to and including the first reset date (25 September 2025) and on every annual interest payment date thereafter. From the issue date to the first reset date (25 September 2025), the bonds will pay an annual interest at a fixed rate of 2.375% on 25 September of each year (first long coupon on 25 September 2020). Thereafter, the interest payable on the bonds will be refixed for the next five years equal to the sum of the benchmark rate (i.e. the five-year CHF mid-market swap rate) and a margin of 2.861%. Interest on the bonds is payable annually on 25 September of each year.

2020 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 29 September 2020. The bonds can be redeemed at the issuer's discretion anytime in the six months prior to and including the first reset date (8 October 2026) and on every semi-annual interest payment date thereafter. From the issue date to the first reset date (8 October 2026), the bonds will pay interest at a fixed rate of 4.875% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the yield for US Treasury securities at 'constant maturity' for a designated maturity of five years) and a margin of 4.616%. Interest on the bonds is payable semi-annually in arrears on 8 April and 8 October in each year.

2021 issue
The perpetual tier 1 subordinated bonds, which are denominated in USD, were issued by Julius Baer Group Ltd. on 23 September 2021. The bonds can be redeemed at the issuer's discretion anytime in the six months prior to and including the first reset date (23 September 2028) and on every semi-annual interest payment date thereafter. From the issue date to the first reset date, the bonds will pay interest at a fixed rate of 3.625% per annum. Thereafter, the interest payable on the bonds will be reset for the next five years at a rate equal to the sum of the benchmark rate (i.e. the yield for U.S. Treasury Securities at 'constant maturity' for a designated maturity of five years) and a margin of 2.539%. Interest on the bonds is payable semi-annually in arrears on 23 March and 23 September each year.

Senior unsecured issues
2017 issue
The senior unsecured bond, which is denominated in CHF, was issued by Julius Baer Group Ltd. on 6 December 2017. The bonds have a final maturity on 6 December 2024 and pay interest at a fixed rate of 0.375% per annum paid annually on 6 December in each year.

2021 issues
The senior unsecured bond, which is denominated in CHF, was issued by Bank Julius Baer & Co. Ltd. on 27 April 2021. The bonds have a final maturity on 27 April 2028 and pay interest at a fixed rate of 0.125% interest per annum payable annually in arrears on 27 April.

The senior unsecured bond, which is denominated in EUR, was issued by Bank Julius Baer & Co. Ltd. on 25 June 2021. The bonds have a final maturity on 25 June 2024 and pay interest at a fixed rate of 0.000% interest per annum.

NOTE 15A DEFERRED TAX ASSETS

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Balance at the beginning of the year	**20.1**	16.4
Income statement – credit	**10.9**	6.1
Income statement – charge	**-4.5**	-2.1
Recognised directly in OCI	**2.4**	0.0
Translation differences and other adjustments	**-0.6**	-0.4
Balance at the end of the year	**28.3**	20.1

The components of deferred tax assets are as follows:

Pension liabilities	**0.0**	14.9
Operating loss carryforwards	**16.9**	14.7
Employee compensation and benefits	**16.3**	10.3
Financial assets measured at FVOCI	**0.6**	-
Property and equipment	**2.3**	2.3
Other	**0.2**	0.3
Deferred tax assets before set-off[1]	**36.3**	42.6
Offset	**-8.0**	-22.5
Total	**28.3**	20.1

[1] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability as per consolidated companies if that company is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax assets) into the single components may result in negative amounts (in this case deferred tax liabilities) which are disclosed as offsetting amounts.

Deferred tax assets related to operating loss carryforwards are assessed at each year-end with regard to their sustainability based on the actual three-year business forecast.

NOTE 15B DEFERRED TAX LIABILITIES

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Balance at the beginning of the year	**74.5**	68.8
Income statement – charge	**2.1**	7.1
Income statement – credit	**-8.0**	-6.7
Acquisition of subsidiaries	**0.7**	-
Recognised directly in OCI	**15.6**	7.5
Translation differences and other adjustments	**-0.4**	-2.2
Balance at the end of the year	**84.5**	74.5

The components of deferred tax liabilities[1] are as follows:

Provisions	**5.4**	5.0
Employee compensation and benefits	**0.1**	-
Property and equipment	**27.3**	28.8
Financial assets measured at FVOCI	**43.9**	44.9
Intangible assets	**10.2**	15.4
Other	**5.6**	3.0
Deferred tax liability before set-off[2]	**92.5**	96.9
Offset	**-8.0**	-22.5
Total	**84.5**	74.5

[1] The temporary differences associated with investments in subsidiaries do not lead to deferred tax liabilities since the Group is able to control the timing of the reversal of the temporary difference and since it is probable that the temporary differences will not reverse in the foreseeable future.

[2] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability as per consolidated companies if that company is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax liabilities) into the single components may result in negative amounts (in this case deferred tax assets) which are disclosed as offsetting amounts.

NOTE 16 PROVISIONS

	Legal risks CHF m	Other CHF m	**2021 Total** CHF m	2020 Total CHF m
Balance at the beginning of the year	**111.4**	**4.5**	**115.9**	201.3
Utilised during the year	**-74.9**	**-3.3**	**-78.2**	-154.4
Provisions made during the year	**58.0**	**0.8**	**58.8**	92.0
Provisions reversed during the year	**-1.4**	**-0.5**	**-1.9**	-14.9
Translation differences	**2.1**	**0.0**	**2.1**	-8.0
Balance at the end of the year	**95.2**	**1.6**	**96.8**	115.9

Maturity of provisions				
Up to one year	**28.7**	**0.5**	**29.2**	26.6
Over one year	**66.5**	**1.1**	**67.6**	89.4

Introduction
The Group operates in a legal and regulatory environment that exposes it to significant litigation, compliance, reputational and other risks arising from disputes and regulatory proceedings.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action or initiating criminal proceedings against the Group and/or its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the order to suspend or limit certain activities, the suspension or expulsion from a particular jurisdiction or market of any of the Group's business organisations or their key personnel, the imposition of fines, the disgorgement of profit as well as claims for restitution, and censures on companies and employees with respective impact on the reputation of the Group and its relation with clients, business partners and other stakeholders. In certain markets, authorities, such as regulatory or tax authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local and/or international laws and regulations. Also, from time to time, the Group is and may be confronted with information and clarification requests, and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions, etc.) as well as with enforcement procedures relating to certain topics (such as environmental, social, governance or sustainability issues). As a matter of principle, the Group cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own and other stakeholders' interests.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known, or risks and proceedings currently deemed immaterial, may also impair the Group's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually, or together with other circumstances, have a materially adverse impact on the Group's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities
The Group is involved in various legal, regulatory and administrative proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Group – depending on the status of related proceedings – is difficult to assess.

The Group establishes provisions for pending and threatened legal proceedings if management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgement of any liability on the part of the Group and if the amount of such obligation or loss can already be reasonably estimated.

In rare cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is recorded as a contingent liability as of 31 December 2021. The contingent liabilities may result in a materially adverse effect on the Group or may for other reasons be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), which funds had served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time.

Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and, in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. The Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. That decision has been appealed as well. Both appeals have been consolidated and remain pending. Further, in October 2021, the Bank filed a motion to dismiss for lack of personal jurisdiction. In response, the Liquidators requested jurisdictional discovery, the scope of which is yet to be defined.

In a landmark decision on so-called retrocessions, the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss mandate law, a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived the right to reclaim such fees. Bank Julius Baer & Co. Ltd. has assessed this decision by the Swiss Federal Supreme Court and other court decisions relevant in this context – i.e. the Group continues to assess such court decisions and developments, the mandate structures to which the Court decisions might be applicable, and the documentation as well as the impact of respective waivers and communicated bandwidths that were introduced in the past on an ongoing basis – and has implemented appropriate measures to address the matter.

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a Lithuanian corporation arguing that the Bank did not prevent two of its clients from embezzling assets of such corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders (‘Betreibungsbegehren’) against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank was served with a claim from said Lithuanian corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in Lithuania. On 19 October 2018, the Lithuanian court of last instance definitively rejected local jurisdiction, thereby terminating the litigation against the Bank in Lithuania. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the Lithuanian corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, the Bank was served with the corresponding claim in the amount of EUR 335 million plus accrued interest at a rate of 5% per annum since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate-trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions/money laundering was initiated against Bank Julius Baer & Co. Ltd. in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter. A trial in the matter took place in December 2021 at which a fine of EUR 5 million and a restitution amount of EUR 2 million was proposed to be charged against the Bank. The competent court of First Instance is expected to render its decision in March 2022. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order (‘Betreibungsbegehren’) in various currencies filed against the Bank in the total amount of then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 139 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by Bank Julius Baer & Co. Ltd. in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total claimed amount to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequent upon the liquidation of almost their entire portfolio of assets in May 2010 and argues that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims in principle are subject to acquisition-related representation and warranties provisions.

Bank Julius Baer & Co. Ltd. has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focused on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations against third parties, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. FINMA's related enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. was closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities. In the meantime, FINMA also lifted an acquisition ban at the end of March 2021 initially imposed with the closing of the enforcement procedure in February 2020. Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer is contesting the claim and seizure request while taking appropriate measures to defend its interests.

The UK Financial Conduct Authority ('FCA') has been investigating Julius Baer International Limited, UK ('JBINT') in respect of its compliance with certain of the FCA's Principles for Businesses and underlying regulatory rules in the context of a legacy matter. JBINT has been fully cooperating with the FCA in its investigative work, the completion of which is expected for the first half of 2022.

Bank Julius Baer & Co. Ltd. was confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ('OFAC') sanctions. The procedure related to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank was defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020, and the Swiss Federal Supreme Court has ultimately confirmed such decision in August 2021. In the same context, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank had addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations. A resolution in the latter legacy matter is expected to be reached in 2022.

In May 2021, Bank Julius Baer & Co. Ltd. became aware that a Writ of Summons ('the Writ') had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited ('SRC') claiming the sum of approximately USD 112 million from the Bank, alleging the Bank was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. The Bank will contest such civil claim, which has not been served, and will take all appropriate measures to defend its interests in this matter.

NOTE 17A OTHER ASSETS

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Precious metals (physical)	**4,174.4**	4,357.7
Tax receivables	**3,092.2**	1,718.4
Accounts receivable	**36.1**	28.6
Deposits	**21.3**	17.3
Pension asset	**10.8**	-
Other	**93.7**	232.0
Total	**7,428.5**	6,354.1

NOTE 17B OTHER LIABILITIES

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Lease liability	**204.7**	260.9
Pension liability	**15.1**	95.9
Other tax payable	**82.1**	67.4
Accounts payable	**39.3**	35.2
Deferred payments related to acquisitions	**3.2**	18.8
Other	**157.9**	179.9
Total	**502.3**	658.1

NOTE 18 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF m*
Balance on 01.01.2020	223,809,448	4.5
of which entitled to dividends	*223,809,448*	*4.5*
Balance on 31.12.2020	223,809,448	4.5
of which entitled to dividends	*223,809,448*	*4.5*
Decrease	-2,585,000	-0.1
Balance on 31.12.2021	221,224,448	**4.4**
of which entitled to dividends	*221,224,448*	***4.4***

ADDITIONAL INFORMATION

NOTE 19 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2021	2020
Basic earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**1,082.0**	698.0
Weighted average number of shares outstanding	**213,971,833**	215,016,327
Basic earnings per share (CHF)	**5.06**	3.25

Diluted earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**1,082.0**	698.0
Less (profit)/loss on equity derivative contracts (CHF m)	**-0.2**	-2.8
Net profit attributable to shareholders of Julius Baer Group Ltd. for diluted earnings per share (CHF m)	**1,081.8**	695.2
Weighted average number of shares outstanding	**213,971,833**	215,016,327
Dilution effect	**169**	-276
Weighted average number of shares outstanding for diluted earnings per share	**213,972,002**	215,016,051
Diluted earnings per share (CHF)	**5.06**	3.23

	31.12.2021	31.12.2020
Shares outstanding		
Total shares issued at the beginning of the year	**223,809,448**	223,809,448
Cancellation	**2,585,000**	-
Share buy-back programme	**7,423,208**	2,585,000
Less treasury shares	**4,568,738**	6,192,089
Total	**209,232,502**	215,032,359

NOTE 20 REPORTING BY SEGMENT

The Group engages exclusively in wealth management activities primarily in Switzerland, Europe, Asia and South America. This focus on pure-play wealth management includes certain internal supporting functions that serve entirely the core business activities. Revenues from wealth management activities primarily encompass commissions charged for servicing and advising wealth management clients as well as net interest income on financial instruments.

The Group's external segment reporting is based on the internal reporting to the chief operating decision maker, which is responsible for allocating resources and assesses the financial performance of the business. The ExB has been identified as the chief operating decision maker since it is responsible for the implementation of the overall strategy and the operational management of the whole Group. The ExB is composed of the Chief Executive Officer, Chief Financial Officer, Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas), Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the ExB reviews and uses for its management decisions the consolidated financial reports on the level of the Group only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Group consists of a single reportable segment. This is in line with the strategy and business model of the Group, and reflects the management structure and the use of information by management in making operating decisions. Although Julius Baer Family Office Brasil, Kairos and NSC Asesores represent separate cash-generating units for the purpose of the goodwill impairment testing (refer to Note 11 for details), they do not constitute segments on their own.

Therefore, and given that the external reporting in these financial statements reflects the internal management accounting, the Group does not disclose separate segment information.

Entity-wide disclosures

	31.12.2021 Non-current assets *CHF m*	31.12.2020 *CHF m*	**2021** Operating income *CHF m*	2020 *CHF m*
Switzerland	**2,318**	2,272	**2,121**	2,012
Europe (excl. Switzerland)	**283**	321	**813**	699
Americas	**171**	182	**71**	75
Asia and other countries	**432**	464	**1,085**	1,006
Less consolidation items	**-**	-	**233**	209
Total	**3,204**	3,239	**3,858**	3,583

The information about geographical areas is based on the domicile of the reporting company. This geographical information does not reflect the way the Group is managed.

NOTE 21 RELATED PARTY TRANSACTIONS

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**22.0**	19.0
Post-employment benefits	**1.0**	1.0
Share-based payments	**14.7**	13.5
Total	**37.7**	33.5
Receivables from		
key management personnel	**31.1**	25.5
Total	**31.1**	25.5
Liabilities to		
key management personnel	**21.3**	16.8
own pension funds	**7.0**	10.0
Total	**28.3**	26.7
Credit guarantees to		
key management personnel	**0.1**	0.2
Total	**0.1**	0.2
Income from services provided to		
key management personnel	**0.5**	0.4
Total	**0.5**	0.4

[1] Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd. The Executive Board of the Group company consists of the Chief Executive Officer, Chief Financial Officer, Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas), Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer.

For shareholdings of the Board of Directors and the Executive Board, see the section Financial Statements Julius Baer Group Ltd. 2021.

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of the securities portfolios) and mortgages on a fixed and variable basis.

The interest rates of the Lombard loans and mortgages are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

NOTE 22 PENSION PLANS

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions under the Swiss pension law. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the Group or retiring and in the event of death or invalidity. These benefits are the result of the conversion rate applied on the accumulated balance of the individual plan participant's pension account at the retirement date. The accumulated balance equals the sum of the regular employer's and employee's contributions that were made during the employment period, including the accrued interest on these amounts. However, these plans do not fulfil all the criteria of a defined contribution pension plan according to IAS 19 and are therefore treated as defined benefit pension plans for the purpose of the Group's financial statements.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. In case the plans become significantly underfunded over an extended period as per the Swiss pension law basis, the Group and the employees share the risk of additional payments into the pension fund. The pension funds are managed by a board of trustees consisting of representatives of the employees and the employer. Managing the pension funds includes pursuing a medium- and long-term consistency and sustainability balance between the pension plans' assets and liabilities, based on a diversified investment strategy correlating with the maturity of the pension obligations. The organisation, management, financing and investment strategy of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations.

	2021 CHF m	2020 CHF m
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-3,331.0**	-3,234.3
Acquisitions	**-7.6**	-
Current service cost	**-81.9**	-82.6
Employees' contributions	**-46.0**	-45.6
Interest expense on defined benefit obligation	**-8.0**	-9.5
Past service cost, curtailments, settlements, plan amendments	**4.5**	-0.6
Benefits paid (including benefits paid directly by employer)	**109.2**	118.0
Transfer payments in/out	**0.0**	-0.6
Experience gains/(losses) on defined benefit obligation	**-208.2**	-35.0
Actuarial gains/(losses) arising from change in demographic assumptions[1]	**87.4**	-0.0
Actuarial gains/(losses) arising from change in financial assumptions	**-45.0**	-46.5
Translation differences	**-0.9**	5.7
Present value of defined benefit obligation at the end of the year	**-3,527.7**	-3,331.0
whereof due to active members	***-2,368.9***	*-2,178.1*
whereof due to deferred members	***-57.0***	*-58.0*
whereof due to pensioners	***-1,101.7***	*-1,094.9*
Fair value of plan assets at the beginning of the year	**3,235.1**	3,091.0
Acquisitions	**7.8**	-
Interest income on plan assets	**7.8**	9.3
Employees' contributions	**46.0**	45.6
Employer's contributions	**101.0**	107.1
Curtailments, settlements, plan amendments	**-1.5**	-1.7
Benefits paid by fund	**-108.2**	-117.4
Transfer payments in/out	**-0.0**	0.6
Administration cost (excluding asset management cost)	**-1.1**	-1.0
Return on plan assets (excluding interest income)	**333.1**	107.2
Translation differences	**1.0**	-5.4
Fair value of plan assets at the end of the year	**3,621.0**	3,235.1

[1] In 2021, the Group switched from the BVG 2015 mortality table - with future improvements determined by calibrating the Continuous Mortality Investigation ('CMI') 2016 model to Swiss population data - to the BVG 2020 CMI mortality table.

	31.12.2021 CHF m	31.12.2020 CHF m
2. Balance sheet		
Fair value of plan assets	**3,621.0**	3,235.1
Present value of defined benefit obligation	**-3,520.7**	-3,323.9
Surplus/(deficit)	**100.2**	-88.8
Effect of asset ceiling	**-97.6**	-
Present value of unfunded benefit obligation	**-6.9**	-7.1
Net defined benefit asset/(liability)	**-4.3**	-95.9

	2021 CHF m	2020 CHF m
3. Income statement		
Current service cost	**-81.9**	-82.6
Interest expense on defined benefit obligation	**-8.0**	-9.5
Past service cost, curtailments, settlements, plan amendments	**3.0**	-2.3
Interest income on plan assets	**7.8**	9.3
Administration cost (excluding asset management cost)	**-1.1**	-1.0
Defined benefit cost recognised in the income statement	**-80.3**	-86.1
whereof service cost	***-80.0***	*-86.0*
whereof net interest on the net defined benefit (liability)/asset	***-0.3***	*-0.2*

	2021 CHF m	2020 CHF m
4. Movements in defined benefit liability		
Net defined benefit asset/(liability) at the beginning of the year	**-95.9**	-143.3
Acquisitions	**0.1**	-
Translation differences	**0.1**	0.2
Defined benefit cost recognised in the income statement	**-80.3**	-86.1
Benefits paid by employer	**1.0**	0.6
Employer’s contributions	**101.0**	107.1
Remeasurements of the net defined benefit liability/(asset)	**69.7**	25.7
Amount recognised in the balance sheet	**-4.3**	-95.9

	2021 CHF m	2020 CHF m
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	**-165.8**	-81.5
Return on plan assets (excluding interest income)	**333.1**	107.2
Effect of asset ceiling	**-97.6**	-
Total recognised in other comprehensive income	**69.7**	25.7

	2021 CHF m	2020 CHF m
5. Composition of plan assets		
Cash	**133.6**	95.2
Debt instruments	**894.6**	895.0
Equity instruments	**1,448.2**	1,193.6
Real estate	**638.5**	551.0
Alternative investments	**433.4**	427.7
Other	**72.7**	72.6
Total	**3,621.0**	3,235.1

6. Aggregation of plan assets – quoted market prices in active markets	**2021** *in %*	2020 *in %*
Cash	**3.7**	2.9
Debt instruments	**21.8**	26.5
Equity instruments	**40.0**	36.9
Real estate	**7.0**	7.7
Other	**5.5**	6.0
Total	**78.0**	80.0

7. Sensitivities	**2021** *CHF m*	2020 *CHF m*
Decrease of discount rate -0.25%		
Effect on defined benefit obligation	**-99.1**	-104.8
Effect on service cost	**-3.2**	-3.7
Increase of discount rate +0.25%		
Effect on defined benefit obligation	**86.9**	93.3
Effect on service cost	**3.0**	3.1
Decrease of salary increase -0.25%		
Effect on defined benefit obligation	**10.8**	10.8
Effect on service cost	**1.0**	1.0
Increase of salary increase +0.25%		
Effect on defined benefit obligation	**-11.1**	-11.0
Effect on service cost	**-1.0**	-1.0
Life expectancy		
Increase in longevity by one additional year	**-84.3**	-75.5

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2021. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 97% (2020: 97%) of all benefit obligations and plan assets:

	2021	2020
Discount rate	**0.25%**	0.20%
Average future salary increases	**0.50%**	0.50%
Future pension increases	**0.00%**	0.00%
Duration (years)	**15**	15

Investment in Julius Baer Group Ltd. shares

The pension plan assets are invested in accordance with local laws and do not include shares of Julius Baer Group Ltd.

Expected employer contributions

The expected employer contributions for the 2022 financial year related to defined benefit plans are estimated at CHF 94.0 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 7.0 million (2020: CHF 10.0 million).

Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 38.7 million for the 2021 financial year (2020: CHF 36.8 million).

NOTE 23 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Receivables		
Receivables from cash provided in securities borrowing transactions	**-**	6.2
of which recognised in due from banks	**-**	*6.2*
Receivables from cash provided in reverse repurchase transactions	**24.1**	1,258.0
of which recognised in due from banks	***24.1***	*1,258.0*
Obligations		
Obligations to return cash received in securities lending transactions	**60.0**	252.1
of which recognised in due to banks	***60.0***	*252.1*
Obligations to return cash received in repurchase transactions	**296.9**	82.5
of which recognised in due to banks	***296.9***	*82.5*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**2,411.4**	1,092.2
of which the right to pledge or sell has been granted without restriction	***2,411.4***	*1,092.2*
of which recognised in financial assets measured at FVTPL	***2,411.1***	*952.8*
of which recognised in financial assets measured at FVOCI	***0.3***	*139.4*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**5,792.7**	4,267.6
of which repledged or resold securities	***5,361.8***	*3,701.9*

The Group enters into fully collateralised securities borrowing and securities lending transactions, and repurchase and reverse repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfil the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets that continue to be recognised on the balance sheet are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

NOTE 24 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	109,621.9	644.7	835.4
Futures	183.4	0.9	0.4
Cross-currency swaps	173.6	0.7	7.3
Options (OTC)	20,241.6	186.5	131.7
Total foreign exchange derivatives 31.12.2021	**130,220.5**	**832.8**	**974.7**
Total foreign exchange derivatives 31.12.2020	125,668.4	1,023.7	1,309.8
Interest rate derivatives			
Swaps	38,267.0	119.4	131.0
Futures	466.1	0.9	0.7
Options (OTC)	216.3	8.1	8.0
Total interest rate derivatives 31.12.2021	**38,949.4**	**128.3**	**139.7**
Total interest rate derivatives 31.12.2020	23,206.5	143.6	177.5
Precious metals derivatives			
Forward contracts	2,442.9	22.5	30.2
Futures	119.1	2.0	2.0
Options (OTC)	3,756.2	47.5	51.0
Options (traded)	1,063.8	-	30.3
Total precious metals derivatives 31.12.2021	**7,382.0**	**71.9**	**113.4**
Total precious metals derivatives 31.12.2020	9,717.9	170.0	234.4
Equity/indices derivatives			
Futures	1,006.4	32.8	6.5
Options (OTC)	10,898.4	487.7	220.2
Options (traded)	25,811.0	482.0	1,014.9
Total equity/indices derivatives 31.12.2021	**37,715.8**	**1,002.5**	**1,241.5**
Total equity/indices derivatives 31.12.2020	31,697.7	1,184.7	783.6
Other derivatives			
Futures	325.2	3.9	2.6
Total other derivatives 31.12.2021	**325.2**	**3.9**	**2.6**
Total other derivatives 31.12.2020	64.5	0.3	0.8

Derivatives held for trading (continued)

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Credit derivatives			
Credit default swaps	83.5	0.1	0.5
Total return swaps	1,385.1	29.8	48.1
Total credit derivatives 31.12.2021	**1,468.7**	**29.9**	**48.6**
Total credit derivatives 31.12.2020	994.0	11.3	36.6
Total derivatives held for trading 31.12.2021	**216,061.5**	**2,069.3**	**2,520.5**
Total derivatives held for trading 31.12.2020	191,349.0	2,533.5	2,542.7

Derivatives held for hedging

Derivatives designated as fair value hedges			
Interest rate swaps	1,555.5	8.3	16.6
Derivatives designated as cash flow hedges			
Interest rate swaps	544.9	-	8.9
Foreign exchange derivatives	464.7	1.0	1.1
Derivatives designated in net investment hedges			
Foreign exchange forward contracts	624.5	7.9	-
Total derivatives held for hedging 31.12.2021	**3,189.5**	**17.2**	**26.6**
Total derivatives held for hedging 31.12.2020	1,537.9	28.9	11.9
Total derivative financial instruments 31.12.2021	**219,251.0**	**2,086.6**	**2,547.1**
Total derivative financial instruments 31.12.2020	192,887.0	2,562.3	2,554.6

NOTE 25A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	31.12.2021 Carrying value *CHF m*	31.12.2021 Fair value *CHF m*	31.12.2020 Carrying value *CHF m*	31.12.2020 Fair value *CHF m*
Financial assets at amortised cost				
Cash	**19,851.2**	**19,851.2**	14,544.4	14,544.4
Due from banks	**4,598.4**	**4,599.1**	7,349.9	7,351.3
Loans	**50,417.1**	**50,821.3**	47,207.6	47,702.9
Accrued income/other assets	**412.5**	**412.5**	360.8	360.8
Total	**75,279.1**	**75,684.1**	69,462.7	69,959.4
Financial assets at FVTPL				
Financial assets measured at FVTPL	**14,589.1**	**14,589.1**	13,429.8	13,429.8
Derivative financial instruments	**2,086.6**	**2,086.6**	2,562.3	2,562.3
Financial assets designated at fair value	**322.9**	**322.9**	269.6	269.6
Total	**16,998.6**	**16,998.6**	16,261.6	16,261.6
Financial assets at FVOCI				
Financial assets measured at FVOCI	**13,360.6**	**13,360.6**	13,796.4	13,796.4
Total	**13,360.6**	**13,360.6**	13,796.4	13,796.4
Total financial assets	**105,638.4**	**106,043.3**	99,520.7	100,017.4

Financial liabilities

	31.12.2021 Carrying value CHF m	31.12.2021 Fair value CHF m	31.12.2020 Carrying value CHF m	31.12.2020 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**4,217.2**	**4,217.5**	5,087.9	5,088.0
Due to customers	**83,201.2**	**83,204.9**	77,784.5	77,788.7
Debt issued	**2,644.3**	**2,674.7**	1,478.2	1,503.1
Accrued expenses/other liabilities	**239.5**	**239.5**	202.9	202.9
Total	**90,302.2**	**90,336.6**	84,553.6	84,582.8
Financial liabilities at FVTPL				
Financial liabilities measured at FVTPL	**749.5**	**749.5**	896.5	896.5
Derivative financial instruments	**2,547.1**	**2,547.1**	2,554.6	2,554.6
Financial liabilities designated at fair value	**14,459.0**	**14,459.0**	13,154.8	13,154.8
Deferred payments related to acquisitions	**3.2**	**3.2**	18.8	18.8
Total	**17,758.8**	**17,758.8**	16,624.7	16,624.7
Total financial liabilities	**108,061.0**	**108,095.4**	101,178.3	101,207.5

The following methods are used in measuring the fair value of financial instruments:

Short-term financial instruments
Financial instruments measured at amortised cost with a maturity or a refinancing profile of one year or less are generally classified as short-term. This includes the balance sheet items cash and, depending on the maturity, due from banks, loans, due to banks, due to customers and debt issued. For short-term financial instruments that do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the carrying value generally approximates the fair value.

Long-term financial instruments
Financial instruments measured at amortised cost with a maturity or refinancing profile of over one year are included in the following balance sheet items: due from banks, loans, due to banks, due to customers and debt issued. The fair value of these long-term financial instruments, which do not have a market price, is derived by using the net present value method. For loans, generally, the SARON rate is used to calculate the net present value of the loans, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement. For amounts due to banks and due to customers, a SARON-based internal rate is used. For debt issued, the quoted prices of the bonds determine the fair value.

Financial assets and liabilities measured at FVTPL, financial assets measured at FVOCI, derivative financial instruments and financial liabilities designated at fair value
Refer to Note 25B for details regarding the valuation of these instruments.

NOTE 25B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

For financial instruments measured at fair value through profit or loss (FVTPL) as well as for financial assets measured at fair value through other comprehensive income (FVOCI), the fair values are determined as follows:

Level 1
For financial instruments for which prices are quoted in an active market, the fair value is determined directly from the quoted market price.

Level 2
For financial instruments for which quoted market prices are not directly available or are not derived from active markets, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unquoted financial instruments, the vast majority of the Group's issued structured notes and other items that are not traded in active markets. The main pricing models and valuation techniques applied to these financial instruments include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

Level 3
For certain financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions that reflect market conditions.

Financial assets measured at FVTPL and *financial assets measured at FVOCI:* The Group holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Group holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events that may have an influence on the valuation (adjusted net asset method). In 2021, dividends related to these investments in the amount of CHF 21.0 million (2020: CHF 1.8 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Group issues to its wealth management clients a limited number of specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Group's balance sheet due to the strict derecognition criteria required by IFRS. Therefore, the private equity investments as well as the money market instruments are recorded as financial assets designated at fair value. Any changes in the fair value or any other income from the private equity investments, as well as any income related to the money market instruments, are recorded in the income statement. However, as the clients are entitled to all rewards related to the investments, these amounts net out in the respective line item in the income statement. Hence, any change in the valuation inputs has no impact on the Group's income statement or shareholders' equity.

To measure the fair values of the private equity investments, the Group generally relies on the valuations as provided by the respective private equity funds managing the investments. These funds in turn use their own valuation techniques, such as market approaches or income approaches, including their own input factors into the applied models. Therefore, the private equity investments are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The related issued notes are reported as financial liabilities designated at fair value and classified as level 3 instruments, since the related private equity investments are part of the valuation of the notes.

Deferred payments related to acquisitions: Payments related to the deferred purchase price portion of acquisitions may be dependent on certain conditions to be achieved and also contingent on future growth rates of the businesses. Since these fair value inputs are not observable, the outstanding balances are reported in level 3.

The fair value of financial instruments measured at fair value is determined as follows:

	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**31.12.2021** **Total** *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,252.0	715.6	285.9	3,253.6
Trading – equity instruments at FVTPL	9,125.7	2,108.4	5.3	11,239.4
Other securities mandatorily measured at FVTPL	1.5	60.9	33.7	96.1
Total financial assets measured at FVTPL	**11,379.2**	**2,885.0**	**324.9**	**14,589.1**
Foreign exchange derivatives	0.9	840.9	-	841.7
Interest rate derivatives	0.9	135.7	-	136.6
Precious metal derivatives	2.0	70.0	-	71.9
Equity/indices derivatives	32.8	969.6	-	1,002.5
Credit derivatives	-	29.9	-	29.9
Other derivatives	3.9	-	-	3.9
Total derivative financial instruments	**40.5**	**2,046.1**	**-**	**2,086.6**
Financial assets designated at fair value	**22.1**	**97.1**	**203.8**	**322.9**
Debt instruments at FVOCI	9,899.8	3,118.1	-	13,017.9
Equity instruments at FVOCI	-	1.4	341.3	342.8
Total financial assets measured at FVOCI	**9,899.8**	**3,119.5**	**341.3**	**13,360.6**
Total assets	**21,341.6**	**8,147.7**	**870.0**	**30,359.2**
Short positions – debt instruments at FVTPL	132.7	41.4	-	174.0
Short positions – equity instruments at FVTPL	548.3	27.2	-	575.5
Total financial liabilities measured at FVTPL	**680.9**	**68.6**	**-**	**749.5**
Foreign exchange derivatives	0.4	975.3	-	975.7
Interest rate derivatives	0.7	164.5	-	165.2
Precious metal derivatives	2.0	111.4	-	113.4
Equity/indices derivatives	6.5	1,235.0	-	1,241.5
Credit derivatives	-	48.6	-	48.6
Other derivatives	2.6	-	-	2.6
Total derivative financial instruments	**12.2**	**2,534.9**	**-**	**2,547.1**
Financial liabilities designated at fair value	**-**	**14,122.3**	**336.7**	**14,459.0**
Deferred payments related to acquisitions	**-**	**-**	**3.2**	**3.2**
Total liabilities	**693.1**	**16,725.8**	**339.9**	**17,758.8**

For financial instruments measured at FVTPL, no material shifts between the fair value levels attributable to the COVID-19 pandemic occurred in 2021 and 2020.

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2020 Total CHF m
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,856.8	298.8	232.9	3,388.5
Trading – equity instruments at FVTPL	8,167.6	1,746.7	50.4	9,964.7
Other securities mandatorily measured at FVTPL	2.6	51.5	22.5	76.5
Total financial assets measured at FVTPL	11,027.0	2,097.1	305.7	13,429.8
Foreign exchange derivatives	0.1	1,032.9	-	1,032.9
Interest rate derivatives	1.2	162.1	-	163.2
Precious metal derivatives	0.2	169.7	-	170.0
Equity/indices derivatives	28.4	1,156.3	-	1,184.7
Credit derivatives	-	11.3	-	11.3
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	30.1	2,532.2	-	2,562.3
Financial assets designated at fair value	8.5	64.7	196.3	269.6
Debt instruments at FVOCI	10,394.6	3,128.1	-	13,522.6
Equity instruments at FVOCI	-	1.4	272.3	273.7
Total financial assets measured at FVOCI	10,394.6	3,129.4	272.3	13,796.4
Total assets	21,460.2	7,823.5	774.4	30,058.0
Short positions – debt instruments at FVTPL	217.0	22.5	-	239.5
Short positions – equity instruments at FVTPL	626.3	30.7	-	657.0
Total financial liabilities measured at FVTPL	843.3	53.2	-	896.5
Foreign exchange derivatives	4.8	1,305.0	-	1,309.8
Interest rate derivatives	0.1	189.2	-	189.3
Precious metal derivatives	1.7	232.7	-	234.4
Equity/indices derivatives	5.7	778.0	-	783.6
Credit derivatives	-	36.6	-	36.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	13.1	2,541.5	-	2,554.6
Financial liabilities designated at fair value	-	12,889.8	265.0	13,154.8
Deferred payments related to acquisitions	-	-	18.8	18.8
Total liabilities	856.4	15,484.6	283.8	16,624.7

The fair value of financial instruments disclosed at fair value is determined as follows:

31.12.2021	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**Total** *CHF m*
Financial assets and liabilities disclosed at fair value				
Cash	19,851.2	-	-	19,851.2
Due from banks	-	4,599.1	-	4,599.1
Loans	-	50,821.3	-	50,821.3
Accrued income/other assets	-	412.5	-	412.5
Total assets	**19,851.2**	**55,832.9**	**-**	**75,684.1**
Due to banks	-	4,217.5	-	4,217.5
Due to customers	-	83,204.9	-	83,204.9
Debt issued	2,674.7	-	-	2,674.7
Accrued expenses/other liabilities	-	239.5	-	239.5
Total liabilities	**2,674.7**	**87,661.9**	**-**	**90,336.6**

31.12.2020	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	Total *CHF m*
Financial assets and liabilities disclosed at fair value				
Cash	14,544.4	-	-	14,544.4
Due from banks	-	7,351.3	-	7,351.3
Loans	-	47,702.9	-	47,702.9
Accrued income/other assets	-	360.8	-	360.8
Total assets	14,544.4	55,415.0	-	69,959.4
Due to banks	-	5,088.0	-	5,088.0
Due to customers	-	77,788.7	-	77,788.7
Debt issued	1,503.1	-	-	1,503.1
Accrued expenses/other liabilities	-	202.9	-	202.9
Total liabilities	1,503.1	83,079.6	-	84,582.8

NOTE 25C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN FAIR VALUE LEVEL 1 AND LEVEL 2

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Transfers from level 1 to level 2		
Financial assets measured at FVTPL	**35.7**	14.1
Financial assets measured at FVOCI	**16.7**	42.4
Financial assets designated at fair value	**-**	5.6
Financial liabilities	**0.9**	0.5
Transfers from level 2 to level 1		
Financial assets measured at FVTPL	**46.0**	45.7
Financial assets measured at FVOCI	**63.7**	103.5
Financial liabilities	**0.4**	-

The transfers from level 1 to level 2, and vice versa, occurred due to changes in the direct availability of quoted market prices. Transfers between the levels are deemed to have occurred at the end of the reporting period.

NOTE 26A FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

An entity is required to recognise expected credit losses (ECL) at initial recognition of any financial instrument and to update the amount of ECL recognised at each reporting date to reflect changes in the credit risk of the respective instruments. Refer to the comment on risk management/credit risk section and the summary of significant accounting policies for more background information on the recognition of ECL.

ECL stage allocation

Credit exposure is classified in one of the three ECL stages. At initial recognition, the Group classifies all financial assets in stage 1 because it does not acquire or originate credit-impaired debt instruments. If a significant risk increase has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination.

The Group generally originates loans and balances due from banks in its internal rating classes R1–R4, which reflect balances with low to medium credit risk. The same applies to the investment grade debt instruments held for investment purposes, which are also classified as R1–R4. Therefore, the Group determined that moves within these rating classes do not qualify as indicators of an increase in credit risk, whereas a move from R4 to R5 generally triggers such a credit risk increase. Hence, under this approach, moves from R4 to a higher risk class (R5–R6) generally trigger a move from stage 1 ECL to stage 2 ECL. For example, a counterparty moving from R1 to R2 would not trigger a significant increase in credit risk, whereas a counterparty moving from R1 to R5 would.

In addition, and to supplement this quantitative criterion, qualitative criteria based on other available internal data are applied to identify increased risk situations. These qualitative criteria are specific to the respective financial asset types (Lombard loans, mortgages, due from banks, debt instruments). For example, if payments are 30 days past due, the counterparty is moved to stage 2 and lifetime ECL are applied.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the counterparty is transferred back into the 12-month ECL category (stage 1).

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. These ratings are applied to positions with high credit risk; they are carried in the Group's internal list of exposures which are in a loss position. Such positions show objective evidence of impairment and are referred to as defaulted. Generally, Lombard loans and mortgages are moved to these rating classes if the respective position is not fully covered anymore, i.e. the market value of the collateral is lower than the credit exposure, (critical) credit covenants are not complied with, or any payments are 90 days past due, to name some of the criteria.

ECL measurement

The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements for stage 1 ECL and stage 2 ECL. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD). These models have been tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the treasury portfolio as outlined below.

For the credit-impaired financial assets in stage 3, the loss allowances are not measured based on a model, but determined individually according to the specific facts and circumstances.

Wherever the Group uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside scenario. Expected probabilities are allocated to the respective scenario; the weightings used for the current year's ECL calculation are 70% for the baseline scenario, 15% for the downside scenario and 15% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Group's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stage 1 and 2.

To apply the expected future economic conditions in the models, the Group determined the forecast world gross domestic product (GDP) as the main economic input factor for the expected credit losses on its financial asset portfolios, since the counterparties have fully collateralised Lombard loans or mortgages with the Group or the portfolios consist of investment grade debt instruments. Other forward-looking main macroeconomic factors proved to be of lesser relevance to the Group's portfolios as a whole. A decrease in the expected GDP would have a negative impact on the ECL in stages 1 and 2.

In addition, for each portfolio, supplementary product-specific factors are used as outlined in the following paragraphs. These scenario factors are based on the assessment of the credit department and the risk department for current and expected market developments in the respective product areas. These factors are updated and confirmed on a regular basis by the Group's ECL committee, which comprises officers from the risk, credit risk and treasury departments.

Due from banks
For due-from-banks positions, the input factors are determined as follows:

Probability of Default: For amounts due from banks, publicly available PDs per rating class are applied, using the same PDs for stage 1 and stage 2, since the outstanding balances have a term of maximum 12 months. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction. The ratings and the related PDs are shifted up and down by one notch of the internal rating, using publicly available data sources for the respective PDs. The three scenarios are weighted based on the generally applied probabilities.

Exposure at default: For amounts due from banks, the EAD equals either the nominal value (money market issues, time accounts) or the carrying value (current and transactional accounts).

Loss given default: For amounts due from banks, an average LGD per rating class is applied. This factor is derived from publicly available data sources.

Lombard loans
For Lombard loans, the input factors are determined as follows:

Probability of default: For Lombard loans, PD factors are derived from the Group-internal 'margin call process' in Lombard lending. This process reflects internal procedures to avoid loan losses and is based on

- the probability that the credit position gets into a significant shortfall within one year;
- the probability that the credit position becomes unsecured within 10 days; and
- the liquidation process to cover the exposure,

taking into consideration their respective probabilities.

This margin call process is simulated for each rating class (R1–R6) and for stage 1 and stage 2 separately. The resulting PDs are then applied uniformly across all counterparties and related Lombard loans in the respective rating class.

Exposure at default: For Lombard loans, the EAD equals the higher of a) the current exposure (based on data from the internal credit supervision system comprising the following credit exposures: cash exposure, derivative exposure, credit guarantees and reservations) and b) the lower of the lending value or approved limit. The Group therefore assumes the highest possible risk (i.e. the highest outstanding) in determining the EAD, including any unused credit commitments. Consequently, even if no exposure is drawn under the limit, an ECL is calculated.

Loss given default: For Lombard loans the LGDs are formula-based, including the market value of the collateral on a client pledge group level. Scenario calculations on the market value of the collateral are performed, resulting in different LGDs per scenario. Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process.

Mortgages
For mortgages, the input factors are determined as follows:

Probability of default: For mortgages, the PD factor is specifically determined for each counterparty and the related property based on the following input criteria:

- economic area of the counterparty domicile;
- counterparty domicile and property location (country) is the same;
- sufficient assets/collateral within the Group to pay interest/amortisation;
- counterparty self-used vs. rented-out real estate; and
- stage 1 or stage 2.

For each of these criteria, fixed parameters are determined (based on experience), which then add up to the mortgage counterparty-specific PD factors. These criteria have been selected because they are assumed to influence directly the default behaviour of the counterparty behind the mortgages.

Exposure at default: For mortgages, the carrying value (exposure) equals the EAD.

Loss given default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (loan-to-value ratio; LTV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. However, instead of applying a fixed percentage for the negative scenario to all real estate uniformly, the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate-specific criteria:

- property location (country/region);
- property size as a function of the property market value;
- property type (e.g. residential, office, commercial); and
- holiday home regions.

For each of these criteria, fixed parameters (based on experience) are determined, which then add up to the mortgage-specific negative scenario. These criteria are selected because the resulting different characteristics of the real estate market generally respond differently to market fluctuations and hence the achievable collateral liquidation value. The total simulated market value is then compared with the exposure to determine the LGD.

Treasury portfolio
For the treasury portfolio (debt instruments measured at FVOCI), the input factors are determined as follows:

Probability of default: For financial instruments in the treasury portfolio (debt securities, including money market instruments), publicly available PDs per rating class are applied, separately for stage 1 (one-year PD or shorter) and stage 2 (respective PD according to expected life). These ratings and the related PDs are shifted by two notches up and down, using publicly available data sources for the respective PDs. The three scenarios are then weighted based on the generally applied probabilities. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction.

Exposure at default: For debt instruments, the EAD equals the amortised cost value plus discounted outstanding interest payments.

Loss given default: For the debt instruments, an average LGD per rating class is applied. These factors are derived from publicly available data sources.

Credit quality analysis

The following tables provide an analysis of the Group's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Group's internal credit systems.

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	**31.12.2021** **Total** CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		4,484.1	-	-	**4,484.1**
R5–R6: Increased risk		114.3	-	-	**114.3**
R7–R10: Impaired		-	-	-	**-**
Total		4,598.4	-	-	**4,598.4**
Loss allowance		-0.0	-	-	**-0.0**
Carrying amount		**4,598.4**	**-**	**-**	**4,598.4**
Lombard loans, at amortised cost[1]					
R1–R4: Low to medium risk		40,631.5	33.0	-	**40,664.5**
R5–R6: Increased risk		1,306.9	226.1	-	**1,533.0**
R7–R10: Impaired		-	-	130.7	**130.7**
Total		41,938.4	259.0	130.7	**42,328.2**
Loss allowance		-3.9	-0.1	-83.6	**-87.6**
Carrying amount		**41,934.5**	**259.0**	**47.1**	**42,240.6**
Mortgages, at amortised cost[1]					
R1–R4: Low to medium risk		7,704.7	364.8	-	**8,069.5**
R5–R6: Increased risk		1.8	44.7	-	**46.5**
R7–R10: Impaired		-	-	63.0	**63.0**
Total		7,706.5	409.5	63.0	**8,179.1**
Loss allowance		-1.3	-0.3	-1.0	**-2.5**
Carrying amount		**7,705.2**	**409.3**	**62.1**	**8,176.5**
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,972.3	-	-	**12,972.3**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Unrated		45.6	-	-	**45.6**
Carrying amount		**13,017.9**	**-**	**-**	**13,017.9**
Loss allowance		-1.3	-	-	**-1.3**

[1] Loss allowance on overdue interest payments and cancelled credit-impaired mortgages (CHF 8.8 million), as well as their corresponding exposures (CHF 33.4 million) are allocated to Lombard loans.

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	31.12.2020 Total *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,876.7	-	-	6,876.7
R5–R6: Increased risk		473.2	-	-	473.2
R7–R10: Impaired		-	-	-	-
Total		7,349.9	-	-	7,349.9
Loss allowance		-0.1	-	-	-0.1
Carrying amount		7,349.9	-	-	7,349.9
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		36,382.9	30.5	-	36,413.4
R5–R6: Increased risk		1,761.5	213.5	-	1,975.0
R7–R10: Impaired		-	-	97.0	97.0
Total		38,144.4	244.0	97.0	38,485.3
Loss allowance		-1.6	-0.3	-75.2	-77.1
Carrying amount		38,142.8	243.7	21.8	38,408.3
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,361.8	335.7	-	8,697.6
R5–R6: Increased risk		16.2	31.1	-	47.4
R7–R10: Impaired		-	-	59.2	59.2
Total		8,378.1	366.9	59.2	8,804.1
Loss allowance		-1.8	-0.3	-2.7	-4.8
Carrying amount		8,376.3	366.6	56.5	8,799.3
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,522.6	-	-	13,522.6
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		13,522.6	-	-	13,522.6
Loss allowance		-1.8	-	-	-1.8

The macroeconomic scenarios used in the ECL calculation models have been reviewed in light of the ongoing challenging economic environment and the related uncertainty due to COVID-19. The growth assumption (based on the gross domestic products) used in the baseline scenario has been adjusted for year-end reporting 2021, resulting in a positive forecast again for the coming periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, the models used for the ECL calculation did not require pandemic-related modifications.

The ECL calculations did not reveal any material losses to be recognised for year-end reporting 2021.

However, as the significant uncertainty regarding the development of the macroeconomic situation persists, the input factors used in the ECL models are monitored on an ongoing basis and may have to be adjusted in the next reporting periods.

Expected credit losses

The following tables present the development of the Group's expected credit losses by stage; they are based on the Group's internal credit systems.

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2021	0.1	-	-	**0.1**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New/increase financial assets	0.0	-	-	**0.0**
Financial assets that have been derecognised	-0.0	-	-	**-0.0**
Balance at 31 December 2021	**0.0**	**-**	**-**	**0.0**
Lombard loans, at amortised cost				
Balance at 1 January 2021	1.6	0.3	75.2	**77.1**
Transfer to/(from) 12-month ECL	0.2	-0.2	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-0.0	**-**
Transfer to/(from) lifetime ECL credit-impaired	-	-0.0	0.0	**-**
Net remeasurement of loss allowance	-3.2	-0.0	0.8	**-2.4**
New/increase financial assets	5.9	0.0	6.8[1]	**12.7**
Financial assets that have been derecognised	-0.5	-0.0	-0.9	**-1.5**
Write-offs	-	-	-1.8	**-1.8**
Changes in models/risk parameters	0.1	0.0	0.0	**0.1**
Foreign exchange and other movements	-	-	3.5	**3.5**
Balance at 31 December 2021	**3.9**	**0.1**	**83.6**	**87.6**

[1] Including outstanding accumulated interest

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Mortgages, at amortised cost				
Balance at 1 January 2021	1.8	0.3	2.7	**4.8**
Transfer to/(from) lifetime ECL credit-impaired	-	-0.0	0.0	**-**
Net remeasurement of loss allowance	-0.0	-0.0	2.7	**2.7**
New/increase financial assets	0.4	0.1	0.1	**0.7**
Financial assets that have been derecognised	-1.0	-0.2	-2.7	**-3.8**
Changes in models/risk parameters	0.1	0.0	-	**0.1**
Foreign exchange and other movements	-	-	-1.9	**-1.9**
Balance at 31 December 2021	**1.3**	**0.3**	**1.0**	**2.5**
Debt instruments, at FVOCI				
Balance at 1 January 2021	1.8	-	-	**1.8**
Net remeasurement of loss allowance	-0.1	-	-	**-0.1**
New financial assets purchased	0.3	-	-	**0.3**
Financial assets that have been derecognised	-0.7	-	-	**-0.7**
Changes in models/risk parameters	-0.0	-	-	**-0.0**
Foreign exchange and other movements	-0.0	-	-	**-0.0**
Balance at 31 December 2021	**1.3**	**-**	**-**	**1.3**

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	Total *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2020	0.1	-	-	0.1
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.1	-	-	-0.1
Changes in models/risk parameters	-	-	-	-
Balance at 31 December 2020	0.1	-	-	0.1

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	2020 Total *CHF m*
Lombard loans, at amortised cost				
Balance at 1 January 2020	4.4	0.6	36.5	41.4
Transfer to/(from) 12-month ECL	0.2	-0.2	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	-
Net remeasurement of loss allowance	-22.0	0.1	47.2	25.3
New/increase financial assets	22.5	0.2	7.4[1]	30.0
Financial assets that have been derecognised	-3.4	-0.3	-8.5	-12.2
Write-offs	-	-	-0.9	-0.9
Recoveries of amounts previously written off	-	-	-	-
Changes in models/risk parameters	-0.1	-0.0	-0.0	-0.1
Foreign exchange and other movements	-0.0	-	-6.4	-6.4
Balance at 31 December 2020	1.6	0.3	75.2	77.1
Mortgages, at amortised cost				
Balance at 1 January 2020	2.1	0.7	2.7	5.5
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.1	0.1	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.1	0.2	-
Net remeasurement of loss allowance	-0.3	0.1	2.1	1.8
New/increase financial assets	0.9	0.1	-	1.0
Financial assets that have been derecognised	-0.5	-0.5	-2.2	-3.2
Changes in models/risk parameters	-0.3	-0.0	-0.0	-0.4
Balance at 31 December 2020	1.8	0.3	2.7	4.8
Debt instruments, at FVOCI				
Balance at 1 January 2020	1.3	0.1	-	1.3
Net remeasurement of loss allowance	-0.2	-	-	-0.2
New financial assets purchased	1.3	-	-	1.3
Financial assets that have been derecognised	-0.5	-0.1	-	-0.6
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2020	1.8	-	-	1.8

[1] Including outstanding accumulated interest

NOTE 26B FINANCIAL INSTRUMENTS – CREDIT RISK ANALYSIS

Maximum exposure to credit risk
The following table shows the Group's theoretical maximum exposure to credit risk as of the balance sheet date, which represents the exposure in the event of other parties failing to perform their obligations, without taking account of any collateral held or other credit enhancements. For financial assets, these exposures are typically the carrying amount.

Maximum exposure to credit risk

	31.12.2021 Gross maximum exposure *CHF m*	31.12.2020 Gross maximum exposure *CHF m*
Due from banks	**4,598.4**	7,349.9
Loans	**50,417.1**	47,207.6
Financial assets measured at FVTPL	**3,253.6**	3,388.5
Derivative financial instruments	**2,086.6**	2,562.3
Financial assets designated at fair value	**322.9**	269.6
Financial assets measured at FVOCI	**13,017.9**	13,522.6
Accrued income/other assets	**412.5**	360.8
Total[1]	**74,108.9**	74,661.4
Off-balance sheet		
Irrevocable commitments[2]	**818.6**	446.2
Total maximum exposure to credit risk	**74,927.5**	75,107.5

[1] Cash, including balances held with central banks, is not considered a credit risk and hence excluded from all credit risk analysis.
[2] These amounts reflect the maximum payments the Group is committed to making.

Refer to the comment on risk management/credit risk section for discussions on concentration of credit risk.

NOTE 26C FINANCIAL INSTRUMENTS – COLLATERAL ANALYSIS

Collateral analysis
For Lombard loans, the principal types of collateral are readily marketable debt and equity securities as well as other eligible assets; for mortgages, residential properties serve as main collateral. The following table provides information regarding the loan-to-value (market value) ratio for the respective credit products.

	31.12.2021	31.12.2020
	CHF m	*CHF m*
Loan-to-value ratio (LTV)		
Lombard loans (not credit-impaired)		
Less than 50%	24,340.2	22,913.8
51–70%	11,705.2	10,253.2
71–90%	5,175.1	4,813.5
91–100%	930.1	371.8
More than 100%	42.9	34.4
Total	**42,193.4**	38,386.5
Mortgages (not credit-impaired)		
Less than 50%	4,477.6	4,468.9
51–70%	3,100.9	3,584.8
71–90%	528.7	675.3
91–100%	7.3	11.9
More than 100%	-	1.9
Total	**8,114.5**	8,742.9
Credit-impaired Lombard loans[1]		
Less than 50%	0.1	-
51–70%	3.9	-
71–100%	20.1	-
More than 100%	23.1	21.8
Total	**47.1**	21.8
Credit-impaired mortgages[1]		
Less than 50%	22.6	-
51–70%	32.8	26.4
71–100%	4.6	30.1
More than 100%	2.1	-
Total	**62.1**	56.5

[1] Exposures of overdue interest payments and cancelled credit-impaired mortgages (2021: carrying amount of CHF24.7 million) are allocated to credit-impaired Lombard loans.

NOTE 26D FINANCIAL INSTRUMENTS – OFFSETTING

As a wealth manager, the Group enters into securities transactions and derivative financial instruments. In order to control the credit exposure and reduce the credit risk related to these transactions, the Group applies credit mitigation strategies in the ordinary course of business. The Group enters into master netting agreements with counterparties to mitigate the credit risk of securities lending and borrowing transactions, repurchase and reverse repurchase transactions, and OTC derivative transactions. Such arrangements include Global Master Securities Lending Agreements or Global Master Repurchase Agreements, as well as ISDA Master Agreements for derivatives.

The majority of exposures to securities transactions and OTC derivative financial instruments are collateralised, with the collateral being prime financial instruments or cash.

However, under IFRS, to be able to offset transactions with the same counterparty on the balance sheet, the offsetting right must not only be legally enforceable in the normal course of business, but must also be enforceable for all counterparties in the event of default, insolvency or bankruptcy. Since the Group's arrangements may not fulfil the strict offsetting criteria as required by IFRS, the Group does not offset the respective amounts related to these transactions on the balance sheet. Consequently, the remaining credit risk on securities lending and borrowing as well as on repurchase and reverse repurchase transactions is fully mitigated.

Securities transactions: Since the Group does not apply netting on its balance sheet, the cash collateral provided in securities borrowing and reverse repurchase transactions in the amount of CHF 24.1 million (2020: CHF 1,264.2 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 356.9 million (2020: CHF 334.6 million), as disclosed in Note 23, are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of OTC as well as exchange-traded derivatives. The majority of OTC derivatives in the total amount of CHF 1,564.1 million (positive replacement values) and CHF 1,489.8 million (negative replacement values) are subject to an enforceable netting agreement. Transactions with other banks are generally collateralised with other financial instruments (derivatives) which are recognised on the Group's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet.

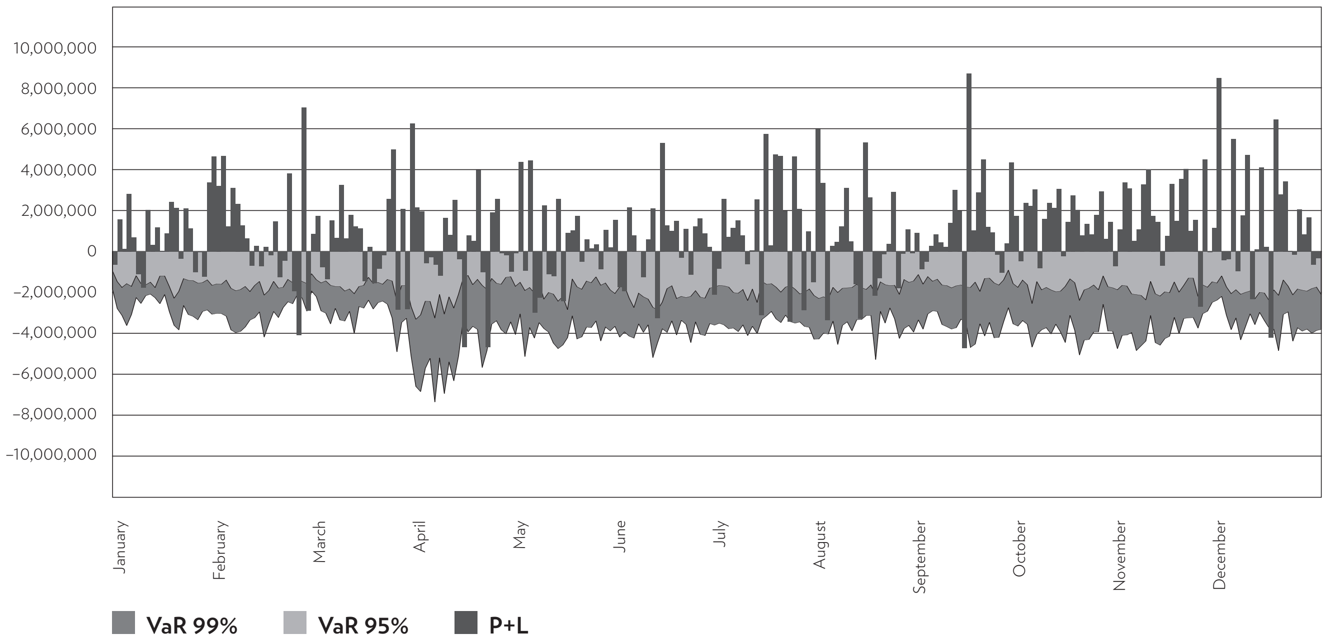
NOTE 27 MARKET RISK MEASURES

Market risk refers to the potential losses from changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors. Refer to the comment on risk management/market risk section for the relevant background information related to the Group's market risk.

Market risk measurement, market risk limitation, back testing and stress testing

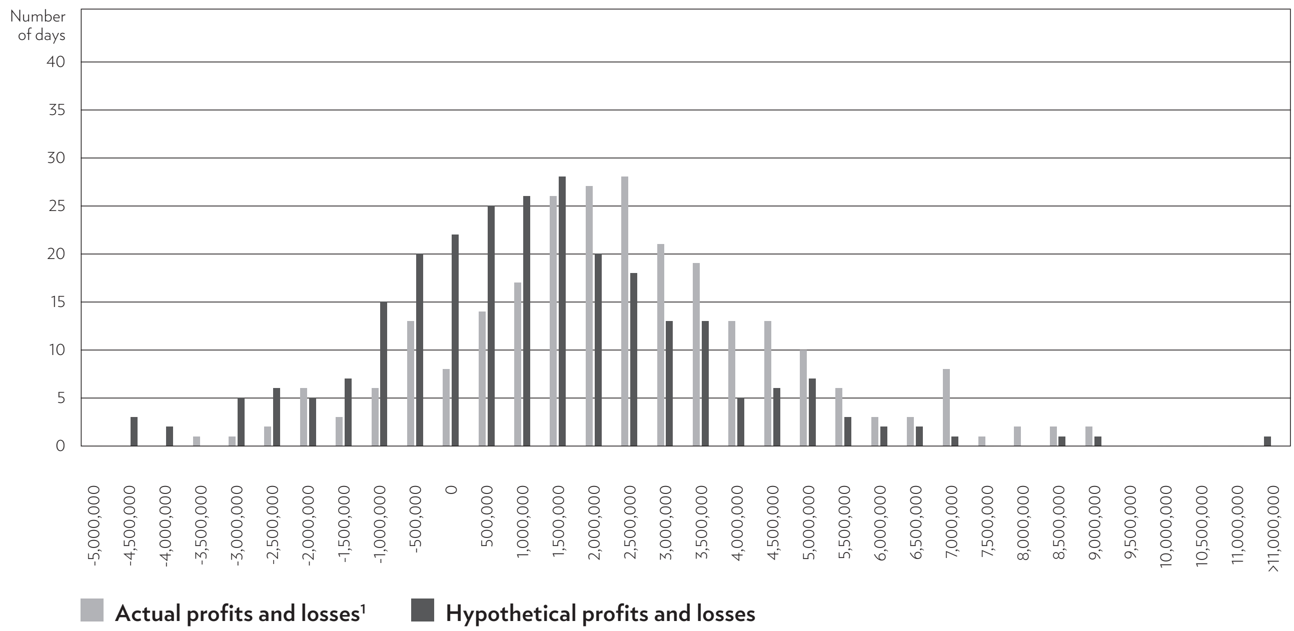
The following methods are used to measure and limit market risk: value-at-risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 1.95 million on 31 December 2021 and CHF 0.94 million on 31 December 2020 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2021 amounted to CHF 3.29 million; the minimum was CHF 0.90 million (CHF 5.07 million and CHF 0.51 million in 2020). 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 that 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 2021 (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 Julius Baer Group trading book positions in 2021 (CHF)



The following chart compares these hypothetical gains and losses with the actual profit and loss generated by the trading operations of the Group. To ensure comparability, pure commission income has been removed from these income statement results.

Distribution of daily revenues from trading activities of Julius Baer Group for 2021 (CHF)



[1] Pure trading revenues excluding commissions and fees

Whereas VaR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings. Limits are set for both these risk metrics, and their utilisation is monitored on a daily basis. The daily stress tests are periodically complemented by additional tests based on historical scenarios. Additional stress tests, reflecting specific market and political situations, are also carried out.

According to Circular 2008/20, FINMA may disregard individual back-testing exceptions if the institution is able to prove that these exceptions are not attributable to a lack of precision of the risk aggregation model. FINMA has used this discretion according to FINMA Guidance 06/2020 so that the back-testing exceptions caused by the COVID-19 pandemic would not lead to an increase of VaR capital multipliers. Concerning the 12-month period starting on 1 January 2021 and ending on 31 December 2021, the FINMA Guidance 06/2020 is no longer applicable and the Bank no longer registers any exception in relation to the COVID-19 pandemic.

At the beginning of 2021, the preceding 12-month period contained seven back-testing exceptions that fell out of the observation period during the course of 2021. From these seven exceptions, six exceptions are attributable to the COVID-19 pandemic.

On 25 February 2021, an exception was caused by a short-lived market squeeze across US equity volatility skews, a FX volatility skew on selected G10 currencies and a countercyclical flattening of the USD interest rate curve. All of which simultaneously and adversely affected the Group's profit or loss. On 19 April 2021, an exception was caused by an increase in the volatility skews for selected equities and indices and by the use of conservative proxies for which the time series were not available. On 16

September 2021, a general drop in market prices and an increase in volatilities led to another exception. Finally, on 16 December 2021, another increase in market volatility again caused an exception.

As of 31 December 2021, the overall number of back-testing exceptions stands therefore at four. As such, the VaR capital multiplier applied by the Bank remained constant.

All back-testing violations are examined individually and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors, and the Swiss Financial Market Supervisory Authority (FINMA).

VaR method and regulatory capital

For its VaR calculation, the Group uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the last 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the Group fulfil the relevant regulatory requirements and have been approved by FINMA for use in determining the capital requirement for market risks in the trading book.

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period). The Group's stress-based VaR amounted to CHF 3.61 million on 31 December 2021 and CHF 3.82 million on 31 December 2020 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2021 amounted to CHF 7.45 million; the minimum was CHF 2.13 million (CHF 6.77 million and CHF 0.78 million in 2020). Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

For additional information regarding the calculation of the Group's minimum regulatory capital requirements under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2022).

The specific risk of the Group's fixed-income trading positions is calculated according to the standard method. The incremental risk charge and comprehensive risk-capital charge requirements are not applicable.

The following table is a summary of the VaR positions of the Group's trading portfolios:

Market risk – VaR positions by risk type

				2021
	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	Minimum *CHF m*
Equities	**-0.6**	**-0.7**	**-3.0**	**-0.0**
Interest rates	**-0.7**	**-1.3**	**-2.5**	**-0.6**
Foreign exchange/precious metals	**-0.1**	**-0.4**	**-1.6**	**-0.0**
Effects of correlation	**-0.6**			
Total	**-1.9**	**-1.8**	**-3.3**	**-0.9**

				2020
	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	Minimum *CHF m*
Equities	-0.1	-0.8	-3.5	0.0
Interest rates	-1.4	-1.0	-1.6	-0.7
Foreign exchange/precious metals	-0.2	-0.4	-1.5	0.0
Effects of correlation	0.7			
Total	-0.9	-1.7	-5.1	-0.5

NOTE 28A INTEREST RATE RISK MEASURES

One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2021. Negative values under this scenario reflect a potential drop in fair value within the respective maturity band; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. Since there are no material option structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of a similar magnitude but with the opposite sign, although such outcomes are mitigated by the fact that the yield curves for the markets in which the Group carries out most of its activities are currently close to zero.

Interest-rate-sensitive positions

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total** *CHF m*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2021	**10.3**	**8.3**	**45.1**	**29.6**	**-38.9**	**54.4**
2020	8.9	0.6	32.3	32.7	-36.1	38.4
USD						
2021	**15.0**	**-11.3**	**1.0**	**15.0**	**-88.3**	**-68.5**
2020	13.0	-5.3	4.1	53.1	8.6	73.5
EUR						
2021	**8.6**	**-8.3**	**-4.1**	**36.0**	**-20.7**	**11.5**
2020	8.3	-8.0	-9.2	20.2	-28.1	-16.8
Other						
2021	**4.0**	**-3.9**	**-2.7**	**31.8**	**-0.0**	**29.2**
2020	3.0	-4.3	1.0	30.4	-0.4	29.8

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above, and further assuming that the Group took no mitigating action, the modelled effect on interest earnings would have been CHF -239.7 million at the end of 2021 (2020: CHF -127.5 million).

NOTE 28B HEDGE ACCOUNTING

Fair value hedges of interest rate risk

The Group hedges part of its interest rate exposure from fixed rate CHF-denominated mortgages to changes in fair value by using interest rate swaps on a portfolio basis. Such portfolio hedges are based on mortgages with similar maturities, and the hedge relationships are rebalanced on a monthly basis. The amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses are amortised over the remaining terms to maturity of the hedged items using the straight-line method.

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the bonds issued by the Group that are denominated in USD, CHF or SGD, as well as a very limited number of individual mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) bonds and mortgages. As such, the interest rate risk of each financial instrument is substantially reduced to the interest rate risk of the floating-rate leg of the respective swap.

The counterparties of the swaps transactions used for portfolio hedges as well as those used for single hedges are investment-grade counterparties. However, the Group does not incur any credit risk with these derivative instruments as all credit risk is eliminated due to clearing or collateral agreements in place. Prior to committing to a hedge relationship, an assessment takes place in order to justify that the fair value of the hedged item and the hedging instrument do offset their interest rate risks, and that the economic hedge relationships meet the hedge accounting criteria. Besides this qualitative assessment, regular quantitative assessments are carried out based on prospective (i.e. forward-looking, using regression analysis) as well as retrospective effectiveness tests. These tests allow assessing whether the hedging instrument is expected to be or has been highly effective in offsetting changes in the fair value of the hedged item. Hedge ineffectiveness may arise from minor differences in the core data of the bond and swap fixed leg, or the interest rate sensitivities of the floating leg of the swap.

	Hedges of bond issues (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	**31.12.2021** Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	**1,127.4**	**20.2**	**399.1**
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	**3.8**	**0.0**	**25.2**
Carrying amount hedged items	**1,131.3**	**20.2**	**424.3**
Hedging instruments – interest rate swaps			
Notional amount (overall average fixed interest rate: 0.80%)	**1,127.5**		
– whereof remaining maturity < 1 year (average fixed interest rate: 1.83%)	***217.6***		
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.90%)	***649.8***		
– whereof remaining maturity > 5 years (average fixed interest rate: -0.33%)	***260.0***		
Notional amount (overall average fixed interest rate: -0.31%)		**18.0**	
– whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		***18.0***	
Notional amount (overall average fixed interest rate: 0.77%)			**410.0**
– whereof remaining maturity < 1 year (average fixed interest rate: 0.90%)			***220.0***
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.68%)			***190.0***
Positive replacement value	**7.8**	**0.5**	**-**[1]
– related notional amount	***554.3***	***18.0***	**-**
Negative replacement value	**-12.1**	**-**	**-4.5**[1]
– related notional amount	***573.2***	**-**	***410.0***
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**3.8**	**0.0**	**-1.0**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**-4.3**	**0.5**	**0.7**[1]
Amount of hedge ineffectiveness recognised in the income statement	**-0.5**	**0.6**	**-0.3**
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	**-**	**-**	**25.4**

[1] The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness of the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

			31.12.2020
	Hedges of bond issues (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	635.1	20.4	526.0
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	18.9	0.8	35.6
Carrying amount hedged items	654.0	21.2	561.6
Hedging instruments – interest rate swaps			
Notional amount (overall average fixed interest rate: 1.31%)	636.3		
– whereof remaining maturity 1–5 years (average fixed interest rate: 1.48%)	*548.0*		
– whereof remaining maturity > 5 years (average fixed interest rate: 0.3%)	*88.4*		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
– whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		*18.0*	
Notional amount (overall average fixed interest rate: 0.57%)			530.0
– whereof remaining maturity < 1 year (average fixed interest rate: -0.09%)			*120.0*
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.77%)			*410.0*
Positive replacement value	19.7	-	-[1]
– related notional amount	*548.0*	-	-
Negative replacement value	-0.3	-0.1	-11.5[1]
– related notional amount	*88.4*	*18.0*	*530.0*
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	-18.9	0.8	-0.7
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	19.4	-0.1	0.6[1]
Amount of hedge ineffectiveness recognised in the income statement	0.5	0.7	-0.1
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	36.3

[1] The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness of the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

Cash flow hedges

As of 2021, the Group started to apply cash flow hedge accounting to protect its recurring fees in foreign currencies. These fees represent an FX transaction risk for the Group since it charges the clients for their fees based on the currency mix of the assets on a quarterly basis; hence, the forward-looking FX hedge transaction has the risk objective to protect the Group's earnings from changes in the CHF (the functional currency of the Group) against the respective currency of the fee charged. The Group uses zero cost risk reversal (or collar) structures consisting of puts and calls; the maturity of the hedges falls on the same day as the hedged item (fees in foreign currency) is charged to the clients.

The effectiveness of the hedges is measured on the monthly change of the intrinsic value of the option against the FX spot moves of the hedged item. The monthly change of the intrinsic value of the options will be booked to other comprehensive income (OCI) as hedge result as long as the hedge is effective. The time value of the option is allocated to the income statement over the lifetime of the option. A possible ineffective portion of the hedge is also recognised in the income statement.

In addition, the Group uses longer-term interest rate swaps to hedge the variability of future interest rate payments on selected Lombard loans with short maturities (and roll-over assumption). These loans share the same currency and type of risk.

The following table relates to the derivatives (FX options, interest rate swaps) used for the cash flow hedges and the related amounts recognised in OCI and the income statement:

		31.12.2021
	Interest rate hedges *CHF m*	FX hedges *CHF m*
Hedging instrument – Derivatives		
Positive replacement value of derivatives	**-**	1.0
Negative replacement values of derivatives	**8.9**	1.1
Nominal value of derivatives	**544.9**	464.7
Amounts recognised in OCI		
OCI on cash flow hedges	**-8.7**	0.0
Amounts recognised in the income statement		
Hedge ineffectiveness recognised in net income from financial instruments measured at FVTPL	**-0.2**	-
Amortisation of time value of the derivatives into income statement	**-**	-0.0

Net investment hedges

The Group applies net investment hedge accounting on part of the foreign currency risks related to its foreign operations. A net investment hedge is a specific type of a foreign currency cash flow hedge used to eliminate the foreign currency exposures arising from translating the Group's net investment in a foreign operation (with a different functional currency than the CHF) into the Group currency CHF. Upon consolidation of the net investment in a foreign operation into the Group financial statements, the foreign currency gain or loss is recognised in OCI under the respective accounting treatment.

The Group uses rolling FX forwards as hedging instrument applying the forward rate method, which means the full marked-to-market on the hedge is booked to OCI, provided the hedge is effective.

The amount of net investment hedges designated to hedge the foreign currency investment should for each hedging period be less or equal the hedged item at the end date of the hedged period. This critical term matching is proven on a prospective period for each month-end. Hedges are allocated to specific foreign currency net investments at inception of the hedge. Ineffectiveness is recognised only to the extent that the periodic change in the fair value of the derivative instrument exceeds the periodic change in the FX translation ('overhedge'). Given that only a fraction of foreign currency investments are hedged, hedge effectiveness should be obtained at all times.

The following table relates to FX forwards used for net investment hedges in foreign operations and the related amounts recognised in OCI:

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Hedging instruments – FX forwards		
Positive replacement values of FX forwards	**7.9**	9.2
Negative replacement values of FX forwards	**-**	-
Nominal value of FX forwards	**624.5**	353.6
Amounts recognised in OCI		
OCI on foreign currency operations hedged with net investment hedges	**-77.4**	-112.0
OCI on net investment hedges	**7.9**	9.2

NOTE 28C INTEREST RATE BENCHMARK REFORM

Background
The UK Financial Conduct Authority (FCA), which is responsible for supervising the publication of LIBOR reference rates, announced on 27 July 2017 that panel banks would no longer be required to provide inputs for the calculation of LIBOR after 31 December 2021. This sealed the fate of LIBOR after a series of events had undermined its reliability and robustness. In the wake of this announcement, so-called alternative reference rates (ARRs) were defined in most currency regions and serve as replacement rates for the IBOR rates.

Consequently, IBOR-related contracts and products of financial service providers had to switch to new, more robust rates for the currencies CHF, EUR, GBP and JPY as well as the USD LIBOR for 1-week and 2-month terms by 31 December 2021 at the latest. All other USD LIBOR settings will cease to be published on 30 June 2023, with corresponding actions to be conducted until then.

Impact of IBOR reform
The IBOR cessation affects a number of financial instruments issued by the Group, including credit facilities, derivatives and structured products. While a part of those financial instruments matured prior to the final IBOR fixings, remaining contracts with maturities extending beyond the IBOR cessation date have been switched to alternative external or internal benchmark solutions. Since the IBOR cessation has been flagged since 2017, a majority of contracts contain so-called fallback clauses, which define the transition process or the successor rate directly. Cases without legally or operationally robust fallback clause in place needed case-by-case remediation.

The application of the new benchmark rates had no material impact on the Group's financial statements.

IBOR transition approach
A dedicated project team coordinated the transition away from IBORs. Internal subject matter experts representing the various affected areas supported the project team, which also relied on external counsel for ad hoc legal advice. As of December 2021, the transition of non USD-LIBOR-based financial instruments was completed. The transition progress of the products with the most significant IBOR exposures is reflected below:

- Variable rate mortgages: The vast majority of the mortgages was historically based on the refinancing rate (for CHF, USD and JPY) of Bank Julius Baer & Co. Ltd. (the Bank), while some EUR mortgages were referencing EURIBOR, which is not affected by the IBOR reform. This switch has been completed as of 31 December 2021.
- Lombard loans: The few credit facilities in CHF, USD and GBP that were based on IBORs have been replaced with the Bank's refinancing rate. Some booking centres completed the switch already in early 2021, others did so by 31 December 2021. The Group's standard credit offering will continue to rely on the Bank's refinancing rate, with selective use of ARRs.
- OTC derivatives: The vast majority of OTC derivatives in the Group's books are cleared via the London Clearing House (LCH). As such, the instruments were subject to the mass-migration events organised by the central counterparties (CCPs) in December 2021 (4 December for CHF and JPY and 18 December for GBP, respectively). For non-cleared OTC derivatives, the Master Agreement of the International Swaps and Derivatives Association (ISDA) or the Swiss Master Agreement serve as contractual framework. To facilitate the IBOR transition, the ISDA published the IBOR Fallbacks Protocol for existing IBOR-referencing derivatives followed by the IBOR Fallbacks Supplement in autumn 2020 for new IBOR-based products. The protocol operates in essence as an agreement to rely on the official successor rates (ARRs) for OTC-derivative trades, providing that both counterparties adhered to it. Virtually all of the Group's counterparties signed the protocol, while the Bank did so in November 2020. The Swiss Bankers Association provided a proxy to the ISDA Fallbacks Protocol (the Benchmark Amendment Agreement), which the Group used for its wealth management clients with positions governed by the Swiss Master Agreement.

- Structured products: Structured products issued by the Group were generally migrated to an ARR in accordance with the fallback language of the respective Julius Baer Base Prospectus governing them. In a few instances with no open positions, the products were subject to early termination. This includes, among other products, certificates, notes and warrants.
- Tier 1 bond: For the one 2019 Group issuance for which the reset reference was LIBOR, the paying agent has developed a fallback mechanism in accordance with the National Working Group recommendations based on SARON, combined with spread adjustment. This mechanism kicked in upon CHF LIBOR cessation and investors were notified accordingly in early 2022.

Current status and outlook

The transition from IBORs to the Bank's refinancing rate for credit facilities or to ARRs for (non-USD LIBOR) structured products and OTC derivatives was completed by the end of 2021. Credit facilities (mortgages and Lombard loans) referencing USD LIBOR have already been switched, or have at least been equipped with a fallback clause for a switch in 2023 (CHF 482 million). OTC derivatives (notional amount CHF 5,614 million) as well as structured products (CHF 466 million) and financial investments (CHF 211 million) based on USD LIBOR will be switched during the first half of 2023, ahead of the USD LIBOR cessation and in line with the timeline provided by regulatory authorities and CCPs.

Risks

The IBOR reform poses risks from an economic, operational and legal perspective, among other dimensions. The Group is responding to these challenges by systemically identifying, assessing, and managing these risks along the existing policies, processes and project management best practices. However, the IBOR reform does not change the overall risk management strategy of the Group.

NOTE 28D LIQUIDITY ANALYSIS

The following table shows an analysis of the Group's financial liabilities by remaining contractual maturities as of the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual undiscounted interest payments related to these financial liabilities. Liabilities without a stated maturity, i.e. that can be called for repayment at any time, are classified as on demand. All derivative financial instruments held for trading are classified as on demand since there are no single derivatives or classes of derivatives for which the contractual maturities are relevant to the timing of the total cash flows of the Group.

Remaining contractual maturities of financial liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial liabilities recognised on balance sheet						
Due to banks	3,918.7	298.6	0.1	0.0	-	**4,217.5**
Due to customers	80,124.1	2,230.4	445.0	405.5	-	**83,205.1**
Financial liabilities measured at FVTPL	749.5	-	-	-	-	**749.5**
Derivative financial instruments	2,521.6	0.3[1]	0.5[1]	20.8[1]	3.9[1]	**2,547.1**
Financial liabilities designated at fair value	3,361.5	4,985.3	3,738.9	2,321.2	283.1	**14,690.1**
Debt issued	-	243.4	274.5	1,799.2	568.4	**2,885.6**
Accrued expenses/other liabilities	-	239.5	-	-	-	**239.5**
Deferred payments related to acquisitions	-	-	0.7	2.5	-	**3.2**
Total 31.12.2021	90,675.5	7,997.5	4,459.7	4,549.3	855.5	**108,537.5**
Due to banks	4,995.8	83.6	8.7	0.1	-	5,088.2
Due to customers	75,219.3	2,187.1	383.0	3.3	-	77,792.7
Financial liabilities measured at FVTPL	896.5	-	-	-	-	896.5
Derivative financial instruments	2,542.7	0.1[1]	0.2[1]	11.1[1]	0.4[1]	2,554.6
Financial liabilities designated at fair value	3,089.6	4,698.4	3,024.5	2,156.5	338.3	13,307.4
Debt issued	-	133.1	2.4	1,039.6	303.1	1,478.2
Accrued expenses/other liabilities	-	202.9	-	-	-	202.9
Deferred payments related to acquisitions	-	2.7	16.1	-	-	18.8
Total 31.12.2020	86,744.0	7,307.9	3,434.9	3,210.8	641.8	101,339.4
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[2]	338.5	402.9	23.5	53.6	0.0	**818.6**
Total 31.12.2021	338.5	402.9	23.5	53.6	0.0	**818.6**
Total 31.12.2020	350.2	0.3	29.7	59.1	6.8	446.2

[1] These derivatives are not held for trading but for hedging purposes.
[2] These amounts reflect the maximum payments the Group is committed to making.

NOTE 29A COMPANIES CONSOLIDATED

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.2021 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.4	13,535
Swiss securities number: 10 248 496, Ticker symbol: BAER					

Unlisted operational companies which are consolidated as at 31 December 2021

	Head Office	Currency	Share capital m	Equity interest %
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion,				
St. Gallen, St. Moritz, Verbier, Zurich				
Representative Offices in Abu Dhabi, Bogotá, Istanbul, Johannesburg,				
Mexico City, Santiago de Chile, Shanghai				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*
Bank Julius Bär Deutschland AG	Frankfurt	EUR	15.000	100
Branches in Berlin, Duesseldorf, Hamburg, Hanover, Kiel,				
Mannheim, Munich, Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer Europe S.A.	Luxembourg	EUR	95.734	100
Branches in Dublin, Madrid				
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	160.000	100

	Head Office	Currency	Share capital m	Equity interest %
Fransad Gestion SA	Geneva	CHF	1.000	100
JB Funding (Hong Kong) Limited	Hong Kong	USD	0.000	100
JB Participations Ltd.	Zurich	CHF	15.000	100
Julius Baer Brasil Consultoria de Valores Mobiliários Ltda.	São Paulo	BRL	5.242	100
Julius Baer (Chile) SpA	Santiago de Chile	CLP	498.928	100
Julius Baer CIS Ltd.	Moscow	RUB	18.000	100
Julius Baer Family Office & Trust Ltd.	Zurich	CHF	0.100	100
Julius Baer Family Office Brasil Gestão de Patrimônio Ltda.	São Paulo	BRL	762.016	100
Offices in Belo Horizonte, Rio de Janeiro				
Julius Baer Fiduciaria S.p.A.	Milan	EUR	0.100	100
Julius Baer Financial Services (Channel Islands) Limited	Jersey	GBP	0.025	100
Julius Baer Financial Services (Israel) Ltd.	Tel Aviv	ILS	11.000	100
Julius Baer Gestión, SGIIC, S.A.U.	Madrid	EUR	2.100	100
Julius Baer International Advisory (Uruguay) S.A.	Montevideo	USD	3.600	100
Julius Baer International Limited	London	GBP	135.200	100
Branches in Belfast, Edinburgh, Leeds, Manchester				

	Head Office	Currency	Share capital *m*	Equity interest *%*
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (Singapore) Limited	*Singapore*	*SGD*	*2.812*	*100*
Julius Baer Trust Company (Channel Islands) Limited	Guernsey	CHF	0.131	100
Julius Baer (Singapore) GBP Pte. Ltd.	Singapore	GBP	6.300	100
Julius Baer (Singapore) Pte. Ltd.	Singapore	USD	10.000	100
Julius Baer (South Africa) Proprietary Limited	Johannesburg	ZAR	22.357	100
Julius Baer Wealth Advisors (India) Private Limited	Mumbai	INR	10,081.410	100
Offices in Bangalore, Chennai, Hyderabad, Kolkata, New Delhi				
including				
Julius Baer Capital (India) Private Limited	*Mumbai*	*INR*	*2,334.350*	*100*
Office in New Delhi				
Julius Baer Nomura Wealth Management Ltd.	Zurich	CHF	5.700	60
Branch in Tokyo				
Julius Baer Wealth Management (Monaco) S.A.M.	Monaco	EUR	0.465	100
Julius Baer (Bahrain) B.S.C. (c)	Manama	BHD	1.000	100
Julius Baer (Lebanon) S.A.L.	Beirut	LBP	2,000.000	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Kairos Investment Management S.p.A.	Milan	EUR	2.479	100[1]
including				
KAIROS ASSET MANAGEMENT SA	*Lugano*	*CHF*	*0.600*	*100*
Kairos Investment Management B.V.	*Amsterdam*	*EUR*	*1.000*	*100*
– including Kairos Investment Management Limited	*London*	*GBP*	*5.884*	*100*
Kairos Partners SGR S.p.A.	*Milan*	*EUR*	*5.084*	*100*
– Representative Offices in Rome, Turin				

[1] From an accounting perspective, Julius Baer Group Ltd. owns 100% of Kairos; see Note 30.

	Head Office	Currency	Share capital m	Equity interest %
KM&P Holding Ltd.	Zurich	CHF	0.117	83
including				
Kuoni Mueller und Partner Holding Ltd.	*Zurich*	*CHF*	*0.530*	*100*
- including Kuoni Mueller und Partner Consulting Ltd.	*Zurich*	*CHF*	*0.400*	*100*
- including Kuoni Mueller und Partner Investment Ltd.	*Zurich*	*CHF*	*0.100*	*100*
- including Kuoni Mueller und Partner Management Ltd.	*Zurich*	*CHF*	*0.250*	*100*
- including Kuoni Mueller und Partner Residential Ltd.	*Zurich*	*CHF*	*0.200*	*100*
- including Maklando Ltd.	*Zurich*	*CHF*	*0.100*	*100*
K.REM Ltd.	Zurich	CHF	0.100	100
NSC Asesores, S.C., Asesor en Inversiones Independiente	Mexico City	MXN	1.903	70
NSC Objetivos, S.A.P.I. de C.V.	Mexico City	MXN	0.001	70
Three Rock Capital Management Limited	Dublin	EUR	5.779	100
Wergen & Partner Vermögensverwaltungs Ltd	Zurich	CHF	0.100	100[1]
LOTECO Foundation	Zurich	CHF	0.100	100

[1] On 3 January 2022, the Group announced that it would dispose of Wergen & Partner Vermögensverwaltungs Ltd. in Q1 2022.

Major changes in the companies consolidated (2021):

- Julius Baer Agencia de Valores, S.A.U., Madrid, changed into Bank Julius Baer Europe S.A. Madrid Branch
- K.REM Ltd., Zurich, new
- KM&P Holding Ltd., Zurich, and its subsidiaries, new
- Julius Baer Advisory (Uruguay) S.A., Montevideo, liquidated
- PINVESTAR AG, Zug, liquidated

NOTE 29B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
SCB-Julius Baer Securities Co., Ltd.	Bangkok	THB	2.650	40

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Balance at the beginning of the year	**21.2**	23.3
Additions	**10.1**	-
Translation differences	**-2.4**	-2.0
Balance at the end of the year	**28.9**	21.2

NOTE 29C UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved in the set-up and operation of a limited number of structured entities such as segregated portfolio companies, private equity feeder funds and umbrella funds as well as similar vehicles in the legal form of limited partnerships (LP), which are invested in segregated portfolios or feeder funds. All the LPs serve as investment vehicles for the Group's clients. The Group generally acts as investment manager and custodian bank and generally also holds the management shares of the LPs. These shares are equipped with voting rights, but do not provide any participating rights in the underlying investments. The Group receives a market-based fixed fee for its services and has no interests in the underlying segregated portfolios or feeder funds. Therefore, due to the missing exposure, or rights, to variable returns from its involvement with the segregated portfolios or feeder funds, the Group does not have control over the underlying investments, but only consolidates the LPs.

NOTE 30 ACQUISITIONS AND DISPOSALS

The following transactions were executed:

Kuoni, Müller & Partner AG (KMP)
In July 2021, the Group announced the acquisition of a 82.73% stake in Kuoni Müller & Partner AG (KMP), including a 100% stake in K.REM Ltd., together a leading integrated real estate service provider based in Zurich. The purchase price amounted to CHF 19.0 million, with a resulting customer relationships of CHF 3.4 million and goodwill of CHF 10.6 million.

As part of the transaction, the remaining equity partners in KMP (holding the 17.27% shares) received contractually agreed put options to redeem their shares to the Group at their request. At the same time, the Group received call options to purchase the outstanding shares under certain circumstances.

The assets and liabilities of KMP have been provisionally recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	16.1
deferred purchase price (liabilities)	2.9
Total	19.0
Due from banks	7.6
All other assets	1.0
Assets acquired	8.5
Deferred tax liabilities	0.7
All other liabilities	1.2
Liabilities assumed	1.8
Goodwill and other intangible assets and non-controlling interests	
Goodwill	10.6
Customer relationships	3.4
Non-controlling interests	1.7
Total	12.3

For the 12 months ended 31 December 2021, KMP recorded CHF 9.6 million in operating income and CHF 1.2 million in net profit. Since its acquisition on 1 October 2021, the entity has contributed CHF 3.5 million in operating income and CHF 0.5 million in net profit to the Group.

Julius Baer Bank (Bahamas) Ltd. (2020)
At the beginning of February 2020, the Group announced its decision to close its Nassau booking centre as part of the Group's efficiency and productivity programme. Following this announcement, the Group received purchase offers for its Bahamas operations and reached an agreement with Ansbacher (Bahamas) Limited on 30 April 2020.

In the second half of 2020, the transaction with Ansbacher to acquire Julius Baer Bank (Bahamas) Ltd. was closed. The transaction price was based on the assets under management; no material gain or loss resulted from the transaction.

Kairos (2020/2021)
In October 2020, the Group announced that a select number of key managers of Kairos acquired a minority interest in Kairos, with Julius Baer retaining a majority of the legal ownership in Kairos. The transaction has been executed on 1 December 2020. At the same time, the managers entered into put contracts to redeem their shares under certain conditions. According to the relevant IFRS accounting rules, and contrary to the legal view, the managers' shares do not qualify for treatment of non-controlling interests due to the put option structure. Therefore, the Group continues to fully consolidate Kairos without attributing equity or net profit to non-controlling interests. The anticipated cost for the exercise of the put option are recognised as personnel expense up to the assumed exercise date of the put option.

In January 2021, the CEO and another key manager of Kairos acquired minority interests in Kairos. Similar to the transaction in November 2020, the managers entered into put contracts to redeem their shares under certain conditions. In line with the relevant IFRS accounting rules, and contrary to the legal view, the managers' shares do not qualify for treatment of non-controlling interests due to the put option structure. Therefore, the Group continues to fully consolidate Kairos without attributing equity or net profit to non-controlling interests. Contrary to the transaction in November 2020, there are no additional costs to be recognised in the Group's financial statement.

NOTE 31 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2021. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Group's overall compensation landscape is described in the chapter Remuneration Report of this Annual Report.

Deferred variable compensation plans

Cash-based variable *compensation – Deferred Cash Plan*

The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DCP grant is generally made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

These annually granted deferred cash awards vest in equal one-third tranches, subject to continued employment. The DCP may be granted outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long-Term Incentive Plan award (as described below).

Deferred Bonus Plan

Similar to the DCP, the Deferred Bonus Plan (DBP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DBP grant is made once per year and is determined in reference to the annual variable compensation awarded to the individual concerned.

Eligibility for the DBP is based on various factors, including nomination by the CEO, overall role within Julius Baer, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and the employees defined as risk takers of the Group by virtue of their function within the organisation are considered for the DBP based on their specific role.

These annually granted deferred cash awards vest in equal one-fifth tranches, subject to continued employment.

Equity-based variable compensation – Premium Share Plan

The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Group through its share price. A PSP grant is made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. The employee is granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee then receives an additional share award representing a further one-third of the number of shares granted to him or her at the beginning of the plan period.

Equity-based variable compensation – Equity Performance Plan

The Equity Performance Plan (EPP) is a robust long-term incentive mechanism for key employees. It is an equity plan that seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Group.

Eligibility for the EPP, similar to that of the DBP (as described above), is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and employees defined as risk takers of the Group by virtue of their function within the organisation are considered for the EPP based on their specific role. An EPP grant is made once a year and is determined in reference to the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

The EPP is an annual rolling equity grant (made in February each year) that awards performance units to eligible participants subject to individual performance in the reporting period and future performance-based requirements.

The goal of the EPP is to incentivise participants in two ways:

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the performance units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with the Group for three years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

The number of shares delivered under the EPP is between 0% and 150% of the number of performance units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cap serves to limit EPP awards so as to avoid any unforeseen outcome of the final EPP multiplier resulting in unintentionally high or excessive levels of compensation. A high level of performance is required to attain a maximum share delivery (creating a maximum uplift of 50% of the performance units granted), with low-level performance leading to potential nil compensation.

The KPI targets are set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. Extremely high (and, thus, unrealistic) performance targets are avoided, so as not to incentivise excessive risk-taking by executives and other managerial staff.

Long-Term Incentive Plan (LTI)
In certain specific situations, the Group may also offer incentives outside the annual compensation cycle. Compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer or retention payments to key employees during extraordinary or critical circumstances may be made by granting individuals an equity-based LTI.

An LTI granted in these circumstances generally runs over a three-year plan period. The Group generally operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff-vesting of all granted shares in one single tranche at the end of a three-year period.

Staff Participation Plan (SPP)
The SPP is offered to most of the Group's global employee population. Some individuals or employees in specific locations are excluded from participating because, for example, the employees concerned are participants in another Group equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal, regulatory or administrative reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer Group Ltd. shares at the prevailing market price, and for every three shares so purchased they will receive one additional share free of charge. These free shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

The objective of this plan is to strengthen the employee's identification with the Group, to encourage entrepreneurial spirit, to generate greater interest in the business through ownership and to provide employees with financial recognition for their long-term dedication to the Group.

Movements in shares/performance units granted under various participation plans are as follows:

	31.12.2021 Number of units Economic Profit	**31.12.2021** Number of units Total Shareholder Return	31.12.2020 Number of units Economic Profit	31.12.2020 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**1,089,808**	**1,089,808**	1,009,810	1,009,810
Granted during the year	**304,315**	**304,315**	343,938	343,938
Exercised during the year	**-254,610**	**-254,610**	-252,482	-252,482
Forfeited during the year	**-10,377**	**-10,377**	-11,458	-11,458
Unvested units outstanding, at the end of the year	**1,129,136**	**1,129,136**	1,089,808	1,089,808

	31.12.2021	31.12.2020
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**1,344,197**	1,307,722
Granted during the year	**707,116**	637,193
Vested during the year	**-550,575**	-555,302
Forfeited during the year	**-58,605**	-45,416
Unvested shares outstanding, at the end of the year	**1,442,133**	1,344,197
Weighted average fair value per share granted (CHF)	**54.88**	49.19
Fair value of outstanding shares at the end of the year (CHF 1,000)	**88,230**	68,554

Long-Term Incentive Plan	31.12.2021	31.12.2020
Unvested shares outstanding, at the beginning of the year	**874,904**	764,194
Granted during the year	**206,633**	384,064
Vested during the year	**-220,766**	-228,612
Forfeited during the year	**-58,411**	-44,742
Unvested shares outstanding, at the end of the year	**802,360**	874,904
Weighted average fair value per share granted (CHF)	**56.86**	45.74
Fair value of outstanding shares at the end of the year (CHF 1,000)	**49,088**	44,620

Staff Participation Plan	31.12.2021	31.12.2020
Unvested shares outstanding, at the beginning of the year	**150,081**	119,381
Granted during the year	**42,218**	74,583
Vested during the year	**-35,006**	-41,843
Forfeited during the year	**-5,345**	-2,040
Unvested shares outstanding, at the end of the year	**151,948**	150,081
Weighted average fair value per share granted (CHF)	**58.75**	34.32
Fair value of outstanding shares at the end of the year (CHF 1,000)	**9,296**	7,654

Compensation expense recognised for the various participation plans are:

Compensation expense	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Equity Performance Plan	**43.5**	25.0
Premium Share Plan	**33.0**	29.1
Long-Term Incentive Plan	**14.5**	15.3
Staff Participation Plan	**2.3**	2.2
Total	**93.3**	71.6

NOTE 32 ASSETS UNDER MANAGEMENT

Assets under management include all bankable assets managed by or deposited with the Group for investment purposes. Assets included are portfolios of wealth management clients for which the Group provides discretionary or advisory asset management services. Assets deposited with the Group held for transactional or safekeeping/custody purposes, and for which the Group does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with a discretionary mandate are defined as assets for which the investment decisions are made by the Group, and cover assets deposited with Group companies as well as assets deposited at third-party institutions. Other assets under management are defined as assets for which the investment decision is made by the clients themselves. Both assets with a discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Group.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money flows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of a Group subsidiary or business are stated separately. Generally, reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management that are managed by or deposited with associates of the Group are not considered assets managed by or deposited with the Group and are therefore not included in the respective numbers.

Assets under management are disclosed according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2021 CHF m	2020 CHF m	Change %
Assets with discretionary mandate	**82,062**	68,493	19.8
Other assets under management	**396,326**	363,611	9.0
Assets in collective investment schemes managed by the Group[1]	**3,353**	1,568	113.8
Total assets under management (including double counting)	**481,741**	433,672	11.1
of which double counting	***17,663***	*15,596*	*13.3*
Change through net new money	**19,617**	15,060	
Change through market and currency impacts	**29,455**	-5,312	
Change through divestment	**-1,003**[2]	-2,126[2]	
Change through other effects	**-**	-10[3]	
Client assets	**561,275**	505,496	11.0

[1] Collective investment schemes are related to Julius Baer Family Office Brasil Gestão de Patrimônio Ltda., São Paulo, and to Kairos Investment Management S.p.A., Milan.

[2] Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries and by the completion of the sale of Julius Baer Bank (Bahamas) Limited (2020).

[3] Includes assets that have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

Client assets are defined as all bankable assets managed by or deposited with the Group companies for investment purposes and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services – e.g. analysis and reporting or securities lending and borrowing – are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

Breakdown of assets under management

	2021 %	2020 %
By types of investment		
Equities	**33**	30
Bonds (including convertible bonds)	**13**	17
Investment funds	**30**	27
Money market instruments	**1**	2
Client deposits	**17**	18
Structured products	**4**	5
Other	**2**	1
Total	**100**	100
By currencies		
CHF	**10**	9
EUR	**19**	19
USD	**49**	48
GBP	**4**	4
SGD	**1**	1
HKD	**3**	4
INR	**4**	4
BRL	**1**	2
Other	**9**	9
Total	**100**	100

NOTE 33 REQUIREMENTS OF SWISS BANKING LAW

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Switzerland-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is based on the regulations of the Swiss Code of Obligations, on Swiss Banking Law and the Ordinance thereto, on the FINMA Accounting Ordinance (RelV-FINMA) and the Guidelines of the FINMA Circular 2020/1 'Accounting Banks'.

The following main differences between IFRS and Swiss GAAP (true and fair view) are relevant to the Group:

Under IFRS, goodwill is not amortised but tested for impairment annually, and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Under IFRS, changes in the fair value of financial instruments measured at fair value through other comprehensive income (FVOCI) are directly recognised in equity. Under Swiss GAAP, such financial instruments are measured at the lower of cost or market (LOCOM), with the changes in fair value where required recognised in the income statement.

Swiss GAAP allows the application of IAS 19 for the accounting for defined benefit plans. However, the remeasurement of the net defined benefit liability is recognised in the income statement and comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost). Under IFRS, these components are recognised directly in equity.

Under IFRS, a lessee recognises right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Under Swiss GAAP, no right-of-use assets or lease liabilities are recognised, but operating lease expenses are expensed as incurred.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, income and expenses are classified as extraordinary, if they are from non-operating transactions and are non-recurring.

NOTE 34 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2021 financial year.

ABBREVIATIONS USED IN THE GROUP'S FINANCIAL STATEMENTS

AT1 bonds	additional tier 1 bonds
ARR	alternative reference rates
BoD	Board of Directors
CCP	central counterparty
CET1	common equity tier 1
CFH	cash flow hedge
CGU	cash-generating unit
EAD	exposure at default
ECL	expected credit loss(es)
EPS	earnings per share
ESG	Environmental Social Governance
ExB	Executive Board
FINMA	Swiss Financial Market Supervisory Authority
FVH	fair value hedge
FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss
FX	foreign currency
GDP	gross domestic product
IAS	International Accounting Standards (part of IFRS)
IBOR	interbank offered rate
ICS	internal control system
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association
KPI	key performance indicator
KRI	key risk indicator
LGD	loss given default
LIBOR	London Interbank Offered Rate
NIH	net investment hedge
OCI	other comprehensive income
OTC	over-the-counter
PD	probability of default
RM	relationship manager
RMF	risk management framework
RoA	return on assets
RTF	risk tolerance framework
R1–R10	risk classes in the Group's internal rating system
SIX	Swiss Exchange
SARON	Swiss Average Rate Overnight
SOFR	Secured Overnight Financing Rate
SWIFT	Society for Worldwide Interbank Financial Telecommunication
VaR	value-at-risk

REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

KPMG

Statutory Auditor's Report

To the General Meeting of Julius Baer Group Ltd., Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Julius Baer Group Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 96 to 224) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

GOODWILL IMPAIRMENT TESTING

LITIGATION AND REGULATORY PROCEEDINGS

VALUATION OF FINANCIAL INSTRUMENTS

IMPAIRMENT OF LOANS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOODWILL IMPAIRMENT TESTING

Key Audit Matter

As at 31 December 2021, the Group recognizes goodwill of CHF 1,800.9m arising from a number of acquisitions.

Goodwill impairment testing is performed at the level of cash generating units ('CGUs') and relies on estimates of value-in-use based on discounted future cash flows.

Due to the significance of the Group's recognised goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment.

Uncertainty is typically highest for those CGUs where headroom between value-in-use and carrying value is limited and where the value-in-use is most sensitive to estimates of future cash flows and other key assumptions.

Our response

Our procedures included the assessment of the Group's process and key controls for the testing of goodwill impairment, including the assumptions used.

We tested key assumptions forming the Group's value-in-use calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections, discount rates and growth rates by comparison with the Group's own historical data and performance, and externally available industry, economic and financial data respectively.

With the assistance of our own valuation specialists, we critically assessed the assumptions and methodologies used to determine the value-in-use for those CGUs where significant goodwill was found to be sensitive to changes in those assumptions.

On an overall basis, we also evaluated the aggregate values-in-use determined by the Group to its market capitalization.

Additionally, we considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing refer to note 11 to the consolidated financial statements on pages 148 to 150.

LITIGATION AND REGULATORY PROCEEDINGS

Key Audit Matter

As at 31 December 2021, the Group recognizes provisions for legal risks of CHF 95.2m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

The Group is involved in a number of legal and regulatory matters which could have a material effect on the Group but do not qualify for the recognition of a provision. These matters are disclosed as contingent liabilities.

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of legal and regulatory matters requires significant judgment.

Our response

Our procedures included the assessment of key controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters.

We paid particular attention to significant matters that experienced notable developments or that emerged during the period. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Group's internal and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes.

Additionally, we considered whether the Group's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters

For further information on litigation and regulatory proceedings refer to note 16 to the consolidated financial statements on pages 158 to 162.

VALUATION OF FINANCIAL INSTRUMENTS

Key Audit Matter

As at 31 December 2021, the Group reports financial assets of CHF 30,359.2m and financial liabilities of CHF 17,755.6m measured at fair value representing 26.1% and 15.3% of total assets and total liabilities and equity respectively.

The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Group.

Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments.

Our response

Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Group in determining fair values.

For the Group's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists.

Additionally, we assessed whether the fair value determination is appropriately disclosed.

For further information on valuation of financial instruments refer to notes 25A and 25B to the consolidated financial statements on pages 175 to 182.

KPMG

IMPAIRMENT OF LOANS

Key Audit Matter

As at 31 December 2021, the Group reports loans of CHF 50,417.1m representing 43.3% of total assets and records a credit loss allowance of CHF 90.1m.

Loans are measured at amortized cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts.

The loan portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.

Our response

Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Group to assess the adequacy of impairment allowances for individually assessed loans.

For a sample of loans with specific allowances for credit losses we evaluated the Group's individual impairment assessment and specifically challenged the Group's assumptions used, including the value of realizable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Group revised its estimates and assumptions for specific allowances established in prior year.

We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Group and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans refer to note 26A to the consolidated financial statements on pages 184 to 192.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

KPMG

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

Corina Wipfler
Licensed Audit Expert

Zurich, 1 February 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2021

232 INCOME STATEMENT

233 BALANCE SHEET

234 NOTES

237 SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

239 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 12 APRIL 2022

240 DIVIDENDS

241 REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

INCOME STATEMENT

	2021 CHF m	2020 CHF m
Interest income	**39.3**	62.3
Interest expense	**34.3**	43.0
Result from interest	**4.9**	19.3
Income from participations	**788.7**	536.2
Revaluation of participations	**50.6**	40.0
Depreciation of participations	**117.5**	303.6
Result from participations	**721.7**	272.7
Other ordinary income	**176.0**	137.5
Other ordinary expense	**22.5**	104.6
Operating income	**880.1**	324.8
Personnel expenses	**27.1**	21.0
General expenses	**29.8**	26.4
Operating expenses	**56.9**	47.4
Gross profit	**823.3**	277.4
Extraordinary income	**0.0**	0.0
Taxes	**12.7**	-2.6
Net profit	**810.6**	280.1

BALANCE SHEET

	31.12.2021 CHF m	31.12.2020 CHF m
Assets		
Due from banks	**1,936.3**	1,644.0
Other assets	**57.6**	57.2
Accrued income and prepaid expenses	**796.2**	493.2
Total current assets	**2,790.0**	2,194.4
Other financial investments	**1,827.0**	1,797.3
Participations	**4,326.6**	4,324.1
Total non-current assets	**6,153.6**	6,121.4
Total assets	**8,943.7**	8,315.8
of which due from Group companies	***3,778.8***	*3,456.5*

	31.12.2021 CHF m	31.12.2020 CHF m
Liabilities and equity		
Interest-bearing liabilities	**1,702.1**	1,407.8
Other liabilities	**17.6**	2.9
Accrued expenses and deferred income	**42.4**	20.1
Total short-term liabilities	**1,762.0**	1,430.8
Interest-bearing liabilities	**1,330.0**	1,330.0
Debt issued	**1,653.5**	1,341.9
Other liabilities	**13.7**	3.3
Total long-term liabilities	**2,997.2**	2,675.2
Total liabilities	**4,759.2**	4,106.1
Share capital	**4.4**	4.5
Statutory capital reserve	**485.1**	768.3
of which tax-exempt capital contribution reserve other	***483.4***[1]	*663.1*
of which tax-exempt capital contribution reserve foreign	***1.7***	*105.3*
Statutory retained earnings reserve	**301.1**	343.1
of which reserve for treasury shares	***300.2***	*342.2*
Voluntary retained earnings reserve	**3,028.5**	2,921.1
Treasury shares designated for redemption	**-450.0**	-113.2
of which treasury shares against capital contribution reserve other	***-224.9***[2]	*-38.5*
of which treasury shares against voluntary retained earnings reserve	***-225.1***	*-74.7*
Profit carried forward	**4.9**	5.9
Net profit	**810.6**	280.1
Total equity	**4,184.5**	4,209.7
Total liabilities and equity	**8,943.7**	8,315.8
of which due to Group companies	***3,032.1***	*2,737.8*

[1] The written confirmation of the corresponding declaration filed by the Group is pending with the Swiss Federal Tax Administration.
The actual amount of tax-exempt capital contribution reserve other is determined by deducting the respective negative reserve as of footnote 2.
[2] Amount of tax-exempt capital contribution reserve other not recognised anymore by the Swiss Federal Tax Administration.

NOTES

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Contingent liabilities		
Surety and guarantee obligations and assets pledged in favour of third parties	**1,715.9**	1,572.0

BASIS OF ACCOUNTING

The stand-alone financial statements of Julius Baer Group Ltd. are prepared in accordance with the guidelines of the Swiss Code of Obligations.

PARTICIPATIONS

Refer to the consolidated financial statements, Note 29A, for a complete list of the participations.[1]

The participations are measured based on the principle of individual evaluation. For recently acquired participations, the transaction price is used as measurement basis. For material or strategic participations, a multiple method based on prices to assets under management or revenues is applied. For smaller participations, the net asset value according to IFRS is used.

Income from participations is recorded based on an economic standpoint, i.e. at the same time as the corresponding income is recorded at the subsidiary.

STATUTORY CAPITAL RESERVE

The statutory capital reserve represents the additional proceeds (premium) received from the issue of shares by Julius Baer Group Ltd. The redemption of this statutory capital reserve is exempt from taxation, similar to the share capital.

TREASURY SHARES

In the statutory financial statements of Julius Baer Group Ltd., treasury shares held by Julius Baer Group Ltd. itself are deducted directly from equity. For treasury shares held by other Group companies, a reserve for treasury shares is stated in equity.

While Julius Baer Group Ltd. held 7,423,208 treasury shares in 2021 (2020: 2,585,000) with an overall average purchase price of CHF 60.62 per share (the lowest being CHF 56.12 and the highest CHF 67.18), different Group entities held 4,568,738 treasury shares in 2021 (2020: 6,192,089).

SHARE CAPITAL

Effective 1 July 2021, the capital reduction as resolved by the Annual General Meeting of Julius Baer Group Ltd. on 14 April 2021 was executed by cancellation of 2,585,000 Julius Baer registered shares, bought back until 26 February 2021 under the share buy-back programme launched in 2019.

DEBT ISSUED

Refer to the consolidated financial statements, Note 14, for a complete list of the debt issued.

Debt issued is recorded at nominal value. Any agios are recognised in other liabilities and amortised up to the maturity date or the first possible redemption date, respectively.

[1] In Q1 of 2021, the Spanish entity Julius Baer Agencia de Valores S.A.U. was merged into the Luxembourg entity Bank Julius Baer Europe S.A. The merger took place at book value, i.e. the book and tax value of Julius Baer Agencia de Valores S.A.U. was added to the book and tax value of Bank Julius Baer Europe S.A.

AUTHORISED CAPITAL

There is no authorised capital.

FEES PAID TO AUDITOR

	2021 *CHF m*	2020 *CHF m*
Fees paid to auditor		
Audit services	**1.4**	1.2
Other services	**0.2**	0.2
Total	**1.5**	1.4

SHARE-BASED PAYMENTS

	2021 *Number* *Equity securities*	**2021** *Value* *Equity securities* *CHF m*	2020 *Number* *Equity securities*	2020 *Value* *Equity securities* *CHF m*
Equity plans				
Total granted during the year	**30,993**	**1.8**	48,402	1.7
of which members of executive bodies	***29,214***	***1.7***	*47,047*	*1.7*
of which employees	***1,779***	***0.1***	*1,355*	*0.1*

	2021 *Number* *Units*	**2021** *Value* *Units* *CHF m*	2020 *Number* *Units*	2020 *Value* *Units* *CHF m*
Plans based on units				
Total granted during the year	**65,892**	**3.1**	84,304	3.5
of which members of executive bodies	***51,507***	***2.5***	*57,546*	*2.4*
of which employees	***14,385***	***0.6***	*26,758*	*1.1*

FULL-TIME EQUIVALENTS

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or income statement for the 2021 financial year.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/ participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2021[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
T. Rowe Price Associates Inc.[5]	5.07%	
BlackRock, Inc.[6]	5.06%	0.004%
Wellington Management Group LLP[7]	4.95%	
UBS Fund Management (Switzerland) AG[8]	3.09%	

1 The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that some of the above figures are based on reports made before the following event: capital reduction on 1 July 2021 after the share buy-back programme, reduced the number of registered shares of Julius Baer Group Ltd. by 2'585'000 to 221'224'448 (as from 1 July 2021).
2 Purchase positions disclosed pursuant to art. 14 para. 1 a FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA) and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.
3 Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.ser-ag.com in the section Fundamentals > Notices Market Participants > Significant Shareholders, Issuer Julius Bär Gruppe AG.
4 MFS Investment Management, Boston/USA, and its subsidiaries (reported on 30 December 2013)
5 T. Rowe Price Associates Inc., Baltimore/USA (reported on 2 November 2021)
6 BlackRock, Inc., New York/USA (reported on 23 June 2021)
7 Wellington Management Group LLP, Boston/USA (reported on 4 August 2021)
8 UBS Fund Management (Switzerland) AG, Basel/Switzerland (reported on 26 September 2019)

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Shareholdings of the members of the Board of Directors[1]		Number of shares
Romeo Lacher – Chairman	**2021**	**28,183**
	2020	12,100
Gilbert Achermann	**2021**	**22,188**
	2020	18,971
Heinrich Baumann	**2021**	**13,393**
	2020	14,698
Richard M. Campbell-Breeden	**2021**	**14,375**
	2020	9,658
Ivo Furrer	**2021**	**7,500**
	2020	8,867
Claire Giraut	**2021**	**31,478**
	2020	28,261
David Nicol (joined the Board at AGM 2021)	**2021**	**-**
	2020	n.a.
Kathryn Shih (joined the Board on 1 September 2020)	**2021**	**2,011**
	2020	n.a.
Charles G. T. Stonehill (left the Board at AGM 2021)	**2021**	**n.a.**
	2020	18,631
Eunice Zehnder-Lai	**2021**	**5,637**
	2020	2,420
Olga Zoutendijk	**2021**	**5,637**
	2020	2,420
Total	**2021**	**130,402**
Total	2020	116,026

[1] Including shareholdings of related parties

None of the Board members held any option positions on Julius Baer Group Ltd. shares as at year-end 2021 and 2020.

Share ownership requirements for the members of the Board of Directors were introduced with effect from 2014.

The Chairman of the Board of Directors is required to build up and maintain 25,000 vested shares of Julius Baer Group Ltd., the other members of the Board 7,500 each.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years following election (and reached at year-end of the respective year) and maintained until the Board member leaves the Board of Directors.

Romeo Lacher (Chairman), Eunice Zehnder-Lai and Olga Zoutendijk are required to reach the targeted number of shares by year-end 2022. Kathryn Shih is required to reach the targeted number of shares by year-end 2023. David Nicol is required to reach the targeted number of shares by year-end 2024.

Shareholdings of the members of the Executive Board[1]		Number of shares/awards
Philipp Rickenbacher, Chief Executive Officer	**2021**	**124,340**
	2020	38,419
Dieter A. Enkelmann, Chief Financial Officer	**2021**	**141,986**
	2020	84,615
Oliver Bartholet, Chief Risk Officer	**2021**	**71,640**
	2020	29,220
Nic Dreckmann, Chief Operating Officer & Head Intermediaries	**2021**	**108,513**
	2020	30,049
Yves Bonzon, Co-Head IWMS and CIO (joined the Executive Board on 1 January 2020)	**2021**	**91,138**
	2020	40,250
Jimmy Lee Kong Eng, Region Head Asia Pacific (joined the Executive Board on 1 January 2020)	**2021**	**109,355**
	2020	38,799
Yves Robert-Charrue, Region Head Switzerland and EMEA (joined the Executive Board on 1 January 2020)	**2021**	**143,831**
	2020	119,324
Beatriz Sanchez, Region Head Americas (joined the Executive Board on 1 January 2020)	**2021**	**71,227**
	2020	3,376
Nicolas de Skowronski, Co-Head IWMS (joined the Executive Board on 1 January 2020)	**2021**	**48,276**
	2020	10,064
Total	**2021**	**910,306**
Total	2020	394,116

[1] Including shareholdings of related parties (the 2021 figures are disclosed according to the revised Share Ownership Requirements; for details see Chapter II. Remuneration Report of this Annual Report)

None of the members of the Executive Board held any option positions on Julius Baer Group Ltd. shares as at year-end 2021 and 2020.

Share ownership requirements (SOR) for the members of the Executive Board were introduced in 2014 and revised in 2021.

According to the revised SOR, the CEO is required to build up and maintain 100,000 (all other Executive Board members 50,000 each) shares of Julius Baer Group Ltd. (build-up over five full calendar years from the promotion to the new role or inception of the SOR). The SOR may be covered by awards subject to vesting conditions, with only a portion (75%) of the outstanding awards that are subject to performance-based conditions counted towards the SOR.

The SOR apply for the duration of the Executive Board member’s tenure in the applicable role.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 12 APRIL 2022

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2021 financial year of CHF 815,483,545, consisting of net profit for the financial year in the amount of CHF 810,588,986 plus CHF 4,894,559 of profit carried forward, be distributed as follows:

– Allocation to voluntary retained earnings reserve:
  CHF 474,000,000
– Profit carried forward:
  CHF 9,646,874

– Dividend of CHF 2.60
  per share at CHF 0.02 par value
– Total dividends on the 221,224,448 shares entitled to dividends:
  CHF 575,183,565
  Julius Baer Group Ltd. held 7,423,208 treasury shares at 31 December 2021. This number will increase in 2022 due to the new share buy-back programme.
  Total distribution charged to retained earnings (CHF 331,836,672) and statutory capital reserve (CHF 243,346,893).
  No dividend will be paid on treasury shares. Therefore, the total distribution amount and the respective charges to retained earnings and statutory capital reserve may change, taking into account both the treasury shares already held as of 31 December 2021 and any additional treasury shares repurchased up to the dividend record date. This has no impact on the dividend per share.

DIVIDENDS

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
Dividend per share (from tax-exempt capital contribution reserve)	1.10	-	1.10
Dividend per share	1.50	0.53	0.97

The dividends will be paid from 20 April 2022.

On behalf of the Board of Directors

The Chairman

Romeo Lacher

REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF JULIUS BAER GROUP LTD., ZURICH

Statutory Auditor's Report

To the General Meeting of Julius Baer Group Ltd., Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Julius Baer Group Ltd., which comprise the balance sheet as at 31 December 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 232 to 240) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

VALUATION OF PARTICIPATIONS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF PARTICIPATIONS

Key Audit Matter

As at 31 December 2021, the Company reports participations of CHF 4,326.6m. Participations consist of a portfolio of subsidiaries in the banking and financial services industry.

Participations are valued at a maximum of the acquisition costs less necessary value adjustments, taking into account the general principle of individual valuation. Participations are subject to annual impairment testing.

Although these participations are not considered to represent a higher risk of a material misstatement, their valuation is of significance due to their materiality in the context of the financial statements as a whole.

Our response

Our procedures included the assessment of the investment valuation process. We evaluated the valuation methodology applied by referencing to accounting standards and industry practice and tested the techniques used to determine the value in use of the participations.

For the most significant participations where valuation methodologies were used, we recalculated the valuations and agreed the data inputs with available market information. For less significant participations where we had indications of possible impairment, we assessed their recoverability by comparing the carrying amount to their net asset value.

For further information on participation refer to the notes to the financial statements on page 234.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

Corina Wipfler
Licensed Audit Expert

Zurich, 1 February 2022

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