Julius Bär

ANNUAL REPORT 2014

JULIUS BAER GROUP LTD.

Julius Bär
125
YEARS
1890 – 2015

Front cover:
Confined in Switzerland's south-westerly corner and forming the canton of the same name, Geneva is said to be the world's most compact metropolis. It hosts the highest number of international organisations in the world, ranks third among Europe's financial centres and is home to a large number of the world's finest watch manufacturers. Yet it has guarded its particular charm that has been formed to a large extent by the shores of Lake Geneva and the Rhône River.
Geneva is also an important location for Julius Baer, ranking third behind Zurich and Singapore.

Including integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestitures and in 2013 a CHF 29 million (net of taxes: CHF 22 million) provision in relation to the withholding tax treaty between Switzerland and the UK, the net profit achieved in 2014 amounted to CHF 367 million. Excluding these items, the adjusted net profit for 2014 amounted to CHF 586 million. Further information on this basis can be found in the presentation and the media release on the 2014 financial results and the Business Review 2014.

KEY FIGURES

	2014	2013	
Return on equity (ROE)	7.1%	3.9%	-
Return on equity (ROE)[1]	16.3%	13.4%	-
Cost/income ratio[2]	79.2%	84.7%	-
Cost/income ratio[3]	69.9%	71.3%	-

	31.12.2014	31.12.2013	Change %
Consolidated balance sheet			
Total assets (CHF m)	82,233.8	72,522.1	13.4
Total equity (CHF m)	5,337.8	5,038.6	5.9
BIS tier 1 capital ratio	22.0%	20.9%	-
Client assets (CHF bn)			
Assets under management	290.6	254.4	14.2
Assets under custody	105.8	93.3	13.3
Total client assets	396.4	347.8	14.0
Personnel			
Number of employees (FTE)	5,247	5,390	-2.7
of whom Switzerland	3,076	*3,264*	*-5.8*
of whom abroad	2,171	*2,126*	*2.1*

[1] Net profit of the shareholders of Julius Baer Group Ltd. less integration and restructuring expenses as well as amortisation of intangible assets/average equity less goodwill
[2] Excluding valuation allowances, provisions and losses
[3] Excluding valuation allowances, provisions and losses, and integration and restructuring expenses as well as amortisation of intangible assets

Listing	
Zurich, Switzerland	SIX Swiss Exchange under the securities number 10 248 496 Member of the Swiss Market Index SMI

Ticker symbols	
Bloomberg	BAER VX
Reuters	BAER.VX

	2014	2013	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	24.6	23.5	4.8
EPS	1.68	0.88	91.5
Share price (as at 31.12.)	45.81	42.84	6.9
Market capitalisation (CHF m, as at 31.12.)	10,253	9,588	6.9
Moody's rating Bank Julius Baer & Co. Ltd.	A1	A1	-
Capital structure (as at 31.12.)			
Number of shares, par value CHF 0.02	223,809,448	223,809,448	-
Weighted average number of shares outstanding	218,451,680	214,241,756	-
Share capital (CHF m)	4.5	4.5	-

DEAR READER

The global economy showed considerable resilience to a rising number of severe geopolitical threats in 2014, yet at the same time failed to build further momentum despite falling energy and materials prices. In reaction, central banks maintained or even further loosened their monetary stance, which helped financial markets generate attractive overall performance. The favourable environment as well as strong net new money inflows contributed to Julius Baer's assets under management (AuM) reaching new record levels. This development was further supported by the first-time consolidation of our Brazilian subsidiary GPS and the rapid progress in integrating Merrill Lynch's International Wealth Management (IWM) business outside the US. On the back of a strong increase in operating income and the ongoing rightsizing efforts, we managed to improve the Group's profitability and achieved solid financial performance in 2014.

After two years of intensive integration work, adding CHF 60 billion from IWM to current AuM and some 1,000 new colleagues to our workforce, the IWM acquisition was formally closed at the end of January 2015. The objectives we set and that were supported by our shareholders back in 2012 have been achieved: we have successfully established Julius Baer as the international reference in private banking. Our Group now has an exposure to growth markets of close to 50% of AuM, complemented by a significantly broadened presence in key established markets. This puts us in an excellent position to cope with the changes in the economic and regulatory environment from a position of strength while enabling us to further pursue our growth strategy, both organically and by taking part in the ongoing industry consolidation. The latter was evidenced by the recently announced acquisition of the business of Leumi Private Bank AG in Switzerland, along with a comprehensive cooperation agreement with Bank Leumi.

The striking strategic merits of the IWM transaction also clearly showed in the excellent cultural and business fit that greatly facilitated the integration process, which will also play an important role in exploring the potential the enlarged Group has to offer. The former IWM relationship managers have already started making substantial contributions to our bottom line and to net new money inflows. This momentum has been accelerated by further aligning our product and services offering to the rising requirements of our growing client base, by the rollout of our brand's new visual identity and by positioning Julius Baer as a visionary and strong leader in international private banking. In recognition of our significant progress, we received a large number of prestigious industry awards around the globe.

Julius Baer's capital position remained very strong, even taking into account the impact of the goodwill payments for the IWM assets transferred and booked with the Group and the IWM-related restructuring and integration costs incurred during the reporting period. Including the successful placement of new hybrid tier 1 capital of CHF 350 million in May 2014, the BIS total capital ratio amounted to 23.4% and the BIS tier 1 capital ratio to 22.0% at the end of 2014, thus comfortably exceeding the Group's defined minimum and even more strongly surpassing the required regulatory levels. The Board of Directors intends to propose to the Annual General Meeting on 15 April 2015 a dividend of CHF 1.00 per share, an increase of two thirds. The total proposed dividend payout amounts to CHF 224 million.

Looking ahead, we are very excited to celebrate the 125th anniversary of Julius Baer in 2015. Under the 'Sharing Visions' motto, we want to pay tribute to the many courageous leaders whose visionary decisions have shaped Julius Baer in the past 125 years. We also want to emphasise what this accumulated wealth of visionary thinking means for the current generation of Julius Baer employees in order to aptly master the challenges of the future. At the same time, we recognise that looking back at 125 years of corporate history and achievement would not have been possible without the great support of past and current generations of dedicated employees, loyal clients and devoted shareholders, all of whom deserve our sincerest thanks.

Daniel J. Sauter
Chairman

Boris F.J. Collardi
Chief Executive Officer

Zurich, February 2015

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I. CORPORATE GOVERNANCE

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Corporate governance is a decisive part of business management. Shareholders, clients and staff are usually considered the key stakeholder groups within 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 and who bears the responsibility for them. The Company therefore aims to thoroughly satisfy these legitimate information needs in this chapter of the Annual Report.

The corporate governance information of the Company is presented in accordance with the Corporate Governance Directive of the SIX Swiss Exchange revised on 1 September 2014 and with the guidelines and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business federation economiesuisse in its current version dated 29 September 2014.

The revision dated 29 September 2014 takes into account the changes that have resulted from Article 95, paragraph 3 of the Federal Constitution (regarding 'excessive compensation', cf. the subsequent paragraph). It emphasises in particular the concept of sustainable corporate success as the foundation of sensible 'corporate social responsibility'. It also prescribes specific modifications to the composition of the Board of Directors (including representation of women) and to risk management (including compliance).

On 20 November 2013, the Federal Council put its executive 'Ordinance against excessive compensation in listed companies' into force effective 1 January 2014. It contains legal provisions applicable until the final implementation of the law. The Ordinance has implications on a number of the Group's constituent documents including the Articles of Incorporation and is reflected in the Group's corporate governance where necessary.

The following information corresponds to the situation as at 31 December 2014 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

Operational Group structure of Julius Baer Group Ltd. as at 1 January 2015

Julius Baer Group Ltd.

Board of Directors
Daniel J. Sauter, Chairman

Chief Executive Officer
Boris F.J. Collardi

Chief Financial Officer	**Chief Operating Officer**	**Chief Risk Officer**	**Chief Communications Officer**	**General Counsel**
Dieter A. Enkelmann	Gregory F. Gatesman	Bernhard Hodler	Jan A. Bielinski	Christoph Hiestand

Executive Board

The consolidated Group companies are disclosed in Note 26A.

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 2014: [1]

Shareholder/participant[4]	Disclosure of purchase positions[2]	Disclosure of sale positions[3]
MFS Investment Management[5]	9.98%	
Harris Associates L.P.[6]	5.33%	
Wellington Management Company LLP[7]	5.03%	
Thornburg Investment Management[8]	4.99%	
Davis Selected Advisers L.P.[9]	4.97%	
BlackRock Inc.[10]	4.97%	0.0024%
Bank of America Corporation[11]	3.76%	
Veritas Asset Management LLP[12]	3.16%	
Norges Bank[13]	3.01%	

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 the above figures are based on reports made before respectively after the following events: a) capital reduction executed by cancellation of 10,240,000 registered shares of Julius Baer Group Ltd. on 22 June 2012; b) capital increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; c) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.
2 Equity securities, conversion and share purchase rights (Art. 15 para. 1 a SESTO-FINMA), granted (written) share sale rights (Art. 15 para. 1 b SESTO-FINMA) and financial instruments (Art. 15 para. 1 c and para. 2 SESTO-FINMA)
3 Share sale rights (specifically put options) and granted (written) conversion and share purchase rights as well as financial instruments that provide for or permit cash settlement as well as other differential transactions (such as contracts for difference and financial futures)
4 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 www.six-exchange-regulation.com in the section Obligations > Disclosure of Shareholdings > Significant Shareholders, Julius Bär Gruppe AG
5 MFS Investment Management, Boston/USA, and its subsidiaries (reported on 30 December 2013)
6 Harris Associates L.P., Chicago/USA (reported on 3 September 2013)
7 Wellington Management Company LLP, Boston/USA (reported on 18 December 2013)
8 Thornburg Investment Management, Santa Fe/USA, as investment manager on behalf of clients (reported on 28 April 2014)
9 Davis Selected Advisers L.P., Tucson/USA, as investment advisor (reported on 28 March 2014)
10 BlackRock, Inc., New York/USA, and its subsidiaries (reported on 20 August 2012)
11 Bank of America Corporation, Charlotte/USA, and its directly and indirectly held subsidiaries (reported on 16 August 2012)
12 Veritas Asset Management LLP, London/UK, as investment manager on behalf of clients (reported on 30 June 2014)
13 Norges Bank, Oslo/Norway (reported on 22 July 2013)

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 on www.six-exchange-regulation.com in the section Obligations > Disclosure of Shareholdings > Significant Shareholders, 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 4,476,188.96 as at 31 December 2014. It is fully paid up and divided into 223,809,448 registered shares (shares) with a par value of CHF 0.02 each. The shares (Swiss securities no. 10 248 496; ISIN CH 010 2484968) are listed on the SIX Swiss Exchange and are a component of the Swiss Market Index (SMI) and the Swiss Leader Index (SLI).

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 as set forth in article 4.4ff. of the Articles of Incorporation.

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 consolidated statement of changes in equity.

SHARES AND PARTICIPATION CERTIFICATES

Shares

	2014	2013
Number of shares with par value of CHF 0.02 as at 31 December	**223,809,448**	223,809,448
(dividend entitlement, see Note 19)		

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

PARTICIPATION CERTIFICATES

There are no participation certificates.

BONUS CERTIFICATES

There are no bonus certificates.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS (AS AT 31 DECEMBER 2014)

The Company shall keep a share register, in which the owners and usufructuaries of the shares are entered with their name, address and nationality, respectively, 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, however, 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, 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. 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

Daniel J. Sauter (born 1957), Swiss citizen; Swiss Certified Banking Expert, 1983. Gewerbebank, Zurich, Trainee, 1976–1978; Bank Leu, Zurich, Foreign Exchange Trader, 1978–1981; Bank fuer Kredit und Aussenhandel, Zurich, Foreign Exchange and Money Market Trader, 1981–1983; Glencore International, Zug, 1983–1998: Treasurer and Risk Manager, 1983–1988; Chief Financial Officer, 1989–1998; Xstrata AG, Zug, 1994–2001: Development of Xstrata AG into a globally diversified mining group; Chief Executive Officer, 1995–2001; Trinsic AG, Zug, co-founder and Chairman of the Board of Directors, since 2001; Alpine Select AG, Zug, Chairman of the Board of Directors, 2001–2012. Member of the Board of Directors of Julius Baer Holding Ltd., 2007–2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. since 2007 and its Chairman since 2012; member of the Board of Directors of Julius Baer Group Ltd. since 2009; Chairman of the Board of Directors of Julius Baer Group Ltd. since 2012 (term of office until 2015).

Gilbert Achermann (born 1964), Swiss citizen; Bachelor of Business Administration, School of Economics and Business (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 since 1998: Chief Financial Officer and Deputy CEO, 1998–2001; Board member of the ITI Association and ITI Foundation since 2002; Chief Executive Officer, 2002–2010; Chairman of the Board of Directors since 2010; Vitra Group since 2013: Chairman of the Board of Directors since July 2013; Co-CEO since July 2014. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012 (2015).

Andreas Amschwand (born 1960), Swiss citizen; Bachelor of Business Administration, School of Economics and Business (HWV), 1986. Credit Suisse Group, apprenticeship and subsequent further education in Lausanne, 1976–1981; UBS AG, 1986–2011: Balance Sheet Management, 1986–1991; Money Market, 1992–2000; Forex and Money Market, Investment Bank, Global Head Forex and Money Market, Head Investment Banking Switzerland, member of the Investment Bank Executive Committee, 2001–2008; Investment Products and Services Wealth Management and Swiss Bank, Global Head Investment Products and Services, member of the Wealth Management Executive Committee, 2010–2011. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012 (2015).

Heinrich Baumann (born 1951), Swiss citizen; PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: 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 and member of the Executive Committee, 1999–2002; Vice-President of the Executive Committee/Chief Operating Officer, 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 (2015).

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 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 and member of the Executive Committee, 2003–2011; Europcar Groupe S.A., Guyancourt, France, Chief Financial Officer, 2011–2012; bioMérieux, Lyon, France, Corporate Vice-President Purchasing and Information Systems since September 2013, Chief Financial Officer since January 2014. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010 (2015).

Gareth Penny (born 1962), dual South African and British citizen; Master of Arts in Philosophy, Politics and Economics, Oxford University (Rhodes Scholar), UK, 1985. Member of the Board of Directors of De Beers SA, Luxembourg, 2003–2010; Managing Director Diamond Trading Company De Beers, 2004–2006; Group Chief Executive Officer, 2006–2010; New World Resources Plc, London, member of the Board of Directors and Executive Chairman since October 2012; Norilsk Nickel, Moscow, Non-Executive Chairman of the Board of Directors since April 2013. Member of the Board of Directors of Julius Baer Holding Ltd., 2007–2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. since 2007; member of the Board of Directors of Julius Baer Group Ltd. since 2009 (2015).

Charles G. T. Stonehill (born 1958), dual British and American citizen; Master of Arts in Modern History, Oxford University, UK, 1978. J. P. Morgan & Co., Corporate and Investment Banking, 1978–1984; Morgan Stanley & Co., Managing Director and Head of Equity Division Europe, 1984–1997; Credit Suisse First Boston, Head of Investment Banking for the Americas and member of the Operating Committee, 1997–2002; Lazard Frères, Global Head of Capital Markets and member of the Executive Committee, 2002–2004; Non-executive Director of Gulfsands Petroleum, 2005–2006; Chairman of Panmure Gordon Plc., 2006–2008; Independent Director of the London Metal Exchange Ltd. from 2005 until August 2009; Chief Finance Officer, Better Place, Palo Alto, USA, 2009–2011; Green & Blue Advisors LLC, New York, co-founder and partner since 2011; RSR Partners, New York, Managing Director, 2012–2013; Managing Partner TGG Group, New York, since January 2014. Member of the Board of Directors of Julius Baer Holding Ltd., 2006–2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. since 2006; member of the Board of Directors of Julius Baer Group Ltd. since 2009 (2015).

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., Zurich, as Head of the Swiss Capital Market Group, 1988; Deputy Branch Manager of Bank Julius Baer & Co. Ltd., New York, 1990–1993; member of the Management Committee of Bank Julius Baer & Co. Ltd., Zurich, 1993–1996; member of the Group Executive Board of Julius Baer Holding Ltd. and Head of the Private Banking business line as of 1996; Vice President of the Group Executive Board of Julius Baer Holding Ltd. 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 of Julius Baer Holding Ltd., 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; Alpine Select AG, Zug, Chairman of the Board of Directors since April 2013. Honorary Chairman of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2012.

Changes in the Board of Directors
At the Annual General Meeting of Julius Baer Group Ltd. on 9 April 2014, Daniel J. Sauter, Gilbert Achermann, Andreas Amschwand, Heinrich Baumann, Claire Giraut, Gareth Penny and Charles G. T. Stonehill were re-elected to the Board of Directors for another term of one year.

Leonhard H. Fischer did not stand for re-election after having served on the Board of Directors for five years.

Daniel J. Sauter was re-elected as Chairman of the Board of Directors for a one-year term.

Gilbert Achermann, Heinrich Baumann and Gareth Penny were elected as members of the Compensation Committee for a one-year term.

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:

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 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 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 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.

Daniel J. Sauter:
- Chairman of the Board of Directors of Trinsic AG, Zug, Switzerland;
- Chairman of the Board of Directors of Hadimec AG, Maegenwil, Switzerland;
- Chairman of the Board of Directors of Tabulum AG, Zug, Switzerland;
- Member of the Board of Directors of Sika Ltd, Baar, Switzerland.

Gilbert Achermann:
- Chairman of the Board of Directors of Straumann Group, Basle, Switzerland;
- Chairman of the Board of Directors (since 2013) and Co-CEO (since July 2014) of Vitra Group, Birsfelden, Switzerland; Chairman of the Board of Directors of Vitra Holding AG, (since August 2012, Chairman since July 2013) and Chairman of the Board of Directors of Vitrashop Holding AG (since August 2012, Chairman since 2013), Muttenz, Switzerland;
- Member of the Board of Directors of the ITI Association and ITI Foundation, Basle, Switzerland;
- Member of the Board of Directors of Medical Cluster Switzerland, Berne, Switzerland;
- Member of the Executive Committee of Blues Now! Basel, Basle, Switzerland.

Andreas Amschwand:
- Chairman of the Board of Directors, EMFA Holding AG, Kerns, Switzerland;
- Chairman of Verein Standortpromotion Kanton Obwalden, Sarnen, Switzerland.

Heinrich Baumann:
- Vice President of the Board of Directors of Atlis AG, Biberist, Switzerland;
- Vice President of the Board of Directors of Completo AG, Biberist, Switzerland;
- Member of the Foundation Board of the International Foundation for Research in Paraplegia, Chêne-Bourg, Switzerland.

Claire Giraut:
- Member of the Board of Directors and of the Audit Committee of Heurtey-Petrochem S.A., Vincennes, France.

Gareth Penny:
– Member of the Board of Directors and Executive Chairman of New World Resources Plc, London, UK;
– Non-executive Chairman of the Board of Directors of Norilsk Nickel, Moscow, Russia;
– Deputy Chairman of the Botswana Economic and Advisory Council to the President, Gaborone, Republic of Botswana.

Charles G. T. Stonehill:
– Governor, Harrow School, Harrow on the Hill, London, UK;
– Trustee, International House, New York, USA;
– Member of the Advisory Board of Rubicon Technology Partners L.P., Menlo Park, CA, USA.

ELECTIONS AND TERMS OF OFFICE

The members of the Board of Directors are elected on an individual basis by the Annual General Meeting for a one-year term both in the case of re-elections or new elections. The period between two Annual General Meetings is deemed to be 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 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.

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 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 in 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 members of the Executive Board of Julius Baer Group Ltd. generally participate as guests in the meetings of the complete Board of Directors. These meetings generally take up at least half a 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.

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 and company-specific circumstances.

In 2014, the complete Board of Directors of Julius Baer Group Ltd. held six meetings, including a two-day strategy seminar.

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

	31 January	8 April	24 June	30 August / 1 September	2 September	3 December
Daniel J. Sauter	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x	x
Claire Giraut	x	x	x	x	E	x
Leonhard H. Fischer[1]	x	E	-	-	-	-
Gareth Penny	x	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x	x

[1] Left the Board of Directors in April 2014
E = excused

Except for the election of the Chairman of the Board of Directors and the members of the 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., 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 implementation of its resolutions;
g) to inform the judge in the event of insolvency.

The Board of Directors may assign the preparation and carrying-out of its resolutions or the supervision of business transactions to committees or individual members. It must make sure 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 section 'Definition of areas of responsibility' below.

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 is chaired by an independent director. 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 are made available to the complete Board of Directors.

Chairman's & Risk Committee
The Chairman's & Risk Committee consists of the Chairman of the Board of Directors and at least two other members who are specifically skilled and experienced in areas of finance, corporate governance and risk control. It is presided over by the Chairman of the Board of Directors. The Chairman's & Risk Committee is responsible for developing and upholding principles of corporate governance for the Julius Baer Group and for authorising market, credit and financial risks (as set out in the appendix of the Organisational and Management Regulations), 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. The Chairman's & Risk Committee monitors compliance with rules governing large concentrations of risk ('Klumpenrisiken') and is responsible for the standards and methodologies for risk control with regard to risks other than operational risk (including legal and regulatory risk), 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 Chairman's & Risk Committee determines, coordinates and reviews the risk limits in the context of the overall risk policy. It reviews the policies with regard to risks other than operational risk (including legal and regulatory risk) and determines the guidelines for financial reporting. The Chairman's & Risk Committee bases its risk-related work on the Risk Landscape, as approved by the Chairman's & Risk Committee at a joint meeting with the Audit Committee of the Board of Directors, once a year. The Chairman's & Risk Committee 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, the dissolution and the 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, including the allocation of responsibilities. The Chairman's & Risk Committee 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 Chairman's & Risk Committee 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 Chairman's & Risk Committee generally convenes monthly. In 2014, the Committee met twelve times for approximately four hours each. The Chief Executive Officer and the Chief Financial Officer are permanent guests and the other members of the Executive Board of the Company generally participate for specific reporting sessions in the meetings of the Chairman's & Risk Committee.

Members Daniel J. Sauter (chairperson), Andreas Amschwand and Charles G. T. Stonehill

Attendance of the members of the Chairman's & Risk Committee at the respective meetings

First half of 2014	January	February	March	April	May	June
Daniel J. Sauter	x	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x	x
Heinrich Baumann[1]	x	x	x	-	-	-
Leonhard H. Fischer[2]	E	x	x	-	-	-
Charles G. T. Stonehill[3]	-	G	G	x	x	x

[1] Left the Committee in April 2014
[2] Left the Board of Directors in April 2014
[3] Joined the Committee in April 2014
E = excused
G = attended meeting as guest

Second half of 2014	July	August	September	October	November	December
Daniel J. Sauter	x	x	x	x	x	x
Andreas Amschwand	x	x	E	x	x	x
Charles G. T. Stonehill	x	x	x	x	x	x
Heinrich Baumann	G	-	-	-	-	-

E = excused
G = attended meeting as guest

Audit Committee
The Audit Committee is responsible for the integrity of controls for financial reporting and the review of certain financial statements, including the interim statements but in particular the consolidated statement of the Group and the annual financial statement 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 Audit Committee 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 as regards financial reporting.

The Audit Committee is responsible for the standards and methodologies for risk control with regard to operational risk (including legal and regulatory risk) which are employed to comply with the principles and risk profile of the Group adopted by the Board of Directors or other relevant supervisory or management bodies.

The Committee directs and 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 auditor on an annual basis. It reviews their reports about the rendering of the accounts and the management letter and provides a recommendation to the complete Board of Directors regarding election of the external auditor at the Annual General Meeting.

The members of the Audit Committee are independent. The Audit Committee has its own charter and performs an in-depth annual self-assessment with regard to its own performance. The Audit Committee convenes at least four times a year for about four hours on average. The members of the Executive Board of Julius Baer Group Ltd. generally participate as guests in the meetings of the Audit Committee. The Head of Group Internal Audit and representatives of the external auditor participate in every meeting. During the year under review, the Audit Committee held nine meetings including two conference calls.

Members Heinrich Baumann (chairperson), Claire Giraut and Charles G. T. Stonehill

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

First half of 2014	January	April	May[1]	June
Heinrich Baumann[2]	x	x	x	x
Gilbert Achermann[3]	x	x	-	-
Claire Giraut	x	x	x	x
Charles G. T. Stonehill[4]	x	x	x	x
Daniel J. Sauter	G	G	G	G
Andreas Amschwand	-	-	-	G

[1] Meeting by teleconference
[2] Chairman of the Committee since April 2014
[3] Left the Committee in April 2014
[4] Chairman of the Committee until April 2014
G = attended meeting as guest

Second half of 2014	July	August	October	November[1]	December
Heinrich Baumann	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x
Daniel J. Sauter	G	G	G	G	G
Andreas Amschwand	G	-	-	-	-

[1] Meeting by teleconference
G = attended meeting as guest

Compensation Committee
The Compensation Committee shall carry 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 and the further members of the Executive Board within the Julius Baer Group. This includes reviewing any compensation principles (changes to which have to be submitted for approval to the Board of Directors), reviewing and approving compensation policies relating to the Company as a whole as well as any compensation policies within the Group which are linked to the shares of the Company.

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

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

The Compensation Committee is responsible for reviewing and approving the Company's principles on 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 Compensation Committee determines the compensation of the Chairman and of the Executive Board and submits the respective proposals for the other members of the Board of Directors and the CEO to the 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.

Finally, the Compensation Committee on an annual basis prepares and proposes to the Board of Directors and subsequently to the attention of the shareholders a Remuneration Report as well as other reports as required by law or regulations.

The Compensation Committee consists of at least three members who are elected by the Annual General Meeting. With respect to decisions of a specialised nature, the Compensation Committee may seek advice from additional members of the Board of Directors. The Compensation Committee convenes as often as required, however, not less than three times a year. During the year under review, the Compensation Committee held five meetings for two hours on average, including one conference call.

Members Gareth Penny (chairperson), Gilbert Achermann and Heinrich Baumann

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

	January	June	August	October[1]	December
Gareth Penny	x	x	x	x	x
Gilbert Achermann[2]	-	x	x	x	x
Heinrich Baumann	x	x	x	x	x
Leonhard H. Fischer[3]	x	-	-	-	-
Daniel J. Sauter	G	G	G	G	G

1 Meeting by teleconference
2 Joined the Committee in April 2014
3 Left the Board of Directors in April 2014
G = attended meeting as guest except portions of meetings where a conflict of interest may arise

Nomination Committee (ad hoc)
In general, the role of the Nomination Committee 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 principles of sound corporate governance. The Nomination Committee 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 Nomination Committee 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 Nomination Committee 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) establishment of a Board of Directors and CEO succession plan.

The Nomination Committee convenes as needed and consists of a minimum of three members of the Board of Directors, who are appointed by the Board of Directors. The Nomination Committee met three times in 2014.

Members Claire Giraut (chairperson), Gilbert Achermann and Daniel J. Sauter. In 2014, the Nomination Committee had been supported by Charles G. T. Stonehill.

Attendance of the members of the Nomination Committee (ad hoc) at the respective meetings

	April	June	December
Claire Giraut	x	x	x
Gilbert Achermann	x	x	x
Daniel J. Sauter	x	x	x
Charles G. T. Stonehill	-	G	G

G = attended meeting as guest

DEFINITION OF AREAS OF RESPONSIBILITY

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 people, 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.

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 which 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, dissolution and modification of joint ventures of strategic importance by the Company also falls within the competence of the complete Board of Directors. Moreover, the complete Board of Directors appoints the Chief Executive Officer and 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. Furthermore, 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) of the principal operating subsidiaries. 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 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 where delegated by the Board of Directors to another supervisory or managing body, the Executive Board is ultimately responsible for all of the day-to-day activities of the Company, including such activities which have been 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, and the liquidation or closure of principal operating companies and subsidiaries to the Chairman's & 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 composition and areas of responsibility must be approved in advance by 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 press contacts, press conferences and press 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 Chief Executive Officer (the President of the Executive Board). The Chief Executive Officer 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. and the Julius Baer Group.

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' above. 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 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) and the other Executive Board members regularly update the Board on important issues. At such meetings, the Board members may request from Board or Executive Board members any information about any matters concerning 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:

- Written report by the CEO (quarterly to complete Board of Directors)
- Written or oral reporting by the CEO (usually monthly to Chairman's & Risk Committee)
- Written report by the General Counsel (quarterly to complete Board of Directors)

- Written or oral reporting by the members of the Executive Board (quarterly to complete Board of Directors, usually monthly to Chairman's & Risk Committee)
- 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; enlarged written and oral reporting monthly to Chairman's & Risk Committee)
- Financial statements by the CFO (half-year results as well as Interim Management Statements to Audit Committee, 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 and usually monthly to Chairman's & Risk Committee)
- Budget and Scenario Planning by the CEO/CFO (annually to complete Board of Directors)
- List of 'Organkredite' by the Chief Risk Officer (quarterly to Chairman's & Risk Committee)
- Regulatory reporting of 'Klumpenrisiken' by the Chief Risk Officer (quarterly to Chairman's & Risk Committee)
- Group Risk reporting by the Chief Risk Officer (quarterly to Chairman's & Risk Committee as well as to Audit Committee, annually to complete Board of Directors)
- Risk Landscape by the Chief Risk Officer (annually to Chairman's & Risk Committee and Audit Committee)

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, 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, respectively.

EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

Boris F.J. Collardi (born 1974), dual Swiss and Italian citizen; Executive Programme IMD Lausanne, 1999. Career Starter Programme Credit Suisse, Geneva, 1993–1994; Front Office Support functions incl. Head of Front Office Support Asia-Pacific Credit Suisse Private Banking, Geneva, Zurich, Singapore, 1995–1999; Executive Assistant to the CEO Credit Suisse Private Banking, Zurich, 2000; Project Director 'Global Private Banking Center' Credit Suisse Private Banking, Singapore, 2000–2002; Head of Business Development, member of the Executive Committee Credit Suisse Private Banking Europe, Zurich, 2002–2003; Chief Financial Officer and Head of Corporate Center; member of the Executive Board Credit Suisse Private Banking, Zurich, 2003–2004; Chief Operating Officer; member of the Private Banking Europe Management Committee Credit Suisse Private Banking EMEA, Zurich, 2004–2005. Member of the Executive Board of Bank Julius Baer & Co. Ltd. since 2006; Chief Operating Officer, 2006–2009, and in addition CEO Investment Solutions Group, 2008–2009 (part of the Bank's former Investment Products division). Chairman of the Julius Baer Foundation since 1 January 2015. Chief Executive Officer of Bank Julius Baer & Co. Ltd. since May 2009; member of the Executive Board and Chief Executive Officer of Julius Baer Group Ltd. since 1 October 2009.

Jan A. Bielinski (born 1954), Swiss citizen; PhD in Law, University of Zurich, 1983; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 1989. Entry into Bank Julius Baer & Co. Ltd., 1983; Head of Corporate and Marketing Communications, 1987–1995; transfer to Julius Baer Holding Ltd., 1996; Chief Communications Officer and Head of Investor Relations since 1996 (Head of Investor Relations until 2008); member of the Extended Group Executive Board of Julius Baer Holding Ltd. from 2002 until December 2005; member of the Corporate Centre Management from December 2005 until November 2007; Chief Communications Officer of Julius Baer Holding Ltd. from 1996 until 30 September 2009; member of the Extended Executive Board of Bank Julius Baer & Co. Ltd. from 1 January 2010 until 29 February 2012; Chief Communications Officer of Bank Julius Baer & Co. Ltd. since 1 January 2010; additionally Head Marketing of Bank Julius Baer & Co. Ltd. since 1 November 2011; member of the Executive Board and Chief Communications Officer of Julius Baer Group Ltd. since 1 October 2009.

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking in Switzerland and abroad, 1985–1997; Swiss Re, Head Corporate Financial Management and Investor Relations, 1997–2000; Swiss Re, Chief Financial Officer of the business unit Financial Services, 2001–2003; Barry Callebaut, Chief Financial Officer, 2003–2006. Entry into the Julius Baer Group on 11 December 2006 as member of the Group Executive Board and Group Chief Financial Officer; member of the Executive Board and Group CFO 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. since 1 October 2009.

Gregory F. Gatesman (born 1975), US citizen; The College of New Jersey, Trenton State College, Bachelor of Science in Business Administration, 1997; Financial executive education, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004; Executive MBA, Smeal School of Business, Pennsylvania State University, USA, 2004; Chartered Financial Analyst (CFA), 2007. Entry into Merrill Lynch in 1997; different positions, 1997–2002; Vice-President Advisory Division Administration, 2002–2004; Director of Private Banking Platform, 2004–2005; Managing Director / Co-Head and COO Merrill Lynch Trust Company, 2005–2008; Managing Director / Chief Operating Officer US Wealth Management, 2008–2009; Bank of America Corporation, Managing Director / Transition Leadership Executive, 2009; Merrill Lynch Global Wealth Management, Managing Director / Chief Operating Officer International Wealth Management, 2010–2013. Member of the Executive Board and Chief Operating Officer of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 1 February 2013.

Christoph Hiestand (born 1969), Swiss citizen; Law Degree, University of St. Gallen (HSG), 1994; admission to the bar in Switzerland, 1997; Master of Law LL.M., Cornell University, Ithaca, USA, 2000. Beiten Burkhardt Mittl & Wegener, attorneys-at-law, Frankfurt am Main and Duesseldorf (Germany), 1997–1998; attorney-at-law with BBLP Meyer Lustenberger, Zurich, 1999–2001. Entry into the Julius Baer Group as Legal Counsel of Bank Julius Baer & Co. Ltd., 2001–2003; General Counsel, Corporate Centre, Bank Julius Baer & Co. Ltd., 2004–2005; Deputy Group General Counsel of Julius Baer Holding Ltd., 2006–2009; member of the Executive Board and General Counsel of Julius Baer Group Ltd. since 1 October 2009.

Bernhard Hodler (born 1960), Swiss citizen; Bachelor of Business Administration, School of Economics and Business (HWV) Berne, 1987; Staff IT School SIB, Zurich, 1988–1989; Financial Risk Manager, GARP, 1997; Advanced Executive Program, Swiss Banking School, 1999–2000; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004. Credit Suisse, Head of Global Market & Credit Risk and Global Controlling Trading & Sales, 1994–1996; Credit Suisse First Boston, Head of European Risk Management, 1997–1998. Entry into Bank Julius Baer & Co. Ltd. in 1998 as Head of Global Risk Management of Bank Julius Baer & Co. Ltd., 1998–2001; Chief Risk Officer of Bank Julius Baer & Co. Ltd., 2001–2009; President of the Management Committee of Bank Julius Baer & Co. Ltd. from 2001 until 2 December 2005; member of the Extended Group Executive Board and Chief Risk Officer of the Julius Baer Group from 2001 until 2 December 2005; Chief Risk Officer and Head of the Corporate Centre of Julius Baer Holding Ltd. from 3 December 2005 until 14 November 2007; member of the Executive Board of Julius Baer Holding Ltd. from 15 November 2007 until 30 September 2009; member of the Executive Board of Bank Julius Baer & Co. Ltd. since 15 November 2007; Chief Risk Officer from 15 November 2007 until 2009; Head Risk, Legal & Compliance from 2009 until 31 March 2011; Chief Operating Officer (COO) of Bank Julius Baer & Co. Ltd. from 1 April 2011 to 31 December 2012; Chief Operating Officer (COO) a.i. of Julius Baer Group Ltd. from 1 to 31 January 2013; Chief Risk Officer of Bank Julius Baer & Co. Ltd. as of 1 February 2013; member of the Executive Board and Chief Risk Officer of Julius Baer Group Ltd. since 1 October 2009.

Bernard Keller (born 1953), Swiss citizen; Degree in Economics, University of St. Gallen (HSG), 1979. Product Manager, Nestlé, Canada, Taiwan and Zurich, 1979–1984; Branch Manager, UBS, Cassarate, 1985–1986; responsible for regional subsidiaries, UBS, Locarno, 1987–1988; Head of Private Banking, UBS, Locarno, 1989–1990; Head of Private Banking Advisory Unit, UBS, Lugano, 1991–1992; Deputy General Manager and Head of Private Banking, BDL Banco di Lugano, Lugano (a private bank of UBS at the time), 1992–1996; Chief Executive Officer, BDL Banco di Lugano, 1997–2005. Chief Executive Officer, Banca Julius Baer (Lugano) SA (after acquisition of the private banks of UBS by Julius Baer), 2005–2006; CEO Ticino and Italy, Bank Julius Baer & Co. Ltd., Lugano, and member of the Executive Board of Bank Julius Baer & Co. Ltd., Zurich, 2007–2009; Head Switzerland and member of the Executive Board, Bank Julius Baer & Co. Ltd., Zurich, from 1 January 2010 until 30 June 2011. Chairman of the Julius Baer Foundation from 1 January 2012 until 31 December 2014. Member of the Executive Board and Private Banking Representative of Julius Baer Group Ltd. from 1 January 2010 until 31 December 2014.

Changes in the Executive Board
In the 2014 financial year, the composition of the Executive Board has remained unchanged. All Executive Board members have a full-time employment relationship with the Group except for Bernard Keller (Private Banking Representative) whose workload in 2014 was on average 40%. Bernard Keller retired at the end of 2014.

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:

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.

The current members of the Executive Board may, in deviation from article 13.2. of the Group's Articles of Incorporation, hold up to two mandates in listed companies until December 2016, provided that they held these mandates already as of 9 April 2014.

Boris F.J. Collardi:
- Member of the Board and the Committee of the Governing Board of the Board of Directors of the Swiss Bankers Association, Basle, Switzerland;
- President of the Association of Swiss Asset and Wealth Management Banks, Zurich, Switzerland;
- Member of the Foundation Board of the Swiss Finance Institute, Zurich, Switzerland;
- Member of the Foundation Board of Avenir Suisse, Zurich, Switzerland;
- Member of the Foundation Board of Fondation du Festival et Académie de Verbier, Verbier, Switzerland;
- Member of the Advisory Board of the Lee Kong Chian School of Business – Singapore Management University, Singapore.

Dieter A. Enkelmann:
- Member of the Board of Directors of GAM Holding Ltd., Zurich, Switzerland, including chairperson of the Compensation Committee;
- Member of the Board of Directors of Cosmo Pharmaceuticals S.p.A., Lainate, Italy, including Head of the Audit Committee and member of the Nomination Committee;
- Member of the Board of Directors of InnutriGel AG, Schlieren, Switzerland;
- Chairman of the Foundation Board of Stiftung für angewandte Krebsforschung, Zurich, Switzerland.

Bernhard Hodler:
- Member of the Board of Directors of Ifb AG, Cologne, Germany.

Bernard Keller (retired at the end of 2014):
- Chairman of the Foundation Board Associazione Saetta Verde, Lugano, Switzerland;
- Member of the Foundation Board of Pro Senectute Ticino e Moesano, Lugano, Switzerland;
- Member of the Foundation Board of Fondazione Leonardo, Lugano, Switzerland;
- Member of the Foundation Board of Fondazione Aldo e Cele Dacco per la ricerca scientifica, Lugano, Switzerland;
- Member of the Foundation Board of Fondazione per le Facoltà di Lugano dell'Università della Svizzera Italiana, Lugano, Switzerland.

MANAGEMENT CONTRACTS

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

CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND EQUITY-BASED INCENTIVES WITHIN THE GROUP (AS AT 31 DECEMBER 2014)

COMPENSATION GOVERNANCE

As a Swiss company, Julius Baer continues to strive to ensure that its compensation framework is in line with Swiss Financial Market Supervisory Authority (FINMA) regulations. However, as a global organisation, it also gives consideration to new global regulations which are either being drafted or have already entered the statute books and are due to become effective in the near future in the locations in which Julius Baer operates. Julius Baer is committed to continuing to monitor these developments in the future.

In 2014, the company undertook a review of its compensation practices with regard to the implementation of the 'Ordinance against excessive compensation in listed companies' which was published in Switzerland, as well as with regard to the European Union's Capital Requirements Directive ('CRD') iterations III and IV.

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

The Board of Directors submits its proposals to the General Meeting of Shareholders for approval in relation to:

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 Board of Directors may submit for approval by the General Meeting of Shareholders deviating or additional proposals relating to the same or different periods.

In the event the General Meeting of Shareholders does not approve a proposal of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or partial (maximum) amounts, and submit the amount(s) so determined for approval by a subsequent General Meeting of Shareholders before or on the next Annual General Meeting.

The Company or companies controlled by it may pay out or grant compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.

For loans, separate rules apply to 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 banks' 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 landscape, the plan rulings for the period under review as well as compensation, loans and share holdings of the Board of Directors and the Executive Board are described in more detail in the Remuneration Report 2014.

Compensation Committee
The Compensation Committee consists of at least three members who are elected by the Annual General Meeting.

Compensation Committee authority and responsibilities
Julius Baer operates a multitiered system of compensation governance which ensures that there are clear processes governing all aspects of compensation.

The responsibilities of the Compensation Committee are described in detail in the section 'The responsibilities and composition of the currently existing committees of the Board of Directors' above.

To avoid any conflicts of interest, the Chairman of the Board, the CEO and other members of the Executive Board do not participate in those sessions of the Compensation Committee meetings which serve to discuss and determine their proposed compensation.

The Board of Directors sets the overall remuneration policy. It retains full responsibility for and monitoring of all aspects of the compensation paid to the Board of Directors and the Executive Board. 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
Chairman of the Board of Directors	Chairman of the Compensation Committee	Compensation Committee	Shareholders
Board of Directors members (excluding the Chairman)	Compensation Committee	Board of Directors	Shareholders
CEO	Chairman of the Board of Directors and Chairman of the Compensation Committee	Compensation Committee/ Board of Directors	Shareholders
Executive Board (excluding the CEO)	CEO	Compensation Committee/ Board of Directors	Shareholders
Regulated staff (e.g. Key Risk Takers)	Line Management	CEO/Executive Board	Compensation Committee
High Income Earners	Line Management	CEO/Executive Board	Compensation Committee

External advice
In 2014, the Compensation Committee continued to work with PricewaterhouseCoopers AG (PwC) to provide independent advice and assistance on the implementation of the revised compensation model, changing compensation legislation, and on general compensation-related issues encountered in 2014 (including equity accounting and changing global policies and regulations). Hostettler & Company (formerly Hostettler, Kramarsch & Partner) was engaged to provide assistance with non-executive and equity-based compensation topics. During the year, Towers Watson and McLagan provided compensation survey data that were utilised internally by Julius Baer Group for benchmarking purposes. PwC, Linklaters LLP and Mercer LLC were also engaged to assist with various compensation- and benefits-related issues arising from the integration of Bank of America Merrill Lynch's International Wealth Management (IWM) business outside the US. Of these aforementioned advisors, PwC, Linklaters LLP and Mercer LLC also have other mandates within Julius Baer outside of the Compensation and Benefits department of Julius Baer Group.

TOTAL COMPENSATION MODEL

The Julius Baer Group follows a 'pay for performance' approach which is designed to attract and retain talent while at the same time encouraging sound risk management. This approach is embedded in a market-aligned total compensation framework comprising, in general, three components: fixed base salary, variable compensation and supplementary employee benefits.

Base compensation
The fixed base salary is defined to reward the level of education, the degree of seniority and the level of expertise and skills required to fulfil a certain function in a relevant business sector and region.

The Group's salary framework is based on a functional model comprising ten function levels, each of which represents an increasing degree of job complexity. A salary band is assigned to each function level. This band defines the target base salary range for jobs assigned to the respective function level concerned. Individual salaries are then determined within these salary bands taking market benchmarks into account.

The Group does not apply general salary increases (unless required by local legislation). Salary adjustments are made on an individual basis when employees are promoted to a new function level and/or based on the results of their annual personal assessment.

Variable compensation
The total amount of variable performance-related compensation ('pool') that can be distributed to eligible staff is determined annually by the Compensation Committee and brought to the attention of the complete Board of Directors for approval. Variable compensation payments may be made in immediate cash and/or awards in the form of deferred cash or equity. The proportion of deferred equity/cash increases linearly with the total variable compensation and takes into consideration employees' function-related risk profiles. All members of the Executive Board, employees defined as Key Risk Takers by their role in the organisation and High Income Earners are subject to deferral.

The baseline for calculating the Company's variable compensation pool lies with the annual adjusted net operating profit before variable compensation and taxes ('Adjusted NOPbBT') generated by the Company (as reconciled by the Audit Committee). Adjusted NOPbBT is selected as the appropriate baseline for the variable compensation pool funding as it is the underlying, sustainable operating profit of the business. It is an important metric which reflects the Group's actual performance, giving the Compensation Committee a clear indication of operating performance and acting as a reliable baseline for comparison of the year-on-year development of the Group. In addition to the Adjusted NOPbBT, the Compensation Committee also takes other metrics into consideration when identifying the final variable compensation pool. Such factors as change and/or development of the cost/income ratio, the pre-tax margin and net new money generation all have an impact on the determination of the pool.

The Compensation Committee strives for a total variable compensation pool (and, as a result, all variable compensation payments made to Group employees) which does not exceed 30% of Adjusted NOPbBT in a normal business year. With the exception of 2013, the total variable compensation payments over recent years have not exceeded this threshold. As reported in 2013, the integration of Bank of America Merrill Lynch's International Wealth Management business outside the US resulted in Julius Baer exceeding this historical pay-out percentage. Given the substantial impact this transaction has had on Julius Baer including higher overall global costs and somewhat increased retention costs, the Compensation Committee agreed to permit the Group to slightly exceed the 30% threshold in both 2013 and 2014.

As the Company continues to 'rightsize' the business by decreasing overall staff headcount and increasing overall global revenues the Compensation Committee is confident that the Group is taking proper steps to also 'rightsize' the variable compensation pool.

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 Julius Baer Group policies and procedures) as well as competencies and behaviours.

The Board of Directors is informed annually by the chairperson of the Compensation Committee of the results of the salary review and variable compensation allocation process.

Supplementary employee benefits
In order to attract and retain the best talent and employees in each local market where it operates and in order to live up to the claim of being an 'employer of choice', Julius Baer provides supplementary employee benefits that are competitive within each of these markets. Julius Baer considers benefits to be a supplemental element of compensation and the benefits offered may vary substantially from location to location.

In Switzerland, Julius Baer provides a competitive, future-oriented and flexible pension fund scheme which includes a basic plan where employees can choose the band within which they wish to contribute and a supplementary plan where individuals can choose between different investment strategies. This flexible solution offers a variety of individual pension benefits in combination with additional financial security in case of disability or death.

VARIABLE COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2014. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Group's overall compensation landscape is described in detail in the Remuneration Report 2014.

The shares of Julius Baer Group Ltd. required for the equity-based incentives are procured from the market. More information on the equity-based incentives is disclosed in Note 28.

DEFERRED VARIABLE COMPENSATION PLANS

The Group's compensation structure, applied on an annual basis, continues to operate a cash-based variable compensation deferral programme (awarded under the Deferred Bonus Plan [DBP]) and an equity-based variable compensation programme (awarded under the Equity Performance Plan [EPP]) for our most senior management (including the Executive Board members and selected regulated staff and/or nominated employees). Both elements were designed to be awarded on an annual basis. All other employees are generally subject to potential deferral under the Premium Share Plan (PSP) described in more detail below.

The DBP, which is designed to reward performance for the prior financial year, may either be paid out in full upon allocation or a portion may be deferred over a five-year period (depending on the size of the award) subject to a clawback. The equity-based variable compensation awarded under the EPP is designed to incentivise individuals for future performance through performance-based awards.
The EPP performance period is fixed at three years, starting on 1 January of the year of the award and ending on 31 December of the third year.

Although occasional one-off compensation awards have been made during the year to new employees and potentially in other special compensation circumstances, Julius Baer's global policy generally comprises one annual performance review and one annual variable compensation allocation to all employees (including Executive Board members).

Cash-based variable compensation
The majority of permanent employees at Julius Baer Group are considered eligible for cash-based variable compensation. Generally, eligible permanent employees receive their variable compensation in a year-end bonus (subject to potential deferral only under the PSP described below); however, Executive Board members (plus selected regulated staff and/or nominated employees) are required to participate in the DBP further described below.

The DBP aims to ensure that its participants continue to manage Julius Baer for sustainable long-term shareholder-value creation, to emulate the Julius Baer values, and to carry out all business activities in a manner which is compliant with regulatory requirements. As a result, the amounts allocated to each individual (through the individual's scorecard) are closely tied to variables that Julius Baer has identified as key value drivers for the Company.

In the context of the allocation of the DBP, Julius Baer rewards Executive Board 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 corporate culture standards. Although Julius Baer's variable compensation scheme is discretionary, the final amounts allocated to its individual participants are based on a careful assessment of each individual's attainment of a mix of specific quantitative and qualitative objectives.

At the beginning of each year, the Chairman meets with the CEO to discuss and determine the key performance objectives for the upcoming performance year. The objectives are identified within a CEO scorecard with clear indications of the individual goals and targets within each of the respective value driver categories. The Executive Board objective setting process mirrors that of the CEO; however, it is the CEO who meets with each member of the Executive Board to discuss and determine the objectives for the upcoming performance year.

These key performance objectives are officially measured at year end, when the scorecard is discussed between the Chairman of the Board and the CEO (in the case of the CEO's goals) and between the CEO and the respective Executive Board member (in all other cases). The scorecard's results provide the basis for determining the recommended DBP allocation. All DBP recommendations are subject to confirmation by the Compensation Committee and, once approved, are then brought to the attention of the Board of Directors whereby specific acceptance of the proposal is requested from the Board of Directors on the CEO's DBP award.

The full amount of the DBP is generally awarded in the first quarter following the close of the relevant financial (i.e. calendar) year. In 2015, the DBP for the Executive Board will be recommended in the first quarter of 2015 but will not be paid until it is approved by the Group's shareholders. The DBP is paid in cash; however, where the DBP award exceeds the minimum threshold (CHF 125,000, or its local-currency equivalent) a portion is subject to a five-year deferral. The deferral rates applied range from 20% to 50% depending on the amount of the award (consistent with last year).

More details on the specific components and mechanisms of the DBP can be found in the Remuneration Report 2014.

Equity-based variable compensation
The EPP is an annual rolling equity grant that awards Performance Units to eligible executives subject to service- and performance-based requirements. The EPP is primarily focused on providing an award which reflects the value of the employee for the future success of the business and more closely links the individual's compensation to his or her contribution to the future performance of the Julius Baer Group. The goal of the EPP is to incentivise participants in two ways:

- First, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer shares.
- Second, 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 Julius Baer 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.

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer and total variable compensation. All members of the Executive Board, key employees, and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, contribution to Julius Baer and level of responsibility.

The EPP has a number of key features which make it performance-driven. 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.

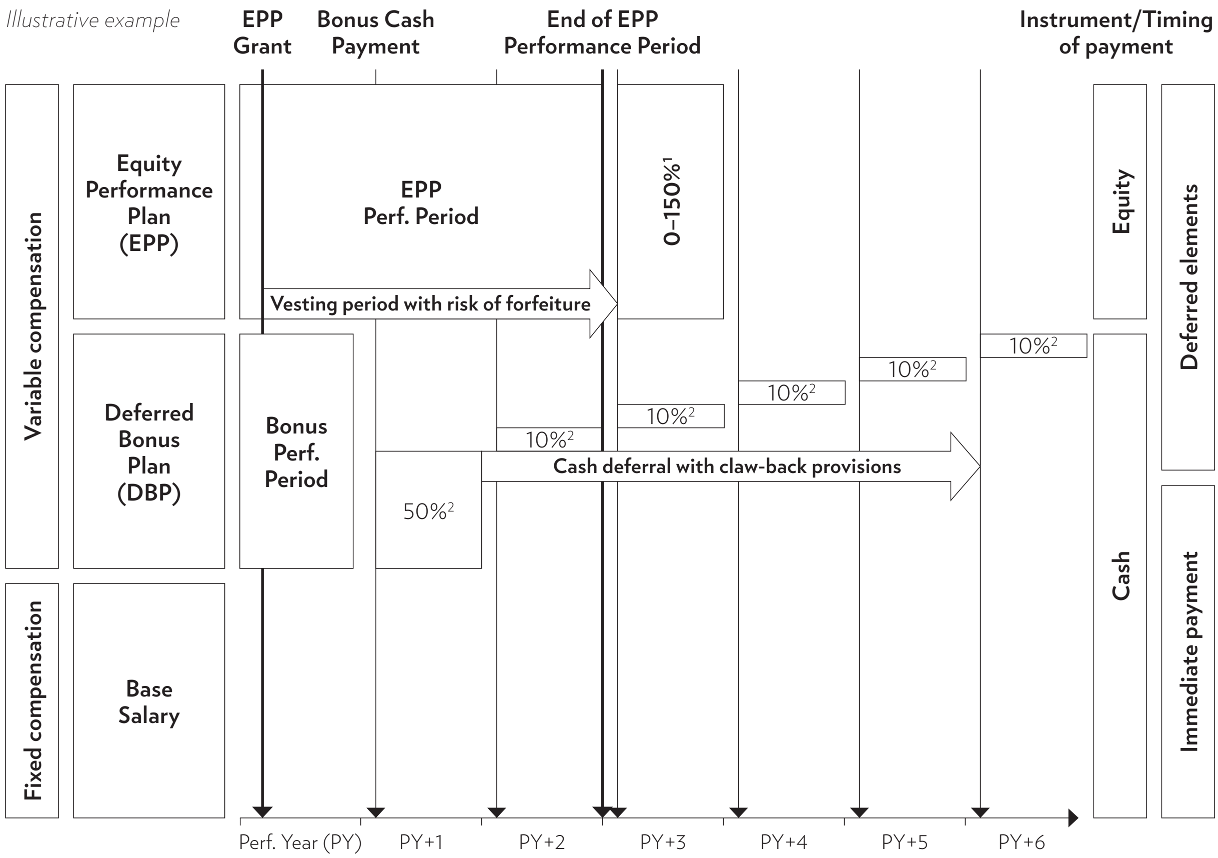
The initial KPIs, targets and final multiplier under the Plan are approved and verified by the Compensation Committee.

More details on the specific components and mechanisms of the EPP can be found in the Remuneration Report 2014.

Until allocation to the plan participants, all Performance Units underlying the EPP are administered by the LOTECO Foundation.

The Compensation Committee decided on 23 and 29 January 2015 on the participants of the equity-based EPP and on the individual allocations. These EPP allocations with grant in February 2015 are disclosed as part of the 2015 total compensation for the members of the Executive Board including the CEO.

Julius Baer compensation model of Senior Management



[1] Subject to performance of KPIs; share allocation capped at 150% of Performance Units granted; share value at vesting dependent on market performance
[2] Deferrals from DBP range from 20–50% based on the level of the allocated bonus (example assumes 50% DBP deferral)

OTHER COMPENSATION ARRANGEMENTS

In addition to the plans described above, Julius Baer also offers various equity- and cash-based plans to members of the global staff population. Participation in these plans depends on factors such as function level, overall variable compensation, and/or nomination for participation in the relevant plan on an annual basis.

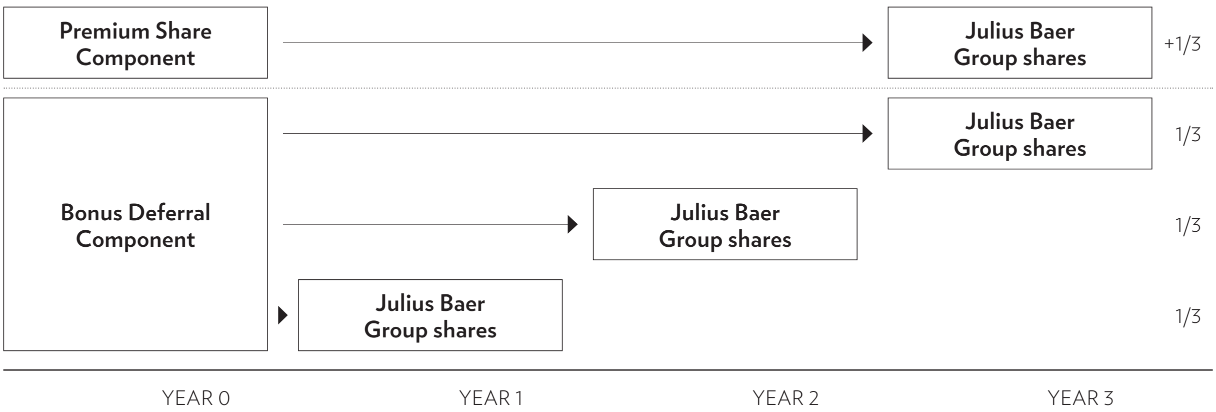
Until allocation to the plan participants, all equity underlying the equity-based compensation plans are administered by the LOTECO Foundation.

Premium Share Plan
The Premium Share Plan (PSP) is a three-year deferred equity plan which applies to employees who are not nominated for participation in the DBP/EPP and have variable compensation amounts of CHF 150,000 or more (or its local-currency equivalent). 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 plan is designed to link a portion of the employee's variable compensation to the long-term development and success of the Julius Baer Group through its share price.

At the start of the plan period, between 15% and 40% (the maximum deferral percentage applies to variable compensation of CHF 1 million and above, or its local-currency equivalent where applicable) of the employee's variable incentive award is deferred to the PSP, and the employee is then 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.

PSP structure and payout schedule



Until vested, the awards are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's conduct has substantially contributed to a financial loss of the Julius Baer Group or has caused reputational damage. Where share-based plans are not permissible under local legislation, Julius Baer also offers a Deferred Cash Plan which provides a similar three-year deferral of variable compensation (in the form of cash as opposed to shares, but without any additional premium benefit at the end of the plan period).

No special dividends or capital increases were allocated in the fiscal year 2014.

Integration Incentive Award (for former Merrill Lynch financial advisors only)
As part of Julius Baer's integration of Bank of America Merrill Lynch's International Wealth Management business outside the US, key Relationship Managers from Bank of America Merrill Lynch (BAML) were offered participation in the Integration Incentive Award (a cash and share-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The Integration Incentive Award plan runs for a maximum of five years, with cash being paid out on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one-third of the number of shares granted to him or her at the beginning of the plan period.

In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares are forfeited.

Cash-based integration programmes
As part of its integration of Bank of America Merrill Lynch's International Wealth Management business outside the US, Julius Baer established two cash-based programmes.

The first programme, the Replacement Award, is a programme which provides cash compensation in lieu of awards that were forfeited as a result of the corporate acquisition. The actual value of forfeiture is paid out in up to four tranches (depending on the size of the award) over a period of up to 18 months. The Replacement Awards are subject to forfeiture provisions in all cases where employment is terminated, other than in the event of termination due to death, disability or retirement (in which case the award becomes payable upon termination).

The second programme, the Asset Transfer Award, is a performance-based programme offered to Relationship Managers transferring to Julius Baer.

The Asset Transfer Award, which is geared towards further accelerating the transfer of assets under management to Julius Baer, offered the participants a cash payment upon reaching specific asset-transfer hurdles (as measured on the basis of assets under management). The Asset Transfer Awards are subject to forfeiture in the event of the participant's employment being terminated for cause. Participants may be eligible to receive the awards in the event of termination for other reasons subject to specific covenants (including non-solicitation and non-competition clauses).

These programmes were exclusively granted to Relationship Managers who transferred to Julius Baer as part of the IWM integration.

Sign-on Bonus
Although Julius Baer only offers performance-based compensation to its current staff, it may in the course of its recruitment processes also offer incentives for specific new hires when they join the Company. A Sign-on Bonus is a one-time cash payment which is generally made to a participant after reaching the end of his or her probationary period (three months from the date on which employment commences) and upon agreement that the individual will continue employment with Julius Baer. The grants also include a one-year clawback from the employee's hiring date in cases where the participant leaves Julius Baer within twelve months of his or her initially commencing employment. Actual parameters may vary according to location, local regulations, and the specific circumstances of the hiring process.

There have been no Sign-on bonuses awarded to members of the Board of Directors or the Executive Board in 2014.

Long-Term Incentive Plan
In certain specific situations Julius Baer may also offer incentives outside the annual compensation cycle. Actions such as compensating new hires for deferred awards they have forfeited by resigning from their previous employer or making retention payments to key employees during extraordinary or critical circumstances may be carried out by granting individuals an equity-based LTI.

An LTI granted in these circumstances generally runs over a three-year plan period. Julius Baer currently 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 the three-year period.

The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out in the plan rules. All grants made in 2014 are free from restrictions upon vesting. In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

No special dividends or capital increases were allocated in the fiscal year 2014.

Staff Participation Plan
The Staff Participation Plan (SPP) is offered to most of Julius Baer'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 Julius Baer equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal or regulatory reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer 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 company.

More information about the SPP 2014 can be found in Note 28.

COMPENSATION FOR THE BOARD OF DIRECTORS, THE GROUP EXECUTIVE BOARD AND THE CEO

This section provides an overview of the compensation system for members of the Board of Directors, including the Chairman, the Group Executive Board and the CEO. Further details as well as the concrete figures for 2014 are described in more detail in the Remuneration Report 2014.

Members of the Board of Directors, including the Chairman
Members of the Julius Baer Board of Directors (including the Chairman) are only entitled to fixed compensation on an annual basis. Fixed compensation is paid in a combination of cash and shares. Compensation amounts paid to members of the Board of Directors are not linked to performance; however, in order to align their compensation with the interests of the Group's shareholders and the overall Company, a portion of the fixed compensation is paid in the form of shares.

Generally, the cash element is paid in December each year; the Chairman receives the cash element on a quarterly basis.

At the beginning of each term, share-based compensation is determined on the basis of a fixed total-compensation value. The number of shares which is granted is calculated on the basis of the volume-weighted average price of the Julius Baer Group shares on the Swiss Stock Exchange during a period of approximately five trading days (during which the shares for the relevant grant are purchased). This share-based compensation takes the form of a promise to deliver shares at a future date subject to a service-based vesting period.

In 2014, the grant made to members of the Board of Directors (including the Chairman) was subject to a one-year service-based vesting period. Shares granted to the members of the Board of Directors are subject to a forfeiture clause, under which the award will only vest in full if the Board member concerned fulfils the one-year term for which he/she has been elected or re-elected. No forfeiture is applied in cases where Board members either do not stand for re-election when their term ends or where they stand but are not re-elected.

In order to avoid any conflicts of interest, members of the Board of Directors do not benefit from preferential conditions for mortgages or loans. They do, however, benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

No options are granted to the members of the Board of Directors.

The total compensation is regularly reviewed by the Compensation Committee, taking into account respective external benchmark analysis and aggregated data of SMI companies. Requests for amendments of the Board's compensation are forwarded for approval to the complete Board of Directors.

Reflecting the independent status of all members of the Board of Directors (including the Chairman), the remuneration of members of the Board does not include a variable component and is therefore not dependent on the financial performance of the Julius Baer Group. No additional compensation is made for members of the Board of Directors for attending meetings.

Share ownership is considered an additional factor to underline the commitment towards the Julius Baer Group. The members of the Board of Directors will be required to build up their total vested share-holdings until they reach the following levels:

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

The members of the Board of Directors will have a period of three full calendar years starting from their initial election to the Board of Directors to build up their Julius Baer shareholdings to the minimum required levels. The final measurement will be performed on 31 December of the third calendar year following the Board member's election to the Julius Baer Board of Directors. Under these rules, existing Board members including the Chairman will be required to build up the aforementioned Julius Baer share holdings by 31 December 2017 (i.e. at the end of the third calendar year following their election or re-election to the Julius Baer Board of Directors at the 2014 Annual General Meeting).

None of the members of the Board of Directors has any contract with Julius Baer providing for benefits upon termination of their term of office on the Board of Directors. Based on the Julius Baer equity plans, any unvested share awards would be forfeited if the Board member does not complete the full term of office for the applicable year.

Special provisions historically applied to the Chairman, who can, at the time of resignation from the Board (or failure to be re-elected) decide between (i) having all his unallocated shares vest immediately; and (ii) adhering to the original vesting schedule of three annual instalments. These provisions are no longer applicable as the Chairman also receives a grant with a one-year vesting term.

No Board members are entitled to participate in any performance-related cash or share programmes within Julius Baer.

Further information on the compensation structure for the members of the Board of Directors including the Chairman can be found in the Remuneration Report 2014.

CEO and Executive Board

Total compensation of members of the Executive Board including the CEO consists of a base salary in cash, a cash-based variable compensation component (DBP), and an equity-based variable component (EPP) which is subject to performance conditions. The two plans are described in preceding sections.

The Compensation Committee continues to oversee the compensation of the Executive Board members (including the CEO). Final determination of the total compensation will be subject to shareholder approval at the Annual General Meeting of Shareholders. If the compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of a member who becomes a member of or is promoted within the Executive Board after the General Meeting of Shareholders has approved the compensation, the Company or companies controlled by it shall be authorised to grant and pay to each such member a supplementary amount during the compensation period(s) already approved. The supplementary amount per compensation period shall not exceed for the Chief Executive Officer 40% and for each other member 25% of the aggregate amounts of compensation last approved by the General Meeting of Shareholders.

The fixed salary represents a base compensation for the market value of the function. Each Executive Board member's fixed base salary is determined individually, taking into consideration his or her role, tasks, responsibilities and experience, as well as level of education, the degree of seniority and the level of expertise and skills required to fulfil the function.

Share ownership is considered an additional factor to underline the commitment towards the Julius Baer Group. The members of the Executive Board will be required to build up their total vested shareholdings until they reach the following levels:

Executive Board member	Share ownership requirement (in vested Julius Baer Group shares)
Chief Executive Officer (CEO)	100,000 shares
Executive Board members (excluding the CEO)	30,000 shares (or 2.5 times base salary, if lower)

The members of the Executive Board will have a period of three full calendar years starting from the beginning of 2014 (for existing members of the Executive Board) or their appointment to the Executive Board (for future members of the Executive Board) to build up their Julius Baer share holdings. The final measurement will be performed on 31 December of the third calendar year following the Executive Board member's appointment to the Board. For existing members of the Executive Board, this measurement will be assessed on 31 December 2016.

Further information on the compensation structure and applicable metrics for the Executive Board members including the CEO can be found in the Remuneration Report 2014.

Due to the variability of annual performance payments and awards from equity-based incentives, the ratio of base salary to total compensation can vary significantly from year to year. The average ratio of fixed to variable compensation for the members of the Executive Board in 2014 (and 2013) are disclosed in the section 'Compensation, loans and share holdings of the Executive Board' of the Remuneration Report 2014.

Julius Baer considers benefits to be a supplemental element of compensation, and the benefits offered may vary substantially from location to location. In general, there are no special benefits for members of the Executive Board; they receive the same benefits as all other employees in the location and business where they work. The members of the Executive Board (all of whom have an employment relationship in Switzerland) share the same retirement plan benefits as all other employees in Switzerland.

SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2014)

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 at the General Meeting of Shareholders its rights in the affairs of the Company. 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 Ordinary 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.

Upon invitation to the General Meeting of Shareholders, the Board of Directors may decide to give the Group's shareholders 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 where otherwise required by mandatory law and/or by article 8.14 of the Articles of Incorporation, 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 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 compared to the general staff population.

Special change-of-control provisions may be available under the EPP. 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 the Remuneration Report 2014.

AUDIT

Audit is an integral part of corporate governance. While retaining their independence, the External Auditors 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 AUDITORS

The statutory auditor of the Julius Baer Group is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 2006. Philipp Rickert has been the Lead Auditor since 2013.

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 Auditors, 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 Auditors strives to ensure an appropriate degree of independence of the Group's External Auditors. The policy limits the scope of service that the External Auditors 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 consulting-related services. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this guidance and as in prior years, all KPMG non-audit services provided in 2014 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.

Fees paid to External Auditors

	2014 CHF m	2013 CHF m
Audit fees[1]	**4.9**	4.7
Audit-related fees[2]	**0.4**	1.1
Other services fees[3]	**0.6**	0.6

[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 32 professionals as at 31 December 2014, compared to 34 as at 31 December 2013, Group Internal Audit (GIA) performs the global internal audit function for the Julius Baer Group. GIA is an independent and objective function that provides assurance to the Board of Directors on safeguards taken by management (i) to protect the reputation of the Group, (ii) to protect its assets and (iii) to monitor its liabilities. GIA provides assurance by assessing the reliability of financial and operational information, as well as compliance with legal, regulatory and statutory requirements. All reports with key issues are provided to the Chief Executive Officer, the Executive Board members of the Bank and other responsible members of management. In addition, the Chairman and the Audit Committee members are regularly informed about important issues. GIA further assures the closure and successful remediation of audit issues.

To maximise its independence from management, the Head of GIA, Peter Hanimann, 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. informs its shareholders and the public each year by means of the Annual and Half-year Reports. Complementary to the Annual Report, the Julius Baer Group publishes a Remuneration Report in the form of a separate brochure, which describes the compensation landscape and the currently applicable plans in detail. Julius Baer furthermore provides a summary account of the business performance for the first four months and the first ten months, respectively, in separate Interim Management Statements.
It also publishes press releases, presentations and brochures as needed. The documents are generally available to the public in electronic form at www.juliusbaer.com as well as in printed form.

IMPORTANT DATES

20 February	2015	Publication of Annual Report 2014
15 April	2015	Annual General Meeting, Zurich
17 April	2015	Ex-dividend date
20 April	2015	Record date
21 April	2015	Dividend payment date

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

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2014** CHF 1,000	2013 CHF 1,000	Change %
Interest and dividend income		**779,862**	642,122	21.5
Interest expense		**132,165**	90,030	46.8
Net interest and dividend income	1	**647,697**	552,092	17.3
Commission and fee income		**1,725,837**	1,468,643	17.5
Commission expense		**207,764**	191,994	8.2
Net commission and fee income	2	**1,518,073**	1,276,649	18.9
Net trading income	3	**327,543**	314,926	4.0
Other ordinary results	4	**53,357**	51,066	4.5
Operating income		**2,546,670**	2,194,733	16.0
Personnel expenses	5	**1,258,566**	1,068,961	17.7
General expenses	6	**609,269**	678,746	-10.2
Depreciation of property and equipment	12	**31,097**	28,765	8.1
Amortisation of customer relationships	12	**126,351**	102,707	23.0
Amortisation and impairment of other intangible assets	12	**51,186**	60,957	-16.0
Operating expenses		**2,076,469**	1,940,136	7.0
Profit before taxes		**470,201**	254,597	84.7
Income taxes	7	**102,764**	66,801	53.8
Net profit		**367,437**	187,796	95.7
Attributable to:				
Shareholders of Julius Baer Group Ltd.		**366,204**	187,526	95.3
Non-controlling interests		**1,233**	270	356.7
		367,437	187,796	95.7

	Note	**2014** CHF	2013 CHF	Change %
Share information				
Basic earnings per share (EPS)	8	**1.68**	0.88	91.5
Diluted earnings per share (EPS)	8	**1.68**	0.86	94.4
Dividend proposal 2014 and dividend 2013		**1.00**	0.60	66.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014 *CHF 1,000*	2013 *CHF 1,000*
Net profit recognised in the income statement	**367,437**	187,796
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on financial investments available-for-sale	**26,246**	-7,586
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	**11,197**	-12,574
Hedging reserve for cash flow hedges	**-**	10,124
Translation differences	**-499**	-9,314
Realised (gains)/losses on translation differences reclassified to the income statement	**15,703**	1,714
Items that will not be reclassified to the income statement		
Remeasurement of defined benefit obligation	**-77,612**	98,302
Other comprehensive income for the year recognised directly in equity	**-24,965**	80,666
Total comprehensive income for the year recognised in the income statement and in equity	**342,472**	268,462
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**341,635**	268,192
Non-controlling interests	**837**	270
	342,472	268,462

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2014** *CHF 1,000*	31.12.2013 *CHF 1,000*
Assets			
Cash		**11,201,938**	10,242,022
Due from banks	9	**8,922,630**	11,455,380
Loans	9	**33,669,072**	27,536,280
Trading assets	10	**7,424,215**	5,853,532
Derivative financial instruments	24	**3,001,850**	1,253,297
Financial assets designated at fair value	25	**121,823**	-
Financial investments available-for-sale	11	**14,597,291**	13,125,345
Investments in associates	26	**66,010**	102,647
Property and equipment	12	**382,678**	386,233
Goodwill and other intangible assets	12	**2,363,924**	2,126,944
Accrued income and prepaid expenses		**331,919**	272,161
Deferred tax assets	17	**15,291**	15,594
Other assets		**135,163**	152,687
Total assets		**82,233,804**	72,522,122

	Note	**31.12.2014** *CHF 1,000*	31.12.2013 *CHF 1,000*
Liabilities and equity			
Due to banks		**5,190,188**	7,990,528
Due to customers		**61,820,545**	51,559,334
Trading liabilities	10	**116,237**	198,606
Derivative financial instruments	24	**3,014,872**	1,198,209
Financial liabilities designated at fair value	15	**4,399,296**	4,797,543
Debt issued	16	**1,059,772**	724,536
Accrued expenses and deferred income		**492,346**	451,895
Current tax liabilities		**115,447**	59,632
Deferred tax liabilities	17	**137,864**	142,776
Provisions	18	**89,530**	72,055
Other liabilities		**459,946**	288,456
Total liabilities		**76,896,043**	67,483,570
Share capital	19	**4,476**	4,476
Retained earnings		**5,560,295**	5,235,764
Other components of equity		**-57,380**	-32,811
Treasury shares		**-178,725**	-169,512
Equity attributable to shareholders of Julius Baer Group Ltd.		**5,328,666**	5,037,917
Non-controlling interests		**9,095**	635
Total equity		**5,337,761**	5,038,552
Total liabilities and equity		**82,233,804**	72,522,122

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF 1,000*	Retained earnings[1] *CHF 1,000*	Financial investments available-for-sale, net of taxes *CHF 1,000*
At 1 January 2013	4,334	4,932,105	91,234
Net profit	-	187,526	-
Unrealised gains/(losses)	-	-	-7,586
Realised (gains)/losses reclassified to the income statement	-	-	-12,574
Changes	-	-	-
Total other comprehensive income for the year recognised directly in equity	-	-	-20,160
Total comprehensive income for the year recognised in the income statement and in equity	-	187,526	-20,160
Capital increase	142	210,984[2]	-
Changes in non-controlling interests	-	-	-
Dividends	-	-130,024	-
Dividend income on own shares	-	1,969	-
Share-based payments expensed for the year	-	45,521	-
Share-based payments vested	-	-17,772	-
Changes in derivatives on own shares	-	1,524	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	3,931	-
At 31 December 2013	4,476	5,235,764	71,074

At 1 January 2014	**4,476**	**5,235,764**	**71,074**
Net profit	**-**	**366,204**	**-**
Unrealised gains/(losses)	**-**	**-**	**26,246**
Realised (gains)/losses reclassified to the income statement	**-**	**-**	**11,197**
Changes	**-**	**-**	**-**
Total other comprehensive income for the year recognised directly in equity	**-**	**-**	**37,443**
Total comprehensive income for the year recognised in the income statement and in equity	**-**	**366,204**	**37,443**
Capital increase	**-**	**79,407**[4]	**-**
Changes in non-controlling interests	**-**	**-**	**-**
Dividends	**-**	**-133,167**	**-**
Dividend income on own shares	**-**	**2,371**	**-**
Share-based payments expensed for the year	**-**	**53,525**	**-**
Share-based payments vested	**-**	**-44,465**	**-**
Changes in derivatives on own shares	**-**	**41**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**615**	**-**
At 31 December 2014	**4,476**	**5,560,295**	**108,517**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the share premium reserve/capital contribution reserve of Julius Baer Group Ltd.
[2] Including incremental costs of CHF 1.1 million that are directly attributable to the 2012 issuance of new shares (2012: CHF 20.5 million).
[3] Purchase of non-controlling interests relating to Infidar Investment Advisory Ltd., offset by the new non-controlling interests relating to TFM Asset Management AG.
[4] Capital increase is related to the transfer of consideration shares.
[5] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A.

Other components of equity						
Hedging reserve for cash flow hedges, net of taxes *CHF 1,000*	Remeasurement of defined benefit obligation *CHF 1,000*	Translation differences *CHF 1,000*	Treasury shares *CHF 1,000*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF 1,000*	Non-controlling interests *CHF 1,000*	**Total equity** *CHF 1,000*
-10,124	-143,683	-50,904	-127,619	4,695,343	2,285	4,697,628
-	-	-	-	187,526	270	187,796
10,124	-	-9,314	-	-6,776	-	-6,776
-	-	1,714	-	-10,860	-	-10,860
-	98,302	-	-	98,302	-	98,302
10,124	98,302	-7,600	-	80,666	-	80,666
10,124	98,302	-7,600	-	268,192	270	268,462
-	-	-	-	211,126	-	211,126
-	-	-	-	-	-1,590[3]	-1,590
-	-	-	-	-130,024	-330	-130,354
-	-	-	-	1,969	-	1,969
-	-	-	-	45,521	-	45,521
-	-	-	17,772	-	-	-
-	-	-	17,100	18,624	-	18,624
-	-	-	-298,396	-298,396	-	-298,396
-	-	-	221,631	225,562	-	225,562
-	-45,381	-58,504	-169,512	5,037,917	635	5,038,552
-	**-45,381**	**-58,504**	**-169,512**	**5,037,917**	**635**	**5,038,552**
-	**-**	**-**	**-**	**366,204**	**1,233**	**367,437**
-	**-**	**-103**	**-**	**26,143**	**-396**	**25,747**
-	**-**	**15,703**	**-**	**26,900**	**-**	**26,900**
-	**-77,612**	**-**	**-**	**-77,612**	**-**	**-77,612**
-	**-77,612**	**15,600**	**-**	**-24,569**	**-396**	**-24,965**
-	**-77,612**	**15,600**	**-**	**341,635**	**837**	**342,472**
-	**-**	**-**	**-**	**79,407**	**-**	**79,407**
-	**-**	**-**	**-**	**-**	**7,623[5]**	**7,623**
-	**-**	**-**	**-**	**-133,167**	**-**	**-133,167**
-	**-**	**-**	**-**	**2,371**	**-**	**2,371**
-	**-**	**-**	**-**	**53,525**	**-**	**53,525**
-	**-**	**-**	**44,465**	**-**	**-**	**-**
-	**-**	**-**	**22,786**	**22,827**	**-**	**22,827**
-	**-**	**-**	**-249,514**	**-249,514**	**-**	**-249,514**
-	**-**	**-**	**173,050**	**173,665**	**-**	**173,665**
-	**-122,993**	**-42,904**	**-178,725**	**5,328,666**	**9,095**	**5,337,761**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2014 *CHF 1,000*	2013 *CHF 1,000*
Net profit	**367,437**	187,796
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	**31,097**	28,765
- Amortisation and impairment of intangible assets	**177,537**	163,664
- Allowance for credit losses	**17,883**	23,789
- Income from investment in associates	**-20,295**	-5,931
- Deferred tax expense/(benefit)	**-2,888**	2,328
- Net loss/(gain) from investing activities	**45,759**	41,692
- Other non-cash income and expenses	**53,525**	40,424
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**-2,830,026**	333,883
- Trading portfolios and derivative financial instruments	**-1,584,942**	-2,300,956
- Net loans/due to customers	**3,341,105**	693,469
- Accrued income, prepaid expenses and other assets	**52,572**	-103,316
- Accrued expenses, deferred income, other liabilities and provisions	**-34,889**	35,814
Adjustment for income tax expenses	**105,652**	64,473
Income taxes paid	**-51,188**	-39,410
Cash flow from operating activities after taxes	**-331,661**	-833,516
Dividend of associates	**6,073**	4,348
Purchase of property and equipment and intangible assets	**-82,450**	-132,368
Disposal of property and equipment and intangible assets	**1,009**	10
Net (investment in)/divestment of financial investments available-for-sale	**-1,436,507**	368,552
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**1,434,143**	6,495,092
Acquisition of associates/increase in participation	**-55,765**	-53,149
Cash flow from investing activities	**-133,497**	6,682,485
Net money market instruments issued/(repaid)	**-8,528**	-20,639
Net movements in treasury shares and own equity derivative activity	**-50,652**	-52,100
Dividend payments	**-133,167**	-130,024
Issuance and repayment of financial liabilities designated at fair value	**-520,070**	1,642,805
Issuance of perpetual tier 1 subordinated bond	**347,240**	-
Change in non-controlling interests	**-**	-2,878
Dividend payment to non-controlling interests	**-**	-330
Cash flow from financing activities	**-365,177**	1,436,834
Total	**-830,335**	7,285,803

	2014 CHF 1,000	2013 CHF 1,000
Cash and cash equivalents at the beginning of the year	**23,336,243**	15,968,272
Cash flow from operating activities after taxes	**-331,661**	-833,516
Cash flow from investing activities	**-133,497**	6,682,485
Cash flow from financing activities	**-365,177**	1,436,834
Effects of exchange rate changes	**-212,547**	82,168
Cash and cash equivalents at the end of the year	**22,293,361**	23,336,243

	31.12.2014 CHF 1,000	31.12.2013 CHF 1,000
Cash and cash equivalents are structured as follows:		
Cash	**11,201,938**	10,242,022
Money market instruments	**2,312,097**	2,494,451
Due from banks (original maturity of less than three months)	**8,779,326**	10,599,770
Total	**22,293,361**	23,336,243

	31.12.2014 CHF 1,000	31.12.2013 CHF 1,000
Additional information		
Interest received	**654,330**	539,892
Interest paid	**-115,107**	-83,028
Dividends on equities received (including associates)	**81,731**	48,600

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Julius Baer Group Ltd. is a Swiss corporation which is committed to the private banking business. The consolidated financial statements as at 31 December 2014 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 30 January 2015. In addition, they are submitted for approval at the Annual General Meeting on 15 April 2015.

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 at fair value through profit or loss, derivative financial instruments and financial investments available-for-sale, as well as certain financial liabilities, which 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 discussed in the corresponding notes: determining fair values of financial instruments, uncertainties in measuring provisions and allowance for credit losses, pension assets and liabilities (measurement of defined benefit obligation), deferred tax assets (use of tax losses), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount). In addition, assumptions regarding foreign exchange rates and interest rates are applied.

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 of significant accounting policies addressing implemented changes in accounting policies.

Business combinations
In a business combination, the acquirer obtains control over the net assets of 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 26. 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 the 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 profit or loss 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. Unrealised exchange differences on equity securities available-for-sale are a component of the change in their entire fair value and are recognised in other comprehensive income.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2014	31.12.2013	**2014**	2013
USD/CHF	**0.9936**	0.8894	**0.9195**	0.9240
EUR/CHF	**1.2024**	1.2255	**1.2125**	1.2285
GBP/CHF	**1.5493**	1.4729	**1.5120**	1.4465

Reporting of transactions
Foreign exchange, securities and derivatives transactions are recorded in the balance sheet on trade date. All other financial instruments are recorded on settlement date. The financial instruments are assigned to one of the four categories according to IAS 39: loans and receivables, held-to-maturity investments, financial assets and financial liabilities at fair value through profit or loss, and available-for-sale financial assets. They are uniformly recognised within these categories on trade date or settlement date.

Income recognition
Income from services provided is either recognised 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. Income and income components that are based on performance are recognised at the time when all performance criteria are fulfilled.

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

Due from banks and loans
Amounts due from banks and loans are initially recognised at fair value, which is the cash given to originate the receivable or loan, plus any attributable transaction costs. Subsequently, these receivables and loans are measured at their amortised cost using the effective interest method.

Loans are classified as past due when the counterparty has failed to make a payment when contractually due. The exposure is not considered impaired as the Group believes that on the basis of the collateral available it is still covered.

Specific allowances: Loans and amounts due from banks for which it is probable that, based on current information and events, the Group will be unable to collect the whole amounts due according to the original contractual terms of the loan agreement, are measured on an individual basis, and a specific allowance for credit losses is established for impaired amounts, if necessary. Related collaterals are also included in the evaluation.

Impairment is measured and an allowance for credit losses is established for the difference between the carrying amount of the loan and its estimated recoverable amount, taking into account the counterparty risk and the net proceeds from the possible liquidation of any collateral. The recoverable amount equals the present value of estimated future cash flows discounted at the loan's original effective interest rate. The allowance for credit losses is recognised through the income statement.

A write-off is made against the established specific allowance for credit losses when all or part of a loan is deemed uncollectible or forgiven. Recoveries of amounts that were previously written off are credited directly to the income statement.

Collective allowances: In addition to the specific allowances for credit losses, a collective allowance for credit losses is established to account for inherent credit risks collectively, i.e. on a portfolio basis. This collective allowance for credit losses is calculated on the basis of prudently estimated default rates for each portfolio, which are based on internal credit ratings that are used for classifying the loans.

In the balance sheet, the allowances for credit losses are offset against the corresponding loans and amounts due from banks.

Impaired loans are rated as fully recoverable if the creditworthiness has improved such that there is a reasonable assurance of timely collection of principal and interest according to the original contractual terms.

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.

Trading assets/liabilities
All trading positions are recognised at fair value. Realised gains and losses on disposal or redemption and unrealised gains and losses from changes in the fair value are recognised in net trading income.

Interest and dividend income and interest expense from trading positions are included in net interest and dividend income.

Precious metals held for trading purposes are measured at fair value less costs to sell with all changes in the fair value recognised in net trading income.

Financial assets and liabilities designated at fair value
Financial assets and liabilities may initially be designated as at fair value through profit or loss (fair value option) if one of the following conditions is met:

- they are hybrid instruments which consist of a debt host and an embedded derivative component;
- they are part of a portfolio which is risk-managed on a fair value basis; or
- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise.

The Group measures its issued structured products containing a debt instrument and an embedded derivative at fair value, with changes in fair value recognised in net trading income, thus eliminating the requirement to account for the embedded derivative and its host contract separately.

In addition, the Group reports assets and liabilities related to certain structured investments where the client bears all the related risks and rewards from the investments, as designated at fair value.

Derivative financial instruments and 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. 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 trading income.

The Group uses derivative financial instruments for hedging the fair values (fair value hedges) when transactions meet the specified criteria to obtain hedge accounting treatment. Derivatives categorised as serving such purposes on their trade date are treated as hedging instruments in the financial statements if they fulfil the following criteria:

– existence of documentation that specifies the underlying transaction (balance sheet item or cash flow), the hedging instrument as well as the hedging strategy/relationship;
– effective and reliably measurable elimination of the hedged risks through the hedging transaction during the entire reporting period;
– sustained high effectiveness of the hedging transaction. A hedge is regarded as highly effective if actual results are within a range of 80% to 125%; and
– high probability of the underlying forecast transaction.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. The changes in the fair value of the hedged item that are attributable to the risk hedged with the derivative are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement.

When fair value hedge accounting is discontinued prospectively, any hedging adjustment made previously to a hedged financial instrument is amortised to the income statement over the remaining term to maturity of the hedged item.

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. The derivatives are therefore reported as trading positions. Changes in fair value are recognised directly in the income statement in the corresponding period.

Financial investments available-for-sale
Security positions, including money market instruments, which are not held for trading purposes, are reported as debt and equity securities available-for-sale and are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in other components of equity until the security is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in other components of equity is recognised in the income statement in other ordinary results.

Equity securities are deemed impaired if there has been a significant or prolonged decline of fair value below the initial cost. A debt instrument is deemed impaired if the creditworthiness of the issuer significantly deteriorates or if there are other indications that an event has a negative impact on the future estimated cash flows related to the debt instrument, i.e. if it is likely that the amount due according to the contractual terms cannot be entirely collected.

Interest on debt securities is accrued using the effective interest method and, together with dividend income on equity securities, recognised in interest and dividend income.

Property and equipment
Property and equipment includes bank premises, IT, communication systems, leasehold improvements as well as other installations and 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. Installations are depreciated over a period not exceeding ten years, IT hardware over three years and other items of property and equipment over five years.

Leasehold improvements are investments made to customise buildings and offices occupied under operating 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 provision 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.

Leasing
Under operating leasing, leased assets are not recognised on the balance sheet, as the risks and rewards of ownership remain with the lessor. Lease payments for operating leases are recognised through the item general expenses in the income statement over the lease term 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, usually not exceeding three to five 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.

Due to banks and customers
Amounts due to banks and customers are initially recognised at fair value less directly attributable transaction costs and subsequently reported at amortised cost. Interest and discounts are debited to interest expenses on an accrual basis, using the effective interest method.

Debt issued
Issued bonds are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs. They are subsequently reported in the balance sheet at amortised cost using the effective interest method.

Own bonds that the Group holds as a result of market-making activities or for resale in the near term are treated as redemption and are therefore extinguished.

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.

Restructuring provisions are recognised if a constructive obligation is incurred, which requires commencement of an approved detailed and formal restructuring plan or the announcement of its main features to the affected employees before the balance sheet date.

Income taxes
Income tax expense comprises current and deferred taxes. 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. 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 consolidated income statement. 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 is recognised in other comprehensive income which comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost).

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 starting at grant date. 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.

Incremental costs that are directly attributable to the issuance of new shares are deducted from equity.

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 net settled in cash or that offer a choice of settlement methods are treated as derivative instruments, with changes in fair value recognised in net trading income.

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

Starting 1 January 2014, the following revised accounting standard is in force and is relevant to the Group:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
In order to be able to offset a financial asset and a financial liability on the balance sheet, the amendment clarifies the existing standard in two areas. The first one states that, in addition to being legally enforceable in the normal course of business, a right of set-off must be enforceable for all counterparties in the event of default, insolvency or bankruptcy. The second clarification states that some gross settlement systems may be considered equivalent to net settlement. The amendment had no material impact on the Group's financial statements.

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 standards, revisions and interpretations will be relevant to the Group:

IFRS 9 – Financial Instruments
The new standard includes the following changes to current accounting for financial instruments:

Recognition and measurement: The new standard uses two criteria to determine how financial assets should be classified and therefore measured: a) the entity's business model for managing the financial assets; and b) the contractual cash flow characteristics of the financial asset.

A business model refers to how an entity manages its financial assets in order to generate cash flows:

- by collecting contractual cash flows, i.e. cash flows stem primarily from interest payments and repayment of the 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 criteria for determining the classification of a financial asset is whether the contractual cash flows are solely payments of principal and interest. Interest under this model can comprise a return not only for the time value of money and credit risk but also for other components such as return for liquidity risk, amounts to cover expenses and a profit margin.

Based on an analysis of the business model and the nature of the contractual cash flows, a financial asset is measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income (with and without recycling).

Expected credit losses: Contrary to the current impairment model for financial assets, the new standard requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. It is therefore no longer necessary for a trigger event to have occurred before credit losses are recognised.

In general, the expected credit loss model uses a dual measurement approach: if the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected losses. If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses.

Financial liabilities: Financial liabilities are measured at amortised cost or fair value. The new standard retains the fair value option for financial liabilities, but requires that the amount of change in fair value attributable to changes in the credit risk of the liability (own credit risk) 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. If this approach creates or enlarges an accounting mismatch, the whole change in fair value may be recognised in the income statement.

Hedge accounting: The new standard puts in place a model that introduces significant improvements principally by aligning the accounting for hedges more closely with the underlying risk management purposes. To that effect, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Hedge qualification will be based on qualitative, forward-looking hedge effectiveness assessments, rather than on bright lines. There are also enhanced disclosure requirements about hedge accounting and risk management activities.

The new standard will be effective 1 January 2018, with early application available for certain parts. However, the Group does not intend to early apply these parts of IFRS 9. The impact of the new standard on the Group's financial statements has not yet been assessed.

IFRS 15 – Revenue Recognition
The new standard introduces the core principle to recognise revenue to depict the transfer of services to customers in amounts that reflect the consideration (that is, payment) to which the Group expects to be entitled in exchange for those services.

The standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point of time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much 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 new standard also provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. In addition, enhanced disclosures about revenue are required.

The new standard will be effective 1 January 2017 with earlier application permitted. However, the Group does not intend to early apply IFRS 15. The impact of the new standard on the Group's financial statements has not yet been assessed.

Disclosure Initiative
The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amended standard will be effective 1 January 2016 with earlier application permitted. The impact of the amendments on the presentation of the Group's financial statements has not yet been assessed.

Annual Improvements to IFRSs
(2010–2012, 2011–2013 and 2012–2014 Cycle)
A number of amendments to several standards are included in the IASB's Annual Improvement Projects. Certain amendments have been applicable starting 1 July 2014, while others will be applicable as of later periods. The amendments will not have a material impact on the Group's financial statements.

COMMENT ON RISK AND CAPITAL MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND PROCESS

Risk types
For the purposes of this report, risk comprises both the probability of a given event occurring and its potential adverse impact in the event of a deviation from the Group's defined objectives. Risk-taking is an inherent component of our day-to-day business activities. Risk management therefore constitutes an integral part of the Group's business framework. It is supported by a number of risk-control procedures, which are seen as business enablers critical to the management process of the Julius Baer Group (the Group). The principal risks to which the Group is exposed are:

- strategic and business risk
- credit risk
- market risk
- liquidity and financing risk
- operational risk (including legal, compliance and personnel risk)
- reputational risk

The risk control framework comprises both qualitative elements, including policies and directives, and quantitative components, including limits. It is continually adapted and enhanced, both in response to changes in the business environment and to any modifications to the business models pursued by the Group.

Risk governance
The Board of Directors of Julius Baer Group Ltd. defines the Group's risk policies and regularly reviews their appropriateness. This ensures that risks are managed effectively at Group level and that suitable processes are in place. The risk categories and the risk management processes as well as a common risk terminology for the Group are laid down in the Group Risk Policy. Specific Group policies are defined for particular risk categories. Overall responsibility for the implementation of the Group's risk management lies with those members of the Executive Board of Julius Baer Group Ltd. with designated risk management duties – the Chief Risk Officer (CRO) and the General Counsel (GC). The CRO is responsible for the management and control of credit risk, market risk (trading book and banking book), liquidity and financing risk (particularly with regard to the banking book) and of operational risk. Especially as far as legal and compliance risk matters are concerned, he coordinates his activities with the GC, who, as a member of the Executive Board of Julius Baer Group Ltd., is responsible for the management and control of legal and compliance risk at Group level. In addition, the CRO and the GC coordinate their activities with the Chief Financial Officer (CFO), who is responsible for balance sheet management and capital management, i.e. the maintenance of a sound ratio of eligible capital to risk-weighted positions.

The CRO and the GC establish appropriate risk guidelines and policies, coordinate and contribute directly to the risk management of the business areas and thus ensure that risk is controlled independently.

Additional Board committees and the Executive Board are integrated into the Group-wide risk management structure as follows:

The Board of Directors delegates the supervision of operational risks to the Audit Committee, while the supervision of all other risks is entrusted to the Chairman's and Risk Committee. The responsibilities of these two committees are described in further detail in the Board of Directors section of this report.

The Executive Board of the Group's principal operating entity, Bank Julius Baer & Co. Ltd., is responsible for measuring and supervising market, liquidity, financing and operational risks in the Group's financial services activities. Accordingly, its principal tasks are:

- to formulate policies governing market, liquidity, financing and operational risk in the Group's financial-services business;
- to allocate risk limits in accordance with those policies;
- to receive and review reports relating to those risks.

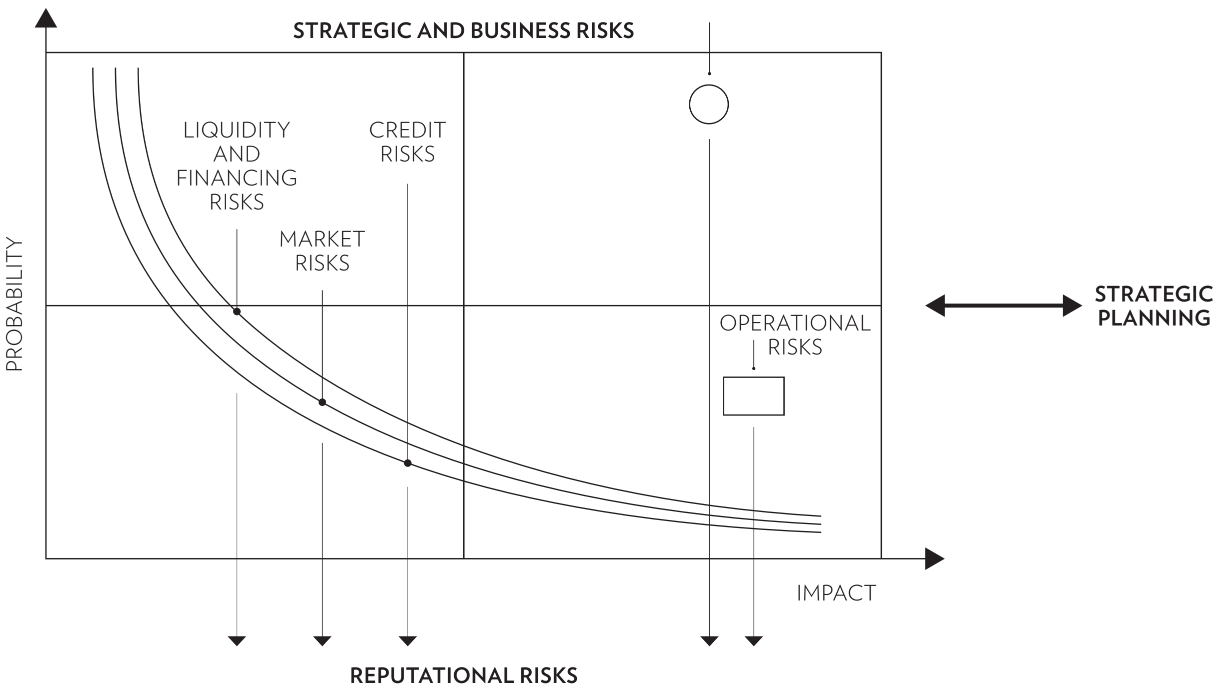
The Credit Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for measuring and supervising credit risk. In particular, it is responsible for:

- formulating policies governing credit risk;
- making credit business decisions and allocating credit limits within the scope of its remit;
- delegating credit authority;
- receiving and reviewing credit risk reports.

The Information Security Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible both for monitoring and supervising information security risk and for related activities for the purpose of ensuring data confidentiality.

The main responsibility for controlling and managing risks, however, primarily lies with the individual organisational units. Identified risks are mapped to a risk landscape, which provides a consolidated picture of the probability of their occurrence and its potential impact. The risk landscape is also used by the business areas, the Executive Board and the Board of Directors of both Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. in their annual strategic planning process.

Risk landscape: illustrative diagram



STRATEGIC AND BUSINESS RISK

Strategic and business risk comprises the danger of external or internal events or decisions resulting in strategic and day-to-day business objectives not being attained. Based on the principles of value- and risk-oriented management and controlling, an annual strategic check-up is carried out, and the results are consolidated in the risk landscape. This check-up reviews the probability and impact of potential strategic and business risks and defines mitigating actions. The results are also used as an important input into the strategic planning process and thus influence the rolling three-year plan and hence the annual budgets.

CREDIT RISK

Credit or counterparty risk is the risk of 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. Such non-compliance may result in a financial loss to the Group.

The Group has a policy of lending to private clients primarily on a collateralised basis. The credit risk taken on by the Group as a result of such transactions may arise from lending or from actual or potential receivables due to the Group on client-held positions in derivatives on foreign exchange, equity, interest rate or commodity products. As part of the risk management process, clients' collateral positions are individually assessed and valued. Depending on the quality of the collateral and the degree of diversification within individual client portfolios, an advanceable value is set for each collateral position. The overwhelming majority of collateral positions is revalued every day, thus enabling the Group's credit positions to be monitored on a daily basis.

In addition, 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 also used to mitigate exposures further.

Country limits are set in order to contain the risks potentially arising from country-specific or region-specific events.

It is not a policy of the Group to engage in corporate lending activities except for collateralised lending to corporate structures linked to its core private banking business.

The Group's rating concept allows an internal rating classification to be assigned to each individual exposure, and it is on these classifications that the relevant limit-granting processes and monitoring are based.

The credit risk breakdown presented below is calculated before deduction of eligible collateral and in accordance with Swiss capital adequacy requirements, which are largely based on the international guidelines contained in the Basel Committee on Banking Supervision's (BCBS) Basel III Accord. The BCBS has its registered offices at the Bank for International Settlements (BIS) in Basel, Switzerland. Differences between the total amounts and the corresponding balance sheet positions are explained in the 'Reconciliation of credit risk totals' section of this report (see pages 71ff.).

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

Credit risk by region

	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	**31.12.2014** **Total** *CHF m*
Due from banks	455	5,845	672	1,748	-	**8,720**
Loans	8,344	10,694	7,665	6,747	241	**33,691**
Financial investments available-for-sale	149	8,079	3,280	2,926	45	**14,479**
Derivative financial instruments	948	1,082	519	454	5	**3,008**
Contingent liabilities	148	229	179	62	21	**639**
Irrevocable commitments	109	93	67	30	1	**300**
Securities lending and repo transactions	970	1,236	705	55	5	**2,971**
Total	11,123	27,258	13,087	12,022	318	**63,808**

	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	31.12.2013 Total *CHF m*
Due from banks	360	8,653	236	2,207	1	11,457
Loans	7,305	8,859	6,072	5,121	199	27,556
Financial investments available-for-sale	300	8,578	2,181	1,930	40	13,029
Derivative financial instruments	585	511	272	190	5	1,563
Contingent liabilities	108	234	194	47	22	605
Irrevocable commitments	64	38	41	36	-	179
Securities lending and repo transactions	721	1,609	601	98	10	3,039
Total	9,443	28,482	9,597	9,629	277	57,428

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

The column headed 'Other' is used for disclosure of securities issued by companies outside the financial sector: these consist partly of proprietary positions of the Group which are reported on the balance sheet as financial investments available-for-sale and partly of the portion of the credit collateralised by securities issued by companies outside the financial sector.

Credit risk by sector

					31.12.2014
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	**Total** *CHF m*
Due from banks	-	8,720	-	-	**8,720**
Loans	609	4,606	21,990	6,486	**33,691**
Financial investments available-for-sale	4,136	6,785	-	3,558	**14,479**
Derivative financial instruments	27	1,378	1,348	255	**3,008**
Contingent liabilities	6	61	426	146	**639**
Irrevocable commitments	31	52	160	57	**300**
Securities lending and repo transactions	850	1,458	52	611	**2,971**
Total	5,659	23,060	23,976	11,113	**63,808**

					31.12.2013
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	Total *CHF m*
Due from banks	-	11,457	-	-	11,457
Loans	528	4,276	17,604	5,148	27,556
Financial investments available-for-sale	3,531	6,339	-	3,159	13,029
Derivative financial instruments	19	776	634	134	1,563
Contingent liabilities	8	107	381	109	605
Irrevocable commitments	33	45	67	34	179
Securities lending and repo transactions	839	1,472	69	659	3,039
Total	4,958	24,472	18,755	9,243	57,428

The collateral pledged to cover Lombard loans, OTC derivatives positions and securities lending and repo transactions consists primarily of readily marketable securities. In the following table all the collateral accepted within the scope of the capital adequacy regulations is disclosed. The haircuts applied to the collateral positions are in accordance with current Swiss regulatory requirements, which are based on the Basel III BIS standard haircuts.

Credit risk secured/not secured

			31.12.2014
	Secured by recognised financial collaterals[1] *CHF m*	Not secured by recognised financial collaterals *CHF m*	**Total** *CHF m*
Due from banks	4,775	3,945	**8,720**
Loans	32,300	1,391	**33,691**
Financial investments available-for-sale	-	14,479	**14,479**
Derivative financial instruments	1,701	1,307	**3,008**
Contingent liabilities	627	12	**639**
Irrevocable commitments	193	107	**300**
Securities lending and repo transactions	2,238	733	**2,971**
Total	41,834	21,974	**63,808**

			31.12.2013
	Secured by recognised financial collaterals[1] *CHF m*	Not secured by recognised financial collaterals *CHF m*	Total *CHF m*
Due from banks	6,316	5,141	11,457
Loans	26,392	1,164	27,556
Financial investments available-for-sale	-	13,029	13,029
Derivative financial instruments	921	642	1,563
Contingent liabilities	558	47	605
Irrevocable commitments	122	57	179
Securities lending and repo transactions	2,365	674	3,039
Total	36,674	20,754	57,428

[1] Taking into account recognised collaterals with applied discount factors according to Swiss Capital Adequacy Ordinance

The following table gives an overview of the credit risk classified by regulatory risk weightings. The regulatory risk weightings are in accordance with current Swiss regulatory requirements, which are based on the Basel III BIS approach. The allocation of the receivables to the risk weights depends on the type and current rating of the counterparty or the individual rating of the specific financial investment held. The collateralised portion of receivables (other than mortgages) is allocated to the 0% risk-weight column, since no regulatory capital is required in respect of these lending positions.

Credit risk by regulatory risk weightings

	0% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% *CHF m*	**31.12.2014** **Total** *CHF m*
Due from banks	4,787	3,473	-	444	-	15	1	**8,720**
Loans	24,221	-	6,336	45	452	2,631	6	**33,691**
Financial investments available-for-sale	2,990	6,035	-	5,211	-	232	11	**14,479**
Derivative financial instruments	1,702	125	-	554	-	627	-	**3,008**
Contingent liabilities	626	-	-	8	-	5	-	**639**
Irrevocable commitments	193	27	-	14	-	66	-	**300**
Securities lending and repo transactions	2,238	501	-	-	-	232	-	**2,971**
Total	36,757	10,161	6,336	6,276	452	3,808	18	**63,808**

	0% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% *CHF m*	31.12.2013 Total *CHF m*
Due from banks	6,380	4,062	-	977	-	20	18	11,457
Loans	19,253	14	5,692	50	366	2,172	9	27,556
Financial investments available-for-sale	2,521	5,535	-	4,782	-	170	21	13,029
Derivative financial instruments	922	185	-	291	-	165	-	1,563
Contingent liabilities	558	2	-	2	-	43	-	605
Irrevocable commitments	122	27	-	-	-	30	-	179
Securities lending and repo transactions	2,365	326	-	-	-	345	3	3,039
Total	32,121	10,151	5,692	6,102	366	2,945	51	57,428

Reconciliation of credit risk totals

The values shown in the tables above are based on the requirements of the approaches chosen in accordance with applicable Swiss regulatory requirements. These are based on the capital-adequacy guidelines of the Basel Committee on Banking Supervision (the Basel III BIS approach). Balance sheet and off-balance sheet positions exposed to credit risks are disclosed, with the exception of financial assets designated at fair value which are directly offset against identical financial liabilities designated at fair value and the following balance sheet positions, which include non-financial instruments: accrued income and prepaid expenses, deferred tax assets and other assets. The list and tables below explain the differences between the total amounts according to the Basel III BIS approach and the corresponding balance sheet and off-balance sheet positions.

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

Reconciliation of credit risk totals with balance sheet positions

	Basel III BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	8,720.3	8,922.6	-202.3	reverse repurchase transactions of CHF 203.5 million deducted; collective allowance of CHF 1.2 million not deducted under BIS approach
Loans	33,690.6	33,669.1	21.5	collective allowance not deducted
Financial investments available-for-sale	14,479.3	14,597.3	-118.0	unrealised gains deducted under BIS approach (CHF 136.8 million); partly offset by transfer of securities from trading to banking book under BIS approach (CHF 18.8 million)
Derivative financial instruments	3,007.6	3,001.9	5.7	
of which security supplement (add-ons)			*1,003.7*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-998.0*	*impact of netting rules under BIS approach*
Total 31.12.2014	**59,897.8**	**60,190.9**	**-293.1**	

Comments on off-balance sheet positions

	Basel III BIS approach *CHF m*	Off-balance sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	639.2	1,195.8[1]	-556.6	converted in credit equivalent
Irrevocable commitments	299.7	695.5[1]	-395.8	converted in credit equivalent
Securities lending and repo transactions	2,970.9	2,743.7	227.2	including risk premium under BIS approach
Total 31.12.2014	**3,909.8**			

[1] These amounts reflect the maximum payments the Group is committed to making.

Reconciliation of credit-risk totals with balance sheet positions

	Basel III BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	11,457.0	11,455.4	1.6	collective allowance not deducted
Loans	27,555.9	27,536.3	19.6	collective allowance not deducted
Financial investments available-for-sale	13,029.1	13,125.3	-96.2	unrealised gains deducted under BIS approach (CHF 112.4 million); partly offset by transfer of securities from trading to banking book under BIS approach (CHF 16.2 million)
Derivative financial instruments	1,563.3	1,253.3	310.0	
of which security supplement (add-ons)			*573.9*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-263.9*	*impact of netting rules under BIS approach*
Total 31.12.2013	53,605.3	53,370.3	235.0	

Comments on off-balance sheet positions

	Basel III BIS approach *CHF m*	Off-balance sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	605.0	1,209.8[1]	-604.8	converted in credit equivalent
Irrevocable commitments	178.6	417.8[1]	-239.2	converted in credit equivalent
Securities lending and repo transactions	3,038.7	2,763.4	275.3	including risk premium under BIS approach
Total 31.12.2013	3,822.3			

[1] These amounts reflect the maximum payments the Group is committed to making.

The following table provides an analysis of the Group's exposure to credit risk by credit quality and contains data from the internal credit supervision system used for the calculation and monitoring of the Group's exposure to credit risk. Credit exposure is measured against the following two types of limits: a) risk limits for unsecured credit exposures, which apply mainly to banks and brokers, but also include selected non-financial institutions issuing debt securities; and b) Lombard and mortgage limits for collateralised credit exposures, which relate mainly to private clients.

In this analysis, credit exposure primarily comprises the following elements: cash exposure (such as advances, account overdrafts, cash balances with correspondent banks, etc.), derivatives exposure (replacement value plus add-on), and issuer risk from debt securities held in the Group's investment and treasury books. Exposure from reverse repo and securities lending transactions is not included in this credit exposure analysis, since these positions are over-collateralised on a net basis and therefore do not constitute credit risk. In this context, over-collateralised on a net basis means that, in each transaction, the value of the collateral provided (without regulatory standard haircuts being applied) exceeds the value of the securities lent (without a risk premium being applied). Intraday settlement exposures are also not included in the credit exposure analysis. These are monitored separately. The credit exposure arising from the trading book, which is insignificant compared to that arising from the positions listed above, is also not included in this analysis.

For the purpose of this analysis, cash balances across different accounts are netted against each other for clients with Lombard limits. Derivatives exposures across different products, accounts and counterparties are netted against each other provided an ISDA close-out netting master agreement has been signed.

Exposure to credit risk by credit quality

	31.12.2014 Collateralised *CHF m*	31.12.2013 Collateralised *CHF m*	**31.12.2014** Unsecured *CHF m*	31.12.2013 Unsecured *CHF m*
Neither past due nor impaired	**38,908.3**	31,384.2	**30,654.9**	28,030.2
Past due but not impaired	**19.2**	7.3	**-**	-
Impaired	**47.4**	36.2	**2.9**	3.2
Total	**38,974.9**	31,427.7	**30,657.8**	28,033.4
Neither past due nor impaired				
R1 to R3	**32,811.1**	26,485.2	**29,323.9**	26,608.4
R4 to R6 (including temporarily unrated)	**6,097.2**	4,899.0	**1,331.0**	1,421.8
Total	**38,908.3**	31,384.2	**30,654.9**	28,030.2
Collateral held or credit enhancement available	***163,480.7***	*141,652.2*	**-**	-
Past due but not impaired				
R7	**19.2**	7.3	**-**	-
Total	**19.2**	7.3	**-**	-
Collateral held or credit enhancement available	***25.7***	*12.3*	**-**	-
Impaired				
R8	**40.5**	27.8	**-**	0.4
R9 to R10	**6.9**	8.4	**2.9**	2.8
Total	**47.4**	36.2	**2.9**	3.2
Collateral held or credit enhancement available	***14.9***	*13.2*	**-**	-
Allowance for credit losses[1]				
Specific allowance for credit losses	**33.4**	35.5	**2.9**	3.2
Collective allowance for credit losses	**21.5**	19.9	**1.2**	1.5
Total	**54.9**	55.4	**4.1**	4.7

[1] The allowance for credit losses in this table includes allowances related to loans acquired in business combinations and therefore reflects the risk view. The respective amount in Note 9C does not include allowances related to acquired loans, as such loans have to be recognised net of allowances for IFRS purposes.

The internal credit ratings R1–R10 form the basis for calculating allowances for credit losses. Loans, receivables and other exposures are allocated to one of the ten rating classes. In the case of balances in rating classes R1–R6, the balances are serviced, the fair value of the collateral pledged for collateralised exposures equals or exceeds the balances, and repayment of the balance is not in doubt. For these exposures, no specific allowances for credit losses are established. Balances in rating class R7 are past due, but the exposure is still covered by collateral, and allowances are established only for past-due interest payments. For balances in rating class R8, specific allowances for credit losses are established if it is more likely than not that a loss will arise. The credit risks in rating classes R9 and R10 are very high, and specific allowances for credit losses are established for balances in these rating classes.

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

	31.12.2014 Gross maximum exposure *CHF m*	31.12.2013 Gross maximum exposure *CHF m*
Cash (excluding cash on hand)	**11,170.7**	10,208.5
Due from banks	**8,922.6**	11,455.4
Loans	**33,669.1**	27,536.3
Trading assets	**945.1**	1,203.9
Derivative financial instruments	**3,001.9**	1,253.3
Financial assets designated at fair value	**121.8**	-
Financial investments available-for-sale	**14,515.6**	13,043.0
Accrued income	**282.8**	235.9
Other assets	**16.1**	14.1
Total	**72,645.7**	64,950.4
Off-balance sheet		
Irrevocable commitments[1]	**657.0**	422.5
Total maximum exposure to credit risk	**73,302.7**	65,372.9

[1] These amounts reflect the maximum payments the Group is committed to making.

MARKET RISK (TRADING BOOK)

The following definitions are used to separate trading book and banking book activities: the *trading book* consists of proprietary positions in financial instruments that are held for resale or repurchase and that are usually taken on with the intention of benefiting from expected short-term differences between their purchase and sale prices. These activities are closely related to the clients' requirements for capital market products and are thus understood as being carried out in support of our core business. The *banking book* generally has a longer-term investment focus and is defined as all other assets, liabilities and off-balance sheet items that either result from classical banking transactions or are intended to be held in order to generate income over time.

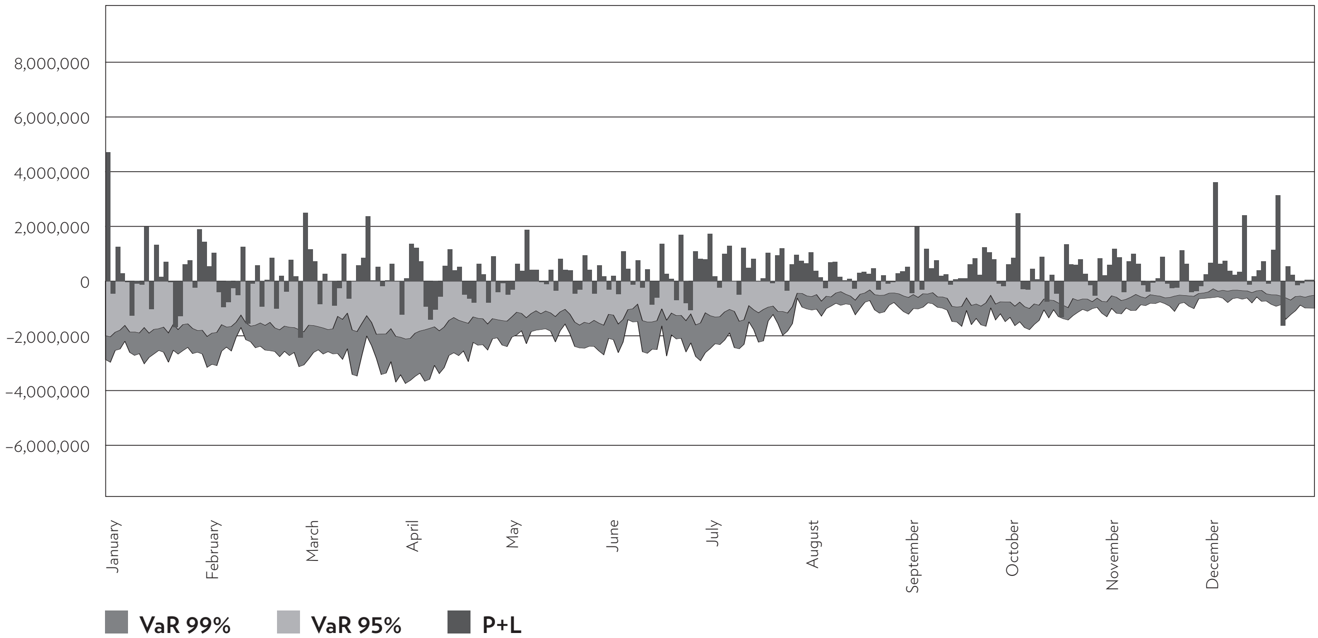
Market risk measures the potential loss to which the Group is exposed through changes in market prices in interest rate, equity, foreign exchange and commodity markets. Market risk management involves the identification, measurement, control and management of the market risks assumed. The trading units enter into market risk positions within defined limits.

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

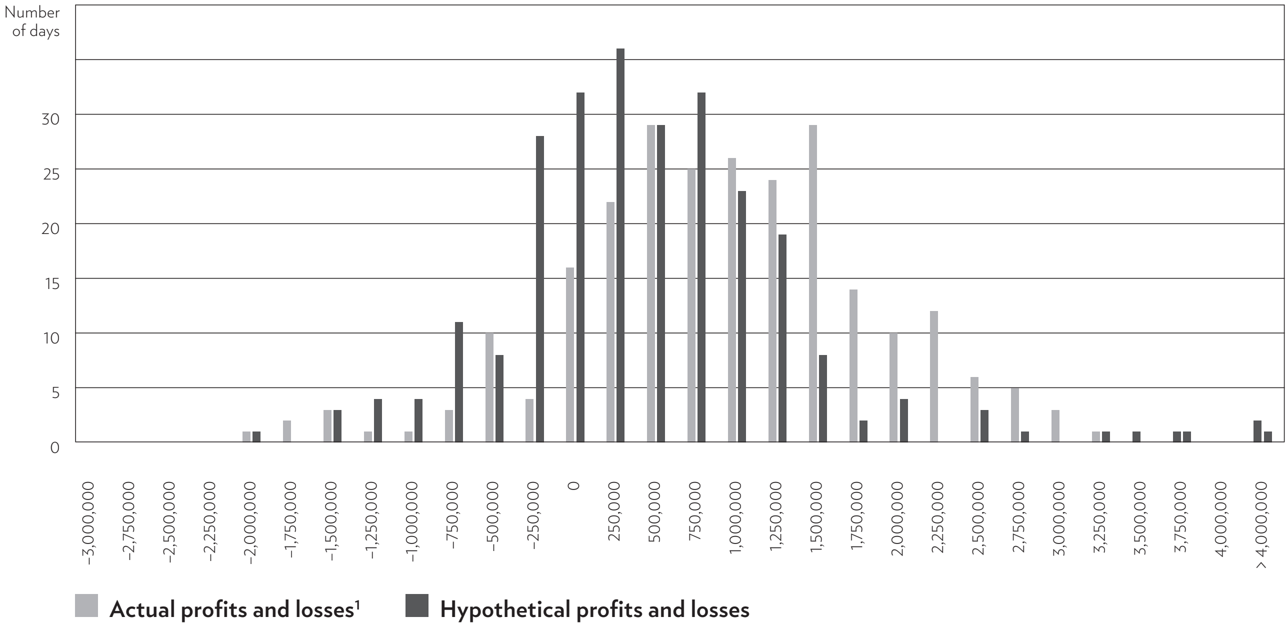
VaR of the Group amounted to CHF 0.45 million on 31 December 2014 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2014 amounted to CHF 2.13 million; the minimum was CHF 0.28 million. The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back testing. This involves the comparison of the daily gains and losses generated by the trading book with the VaR values calculated each day. The following chart shows the daily calculations of VaR in 2014 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with the hypothetical gains or losses which would have occurred if the positions had been left unchanged for one day. A back-testing excession 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 2014 (CHF)



The following chart compares these hypothetical revenues 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 profit-and-loss results.

Distribution of daily revenues from trading activities of Julius Baer Group for 2014 (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.

At the beginning of 2014, the preceding 12-month period continued to contain a total of six back-testing excessions, all of which had occurred in 2013. Thus, until these six events fell out of the trailing 12-month observation period, the number of such events recorded during the preceding 12 months remained greater than the three such events which would have been anticipated on a statistical basis. As these six events successively fell out of the trailing 12-month observation period during the course of 2014, the number of excessions gradually fell, to reach zero for the time being. All these back-testing excessions related to a USD position established to finance the acquisition of Merrill Lynch's International Wealth Management business. Due to the strong market correction of equity markets in December, the number of back-testing excessions increased to one excession by year end.

All back-testing excessions are examined individually and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors and 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 the Swiss Financial Market Supervisory Authority (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 1.76 million on 31 December 2014 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2014 amounted to CHF 3.47 million; the minimum was CHF 0.34 million. Under the new FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

FINMA applies a multiplier to the capital requirement for market risk. Every back-testing excession over and above the statistically based maximum permitted number of excessions results in an increase in the multiplier applied to the capital requirement for market risk. Based on the above-mentioned back-testing excessions, FINMA temporarily raised the multiplier applicable to the Group. No other action was taken by FINMA in this matter. As the number of excessions observed over a trailing 12-month period diminished during the course of 2014, the multiplier was reduced to its original value.

Given the limited materiality of the positions concerned, 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

	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	**2014** Minimum *CHF 1,000*
Equities	**-272**	**-402**	**-1,289**	**-129**
Interest rates	**-163**	**-168**	**-351**	**-96**
Foreign exchange/precious metals	**-413**	**-1,117**	**-2,283**	**-102**
Effects of correlation	**402**			
Total	**-446**	**-1,110**	**-2,128**	**-279**

	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	2013 Minimum *CHF 1,000*
Equities	-440	-493	-1,167	-133
Interest rates	-358	-188	-606	-110
Foreign exchange/precious metals	-2,023	-2,880	-4,085	-1,854
Effects of correlation	813			
Total	-2,008	-2,805	-4,151	-1,756

LIQUIDITY, FINANCING AND INTEREST RATE RISKS IN THE BANKING BOOK

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. manages the Group's liquidity and financing risks on an integrated basis, with Bank Julius Baer & Co. Ltd. acting as the Group's central liquidity provider. Currently, the Group's activities are largely financed by client sight deposits. Given its active participation in the interbank market, the Group would, however, quickly be able to access additional sources of refinancing at any time. The liquidity position of Bank Julius Baer & Co. Ltd., in particular, as well as those of the other Group companies, are monitored and managed daily and exceed the regulatory minimum, as required by the Group's liquidity policy. In addition, payment-flow simulations are also run on a daily basis in order to analyse the liquidity of the balance sheet under extreme conditions.

Interest rate risk is defined as the impact of potential changes in interest rates on the market value of the assets and liabilities of the Group. One objective measure of this 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 2014. 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. As 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 similar magnitude but with the opposite sign, though 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 1,000*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2014	**2,771**	**1,204**	**40,943**	**5,975**	**-46,243**	**4,650**
2013	5,847	781	35,251	-12,923	-46,243	-17,287
USD						
2014	**4,153**	**7,457**	**20,916**	**-124,265**	**-2,070**	**-93,809**
2013	474	5,404	13,574	-55,799	-1,372	-37,719
EUR						
2014	**2,330**	**1,323**	**9,108**	**-36,433**	**-4,500**	**-28,172**
2013	2,379	-202	2,408	-32,640	-4,991	-33,046
Other						
2014	**1,023**	**-184**	**4,061**	**-11,219**	**120**	**-6,199**
2013	623	-189	1,018	-3,273	-279	-2,100

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, the effect on interest earnings was CHF -32.5 million at the end of 2014 (2013: CHF -43.6 million).

Exposures to risks, in addition to interest rate and liquidity risks, arising from positions held by the Group in the banking book are limited and monitored using nominal and VaR limits. Price-risk exposures arise from positions in equities, funds and non-traditional funds. They are managed by the Treasury department of Bank Julius Baer & Co. Ltd. Currency risks on the banking book are transferred to the trading book. By way of exception, Group entities may carry currency exposures. These exposures are limited and measured according to individual balance-sheet-management guidelines and are also included in the Group's VaR calculations.

Hedging interest rate risks
The Group accepts deposits from clients at both floating and fixed rates and for various periods and either lends these funds on a collateralised basis or invests them in high-quality assets. By consolidating the short-term money deposited by clients and lending it out at longer maturities, an effort is made to increase the interest margin. At the same time, sufficient liquid assets are held in order to be always able to meet all maturing obligations. In managing the associated interest rate risks, the Group applies fair value hedges for hedging a portion of the interest rate exposure by employing interest rate swaps. The market value of these swaps on 31 December 2014 amounted to a net CHF -50.8 million (2013: CHF 14.5 million).

The following table shows an analysis of the Group's financial assets and financial liabilities by remaining expected maturities as of the balance sheet date. The expected maturities are based on management estimates and may differ from the contractual maturities. Balances are classified as on demand if the nature of the position concerned indicates that expected maturity modelling will not yield useful insights.

Remaining expected maturities of financial assets and 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 assets						
Cash	11,201.9	-	-	-	-	**11,201.9**
Due from banks	-	8,715.5	88.1	119.0	-	**8,922.6**
Loans	-	27,658.5	2,498.7	1,930.3	1,581.6	**33,669.1**
Trading assets	7,424.2	-	-	-	-	**7,424.2**
Derivative financial instruments	3,001.9	-	-	-	-	**3,001.9**
Financial assets designated at fair value	121.8	-	-	-	-	**121.8**
Financial investments available-for-sale	-	3,358.6	3,138.8	7,873.9	226.0	**14,597.3**
Accrued income	-	282.8	-	-	-	**282.8**
Total 31.12.2014	21,749.8	40,015.5	5,725.6	9,923.2	1,807.6	**79,221.6**
Total 31.12.2013	17,348.9	34,714.5	6,235.7	9,823.8	1,579.0	69,701.8
Financial liabilities						
Due to banks	-	5,020.6	24.3	38.0	107.2	**5,190.2**
Due to customers	-	61,361.7	458.9	-	-	**61,820.5**
Trading liabilities	116.2	-	-	-	-	**116.2**
Derivative financial instruments	3,014.9	-	-	-	-	**3,014.9**
Financial liabilities designated at fair value	864.6	1,189.0	1,215.8	924.9	205.0	**4,399.3**
Debt issued	0.2	-	-	-	1,059.5	**1,059.8**
Accrued expenses	-	147.1	-	-	-	**147.1**
Total 31.12.2014	3,995.9	67,718.4	1,699.0	962.9	1,371.8	**75,748.0**
Total 31.12.2013	2,903.8	60,312.1	1,543.3	1,068.1	780.2	66,607.5

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 are classified as on demand, as there are no single derivatives or classes of derivatives for which the contractual maturities are relevant for 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	4,103.5	1,086.0	1.2	0.3	-	**5,191.0**
Due to customers	54,130.2	7,245.7	448.9	-	-	**61,824.8**
Trading liabilities	116.2	-	-	-	-	**116.2**
Derivative financial instruments	3,014.9	-	-	-	-	**3,014.9**
Financial liabilities designated at fair value	864.6	1,210.0	1,257.4	933.0	205.0	**4,470.0**
Debt issued	0.2	13.6	34.2	112.7	1,074.7	**1,235.4**
Accrued expenses	-	147.1	-	-	-	**147.1**
Total 31.12.2014	62,229.6	9,702.4	1,741.7	1,046.0	1,279.7	**75,999.4**
Due to banks	7,235.6	744.6	10.0	1.1	-	7,991.2
Due to customers	45,796.6	5,234.6	542.0	8.2	-	51,581.3
Trading liabilities	198.6	-	-	-	-	198.6
Derivative financial instruments	1,198.2	-	-	-	-	1,198.2
Financial liabilities designated at fair value	1,507.0	1,393.7	1,035.8	879.0	60.0	4,875.5
Debt issued	-	22.4	19.7	85.7	715.8	843.5
Accrued expenses	-	138.7	-	-	-	138.7
Total 31.12.2013	55,936.0	7,533.9	1,607.4	973.9	775.8	66,827.0
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[1]	543.9	24.6	56.7	29.8	2.0	**657.0**
Total 31.12.2014	543.9	24.6	56.7	29.8	2.0	**657.0**
Total 31.12.2013	360.7	5.2	38.3	18.3	-	422.5

[1] These amounts reflect the maximum payments the Group is committed to making.

OPERATIONAL RISK

Operational risk – definition and objectives
Operational risk is defined as the risk of loss resulting from inadequacies or failures either in internal processes, people and/or systems, or from external events.

The qualitative and quantitative standards defined by the Basel Committee for Banking Supervision and adopted by FINMA are met by the operational risk management and control set-up.

The objectives of the operational risk management process which have been defined for the purpose of avoiding substantial operational losses which could jeopardise the Group's ongoing business activities are the following:

– continuously to pursue the further development of the operational risk control framework, thus enabling the organisation to manage and minimise operational risks effectively;
– to promote a high level of risk awareness at all levels of the organisation;
– to contribute to the enhancement of internal regulations, processes and systems so as to minimise risks;
– to ensure that business operations continue to run smoothly, particularly in the event of infrastructure breakdowns and catastrophes (Business Continuity Management);
– to ensure that risk-related issues are assessed before new services or products are offered;
– to ensure that consolidated operational risk reports are submitted to the appropriate levels of management.

In addition, the Group's operational risk control framework also covers legal and regulatory risks.

Business Continuity Management
The primary objective of Business Continuity Management (BCM) is to anticipate threats to business activities resulting from the failure of essential resources and to carry out targeted analysis and planning to ensure that the relevant units are able to function in the event of crisis or catastrophe. Such planning and analysis includes establishing and maintaining an appropriate crisis organisation structure designed to ensure that critical business processes can continue to function should a crisis or catastrophe occur. The Group's BCM arrangements are primarily based on the Swiss Bankers' Association's business continuity recommendations and on FINMA business continuity requirements.

The specialised security services support the Group department charged with BCM in defining continuity management procedures, particularly in the areas of emergency management, protection of people, valuables, facilities and information and the protection of IT infrastructure and services. The specialised security services are also responsible for implementing measures to reduce these various risks.

Legal and compliance risk
Legal risk essentially comprises default and liability risk. Default risk is defined as the risk of financial or other loss or injury resulting from a Group company being unable to enforce existing or anticipated rights, most commonly contractual rights, against third parties. Liability risk, on the other hand, arises when a Group company, 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.

Regulatory or compliance risk is the risk of financial or other loss or injury resulting from a breach of applicable laws and regulations or the departure from internal or external codes of conduct or market practice. The loss or injury in such circumstances may take the form of fines imposed by regulatory authorities or other sanctions such as restrictions on business activities or the imposition of mandatory remedial measures.

Measures aimed at minimising legal and regulatory or compliance risks include raising staff awareness of legal and regulatory issues through training and internal directives and controls to ensure adherence to the legal and regulatory requirements within which the Group operates.

As described in the risk governance section of this report, the General Counsel and the Chief Risk Officer coordinate the management and control of legal and compliance risk. Legal and compliance risks are regularly reported to the Board of Directors. In line with the development of the legal and regulatory environment of the industry, the Group has consistently invested in personnel and technical resources to ensure adequate compliance coverage. A comprehensive framework of policies and regular specialised training sessions ensure that staff receive appropriate ongoing education and training in this area. Julius Baer has, for example, defined a set of standards governing the cross-border services it offers, as well as drawing up country-specific manuals for the major national markets it serves. A large-scale staff training and education concept is in place to ensure observance of the standards and compliance with the country manuals. These standards are kept under regular review and adapted in accordance with regulatory developments.

Personnel risk

Personnel risks such as bottleneck risk, motivational risk, adaptation risk and departure risk will continue to affect the Group in the years ahead. These individual types of risk interact with each other in a number of ways. Continuous change, the increasing burdens placed on managers and staff alike as a result of day-to-day business taking place alongside major projects, the relatively inclement economic outlook and current demographic trends are all factors which can be expected to affect a number of different risk areas in the next few years. Maintaining departure risk at modest levels requires work-structure models for staff that are flexible with regard to both time and location. These need to be complemented by modular compensation concepts. The bottleneck risk resulting from current demographic trends can be addressed through attractive terms of employment and strategically oriented continuing education and training programmes. Motivational and adaptation risks are closely interrelated. They reflect the ongoing changes which are now inherent in day-to-day operations. In order to take appropriate, targeted action to address these risks, employee surveys and regular dialogue with employees are important. The essential point is for people to understand why change is necessary. They also need to be fairly remunerated for the substantial amount of work they are willing to carry out. Dealing with these issues appropriately is something Julius Baer regards as an important management task, and it is one to which the Group accords commensurate priority.

Insurance

With the objective of covering or reducing the potential negative financial consequences to which the occurrence of the operational risks described above could lead, the Group takes out insurance cover for specific areas of its business activities in line with general industry practice.

REPUTATIONAL RISK

Reputational risk describes the risk of events which could do lasting harm to the Group's reputation and thus impair its franchise. The Group's ability to conduct its business is critically dependent on the reputation which Bank Julius Baer & Co. Ltd., the Group's main operating entity, has established in the course of its 125-year history. Maintaining its good reputation is therefore vitally important for the Group, and all staff must make this a top priority. Appropriate measures are taken on a regular basis to ensure that staff are aware of the critical importance of the Group's reputation.

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 tier 1 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 2014, the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 26A provides an overview of the Group's consolidated companies. The Group's equity stake in its Kairos associate company is directly deducted from eligible capital.

Switzerland's new capital adequacy requirements (in accordance with Basel III, hereinafter 'Basel III') came into force on 1 January 2013. On that same date, the Group changed the basis of its regulatory reporting from the Swiss standard approach (SA-CH) to the international standard approach, in accordance with Swiss capital adequacy requirements. As a result, from 2013 onwards, the Group's calculations of its risk-weighted assets published in the Annual Report are identical to those carried out for regulatory reporting purposes. Accordingly, for the 2013 financial year and thereafter, there is no longer any requirement to produce the separate SA-CH report previously published online.

The effects of Basel III and of the changes to IAS 19 with regard to pension fund liabilities will gradually be incorporated into the Group's calculations of risk-weighted assets and eligible equity capital during the period from 2014 to 2018. Furthermore, recognition of tier 1 and tier 2 instruments which are not compliant with Basel III requirements will gradually be discontinued between 2013 and 2022.

The Basel III international standard approach requires CET1 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 anti-cyclical CET1 capital buffer for mortgages on residential properties in Switzerland which adds a further 0.2% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2014 and at 31 December 2013 was sufficient to meet the relevant BIS and FINMA requirements.

Capital ratios

	31.12.2014 *Basel III phase-in[1] CHF m*	31.12.2013 *Basel III phase-in[1] CHF m*
Risk-weighted positions		
Credit risk	**12,206.8**	10,664.3
Non-counterparty-related risk	**547.9**	588.4
Market risk	**346.6**	968.6
Operational risk	**3,876.4**	3,686.7
Total	**16,977.7**	15,908.0
Eligible capital		
Tier 1 capital (= CET1 capital)[2]	**3,739.6**	3,327.9
of which hybrid tier 1 instruments[3]	***772.8***	*450.4*
Tier 2 capital	**240.8**	232.6
of which lower tier 2 instruments[4]	***193.0***	*217.7*
Total capital	**3,980.4**	3,560.5
Tier 1 capital ratio (= CET1 capital ratio)	**22.0%**	20.9%
Total capital ratio	**23.4%**	22.4%

[1] In Switzerland the BIS Basel III framework came into effect on 1 January 2013. The Basel III effects, but also the effects of IAS 19 revised relating to pension liabilities, will be phased in between 2014 and 2018 for the calculation of the eligible capital. Furthermore, non-compatible Basel III tier 1 and tier 2 capital instruments will be phased out between 2013 and 2022.

[2] The BIS Basel III tier 1 capital at the end of 31 December 2014 was the same as the BIS Basel III CET1 (common equity tier 1) capital and includes additional tier 1 capital which offsets the required deductions for goodwill and other intangible assets. During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increases proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreases respectively. As soon as the remaining amount of intangibles is lower than the additional tier 1 capital the CET1 capital will be lower than the tier 1 capital and consequently disclosed on a separate line.

[3] The hybrid tier 1 instruments are the preferred securities issued by Julius Baer Capital (Guernsey) I Limited, tier 1 bonds issued by Julius Baer Group Ltd. in 2012 and tier 1 bonds issued by Julius Baer Group Ltd. in 2014.

[4] The lower tier 2 instruments are the subordinated unsecured bonds issued by Julius Baer Group Ltd.

Further details regarding tier 1 and tier 2 instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com. Please also refer to debt issued, Note 16.

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 separate Basel III pillar 3 report has been prepared which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 31 December 2014. This report, which is published in the Regulatory Disclosures section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure of the composition of eligible regulatory capital (information will be available at the end of April 2015).

Capital components

	31.12.2014 *Basel III phase-in CHF m*	31.12.2013 *Basel III phase-in CHF m*
Gross common equity tier 1 capital	**5,335.9**[1]	5,038.6
of which non-controlling interests	***7.3***	*0.6*
Effects of IAS19 revised relating to pension liabilities	**98.4**	45.4
Goodwill and other intangible assets	**-1,390.8**	-1,474.4
Other deductions	**-303.9**	-281.7
Common equity tier 1 capital	**3,739.6**	3,327.9
Tier 1 capital instruments	**772.8**	450.4
of which preferred securities (phase-out capital instrument)	***180.0***	*202.5*
of which tier 1 bond (Basel III-compliant capital instrument)	***592.8***	*247.9*
Goodwill and intangible assets, offset against tier 1 capital instruments	**-772.8**	-450.4
Additional tier 1 capital	**-**	-
Tier 1 capital	**3,739.6**	3,327.9
Tier 2 capital	**240.8**	232.6
of which lower tier 2 capital (phase-out capital instrument)	***193.0***	*217.7*
of which other tier 2 capital	***47.8***	*14.9*
Total capital	**3,980.4**	3,560.5

[1] Phase-in of 80% of non-controlling interests of CHF 9.1 million

Required capital (see table below) for credit risks arising from amounts due from banks, loans, financial investments and derivative financial instruments accounts for more than 72% (2013: 67%) of the total required capital. Capital required for non-counterparty risk (2014: 3%; 2013: 4%) and market risk (2014: 2%; 2013: 6%) is of minor significance. The capital required to cover operational risk accounts for more than 23% of total required capital (2013: 23%).

Minimum capital requirement

	31.12.2014 *Basel III phase-in CHF m*	31.12.2013 *Basel III phase-in CHF m*
Credit risk	**976.6**	853.1
of which for equity securities in the banking book	***7.7***	*1.3*
Non-counterparty-related risk	**43.8**	47.1
Market risk	**27.7**	77.5
Operational risk	**310.1**	294.9
Total	**1,358.2**	1,272.6

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	2014 *CHF 1,000*	2013 *CHF 1,000*	Change %
Interest income on amounts due from banks	**36,511**	26,634	37.1
Interest income on loans	**405,713**	340,387	19.2
Interest income on money market instruments	**13,930**	7,186	93.8
Interest income on financial investments available-for-sale	**157,710**	144,105	9.4
Total interest income using the effective interest method	**613,864**	518,312	18.4
Dividend income on financial investments available-for-sale	**3,901**	6,460	-39.6
Interest income on trading portfolios	**90,340**	79,558	13.6
Dividend income on trading portfolios	**71,757**	37,792	89.9
Total interest and dividend income	**779,862**	642,122	21.5
Interest expense on amounts due to banks	**3,346**	1,076	211.0
Interest expense on amounts due to customers	**87,806**	56,177	56.3
Interest expense on debt issued	**41,013**	32,777	25.1
Total interest expense using the effective interest method	**132,165**	90,030	46.8
Total	**647,697**	552,092	17.3

2 NET COMMISSION AND FEE INCOME

	2014 *CHF 1,000*	2013 *CHF 1,000*	Change %
Advisory and management commissions	**810,981**	706,936	14.7
Investment fund fees	**203,028**	135,643	49.7
Fiduciary commissions	**6,472**	7,910	-18.2
Total commission and fee income from asset management	**1,020,481**	850,489	20.0
Brokerage commissions and income from securities underwriting	**561,383**	441,044	27.3
Commission income from credit-related activities	**7,534**	7,675	-1.8
Commission and fee income on other services	**136,439**[1]	169,435[1]	-19.5
Total commission and fee income	**1,725,837**	1,468,643	17.5
Commission expense	**207,764**	191,994	8.2
Total	**1,518,073**	1,276,649	18.9

[1] Including revenues related to AuM transferred from Merrill Lynch & Co., Inc. where the AuM have not been booked by the Group, see Note 30.

3 NET TRADING INCOME

	2014 CHF 1,000	2013 CHF 1,000	Change %
Debt instruments	**18,759**	11,997	56.4
Equity instruments	**-58,542**	-41,520	-41.0
Foreign exchange	**367,326**	344,449	6.6
Total	**327,543**	314,926	4.0

4 OTHER ORDINARY RESULTS

	2014 CHF 1,000	2013 CHF 1,000	Change %
Results from sale of subsidiaries	**-**	5,097	-
Net gains/(losses) from disposal of financial investments available-for-sale	**7,576**	12,524	-39.5
Income from investments in associates	**20,295**	5,931	242.2
Real estate income	**5,157**	5,408	-4.6
Other ordinary income	**24,052**	24,241	-0.8
Other ordinary expenses	**3,723**	2,135	74.4
Total	**53,357**	51,066	4.5

5 PERSONNEL EXPENSES

	2014 CHF 1,000	2013 CHF 1,000	Change %
Salaries and bonuses	**980,970**	839,837	16.8
Contributions to staff pension plans (defined benefits)	**61,382**	45,974	33.5
Contributions to staff pension plans (defined contributions)	**26,211**	17,777	47.4
Other social security contributions	**82,040**	68,113	20.4
Share-based payments	**53,525**	45,521	17.6
Other personnel expenses	**54,438**	51,739	5.2
Total	**1,258,566**	1,068,961	17.7

6 GENERAL EXPENSES

	2014 CHF 1,000	2013 CHF 1,000	Change %
Occupancy expense	**85,404**	83,260	2.6
IT and other equipment expense	**72,060**	81,738	-11.8
Information, communication and advertising expense	**167,957**	146,507	14.6
Service expense, fees and taxes	**212,840**	274,816	-22.6
Valuation allowances, provisions and losses	**59,908**	80,498[1]	-25.6
Other general expenses	**11,100**	11,927	-6.9
Total	**609,269**	678,746	-10.2

[1] Including CHF 28.6 million related to the withholding tax treaty between Switzerland and the UK (see Note 18).

The high level of general expenses (excluding valuation allowances, provisions and losses) is mainly due to the accumulated transaction and integration costs related to the acquisition of Merrill Lynch's International Wealth Management business.

7 INCOME TAXES

	2014 CHF 1,000	2013 CHF 1,000	Change %
Income tax on profit before taxes (expected tax expense)	**103,444**	56,011	84.7
Effect of tax rate differences in foreign jurisdictions	**-14,701**	-16,464	-
Effect of domestic tax rate differences	**-4,338**	-3,379	-
Income subject to a reduced tax rate	**-23,196**	-6,916	-
Effect of utilisation of prior-year losses	**-1,346**	-329	-
Effect from not capitalised losses	**18,201**	29,277	-
Adjustments related to prior years	**134**	107	-
Non-deductible expenses	**25,404**	9,628	-
Other	**-838**	-1,134	-
Actual income tax expense	**102,764**	66,801	53.8

The tax rate of Switzerland of 22% (2013: 22%) was applied as the basis for the above expected tax expenses.

Unrecognised accumulated loss carryforwards in the amount of CHF 260.9 million (2013: CHF 151.9 million) exist in the Group that do not expire.

	2014 *CHF 1,000*	2013 *CHF 1,000*	Change *%*
Domestic income taxes	**84,492**	56,974	48.3
Foreign income taxes	**18,272**	9,827	85.9
Total	**102,764**	66,801	53.8

Current income taxes	**105,652**	64,473	63.9
Deferred income taxes	**-2,888**	2,328	-
Total	**102,764**	66,801	53.8

Tax effects relating to components of other comprehensive income

			2014
	Before-tax amount *CHF 1,000*	Tax (expense)/ benefit *CHF 1,000*	Net-of-tax amount *CHF 1,000*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on financial investments available-for-sale	26,138	108	26,246
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	11,772	-575	11,197
Translation differences	-499	-	-499
Realised (gains)/losses on translation differences reclassified to the income statement	15,703	-	15,703
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	-99,086	21,474	-77,612
Other comprehensive income for the year recognised directly in equity	**-45,972**	**21,007**	**-24,965**

			2013
	Before-tax amount *CHF 1,000*	Tax (expense)/ benefit *CHF 1,000*	Net-of-tax amount *CHF 1,000*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on financial investments available-for-sale	-9,074	1,488	-7,586
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	-12,175	-399	-12,574
Hedging reserve for cash flow hedges	13,088	-2,964	10,124
Translation differences	-9,314	-	-9,314
Realised (gains)/losses on translation differences reclassified to the income statement	1,714	-	1,714
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	126,260	-27,958	98,302
Other comprehensive income for the year recognised directly in equity	110,499	-29,833	80,666

8 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2014	2013
Basic earnings per share		
Net profit (CHF 1,000)	**366,204**	187,526
Weighted average number of shares outstanding	**218,451,680**	214,241,756
Basic earnings per share (CHF)	**1.68**	0.88

Diluted earnings per share		
Net profit (CHF 1,000)	**366,204**	187,526
Less (profit)/loss on equity derivative contracts (CHF 1,000)	**-299**	-2,911
Net profit for diluted earnings per share (CHF 1,000)	**365,905**	184,615
Weighted average number of shares outstanding	**218,451,680**	214,241,756
Dilution effect	**-33,281**	-4,531
Weighted average number of shares outstanding for diluted earnings per share	**218,418,399**	214,237,225
Diluted earnings per share (CHF)	**1.68**	0.86

	31.12.2014	31.12.2013
Shares outstanding		
Total shares issued at the beginning of the year	**223,809,448**	216,707,041
Issuance	**-**	7,102,407
Less treasury shares	**4,324,753**	5,640,118
Total	**219,484,695**	218,169,330

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

9A DUE FROM BANKS

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
Due from banks	**8,926,689**	11,459,767	-2,533,078
Allowance for credit losses	**-4,059**	-4,387	328
Total	**8,922,630**	11,455,380	-2,532,750

Due from banks by type of collateral:

Securities collateral	**698,892**	182,165	516,727
Without collateral	**8,223,738**	11,273,215	-3,049,477
Total	**8,922,630**	11,455,380	-2,532,750

9B LOANS

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
Loans	**25,584,619**	20,474,734	5,109,885
Mortgages	**8,132,119**	7,109,263	1,022,856
Subtotal	**33,716,738**	27,583,997	6,132,741
Allowance for credit losses	**-47,666**	-47,717	51
Total	**33,669,072**	27,536,280	6,132,792

Loans by type of collateral:

Securities collateral	**19,551,102**	14,864,532	4,686,570
Mortgage collateral	**8,084,379**	7,060,184	1,024,195
Other collateral (mainly cash and fiduciary deposits)	**6,005,270**	5,570,750	434,520
Without collateral	**28,321**	40,814	-12,493
Total	**33,669,072**	27,536,280	6,132,792

9C ALLOWANCE FOR CREDIT LOSSES

	2014 Specific CHF 1,000	2014 Collective CHF 1,000	2013 Specific CHF 1,000	2013 Collective CHF 1,000
Balance at the beginning of the year	**30,882**	**21,222**	56,414	16,479
Write-offs	**-20,356**	**-**	-44,547	-
Increase in allowance for credit losses	**17,152**	**4,236**	22,695	5,329
Decrease in allowance for credit losses	**-826**	**-2,679**	-3,609	-600
Translation differences and other adjustments	**2,113**	**-19**	-71	14
Balance at the end of the year	**28,965**	**22,760**	30,882	21,222

9D IMPAIRED LOANS

	31.12.2014 CHF 1,000	31.12.2013 CHF 1,000	Change CHF 1,000
Gross loans	**54,111**	32,719	21,392
Specific allowance for credit losses	**-28,965**	-30,882	1,917
Net loans	**25,146**	1,837	23,309

10 TRADING ASSETS AND LIABILITIES

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
Trading assets			
Debt instruments	**945,083**	1,203,878	-258,795
of which quoted	***882,489***	*1,087,648*	*-205,159*
of which unquoted	***62,594***	*116,230*	*-53,636*
Equity instruments	**4,766,905**	2,940,412	1,826,493
of which quoted	***4,264,464***	*2,385,589*	*1,878,875*
of which unquoted	***502,441***	*554,823*	*-52,382*
Precious metals (physical)	**1,712,227**	1,709,242	2,985
Total	**7,424,215**	5,853,532	1,570,683

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
Trading liabilities			
Short positions – debt	**32,416**	43,297	-10,881
of which quoted	***31,973***	*39,791*	*-7,818*
of which unquoted	***443***	*3,506*	*-3,063*
Short positions – equity	**83,821**	155,309	-71,488
of which quoted	***70,440***	*139,151*	*-68,711*
of which unquoted	***13,381***	*16,158*	*-2,777*
Total	**116,237**	198,606	-82,369

11A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
Money market instruments	**2,312,097**	2,494,451	-182,354
Government and agency bonds	**1,571,256**	2,059,502	-488,246
Financial institution bonds	**7,055,525**	5,292,655	1,762,870
Corporate bonds	**3,573,985**	3,190,613	383,372
Other bonds	**2,768**	5,824	-3,056
Debt instruments	**12,203,534**	10,548,594	1,654,940
of which quoted	***10,882,650***	*9,605,866*	*1,276,784*
of which unquoted	***1,320,884***	*942,728*	*378,156*
Equity instruments	**81,660**	82,300	-640
of which quoted	**-**	*526*	*-526*
of which unquoted	***81,660***	*81,774*	*-114*
Total	**14,597,291**	13,125,345	1,471,946

11B FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE – CREDIT RATINGS

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	**31.12.2014** *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
1–2	AAA – AA-	Aaa – Aa3	**7,332,013**	7,317,725	14,288
3	A+ – A-	A1 – A3	**4,344,903**	2,818,572	1,526,331
4	BBB+ – BBB-	Baa1 – Baa3	**267,215**	286,816	-19,601
5–7	BB+ – CCC-	Ba1 – Caa3	**47,157**	46,257	900
8–9	CC – D	Ca – C	**3,015**	-	3,015
Unrated			**209,231**	79,224	130,007
Total			**12,203,534**	10,548,594	1,654,940

12 GOODWILL, INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

	Goodwill CHF m	Customer relationships CHF m	Software CHF m	**Total intangible assets** CHF m	Bank premises CHF m	Other property and equipment CHF m	**Total property and equipment** CHF m
Historical cost							
Balance on 01.01.2013	1,127.7	915.7	395.9	2,439.3	386.9	158.1	545.0
Translation differences	-	0.1	0.0	0.1	-	-0.1	-0.1
Additions	-	-	80.0	80.0	8.3	44.1	52.4
Additions from business combinations	328.4	246.7	0.0	575.1	-	3.4	3.4
Disposals/transfers[1]	9.1[2]	-	8.4	17.5	-	20.1	20.1
Balance on 31.12.2013	1,446.9	1,162.5	467.6	3,076.9	395.2	185.4	580.6
Translation differences	-7.3	-3.1	-0.1	-10.5	-	1.2	1.2
Additions	-	-	56.2	56.2	8.0	18.3	26.3
Additions from business combinations	240.7	128.3	0.4	369.4	-	0.7	0.7
Disposals/transfers[1]	-	-	45.1	45.1	-	12.4	12.4
Balance on 31.12.2014	1,680.3	1,287.7	479.0	3,446.9	403.2	193.2	596.4
Depreciation, amortisation and impairment							
Balance on 01.01.2013	9.1	581.8	212.8	803.7	67.0	118.4	185.4
Translation differences	-	0.1	0.0	0.1	-	-0.1	-0.1
Charge for the period	-	102.7	61.0[3]	163.7	7.4	21.4	28.8
Disposals/transfers[1]	9.1[2]	-	8.3	17.5	-	19.7	19.7
Balance on 31.12.2013	-	684.5	265.5	950.0	74.4	120.0	194.4
Translation differences	-	-0.3	-0.1	-0.4	-	0.7	0.7
Charge for the period	-	126.4	51.2[4]	177.5	7.4	23.7[4]	31.1
Disposals/transfers[1]	-	-	44.2	44.2	-	12.4	12.4
Balance on 31.12.2014	-	810.6	272.4	1,083.0	81.8	131.9	213.7
Book value							
Balance on 31.12.2013	1,446.9	477.9	202.1	2,126.9	320.9	65.4	386.2
Balance on 31.12.2014	**1,680.3**	**477.1**	**206.5**	**2,363.9**	**321.4**	**61.3**	**382.7**

[1] Includes derecognition of fully depreciated and amortised assets
[2] The disposal of Julius Baer SIM S.p.A. in 2013 led to a reallocation of recognised goodwill. The contractually agreed selling price for the company was lower than the carrying amount of the operation including goodwill. Therefore the disposal caused an impairment in the amount of CHF 9.1 million in 2012 when the selling price was agreed on.
[3] Includes impairment of CHF 21.8 million related to software not used anymore
[4] Includes impairment of CHF 2.0 million related to software and other property and equipment not used anymore

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 groups of assets that generate cash inflows independently from other assets) and is subsequently compared to 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 Group's newly acquired subsidiary GPS, which is tested on a stand-alone basis. GPS is regarded a cash-generating unit as its cash inflows are generated independently from other assets.

The acquisition of Merrill Lynch's International Wealth Management business did not change the legal or organisational structure of the Group, as the acquired businesses have been immediately fully integrated into the existing Group business organisation.

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 cash-generating unit based on its own financial planning, taking into account the following key parameters and their single components:

- assets under management;
- return on assets (RoA) on the average assets under management (driven by fixed and performance fees, commissions, trading income and net interest income);
- operating income and expenses; and
- tax rate applicable.

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. However, the Group expects in the medium and long term a favourable development of the private banking activities which is reflected in the respective growth of the key parameters, but the Group cannot exclude short-term market disruptions. The Group also takes the relative strengths of itself as a pure private banking competitor vis-à-vis its peers into consideration, 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 which 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 10.0% (2013: 10.5%). For GPS, the pre-tax discount rate used is 24.4%.

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 the planning horizon for assets under management is assumed at 1% for both cash-generating units. This growth rate is considerably below the actual average rate of the last five years.

The discount rates used in the above calculation represent the Group's specific risk-weighted rates.

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 the 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 driven personnel cost development and/or changes in the implementation of known or 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 would not result in the carrying amount exceeding the recoverable amount. Therefore, no impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market environment.

13 OPERATING LEASE COMMITMENTS

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*
Not later than one year	**61,268**	62,846
Later than one year and not later than five years	**171,567**	173,909
Later than five years	**101,499**	126,637
Subtotal	**334,334**	363,392
Less sublease rentals received under non-cancellable leases	**26,731**	29,864
Total	**307,603**	333,528

Operating leases in the gross amount of CHF 60.7 million are included in operating expenses for the 2014 financial year (2013: CHF 64.6 million).

14 ASSETS PLEDGED OR CEDED TO SECURE OWN COMMITMENTS AND ASSETS SUBJECT TO RETENTION OF TITLE

		31.12.2014		31.12.2013
	Book value *CHF 1,000*	Effective commitment *CHF 1,000*	Book value *CHF 1,000*	Effective commitment *CHF 1,000*
Securities	**1,366,550**	**1,344,347**	714,340	695,012
Other	**12,097**	**10,864**	5,942	5,161
Total	**1,378,647**	**1,355,211**	720,282	700,173

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading. Due to the increased volatility in the securities markets, higher collaterals have been asked for compared to earlier years.

15 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2015 *CHF m*	2016 *CHF m*	2017 *CHF m*	2018 *CHF m*	2019 *CHF m*	2020– 2024 *CHF m*	un- assigned *CHF m*	**31.12.2014** *CHF m*	31.12.2013 *CHF m*
Fixed rate	1,784.1	143.6	23.3	-	-	-	-	**1,951.0**	2,096.7
Interest rates (ranges in %)	0.44–35.67	0.01–11.25	1.5–7.9	-	-	-	-	**-**	-
Floating rate	620.7	454.4	66.7	90.4	146.4	205.0	864.6	**2,448.2**	2,700.8
Total	**2,404.8**	**598.1**	**90.0**	**90.4**	**146.4**	**205.0**	**864.6**	**4,399.3**	4,797.5

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.01% up to 35.67%. 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 attributable to changes in the market risk factors of the embedded derivatives. The credit rating of the Bank had no material impact on the fair value changes of these liabilities.

16 DEBT ISSUED

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*
Money market instruments	**235**	8,763
Bonds	**834,537**	490,773
Preferred securities	**225,000**	225,000
Total	**1,059,772**	724,536

Bonds and preferred securities

Issuer/Year of issue	Stated interest rate %		Notional amount *CHF 1,000*	**31.12.2014** Total *CHF 1,000*	31.12.2013 Total *CHF 1,000*
Julius Baer Capital (Guernsey) I Ltd.					
2005	3.63	Preferred securities	225,000	**225,000**	225,000
Julius Baer Group Ltd.					
2011[1]	4.50	Lower tier 2 bond	250,000	**241,770**	242,118
Julius Baer Group Ltd.					
2012[2]	5.375	Perpetual tier 1 subordinated bond	250,000	**247,814**	248,655
Julius Baer Group Ltd.					
2014[3]	4.25	Perpetual tier 1 subordinated bond	350,000	**344,953**	-
Total				**1,059,537**	715,773

[1] Own bonds of CHF 5.280 million are offset with bonds outstanding (2013: CHF 4.510 million). The effective interest rate amounts to 4.89%.
[2] Own bonds of CHF 1.245 million are offset with bonds outstanding (2013: CHF 0.115 million). The effective interest rate amounts to 5.59%.
[3] Own bonds of CHF 0.090 million are offset with bonds outstanding. The effective interest rate amounts to 4.41%.

Preferred securities

The hybrid capital created through the issuance of the preferred securities consists of a liability – in the form of a non-cumulative perpetual subordinated note (‘Note’) – of Julius Baer Group Ltd. in favour of Julius Baer Capital (Guernsey) I Limited, in exchange for which the latter issued *preferred securities* with identical terms guaranteed by Julius Baer Group Ltd. The distributions paid in respect of the preferred securities are identical, with regard to contractual terms, timing and amount, to the interest and capital payments made by Julius Baer Group Ltd. under the terms of the Note. In the statements above, these instruments and the guarantee relating to them are designated, in aggregate, as ‘preferred securities’. Statements regarding their seniority and terms resulting in a payment obligation under the preferred securities, which are designated as interest and capital payments, relate to Julius Baer Group Ltd., which is designated as the ‘Issuer’. The maturity of the preferred securities is essentially perpetual and they are subordinate to all the Issuer’s other borrowings (with the exception of its hybrid tier 1 capital, with which they share an equal claim). The preferred securities are fully paid up and devoid of any voting rights. From the date of their issuance (2 December 2005) until 2 December 2015 the preferred securities pay a fixed rate of interest of 3.63% per annum. Thereafter, the preferred securities will pay a floating rate of interest, payable every six months. For each new interest period, the floating rate of interest payable on the preferred securities will be reset at a rate equal to the sum of the reference rate (i.e. the 6-month CHF LIBOR rate applicable at the time) and a margin of 2.04%. The obligation to make full or partial interest payments on the preferred securities is contingent upon (i) the Distributable Profits Condition being met, i.e. sufficient shareholders' equity being available for distribution at the Issuer level to cover the payment of the sum of the current interest payments on the preferred securities and any additional hybrid instruments of the same seniority plus any payments already made on these aforementioned instruments between the most recent balance sheet date and the forthcoming interest payment date, (ii) the Solvency Condition being met, i.e. the Issuer being neither over-indebted nor insolvent and the payment of the interest on the preferred securities not resulting in the Issuer becoming over-indebted and/or insolvent, and (iii) the Capital Condition being met, i.e. that the amount of capital required by the regulator is available and will remain available after the interest payment has been made. Provided the conditions governing payment of interest are met, there is an automatic obligation for interest on the preferred securities to be paid. Interest payments on the preferred securities are not cumulative and any missed interest payments will not be paid out retrospectively at any subsequent date. In the event that no interest is paid on the preferred securities in respect of the current interest period, no dividends or reimbursements are permitted to be paid to the other shareholders of Julius Baer (Guernsey) I Limited. No formal dividend stopping provision applies at the level of Julius Baer Group Ltd. as the Issuer of the Note or as the guarantor of the preferred securities. However, any payment obligation relating to Julius Baer Group Ltd. is subject to the proviso that nothing occurs between the balance sheet date and the interest payment date which results in the Solvency Condition and/or the Capital Condition not being met. The preferred securities can first be redeemed, at the Issuer's initiative, ten years after their issue date (i.e. on 2 December 2015), and at half-yearly intervals thereafter, provided the regulator agrees to this and the Solvency Condition is met. The preferred securities may also be redeemed at the Issuer's initiative should Regulatory Events or Tax Events occur, as described in the terms of the preferred securities. The guarantee provided by Julius Baer Group Ltd. for the preferred securities issued by Julius Baer (Guernsey) I Limited does not constitute a surety which is independent of the Issuer's liability, but merely provides the holder of the preferred securities with a direct claim on Julius Baer Group Ltd., on whose credit the preferred securities are solely based. The guarantee thus serves to ensure that Julius Baer (Guernsey) I Limited makes onward payments of the funds it receives under the terms of the Note. No further sureties, guarantees or similar economic undertakings have been provided by the Issuer or any other party. While the preferred securities enjoy preferential rights over shareholders' equity with regard to interest payments and liquidation proceeds, payment of such interest or liquidation proceeds will occur only to the extent permitted under the banking law and company law regulations relating to distributions by Julius Baer Group Ltd.

Lower tier 2 capital

Lower tier 2 capital consists of subordinated unsecured bonds ('bonds'), fully paid up and listed on the SIX Swiss Exchange. The bonds were issued by Julius Baer Group Ltd. ('the Issuer') in December 2011 in the amount of CHF 250 million. From 1 January 2013 onwards, the proportion of the issued lower tier 2 capital which may be allocated, in the form of complementary (tier 2) capital, towards meeting the Group's capital adequacy requirements is reduced by 10% each year. These tier 2 bonds constitute valid and legally binding obligations of the Issuer enforceable in accordance with their terms and rank at least pari passu with all other unsecured and subordinated obligations of the Issuer. The maturity date of the bonds is 23 December 2021. From the issue date (23 December 2011) to the reset date (23 December 2016), the bonds pay a fixed rate of interest of 4.50% per annum and during the period (reset period) commencing on the reset date and ending on the maturity date (23 December 2021) a fixed rate of interest each year equal to the sum of the benchmark rate (i.e. the five-year CHF mid-market swap rate calculated on the basis of the rate displayed on ISDAFIX page CHFSFIX at 11:00 a.m. [CET] on the date falling five business days before the reset date) and a fixed margin of 3.815%. The interest is payable annually, in arrears and on a 30/360-day basis, on 23 December (the 'interest payment date'). Julius Baer Group Ltd. may redeem the bonds on the reset date (23 December 2016) and upon the occurrence of a capital event or a tax event as defined in the prospectus in whole but not in part at the par value per bond plus accrued but unpaid interest thereon, upon giving not less than 30 days' notice to the holders of the bonds.

Perpetual tier 1 subordinated bond (2012)
The maturity of the perpetual tier 1 subordinated bond, which was issued by Julius Baer Group Ltd. on 18 September 2012, is 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 tier 1 bonds can first be redeemed, at the Issuer's initiative, five and a half years after their issue date (i.e. 19 March 2018), and at yearly intervals thereafter, provided the regulator agrees to this. They may also be redeemed, at the Issuer's initiative, should Regulatory Events or Tax Events occur, 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 (CAO), all monies due on the tier 1 bonds will automatically cease to be payable and they 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% – the value of the tier 1 bonds will be written down sufficiently to ensure that the Write-Down Threshold Ratio which 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 tier 1 bonds will cease to be payable in their entirety. In the event of the monies payable on the tier 1 bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the tier 1 bonds is envisaged or permitted. From the issue date (18 September 2012) to the reset date (19 March 2018) the tier 1 bonds will pay interest at a fixed rate of 5.375% per annum. Thereafter, the annual interest payable on the tier 1 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 mid-market CHF swap rate) and a margin of 4.98%. Interest on the tier 1 bonds is payable, in arrears on a 30/360-day basis, on 19 March 2013 and at annual intervals thereafter until the tier 1 bonds have either been redeemed or fully written off. Interest payments on the tier 1 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 tier 1 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 tier 1 bonds are resumed. Moreover, in the event of interest payments on the tier 1 bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

Perpetual tier 1 subordinated bond (2014)
The maturity of the perpetual tier 1 subordinated bond, which was issued by Julius Baer Group Ltd. on 5 June 2014, is 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 tier 1 bonds can first be redeemed, at the Issuer's initiative, six years after their issue date (i.e. 5 June 2020), and at yearly intervals thereafter, provided the regulator agrees to this. They may also be redeemed, at the Issuer's initiative, should Regulatory Events or Tax Events occur. 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 (CAO), all monies due on the tier 1 bonds will automatically cease to be payable and they 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% – the value of

the tier 1 bonds will be written down sufficiently to ensure that the Write-Down Threshold Ratio which 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 tier 1 bonds will cease to be payable in their entirety. In the event of the monies payable on the tier 1 bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the tier 1 bonds is envisaged or permitted. From the issue date (5 June 2014) to the reset date (5 June 2020) the tier 1 bonds will pay interest at a fixed rate of 4.25% per annum. Thereafter, the annual interest payable on the tier 1 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 mid-market CHF swap rate) and a margin of 3.7625%. Interest on the tier 1 bonds is payable, in arrears on a 30/360-day basis, on 5 June 2015 and at annual intervals thereafter until the tier 1 bonds have either been redeemed or fully written off. Interest payments on the tier 1 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 tier 1 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 tier 1 bonds are resumed. Moreover, in the event of interest payments on the tier 1 bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

17A DEFERRED TAX ASSETS

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*
Balance at the beginning of the year	**15,594**	15,091
Income statement – credit	**918**	2,590
Income statement – charge	**-1,216**	-2,174
Acquisition of subsidiaries	**-**	53
Translation differences and other adjustments	**-5**	34
Balance at the end of the year	**15,291**	15,594

The components of deferred tax assets are as follows:

Operating loss carryforwards	**11,834**	12,780
Employee compensation and benefits	**2,833**	2,108
Property and equipment	**349**	427
Valuation adjustments on loans	**275**	279
Total	**15,291**	15,594

17B DEFERRED TAX LIABILITIES

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*
Balance at the beginning of the year	**142,776**	85,226
Income statement – charge	**1,046**	4,241
Income statement – credit	**-4,232**	-1,497
Acquisition of subsidiaries	**20,118**	24,934
Recognised directly in equity	**-21,007**	29,833
Translation differences and other adjustments	**-837**	39
Balance at the end of the year	**137,864**	142,776

The components of deferred tax liabilities are as follows:

Provisions	**55,218**	54,936
Property and equipment	**15,456**	15,549
Financial investments available-for-sale	**23,347**	22,723
Intangible assets	**61,533**	50,726
Other	**10,892**	9,136
Deferred tax liability before set-off	**166,446**	153,070
Offset of pension liability taxes	**-28,582**	-10,294
Total	**137,864**	142,776

18 PROVISIONS

	Restructuring CHF 1,000	Legal risks CHF 1,000	Other CHF 1,000	**2014** **Total** CHF 1,000	2013 Total CHF 1,000
Balance at the beginning of the year	**1,235**	**35,232**	**35,588**	**72,055**	31,384
Utilised during the year	**-479**	**-5,884**	**-5,685**	**-12,048**	-11,824
Recoveries	**-**	**-**	**-**	**-**	750
Provisions made during the year	**-**	**32,460**	**2,298**	**34,758**	55,823[1]
Provisions reversed during the year	**-723**	**-6,084**	**-**	**-6,807**	-7,030
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	2,933
Translation differences	**-**	**1,572**	**-**	**1,572**	19
Balance at the end of the year	**33**	**57,296**	**32,201**	**89,530**	72,055

[1] Including CHF 28.6 million related to the withholding tax treaty between Switzerland and the UK.

Maturity of provisions					
Up to one year	**33**	**26,540**	**31,113**	**57,686**	53,203
Over one year	**-**	**30,756**	**1,088**	**31,844**	18,852

Introduction

The Group operates in a legal and regulatory environment that exposes it to significant litigation 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 or its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the suspension or expulsion from a particular jurisdiction or market of any of the Group's business organisations or their key personnel and the imposition of fines and censures on employees or the Group.

Regulators in certain markets may determine that industry practices generally, and the Group's practices in particular, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations.

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 business, results of operations, financial condition and prospects. The realisation of one or more of these risks may individually or together with other circumstances materially adversely affect the Group's business, results of operations, financial condition and prospects.

Legal proceedings/Contingent liabilities

The Group is involved in various legal, regulatory and arbitration 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 the 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 acknowledgment of any liability on the part of the Group and if the amount of such obligation or loss can be reasonably estimated.

In rare cases in which the amount cannot be estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but disclosed as a contingent liability as of 31 December 2014.

These contingent liabilities might have a material effect on the Group or for other reasons might be of interest for investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against Bank Julius Baer & Co. Ltd., the liquidators of the Fairfield funds are seeking to recover a total amount of over USD 72.5 million, of which approximately USD 8.5 million is claimed in the courts of the British Virgin Islands and approximately USD 64 million is claimed 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 Bank Julius Baer & Co. Ltd. in 2010, and USD 26.5 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with Bank Julius Baer & Co. Ltd. in 2013, such claims being subject to acquisition-related representation and warranties provisions). In addition to the direct claims against Bank Julius Baer & Co. Ltd., the liquidators of the Fairfield funds have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against Bank Julius Baer & Co. Ltd. and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between Bank Julius Baer & Co. Ltd. and the other defendants cannot be made at this time. Finally, the trustee of Madoff's broker-dealer company 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 Bank Julius Baer & Co. Ltd. in 2013, such claims 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 liquidators of the Fairfield funds. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. Bank Julius Baer & Co. Ltd. is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In April 2014, the Privy Council, the highest court of appeals for the British Virgin Islands, issued a ruling on a number of dispositive preliminary questions. That decision should result in the dismissal of the cases pending in the courts of the British Virgin Islands. The Fairfield cases pending in the courts of New York remain in their preliminary stages so that a meaningful assessment of the potential outcome is not yet possible. In addition, the District Court for the Southern District of New York ('District Court') has issued a number of preliminary decisions in the cases brought by the Madoff trustee, and the cases are now being returned to the bankruptcy court for further proceedings. The District Court decisions and/or any dismissals resulting from them are likely to be appealed by the Madoff trustee.

In 2011, the Swiss authorities informed Bank Julius Baer & Co. Ltd. that US authorities had named it as one of several Swiss banks being investigated in connection with their cross-border US private banking services. Since then, the Bank has been in an ongoing, constructive dialogue with the US authorities. It has cooperated with the US authorities in full compliance with Swiss law and in coordination with Swiss authorities with the aim of reaching a resolution of the US investigation. In the context of its cooperation, the Bank has provided the US authorities with information pertaining to its legacy US cross-border private banking business. In addition, in 2013, the US authorities filed a request under the Switzerland/US Double Taxation Treaty for US taxpayer information to which the Bank responded in coordination with Swiss authorities. In parallel, in August 2013, the US Department of Justice ('DOJ') announced a programme for Swiss banks to resolve their US law exposure in connection with their US cross-border private banking business (the 'DOJ Programme'). However, the DOJ Programme is expressly inapplicable to banks under investigation prior to the announcement of the DOJ Programme. The Bank received notification from the DOJ that it falls within this category of banks and will continue with its individual cooperation and settlement efforts. Accordingly, at this stage of the Bank's cooperation and negotiation with the US authorities, the likelihood and potential parameters of a resolution including any financial component are uncertain and not subject to a reliable assessment. As previously reported, end of 2013 the Bank had recognised a provision in the amount of CHF 15 million for costs to be incurred in connection with the US investigation of which CHF 3.6 million has been utilised during 2014.

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 law of mandate 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 to reclaim such fees. Bank Julius Baer & Co. Ltd. has been assessing the Court decision, mandate structures to which the Court decision might be applicable and documentation as well as the impact of respective waivers and communicated bandwidths having been introduced some years ago, and implemented appropriate measures to address the matter.

On 5 July 2013, the Swiss Bankers Association (SBA) provided an update on the progress of the withholding tax treaty between Switzerland and the UK. According to this announcement and as confirmed by the Swiss Federal Tax Administration in December 2013, it cannot be excluded that the Group's guarantee payment will not, or only to a very limited extent, be reimbursed. This is due to significantly lower than anticipated client regularisation payments under the treaty, as the amount of undeclared assets held by UK citizens and liable for the payment is substantially below the initial expectations. In accordance with the allocation key which still might be challenged, the Group may face a payment in the amount of CHF 30.9 million. The amount related to Merrill Lynch Bank (Suisse) SA has not been recognised in the income statement as it is subject to acquisition-related representations and warranties.

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a foreign corporation arguing that the Bank did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator in 2013 presented a draft complaint for an amount of EUR 12 million (plus accrued interest from 2009) and filed a payment order ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). In June 2014, the liquidator presented another amended draft complaint for an amount of EUR 290 million (plus accrued interest as of September 2009). The Bank has formally repelled the payment order and is contesting the claim whilst taking appropriate measures to defend its interests.

A writ of summons (together with a statement of claim) (the 'Writ') filed by two former clients of the Bank (together, the 'Plaintiffs') in the High Court of Singapore naming Bank Julius Baer & Co. Ltd. Singapore branch ('the Bank') and a former relationship manager as defendants respectively was served on the Bank on 25 September 2013. The Plaintiffs' claim stems from a dispute over alleged damages/losses incurred by the Plaintiffs arising from share accumulator transactions in 2007 and 2008. The Plaintiffs claim they suffered damages/losses due to (i) alleged breach of fiduciary duties, (ii) alleged breach of duty of care and/or warranty, (iii) alleged breach of contractual and common law duties of skill and care and/or warranty and/or (iv) alleged misrepresentations (whether fraudulently or negligently made). Due to these alleged breaches and misrepresentations, the Plaintiffs are, among other things, claiming rescission or damages in lieu of rescission, damages/losses amounting to approx. SGD 89 million and HKD 213 million as well as losses arising from loss of use of funds to be assessed at an interest rate of 5.33% p.a. (alternatively, damages to be assessed by the court) plus interests and costs. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. Such investigation is part of respective international inquiries with respect to possible unlawful collusion in foreign exchange and precious metals trading. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, constructively continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

Bank Julius Baer & Co. Ltd. ('the Bank') has received payment orders ('Betreibungsbegehren') by the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS'), the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'), in the amount of CHF 110 million plus accrued interest from 2009. BvS claims that the former Bank Cantrade Ltd., which Bank Julius Baer & Co. Ltd. acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1989 and 1992 from the account of a foreign trade company established by former officials of the GDR. Against this background, in September 2014, the BvS has initiated legal proceedings in Zurich, claiming CHF 97 million plus accrued interests from 1994. The Bank is contesting the claims of BvS and has taken and will take appropriate measures to defend its interests. In addition, the claim has been notified under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in a tax fraud in France, a formal procedure ('mise en examen') into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014. In October 2014, the Bank precautionary made the required security deposit in the amount of EUR 3.75 million with the competent French court. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

19 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF 1,000*
Balance on 01.01.2013	216,707,041	**4,334**
of which entitled to dividends	*216,707,041*	***4,334***
Increase	7,102,407	**142**
Balance on 31.12.2013	223,809,448	**4,476**
of which entitled to dividends	*221,803,359*	***4,436***
Balance on 31.12.2014	223,809,448	**4,476**
of which entitled to dividends	*223,809,448*	***4,476***

The following movements apply to the financial years 2013 and 2014:

As of 24 January 2013, Julius Baer Group Ltd. increased its capital by 7,102,407 shares. These shares have been used to partially finance the acquisition of Merrill Lynch's International Wealth Management business (the consideration shares, see Note 30) and are held by Julius Baer Group Ltd. until used as consideration.

Up to 31 December 2014, all shares have been used as consideration and therefore have been transferred to Merrill Lynch & Co., Inc.

The consideration shares were transferred as follows:
- 224,609 in May 2013
- 1,293,107 in July 2013
- 2,663 in August 2013
- 1,189,548 in September 2013
- 334,962 in October 2013
- 1,078,558 in November 2013
- 972,871 in December 2013

Total for 2013: 5,096,318 shares

- 9,212 in January 2014
- 109,084 in February 2014
- 23,135 in March 2014
- 305,183 in April 2014
- 298,532 in May 2014
- 270,338 in June 2014
- 444,927 in July 2014
- 182,308 in August 2014
- 363,370 in September 2014

Total for 2014: 2,006,089 shares

As at 1 January 2013, in total 17,183,715 shares were authorised. 7,102,407 of these shares have been used to partially finance the acquisition of Merrill Lynch's International Wealth Management business. The remaining 10,081,308 shares are not authorised anymore.

ADDITIONAL INFORMATION

20 REPORTING BY SEGMENT

Julius Baer Group engages exclusively in private banking activities primarily in Switzerland, Europe, Asia and South America. This focus on pure-play private banking includes certain internal supporting functions which serve entirely the core business activities. Revenues from private banking activities primarily encompass commissions charged for servicing and advising private 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 Executive Board of the Group has been identified as the chief operating decision maker, as this board is responsible for the implementation of the overall strategy and the operational management of the whole Group. The Executive Board of the Group is composed of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Communications Officer, Private Banking Representative and General Counsel.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the Executive Board of the Group 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 the single reportable segment Private Banking. 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. The acquired Merrill Lynch International Wealth Management business did not change the management structure, as it has been fully integrated into the existing structures of the Group.

Therefore, the Group does not disclose separate segment information, as the external reporting provided in these financial statements reflects the internal management accounting.

Entity-wide disclosures

	31.12.2014 Total assets *CHF m*	31.12.2013 *CHF m*	**2014** Operating income *CHF m*	2013 *CHF m*	**2014** Investments *CHF 1,000*	2013 *CHF 1,000*
Switzerland	**71,866**	64,320	**1,751**	1,696	**120,046**	377,039
Europe (excl. Switzerland)	**21,033**	19,672	**381**	277	**93,041**	77,855
Americas	**1,525**	1,085	**164**	85	**211,869**	1,935
Asia and other countries	**18,767**	14,140	**501**	315	**27,556**	254,082
Less consolidation items	**30,957**	26,695	**250**	178		
Total	**82,234**	72,522	**2,547**	2,195	**452,512**	710,911

The information about geographical areas is based on the domicile of the reporting entity. This geographical information does not reflect the way the Group is managed.

21 RELATED PARTY TRANSACTIONS

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**13,754**	13,676[2]
Post-employment benefits	**681**	667
Other long-term benefits	**-**	10
Share-based payments	**6,138**	6,908
Total	**20,573**	21,261
Receivables from		
key management personnel	**13,077**	8,805
Total	**13,077**	8,805
Liabilities to		
key management personnel	**17,735**	17,709
own pension funds	**4,202**	6,000
Total	**21,937**	23,709
Credit guarantees to		
key management personnel	**364**	477
Total	**364**	477
Income from services provided to		
key management personnel	**231**	346
Total	**231**	346

[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, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel, the Chief Risk Officer and the Private Banking Representative.
[2] The previous-year number has been adjusted to include the cash component of the deferred elements of the total compensation.

For share holdings of the Board of Directors and Executive Board, see pages 160f.

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis.

The interest rates of the Lombard loans and mortgage loans 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.

22 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

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 Company or retiring as well as 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 contribution that have been 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 time period according to 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. Management of the pension funds includes the pursuit of a medium- and long-term consistency and sustainability 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.

	2014 *CHF 1,000*	2013 *CHF 1,000*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-2,140,073**	-1,988,437
Acquisitions	**-12,271**	-113,955
Current service cost	**-58,630**	-50,180
Employees' contributions	**-34,527**	-32,167
Interest expense on defined benefit obligation	**-46,074**	-38,728
Past service cost, curtailments, settlements, plan amendments	**-943**	8,086
Benefits paid (including benefits paid directly by employer)	**85,815**	25,046
Transfer payments in/out	**-714**	-3,817
Experience gains/(losses) on defined benefit obligation	**-6,627**	-565
Actuarial gains/(losses) arising from change in demographic assumptions	**-4,026**	-12,871
Actuarial gains/(losses) arising from change in financial assumptions	**-195,820**	67,133
Translation differences	**-3,768**	382
Present value of defined benefit obligation at the end of the year	**-2,417,658**	-2,140,073
whereof due to active members	***-1,631,869***	*-1,442,045*
whereof due to deferred members	***-74,684***	*-59,966*
whereof due to pensioners	***-711,105***	*-638,062*
Fair value of plan assets at the beginning of the year	**2,091,375**	1,822,615
Acquisitions	**9,825**	80,555
Interest income on plan assets	**46,196**	36,236
Employees' contributions	**34,527**	32,167
Employer's contributions	**74,922**	71,083
Curtailments, settlements, plan amendments	**-967**	-468
Benefits paid by fund	**-83,505**	-25,046
Transfer payments in/out	**714**	3,817
Administration cost (excluding asset management cost)	**-964**	-920
Return on plan assets (excluding interest income)	**107,527**	71,578
Translation differences	**3,653**	-242
Fair value of plan assets at the end of the year	**2,283,303**	2,091,375

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*
2. Balance sheet		
Fair value of plan assets	**2,283,303**	2,091,375
Present value of defined benefit obligation	**-2,417,658**	-2,140,073
Net defined benefit asset/(liability)	**-134,355**	-48,698

	2014 CHF 1,000	2013 CHF 1,000
3. Income statement		
Current service cost	**-58,630**	-50,180
Interest expense on defined benefit obligation	**-46,074**	-38,728
Past service cost, curtailments, settlements, plan amendments	**-1,910**	7,618
Interest income on plan assets	**46,196**	36,236
Administration cost (excluding asset management cost)	**-964**	-920
Defined benefit cost recognised in the income statement	**-61,382**	-45,974
whereof service cost	***-61,504***	*-43,482*
whereof net interest on the net defined benefit/(liability) asset	***122***	*-2,492*

	2014	2013
4. Movements in net assets		
Net defined benefit asset/(liability) at the beginning of the year	**-48,698**	-165,822
Acquisitions	**-2,446**	-33,400
Translation differences	**-115**	140
Defined benefit cost recognised in the income statement	**-61,382**	-45,974
Benefits paid by employer	**2,310**	-
Employer's contributions	**74,922**	71,083
Remeasurements of the net defined benefit liability/(asset)	**-98,946**	125,275
Amount recognised in the balance sheet	**-134,355**	-48,698

	2014	2013
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	**-206,473**	53,697
Return on plan assets (excluding interest income)	**107,527**	71,578
Total recognised in other comprehensive income	**-98,946**	125,275

	2014	2013
5. Composition of plan assets		
Cash	**47,140**	28,754
Debt instruments	**795,167**	757,650
Equity instruments	**799,128**	734,402
Real estate	**272,655**	250,982
Other	**369,213**	319,587
Total	**2,283,303**	2,091,375

	2014 in %	2013 in %
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	**2.06**	1.37
Debt instruments	**33.48**	33.97
Equity instruments	**35.00**	35.12
Real estate	**5.05**	5.20
Other	**11.41**	11.00
Total	**87.00**	86.66

	2014 CHF 1,000	2013 CHF 1,000
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	**-65,964**	-71,290
Effect on service cost	**-2,230**	-3,151
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	**62,399**	67,088
Effect on service cost	**2,099**	2,959
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	**5,226**	4,410
Effect on service cost	**540**	499
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	**-5,223**	-4,420
Effect on service cost	**-541**	-502

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2014. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 96% (2013: 96%) of all benefit obligations and plan assets:

	2014	2013
Discount rate	**1.25%**	2.10%
Average future salary increases	**1.00%**	1.00%
Future pension increases	**0.00%**	0.00%

Investment in own 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 2015 financial year related to defined benefit plans are estimated at CHF 70.1 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 4.2 million (2013: CHF 6.0 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 26.2 million for the 2014 financial year (2013: CHF 17.8 million).

23 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2014 *CHF m*	31.12.2013 *CHF m*
Receivables		
Receivables from cash provided in reverse repurchase transactions	**312.9**	97.8
of which recognised in due from banks	***203.6***	-
of which recognised in loans	***109.3***	*97.8*
Obligations		
Obligations to return cash received in securities lending transactions	**121.0**	312.5
of which recognised in due to banks	***11.7***	*259.0*
of which recognised in due to customers	***109.3***	*53.5*
Obligations to return cash received in repurchase transactions	**306.4**	110.3
of which recognised in due to banks	***306.4***	*110.3*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**608.9**	1,104.4
of which securities the right to pledge or sell has been granted without restriction	***608.9***	*1,104.4*
of which recognised in trading assets	***470.6***	*1,018.0*
of which recognised in financial investments available-for-sale	***138.3***	*86.4*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**2,296.4**	2,327.3
of which repledged or resold securities	***1,716.1***	*1,922.3*

The Group enters into fully collateralised securities borrowing and securities lending transactions and reverse repurchase and repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfill 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, see also Note 25D). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets which continue to be recognised 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.

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	60,148.1	1,165.5	935.7
Futures	61.6	-	1.1
Unmatured Spot Contracts	38.8	0.1	0.1
Options (OTC)	59,372.3	1,049.4	1,071.5
Options (traded)	19.5	-	0.5
Total foreign exchange derivatives 31.12.2014	**119,640.3**	**2,215.0**	**2,008.9**
Total foreign exchange derivatives 31.12.2013	79,467.5	819.0	715.9
Interest rate derivatives			
Swaps	4,838.6	86.3	87.1
Futures	1,810.8	0.7	1.6
Options (OTC)	1,200.6	5.0	4.3
Total interest rate derivatives 31.12.2014	**7,850.0**	**92.0**	**93.0**
Total interest rate derivatives 31.12.2013	8,281.8	57.2	41.0
Precious metals derivatives			
Forward contracts	2,548.6	44.5	48.2
Futures	35.1	1.1	-
Options (OTC)	3,370.0	133.1	37.9
Total precious metals derivatives 31.12.2014	**5,953.7**	**178.7**	**86.1**
Total precious metals derivatives 31.12.2013	3,900.6	155.6	93.4
Equity/indices derivatives			
Futures	539.8	3.2	4.0
Options (OTC)	6,948.8	168.8	236.7
Options (traded)	8,541.3	320.2	533.8
Total equity/indices derivatives 31.12.2014	**16,029.9**	**492.2**	**774.5**
Total equity/indices derivatives 31.12.2013	10,348.1	200.9	341.8
Other derivatives			
Futures	162.8	23.2	-
Total other derivatives 31.12.2014	**162.8**	**23.2**	**-**
Total other derivatives 31.12.2013	158.4	0.9	0.3

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	35.2	-	1.6
Total return swaps	13.8	0.8	-
Total credit derivatives 31.12.2014	**49.0**	**0.8**	**1.6**
Total credit derivatives 31.12.2013	23.9	-	0.6
Total derivatives held for trading 31.12.2014	**149,685.7**	**3,001.9**	**2,964.1**
Total derivatives held for trading 31.12.2013	102,180.3	1,233.6	1,193.0

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as fair value hedges			
Interest rate swaps	1,145.0	-	50.8
Total derivatives held for hedging 31.12.2014	**1,145.0**	**-**	**50.8**
Total derivatives held for hedging 31.12.2013	814.7	19.7	5.2
Total derivative financial instruments 31.12.2014	**150,830.7**	**3,001.9**	**3,014.9**
Total derivative financial instruments 31.12.2013	102,995.0	1,253.3	1,198.2

25A FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	31.12.2014 Book value CHF m	31.12.2014 Fair value CHF m	31.12.2013 Book value CHF m	31.12.2013 Fair value CHF m
Cash, loans and receivables				
Cash	**11,201.9**	**11,201.9**	10,242.0	10,242.0
Due from banks	**8,922.6**	**8,930.3**	11,455.4	11,466.5
Loans	**33,669.1**	**34,104.7**	27,536.3	27,834.6
Accrued income	**282.8**	**282.8**	235.9	235.9
Total	**54,076.4**	**54,519.7**	49,469.6	49,779.0
Held for trading				
Trading assets	**5,712.0**	**5,712.0**	4,144.3	4,144.3
Derivative financial instruments	**3,001.9**	**3,001.9**	1,233.6	1,233.6
Total	**8,713.9**	**8,713.9**	5,377.9	5,377.9
Derivatives designated as hedging instruments				
Derivative financial instruments	**-**	**-**	19.7	19.7
Total	**-**	**-**	19.7	19.7
Designated at fair value				
Financial assets designated at fair value	**121.8**	**121.8**	-	-
Total	**121.8**	**121.8**	-	-
Available-for-sale				
Financial investments available-for-sale	**14,597.3**	**14,597.3**	13,125.3	13,125.3
Total	**14,597.3**	**14,597.3**	13,125.3	13,125.3
Total financial assets	**77,509.4**	**77,952.7**	67,992.5	68,301.9

Financial liabilities

	31.12.2014 Book value CHF m	31.12.2014 Fair value CHF m	31.12.2013 Book value CHF m	31.12.2013 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**5,190.2**	**5,189.4**	7,990.5	7,990.1
Due to customers	**61,820.5**	**61,824.1**	51,559.3	51,580.3
Debt issued	**1,059.8**	**1,121.2**	724.5	768.9
Accrued expenses	**147.1**	**147.1**	138.7	138.7
Total	**68,217.6**	**68,281.8**	60,413.0	60,478.0
Held for trading				
Trading liabilities	**116.2**	**116.2**	198.6	198.6
Derivative financial instruments	**2,964.1**	**2,964.1**	1,193.0	1,193.0
Total	**3,080.3**	**3,080.3**	1,391.6	1,391.6
Derivatives designated as hedging instruments				
Derivative financial instruments	**50.8**	**50.8**	5.2	5.2
Total	**50.8**	**50.8**	5.2	5.2
Designated at fair value				
Financial liabilities designated at fair value	**4,399.3**	**4,399.3**	4,797.5	4,797.5
Other liabilities[1]	**67.9**	**67.9**	10.2	10.2
Total	**4,467.2**	**4,467.2**	4,807.7	4,807.7
Total financial liabilities	**75,815.9**	**75,880.1**	66,617.5	66,682.5

[1] Relates to the deferred purchase price of WMPartners Wealth Management Ltd. and GPS Investimentos Financeiros e Participações S.A., see Note 27.

The following methods are used in measuring the fair value of financial instruments in the balance sheet:

Short-term financial instruments
Financial instruments with a maturity or a refinancing profile of one year or less are generally classified as short-term. This applies for the balance sheet items cash and money market instruments. Depending on the maturity, it also includes the following: due from banks; loans; mortgages; due to banks; due to customers and debt issued. For short-term financial instruments which do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the book value fundamentally approximates the fair value.

Long-term financial instruments
Depending on the maturity, these include the following balance sheet items: due from banks; loans; mortgages; due to banks; due to customers and debt issued. The fair value of long-term financial instruments which have a maturity or a refinancing profile of more than one year is derived by using the net present value method. Generally, the Libor rate is used to calculate the net present value of the loans and mortgages, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement.

Trading assets and liabilities, financial investments available-for-sale, derivative financial instruments and financial liabilities designated at fair value
Refer to Note 25B for details regarding the valuation of these instruments.

25B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

Level 1
For trading assets and financial investments available-for-sale as well as for exchange-traded derivatives and other financial instruments whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

Level 2
For financial instruments for which quoted market prices are not directly available, 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, 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 reflecting market conditions.

Financial investments available-for-sale: The Group holds certain equity instruments in the amount of CHF 79.2 million, which are required for the operation of the Group and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2014, dividends related to these investments in the amount of CHF 3.9 million have been recognised in the income statement.

Financial instruments designated at fair value: As of 2014, the Group started to issue to its private clients certain 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 in the amount of CHF 3.4 million are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The issued notes in the amount of CHF 146.8 million are reported as financial liabilities designated at fair value and classified as level 3 instruments, due to the related private equity investments being part of the valuation of the notes.

The fair value of financial instruments carried at fair value is determined as follows:

31.12.2014	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*
Assets and liabilities measured at fair value				
Trading assets – debt instruments	882.5	62.6	-	945.1
Trading assets – equity instruments	4,264.5	502.4	-	4,766.9
Trading assets – precious metals (physical)	-	1,712.2	-	1,712.2
Total trading assets	**5,147.0**	**2,277.3**	**-**	**7,424.2**
Foreign exchange derivatives	7.9	2,207.1	-	2,215.0
Interest rate derivatives	0.7	91.3	-	92.0
Precious metal derivatives	1.1	177.6	-	178.7
Equity/indices derivatives	323.4	168.8	-	492.2
Credit derivatives	-	0.8	-	0.8
Other derivatives	23.2	-	-	23.2
Total derivative financial instruments	**356.3**	**2,645.6**	**-**	**3,001.9**
Financial assets designated at fair value	**100.5**	**17.9**	**3.4**	**121.8**
Financial investments available-for-sale – money market instruments	-	2,312.1	-	2,312.1
Financial investments available-for-sale – debt instruments	10,882.6	1,320.9	-	12,203.5
Financial investments available-for-sale – equity instruments	-	2.4	79.2	81.7
Total financial investments available-for-sale	**10,882.6**	**3,635.4**	**79.2**	**14,597.3**
Total assets	**16,486.4**	**8,576.2**	**82.6**	**25,145.2**
Short positions – debt instruments	32.0	0.4	-	32.4
Short positions – equity instruments	70.4	13.4	-	83.8
Total trading liabilities	**102.4**	**13.8**	**-**	**116.2**
Foreign exchange derivatives	9.3	1,999.6	-	2,008.9
Interest rate derivatives	1.6	142.2	-	143.8
Precious metal derivatives	-	86.1	-	86.1
Equity/indices derivatives	537.8	236.7	-	774.5
Credit derivatives	-	1.6	-	1.6
Other derivatives	-	-	-	-
Total derivative financial instruments	**548.7**	**2,466.2**	**-**	**3,014.9**
Financial liabilities designated at fair value	**1,464.8**	**2,787.7**	**146.8**	**4,399.3**
Total liabilities	**2,116.0**	**5,267.7**	**146.8**	**7,530.4**

	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*	31.12.2013 Total *CHF m*
Assets and liabilities measured at fair value				
Trading assets – debt instruments	1,087.7	116.2	-	1,203.9
Trading assets – equity instruments	2,385.6	554.8	-	2,940.4
Trading assets – precious metals (physical)	-	1,709.2	-	1,709.2
Total trading assets	3,473.3	2,380.2	-	5,853.5
Foreign exchange derivatives	2.5	816.5	-	819.0
Interest rate derivatives	5.3	71.6	-	76.9
Precious metal derivatives	-	155.6	-	155.6
Equity/indices derivatives	89.4	111.5	-	200.9
Credit derivatives	-	-	-	-
Other derivatives	0.9	-	-	0.9
Total derivative financial instruments	98.1	1,155.2	-	1,253.3
Financial investments available-for-sale – money market instruments	-	2,494.5	-	2,494.5
Financial investments available-for-sale – debt instruments	9,605.9	942.7	-	10,548.6
Financial investments available-for-sale – equity instruments	0.5	5.7	76.1	82.3
Total financial investments available-for-sale	9,606.4	3,442.9	76.1	13,125.3
Total assets	13,177.8	6,978.3	76.1	20,232.2
Short positions – debt instruments	39.8	3.5	-	43.3
Short positions – equity instruments	139.1	16.2		155.3
Total trading liabilities	178.9	19.7	-	198.6
Foreign exchange derivatives	2.3	713.6	-	715.9
Interest rate derivatives	6.8	39.4	-	46.2
Precious metal derivatives	0.4	93.0	-	93.4
Equity/indices derivatives	226.0	115.8	-	341.8
Credit derivatives	-	0.6	-	0.6
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	235.8	962.4	-	1,198.2
Financial liabilities designated at fair value	1,293.1	3,504.4	-	4,797.5
Total liabilities	1,707.8	4,486.5	-	6,194.3

The fair value of financial instruments disclosed at fair value is determined as follows:

	Quoted market price Level 1	Valuation technique market-observable inputs Level 2	Valuation technique non-market-observable inputs Level 3	**31.12.2014** **Total**
	CHF m	*CHF m*	*CHF m*	*CHF m*
Assets and liabilities disclosed at fair value				
Cash	11,201.9	-	-	11,201.9
Due from banks	-	8,930.3	-	8,930.3
Loans	-	34,104.7	-	34,104.7
Accrued income	-	282.8	-	282.8
Total assets	**11,201.9**	**43,317.8**	**-**	**54,519.7**
Due to banks	-	5,189.4	-	5,189.4
Due to customers	-	61,824.1	-	61,824.1
Debt issued	1,121.2	-	-	1,121.2
Accrued expenses	-	147.1	-	147.1
Total liabilities	**1,121.2**	**67,160.6**	**-**	**68,281.8**

	Quoted market price Level 1	Valuation technique market-observable inputs Level 2	Valuation technique non-market-observable inputs Level 3	31.12.2013 Total
	CHF m	*CHF m*	*CHF m*	*CHF m*
Assets and liabilities disclosed at fair value				
Cash	10,242.0	-	-	10,242.0
Due from banks	-	11,466.5	-	11,466.5
Loans	-	27,834.6	-	27,834.6
Accrued income	-	235.9	-	235.9
Total assets	10,242.0	39,537.0	-	49,779.0
Due to banks	-	7,990.1	-	7,990.1
Due to customers	-	51,580.3	-	51,580.3
Debt issued	768.9	-	-	768.9
Accrued expenses	-	138.7	-	138.7
Total liabilities	768.9	59,709.1	-	60,478.0

25C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

	31.12.2014 *CHF m*	31.12.2013 *CHF m*
Transfers from level 1 to level 2		
Trading assets	1.5	11.2
Financial investments available-for-sale	50.2	190.4
Transfers from level 2 to level 1		
Trading assets	36.6	11.6
Financial investments available-for-sale	27.8	20.4
Trading liabilities	0.1	24.5

The transfers between level 1 and 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.

25D FINANCIAL INSTRUMENTS – OFFSETTING

In order to control the credit exposure and reduce the credit risk related to certain 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 over-the-counter 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 over-the-counter derivative transactions 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 right of set-off 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. As 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.

Therefore, the cash collateral provided (CHF 312.9 million) and received (CHF 427.4 million) in the securities transactions as disclosed in Note 23 are not offset with the respective counterparty positions in the balance sheet.

The majority of the over-the-counter derivatives in the total amount of CHF 1,356.3 million (positive replacement values) and CHF 1,350.4 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.

Refer to the Credit Risk section (page 66ff.) for a detailed analysis of the Group's credit risk strategies and exposure.

26A COMPANIES CONSOLIDATED AS AT 31 DECEMBER 2014

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.14 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.5	10,253

Swiss securities number: 10 248 496, Bloomberg: BAER VX, Reuters: BAER.VX

Unlisted operational companies which are consolidated

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano,				
Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zug, Zurich				
Representative Offices in Abu Dhabi, Dubai, Istanbul,				
Moscow, Panama City, Santiago de Chile, Shanghai, Tel Aviv				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*
Arpese SA	*Lugano*	*CHF*	*0.400*	*100*
Bank Julius Bär Europe AG	Frankfurt	EUR	15.000	100
Branches in Duesseldorf, Hamburg, Kiel, Mannheim, Munich,				
Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	60.000	100

	Head Office	Currency	Share capital *m*	Equity interest *%*
Finance companies				
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Consultores S.A.	*Caracas*	*VEF*	*1.720*	*100*
Julius Baer Trust Company (Singapore) Ltd.	*Singapore*	*SGD*	*6.262*	*100*
I.F.E. Julius Baer (Uruguay) S.A.	Montevideo	USD	1.600	100
JB Participações Brasil Ltda.	São Paulo	BRL	231.161	100
including				
GPS Investimentos Financeiros e Participações S.A.	São Paulo	BRL	0.280	80
Branches in Rio de Janeiro, Belo Horizonte				
Julius Baer Advisory (Uruguay) S.A.	Montevideo	UYU	0.087	100
Julius Baer Advisory S.A.E.	Cairo	EGP	12.847	100
Julius Baer Agencia de Valores, S.A.U.	Madrid	EUR	0.902	100
Julius Baer (Bahrain) B.S.C. (c)	Manama	BHD	1.000	100
Julius Baer Capital (Guernsey) I Ltd.	Guernsey	CHF	0.000	100
Julius Baer Consultores (Chile) SpA	Santiago de Chile	CLP	498.928	100
Julius Baer Consultores (Peru) S.A.C.	Lima	PEN	4.164	100
Julius Baer Family Office & Trust Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (New Zealand) Limited	*Auckland*	*CHF*	*0.105*	*100*
Julius Baer Fiduciaria S.r.l.	Milan	EUR	0.100	100
Julius Baer Financial Services (Channel Islands) Ltd.	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 (Hong Kong) Limited	Hong Kong	HKD	273.894	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Julius Baer (Uruguay) S.A.	Montevideo	UYU	25.169	100
Julius Baer International Limited	London	GBP	68.300	100
Branch in Dublin				

	Head Office	Currency	Share capital m	Equity interest %
Finance companies				
Julius Baer International Panama Inc.	Panama	CHF	19.383	100
including				
Julius Baer Bank & Trust (Bahamas) Ltd.	*Bahamas*	*CHF*	*20.000*	*100*
including				
Julius Baer Trust Company (Bahamas) Ltd.	*Bahamas*	*CHF*	*2.000*	*100*
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Julius Baer Investment Services S.à r.l.	Luxembourg	EUR	1.250	100
Julius Baer Investments (Panama) S.A.	Panama City	USD	7.000	100
Julius Baer Investments S.A.S.	Paris	EUR	3.811	100
Julius Baer (Lebanon) S.A.L.	Beirut	LBP	2,000.000	100
Julius Baer (Netherlands) B.V.	Amsterdam	EUR	0.000	100
Julius Bär Lizenzverwertungsgesellschaft AG	Zug	CHF	0.100	100
Julius Baer Portfolio Managers Limited	London	GBP	0.054	100
Julius Baer Trust Company (Channel Islands) Ltd.	Guernsey	CHF	0.200	100
Julius Baer Wealth Management (Monaco) S.A.M.	Monaco	EUR	0.465	100
PINVESTAR AG	Zug	CHF	0.100	100
PT Julius Baer Advisors Indonesia	Jakarta	IDR	2,000.000	100
TFM Asset Management AG	Erlenbach	CHF	0.700	60
Branch in Tokyo				
Ursa Company Ltd.	Grand Cayman	CHF	0.500	100
WMPartners Wealth Management Ltd.	Zurich	CHF	1.000	100
Real estate company				
Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten	Zurich	CHF	2.260	100
Foundation				
LOTECO Foundation	Zurich	CHF	0.100	100

Major changes in the companies consolidated:

- Julius Baer (Netherlands) B.V., Amsterdam, new
- Infidar Investment Advisory Ltd., Zurich, merged into WMPartners Wealth Management Ltd., Zurich
- Julius Baer Investments S.A.S., Paris, new
- GPS Investimentos Financeiros e Participações S.A., increase to 80% interest

26B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
Kairos Investment Management SpA	Milan	EUR	2.355	20

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*
Balance at the beginning of the year	**102,647**	45,211
Additions	**-**	63,717
Disposals	**-66,919**[1]	-
Income	**35,997**[2]	5,931
Dividend paid	**-6,073**	-4,348
Translation differences	**358**	-7,864
Balance at the end of the year	**66,010**	102,647

[1] Relates to the increase of the Group's participation in GPS, see Note 27.
[2] Includes the revaluation to fair value of GPS.

On 12 November 2012, the Group announced that it has reached an agreement for a cooperation with Milan-based Kairos Investment Management SpA ('Kairos') to jointly create a wealth management business in Italy. In the transaction, which was executed on 31 May 2013, Julius Baer Società Di Intermediazione Mobiliare S.p.A. has been sold to Kairos and is held as a subsidiary by Kairos. As of 1 June 2013, the former Group subsidiary operates under the new name 'Kairos Julius Baer SIM SpA'.

Simultaneously with this disposal, the Group has acquired 19.9% of Kairos. This interest provides the Group with significant influence due to its representation on Kairos' Board of Directors. The Group paid a total consideration of CHF 63.7 million, including the contribution of its former subsidiary. The Group also received options to acquire additional interests in Kairos at a predetermined relative price. The options will be exercisable three to six years after the initial purchase.

The total comprehensive income of the associated company (Kairos Investment Management SpA) amounts to CHF 27.6 million (2013: CHF 40.0 million, including the comprehensive income of GPS Investimentos Financeiros e Participações S.A.).

26C 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, umbrella funds and similar vehicles in the legal form of limited partnerships (L.P.), which are invested in segregated portfolios or feeder funds. All the L.P. serve as investment vehicles for the Group's clients. The Group generally acts as investment manager and custodian bank and also holds the management shares of the L.P. 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 limited partnerships.

27 ACQUISITIONS

Apart from the acquisition of Merrill Lynch's International Wealth Management business (see Note 30 for details), the following transactions were executed:

TFM Asset Management Ltd.
On 17 April 2013, the Group acquired 60% of TFM Asset Management Ltd. ('TFM'), a Swiss-registered independent asset management company with a branch in Tokyo. TFM specialises in discretionary asset management services for HNW Japanese and Swiss private clients and holds investment advisory and investment management licences granted by the Japanese FSA. The Group received options to acquire additional interests in TFM at a predetermined relative price which will be exercisable three years after the initial acquisition.

WMPartners Wealth Management Ltd.
On 15 November 2013, the Group acquired Zurich-based WMPartners Wealth Management Ltd. (WMPartners), a leading independent asset manager in Switzerland. The purchase price was fully funded by existing excess capital of the Group.

The assets and liabilities of the acquired entities WMPartners and TFM were recorded as follows:

	Fair value *CHF 1,000*
Assets acquired	30,404
Liabilities assumed	6,497
Equity including non-controlling interests	23,907

PINVESTAR AG
On 15 November 2013, the Group acquired PINVESTAR AG, a holding company with the main asset being the 27.5% interest in Infidar Investment Advisory Ltd. (Infidar), which was not owned by the Group yet (the non-controlling interest). The purchase price was fully funded by existing excess capital of the Group. PINVESTAR AG does not constitute a business; therefore, the transaction does not qualify as a business combination, but rather as a purchase of assets and liabilities of the holding company.

On 1 April 2014, the merger of the Group's fully owned independent wealth management companies Infidar and WMPartners was completed. The new company will operate under the name of WMPartners Wealth Management Ltd. The merger had no impact on the Group's consolidated financial statements.

GPS Investimentos Financeiros e Participações S.A.
On 25 March 2014, the Group acquired an additional 50% interest in São Paulo-based GPS Investimentos Financeiros e Participações S.A., which includes GPS Planejamento Financeiro Ltda. and CFO Administração de Recursos Ltda. ('GPS'). This transaction increases the Group's participation in GPS to 80% from the 30% acquired in May 2011. On 25 March, the Group paid half of the consideration in the amount of CHF 55.8 million in cash for this additional interest which was fully funded by existing excess capital of the Group. In addition, the Group agreed on two additional payments on 25 March 2015 and 2016, respectively. As part of the transaction, the Group realised a net gain in the amount of CHF 14.8 million on the revaluation to fair value of the 30% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results. The Group also holds a forward contract to acquire the remaining 20% interest in GPS at a predetermined relative price.

GPS is specialised in discretionary portfolio management and advisory services. The acquisition supports the Group's strategic intention to build its wealth management business in one of the most attractive and promising domestic wealth management markets. GPS continues to operate under its well-established and respected brand. Although GPS represents a separate cash-generating unit for the purpose of the goodwill impairment testing (refer to Note 12 for details), it does not constitute a segment on its own and therefore has no impact on the Group's segment reporting (refer to Note 20).

For the twelve months ended 31 December 2014, GPS recorded CHF 33.4 million operating income and CHF 12.8 million net profit. Since its acquisition on 25 March 2014, GPS has contributed CHF 24.8 million operating income and CHF 9.1 million net profit to the Group's results.

The assets and liabilities of GPS were recorded provisionally as follows:

	Fair value *CHF 1,000*
Purchase price	
in cash	55,766
contribution of the 30% interest (at fair value)	66,919
deferred purchase price (liabilities)	55,766
Total	178,451
Assets acquired	
Due from banks	4,747
All other assets	7,278
Total	12,025
Liabilities assumed	
Deferred tax liabilities	18,500
All other liabilities	13,249
Total	31,749
Goodwill and other intangible assets and non-controlling interests	
Goodwill	151,385
Customer relationships	54,413
Non-controlling interests	7,623
Total	198,175

28 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2014. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Group's overall compensation landscape is described in detail in the Remuneration Report 2014.

The Group hedges its liabilities from share-based payments by purchasing the shares from the market on grant date through the Loteco Foundation. Until vesting, the granted shares are administered by the foundation.

Deferred variable compensation plans
The Group's compensation structure continues to operate a cash-based variable compensation deferral programme (awarded under the Deferred Bonus Plan [DBP]) and an equity-based variable compensation programme (awarded under the Equity Performance Plan [EPP]) for our most senior management (including the Executive Board members and selected regulated staff and/or nominated employees). Both elements were designed to be awarded on an annual basis. All other employees are generally subject to potential deferral under the Premium Share Plan (PSP) described in more detail below

The DBP, which is designed to reward performance for the prior financial year, may either be paid out in full upon allocation or a portion may be deferred over a five-year period (depending on the size of the award) subject to a clawback. The equity-based variable compensation awarded under the EPP is designed to incentivise individuals for future performance through performance-based awards. The EPP performance period is fixed at three years, starting on 1 January of the year of the award and ending on 31 December of the third year.

Although occasional one-off compensation awards have been made during the year to new employees and potentially in other special compensation circumstances, Julius Baer's global policy generally comprises one annual performance review and one annual variable compensation allocation to all employees (including Executive Board members).

Cash-based variable compensation (DBP)
The majority of permanent employees at the Group are considered eligible for cash-based variable compensation. Generally, eligible permanent employees receive their variable compensation in a year-end bonus (subject to potential deferral only under the PSP described below); however, Executive Board members (plus selected regulated staff and/or nominated employees) are required to participate in the DBP further described below.

The DBP aims to ensure that its participants continue to manage Julius Baer for sustainable long-term shareholder-value creation, to emulate the Julius Baer values, and to carry out all business activities in a manner which is compliant with regulatory requirements. As a result, the amounts allocated to each individual (through the individual's scorecard) are closely tied to variables that Julius Baer has identified as key value drivers for the Company.

In the context of the allocation of the DBP, Julius Baer rewards Executive Board 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 corporate culture standards. Although Julius Baer's variable compensation scheme is discretionary, the final amounts allocated to its individual participants are based on a careful assessment of each individual's attainment of a mix of specific quantitative and qualitative objectives.

At the beginning of each year, the Chairman meets with the CEO to discuss and determine the key performance objectives for the upcoming performance year. The objectives are identified within a CEO scorecard with clear indications of the individual goals and targets within each of the respective value driver categories. The Executive Board objective setting process mirrors that of the CEO; however, it is the CEO who meets with each member of the Executive Board to discuss and determine the objectives for the upcoming performance year.

These key performance objectives are officially measured at year end, when the scorecard is discussed between the Chairman of the Board and the CEO (in the case of the CEO's goals) and between the CEO and the respective Executive Board member (in all other cases). The scorecard's results provide the basis for determining the recommended DBP allocation. All DBP recommendations are subject to confirmation by the Compensation Committee and, once approved, are then brought to the attention of the Board of Directors whereby specific acceptance of the proposal is requested from the Board of Directors on the CEO's DBP award.

The full amount of the DBP is generally awarded in the first quarter following the close of the relevant financial (i.e. calendar) year. In 2015, the DBP for the Executive Board will be recommended in the first quarter of 2015 but will not be paid until it is approved by the Group's shareholders. The DBP is paid in cash; however, where the DBP award exceeds the minimum threshold (CHF 125,000, or its local-currency equivalent) a portion is subject to a five-year deferral. The deferral rates applied range from 20% to 50% depending on the amount of the award (consistent with last year).

Equity-based variable compensation (EPP)
The EPP is an annual rolling equity grant that awards Performance Units to eligible executives subject to service- and performance-based requirements. The EPP is primarily focused on providing an award which reflects the value of the employee for the future success of the business and more closely links the individual's compensation to its contribution to the future performance of the Group. The goal of the EPP is to incentivise participants in two ways:

– First, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer shares.
– Second, 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 Julius Baer 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.

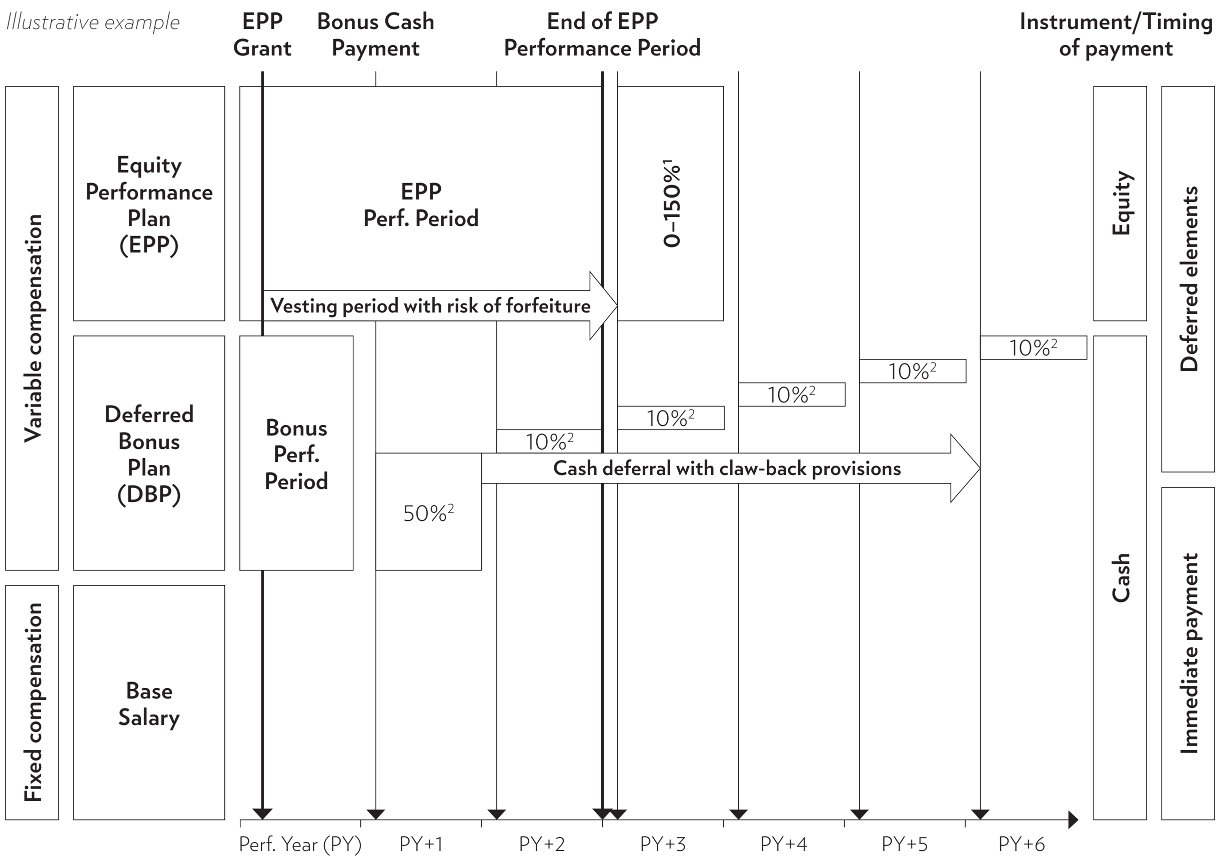
Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer and total variable compensation. All members of the Executive Board, key employees, and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, contribution to Julius Baer and level of responsibility.

The EPP has a number of key features which make it performance-driven. 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 initial KPIs, targets and final multiplier under the Plan are approved and verified by the Compensation Committee.

The Compensation Committee decided on 23 and 29 January 2015 on the participants of the equity-based EPP and on the individual allocations. These EPP allocations with grant in February 2015 are disclosed as part of the 2015 total compensation for the members of the Executive Board including the CEO.

Julius Baer compensation model of Senior Management



1 Subject to performance of KPIs; share allocation capped at 150% of Performance Units granted; share value at vesting dependent on market performance
2 Deferrals from DBP range from 20–50% based on the level of the allocated bonus (example assumes 50% DBP deferral)

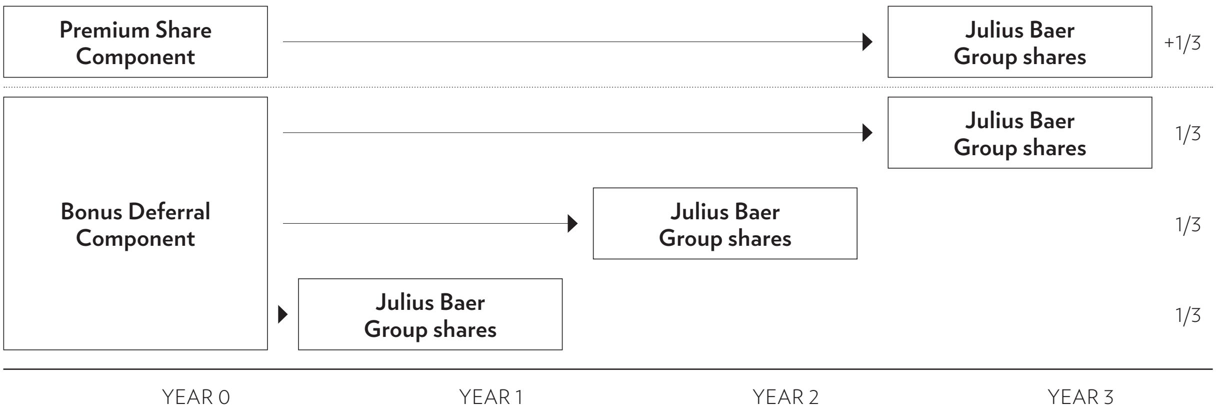
Other compensation arrangements
In addition to the plans described above, Julius Baer also offers various equity- and cash-based plans to members of the global staff population. Participation in these plans depends on factors such as function level, overall variable compensation, and/or nomination for participation in the relevant plan on an annual basis.

Premium Share Plan (PSP)
The Premium Share Plan is a three-year deferred equity plan which applies to employees who are not nominated for participation in the DBP/EPP and have variable compensation amounts of CHF 150,000 or more (or its local-currency equivalent). 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 plan is designed to link a portion of the employee's variable compensation to the long-term development and success of the Group through its share price.

At the start of the plan period, between 15% and 40% (the maximum deferral percentage applies to variable compensation of CHF 1 million and above, or its local-currency equivalent where applicable) of the employee's variable incentive award is deferred to the PSP, and the employee is then 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.

PSP structure and payout schedule



Until vested, the awards are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's conduct has substantially contributed to a financial loss of the Group or has caused reputational damage. Where share-based plans are not permissible under local legislation, Julius Baer also offers a Deferred Cash Plan which provides a similar three-year deferral of variable compensation (in the form of cash as opposed to shares, but without any additional premium benefit at the end of the plan period).

No special dividends or capital increases were allocated in the fiscal year 2014.

Integration Incentive Award (for former Merrill Lynch financial advisors only)
As part of Julius Baer's integration of Bank of America Merrill Lynch's International Wealth Management business outside the US, key Relationship Managers from Bank of America Merrill Lynch (BAML) were offered participation in the Integration Incentive Award (a cash and share-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The Integration Incentive Award plan runs for a maximum of five years, with cash being paid out on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one-third of the number of shares granted to him or her at the beginning of the plan period.

In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares are forfeited.

Cash-based integration programmes
As part of its integration of Bank of America Merrill Lynch's International Wealth Management business outside the US, Julius Baer established two cash-based programmes.

The first programme, the Replacement Award, is a programme which provides cash compensation in lieu of awards that were forfeited as a result of the corporate acquisition. The actual value of forfeiture is paid out in up to four tranches (depending on the size of the award) over a period of up to 18 months. The Replacement Awards are subject to forfeiture provisions in all cases where employment is terminated, other than in the event of termination due to death, disability or retirement (in which case the award becomes payable upon termination).

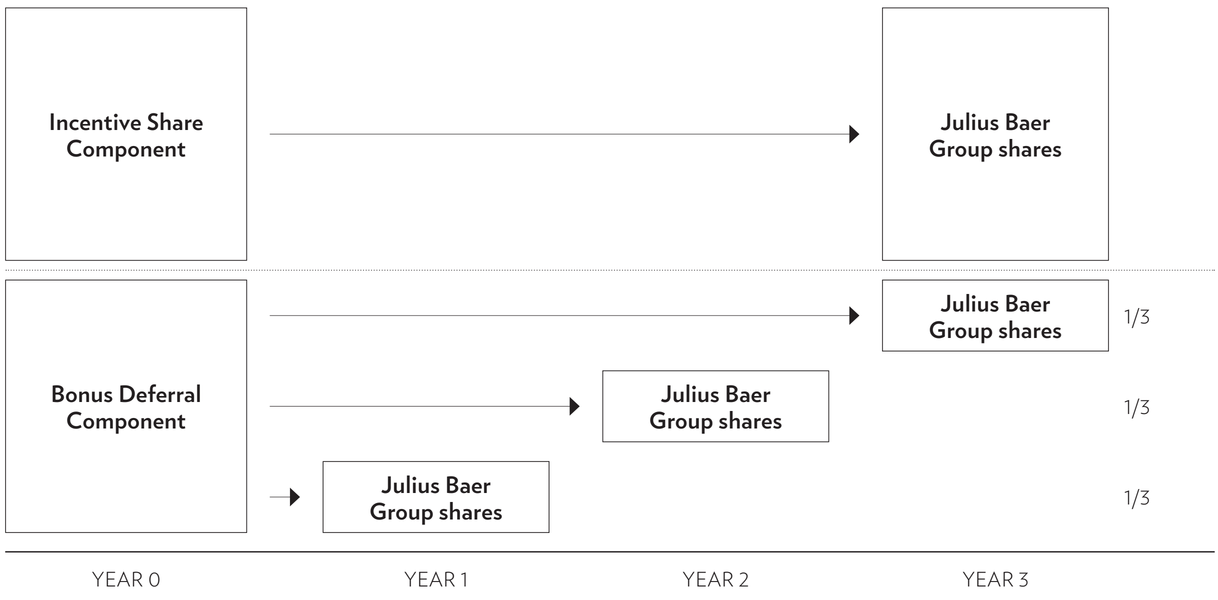
The second programme, the Asset Transfer Award, is a performance-based programme offered to Relationship Managers transferring to Julius Baer. The Asset Transfer Award, which is geared towards further accelerating the transfer of assets under management to Julius Baer, offered the participants a cash payment upon reaching specific asset-transfer hurdles (as measured on the basis of assets under management). The Asset Transfer Awards are subject to forfeiture in the event of the participant's employment being terminated for cause. Participants may be eligible to receive the awards in the event of termination for other reasons subject to specific covenants (including non-solicitation and non-competition clauses).

These programmes were exclusively granted to Relationship Managers who transferred to Julius Baer as part of the IWM integration.

Incentive Share Plan (ISP, applied as part of the variable compensation for 2012)
At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1 million and above or the local currency equivalent) of the executives' variable incentive is deferred to the ISP and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over the three-year plan period, subject to continued employment.

Participants in the ISP 2012 are granted a pre-fixed number of incentive shares, which cliff-vest at the end of the three-year plan period, subject to continued employment. The number of incentive shares granted is determined based on the number of shares from bonus deferral: members of the Executive Board were eligible for twice the number of additional shares in comparison to participants who are not members of the Executive Board.

ISP 2012 structure and payout schedule (applied as part of the variable compensation for 2012)



Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage.

Long-Term Incentive Plan (LTI)
In certain specific situations Julius Baer may also offer incentives outside the annual compensation cycle. Actions such as compensating new hires for deferred awards they have forfeited by resigning from their previous employer or making retention payments to key employees during extraordinary or critical circumstances may be carried out by granting individuals an equity-based LTI.

An LTI granted in these circumstances generally runs over a three-year plan period. Julius Baer currently 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 the three-year period.

The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out in the plan rules. All grants made in 2014 are free from restrictions upon vesting. In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

No special dividends or capital increases were allocated in the fiscal year 2014.

Staff Participation Plan (SPP)
The Staff Participation Plan is offered to most of Julius Baer'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 Julius Baer equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal or regulatory reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer 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 company.

Movements in shares/performance units granted under various participation plans are as follows:

	31.12.2014 Number of units Economic Profit	Number of units Relative Share Price
Equity Performance Plan		
Unvested units outstanding, at the beginning of the year	**-**	**-**
Granted during the year	**233,880**	**233,880**
Forfeited during the year	**-335**	**-335**
Unvested units outstanding, at the end of the year	**233,545**	**233,545**

	31.12.2014	31.12.2013
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**556,013**	324,529
Granted during the year	**490,195**	358,828
Vested during the year	**-172,386**	-88,627
Forfeited during the year	**-43,561**	-38,717
Unvested shares outstanding, at the end of the year	**830,261**	556,013
Weighted average fair value per share granted (CHF)	**40.79**	37.30
Fair value of outstanding shares at the end of the year (CHF 1,000)	**38,034**	23,820

	31.12.2014	31.12.2013
Incentive Share Plan		
Unvested shares outstanding, at the beginning of the year	**966,772**	450,899
Granted during the year	**-**	696,832
Vested during the year	**-292,970**	-176,746
Forfeited during the year	**-2,684**	-4,213
Unvested shares outstanding, at the end of the year	**671,118**	966,772
Weighted average fair value per share granted (CHF)	**-**	37.30
Fair value of outstanding shares at the end of the year (CHF 1,000)	**30,744**	41,417

	31.12.2014		31.12.2013	
Incentive Share Plan	Number of units Economic Profit	Number of units Relative Share Price	Number of units Economic Profit	Number of units Relative Share Price
Unvested units outstanding, at the beginning of the year	**248,826**	**248,826**	251,969	251,969
Exercised during the year	**-121,242**	**-121,242**	-	-
Forfeited during the year	**-1,803**	**-1,803**	-3,143	-3,143
Unvested units outstanding, at the end of the year	**125,781**	**125,781**	248,826	248,826

Integration Incentive Award	**31.12.2014**	31.12.2013
Unvested shares outstanding, at the beginning of the year	**703,143**	-
Granted during the year	**76,839**	722,700
Forfeited during the year	**-28,089**	-19,557
Unvested shares outstanding, at the end of the year	**751,893**	703,143
Weighted average fair value per share granted (CHF)	**42.67**	42.97
Fair value of outstanding shares at the end of the year (CHF 1,000)	**34,444**	30,123

Long-Term Incentive Plan	**31.12.2014**	31.12.2013
Unvested shares outstanding, at the beginning of the year	**508,876**	436,635
Granted during the year	**180,508**	282,206
Vested during the year	**-251,753**	-199,923
Forfeited during the year	**-46,984**	-10,042
Unvested shares outstanding, at the end of the year	**390,647**	508,876
Weighted average fair value per share granted (CHF)	**41.86**	39.55
Fair value of outstanding shares at the end of the year (CHF 1,000)	**17,896**	21,800

Staff Participation Plan	31.12.2014	31.12.2013
Unvested shares outstanding, at the beginning of the year	**72,557**	34,228
Granted during the year	**45,124**	40,511
Vested during the year	**-1,715**	-699
Forfeited during the year	**-2,582**	-1,483
Unvested shares outstanding, at the end of the year	**113,384**	72,557
Weighted average fair value per share granted (CHF)	**41.40**	36.43
Fair value of outstanding shares at the end of the year (CHF 1,000)	**5,194**	3,108

Compensation expense recognised for the various share plans are:

Compensation expense	31.12.2014 CHF m	31.12.2013 CHF m
Equity Performance Plan	**5.5**	-
Premium Share Plan	**15.5**	10.0
Incentive Share Plan	**15.0**	24.6
Integration Incentive Award	**8.0**	2.2
Long-Term Incentive Plan	**8.1**	7.9
Staff Participation Plan	**1.4**	0.8
Total	**53.5**	45.5

29 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 where 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 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 client himself. Both assets with 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. 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 which 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

	2014 CHF m	2013 CHF m	Change %
Assets with discretionary mandate	**45,563**	35,245	29.3
Other assets under management	**245,034**	219,169	11.8
Total assets under management (including double counting)	**290,597**	254,414	14.2
of which double counting	***4,361***	*2,950*	*47.8*
Change through net new money	**12,691**	7,575	
Change through market and currency impacts	**17,204**	3,995	
Change through acquisition	**6,288**[1]	54,471[2]	
Change through divestment	**-**	-960[3]	
Client assets	**396,388**	347,752	14.0

[1] On 14 February 2014, 11 April 2014, 9 May 2014, 13 June 2014, 11 July 2014, 5 September 2014, 26 September 2014, 8 November 2014 and 5 December 2014, the Group acquired businesses of Merrill Lynch's International Wealth Management (IWM) in Hong Kong, Singapore, Switzerland, Guernsey, Monaco, Israel, the Netherlands, Ireland and Jersey.
On 25 March 2014, the Group increased its interest in GPS Investimentos Financeiros e Participações S.A., Brazil, to 80%.
On 1 October 2014, the Group acquired Merrill Lynch, Pierce, Fenner & Smith S.A.S. (France), Paris.

[2] On 1 February 2013, the Group acquired Merrill Lynch Bank (Suisse) S.A., Geneva, and its branches in Zurich and Dubai.
On 1 April 2013, the Group acquired Merrill Lynch (Montevideo) S.A., Uruguay, Institución Financiera Externa Merrill Lynch Bank (Uruguay) S.A., Uruguay, Merrill Lynch (Chile) SpA, Chile, Merrill Lynch (Luxembourg) S.à.r.l., Luxembourg, and Merrill Lynch S.A.M. Monaco, Monaco.
On 17 April 2013, the Group acquired 60% of TFM Asset Management Ltd., Erlenbach.
On 27 May 2013, 12 July 2013, 6 September 2013, 11 October 2013, 8 November 2013 and 6 December 2013, the Group acquired businesses of Merrill Lynch's International Wealth Management (IWM) in Hong Kong, Singapore, Switzerland, Guernsey, Monaco and Israel.
On 12 July 2013, the Group acquired Merrill Lynch Portfolio Managers Ltd., London, and its branch in Paris, Merrill Lynch Gestión SGIIC, S.A.U., Spain, and Merrill Lynch Española Agencia de Valores S.A., Spain.
On 15 November 2013, the Group acquired WMPartners Wealth Management Ltd., Zurich.
On 1 December 2013, the Group acquired Merrill Lynch, Pierce, Fenner & Smith (Middle East) S.A.L., Lebanon.

[3] On 31 May 2013, the Group sold Julius Baer SIM S.p.A., Milano.

Breakdown of assets under management

	2014 %	2013 %
By types of investment		
Equities	**26**	27
Bonds (including convertible bonds)	**19**	20
Investment funds	**24**	22
Money market instruments	**4**	5
Client deposits	**21**	20
Structured products	**5**	5
Other	**1**	1
Total	**100**	100

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, for example 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.

30 ACQUISITION OF MERRILL LYNCH'S INTERNATIONAL WEALTH MANAGEMENT BUSINESS

Transaction summary
On 13 August 2012, the Group announced to acquire Merrill Lynch's International Wealth Management (IWM) business outside the US from Bank of America. The acquisition is structured as a combination of legal entity acquisitions and business transfers. Principal closing occurred on 1 February 2013 following the general approval of the Swiss Financial Market Supervisory Authority (FINMA) and other regulators. Since then, legal entity purchases and asset transfers have happened and will happen during the integration period which is expected to end in the first quarter of 2015. The actual amount of AuM transferred will depend on which of IWM's clients ultimately agree to join the Group, which in turn also depends on whether the respective client's financial advisors join the Group.

The income and expenses related to the AuM which are booked with the Group are recorded according to the Group's accounting policies. In addition, the Group receives from Merrill Lynch & Co., Inc. the revenues related to the AuM reported (i.e. the AuM transferred to the Group but not yet booked by the Group) and is charged with platform and other central service costs by Merrill Lynch & Co., Inc. These revenues are recognised in commission income with the related cost expensed through other general expenses. Any other expenses are also recorded according to the Group's accounting policies.

Purchase price
The consideration payable in USD to Merrill Lynch & Co., Inc. is 1.2% of AuM, payable as and when AuM are transferred to a Julius Baer booking platform. In addition, the Group pays CHF-for-CHF for any net asset value of the companies and businesses that are transferred in the acquisition, as and when the companies and businesses to which the net asset value is attributable are transferred.

Financing of the transaction
The Group put the following funding in place:

- the issuance of the consideration shares out of authorised share capital to Merrill Lynch & Co., Inc. in the amount of CHF 243 million at a predetermined share price (see Note 19 for details);
- the issuance of shares through a public rights offering in the amount of CHF 492 million in October 2012;
- existing excess capital in the amount of CHF 488 million; and
- the issuance of perpetual tier 1 subordinated bonds in the amount of CHF 250 million in September 2012 (see Note 16 for details).

Consideration is transferred as follows:

- first USD 150 million in cash;
- subsequent USD 500 million payable 50% in cash and 50% in shares of Julius Baer Group Ltd.; and
- remainder in cash.

Status as at 31 December 2014
As at 31 December 2014, the transaction is in the final phase and AuM in the amount of CHF 53.8 billion have been transferred to the Group, whereof CHF 51.4 billion have been booked with the Group and therefore have been paid for.

The transaction so far resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 715.5 million. This amount consists of the following components:

- the contractual consideration of 1.2% of the AuM booked;
- adjustments due to the remeasurement to fair value of the assets acquired and the liabilities assumed in the process of the purchase price allocation;
- the increase in the fair value as compared to the contractually agreed value of USD 35.20 for the shares of Julius Baer Group Ltd. provided as part of the consideration; and
- foreign exchange fluctuations.

Therefore, the actual purchase price of CHF 883.3 million was paid for goodwill and intangible assets and net asset values of the acquired legal entities.

The legal entities as well as the business acquired have been fully integrated into the existing Group structure (including rebranding of the continued legal entities). Therefore the Group is not able to disclose any income statement impacts of the acquired business on the Group's financial statements.

So far, the assets and liabilities of the acquired IWM entities and businesses were recorded as follows:

	31.12.2014 Total Acquistions Fair value *CHF 1,000*	**31.12.2014** Acquistions in 2014 Fair value *CHF 1,000*	31.12.2013 Acquistions in 2013 Fair value *CHF 1,000*
Purchase price			
in cash	**591,669**	**93,572**	498,097
in shares of Julius Baer Group Ltd.	**291,606**	**79,448**	212,158
Total	**883,275**	**173,020**	710,255
Assets acquired			
Cash	**271,531**	**-**	271,531
Due from banks	**8,278,421**	**1,528,957**	6,749,464
Loans[1]	**3,933,428**	**529,879**	3,403,549
Deferred tax assets	**53**	**-**	53
All other assets	**149,355**	**88,613**	60,742
Total	**12,632,788**	**2,147,449**	10,485,339
Liabilities assumed			
Due to banks	**3,541,418**	**747,069**	2,794,349
Due to customers	**8,685,359**	**1,296,894**	7,388,465
Deferred tax liabilities	**26,551**	**1,617**	24,934
All other liabilities	**211,668**	**89,896**	121,772
Total	**12,464,996**	**2,135,476**	10,329,520
Goodwill and other intangible assets related to legal entity acquisitions and to business transfers			
Goodwill	**407,215**	**88,500**	318,715
Customer relationships	**308,268**	**72,547**	235,721
Total	**715,483**	**161,047**	554,436

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 3,933 million.

31 REQUIREMENTS OF SWISS BANKING LAW

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Swiss-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 ruled by the principal provisions of the Banking Ordinance and the related Guidelines governing financial statement reporting.

The following main differences exist between IFRS and Swiss GAAP (true and fair view) which are relevant to the Group:

Under IFRS, changes in the fair value of financial investments available-for-sale are directly recognised in equity. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with changes in value where required recorded in the income statement.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, certain income and expenses are classified as extraordinary, e.g. if they are from non-operating transactions or are non-recurring.

Under IFRS, goodwill is not amortised but must be 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.

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.

32 EVENTS AFTER THE BALANCE SHEET DATE

Bank Leumi
On 21 July 2014, the Group announced a strategic cooperation with Bank Leumi. Under this agreement, Leumi will refer clients with international private banking needs to the Group, while the Group will refer clients to Leumi's domestic banking services. As part of the agreement, the Group will also acquire Leumi's international private banking clients in Switzerland and Luxembourg in the form of a business transfer. The total transaction goodwill payable is CHF 10 million in cash. The transaction will be executed in 2015 and the purchase price will be fully funded by existing excess capital of the Group.

Abandonment of the Swiss franc cap by the Swiss National Bank
On 15 January 2015, the Swiss National Bank announced to abandon its cap on the Swiss franc against the euro. As of this date, the major currencies relevant for the Group (EUR, USD, and GBP) devaluated considerably against the Swiss franc. The abandonment of the capped CHF/EUR rate had no impact on the Group's financial statements 2014.

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

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Julius Baer Group Ltd., Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Julius Baer Group Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 46 to 152) for the year ended 31 December 2014.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards, as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards ("IFRS") and comply with Swiss law.

KPMG

Julius Baer Group Ltd., Zurich
Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act ("AOA") and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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

Philipp Rickert
Licensed Audit Expert
Auditor in Charge

Cataldo Castagna
Licensed Audit Expert

Zurich, 30 January 2015

III. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2014

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INCOME STATEMENT

	2014 CHF 1,000	2013 CHF 1,000	Change %
Income			
Interest income	**11,704**	8,950	30.8
Interest expense	**41,735**	32,906	26.8
Net interest income	**-30,031**	-23,956	25.4
Commission income on services	**2,351**	1,377	70.7
Commission expense	**1,168**	1,218	-4.1
Results from commission and service fee activities	**1,183**	159	644.0
Income from participations	**181,834**	191,254	-4.9
Depreciation of participations	**33,936**	-	100.0
Results from participations	**147,898**	191,254	-22.7
Other ordinary results	**115,639**	80,376	43.9
Operating income	**234,689**	247,833	-5.3
Expenses			
Personnel expenses	**16,013**	15,383	4.1
General expenses	**44,333**	40,241	10.2
Operating expenses	**60,346**	55,624	8.5
Gross profit	**174,343**	192,209	-9.3
Extraordinary income	**27**	-	100.0
Extraordinary expense	**-**	6,217	-100.0
Taxes	**666**	1,430	-53.4
Net profit	**173,704**	184,562	-5.9

BALANCE SHEET

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
Assets			
Current assets			
Due from banks	**1,050,814**	644,754	406,060
Other financial investments	**29,896**	-	29,896
Other claims	**6,322**	6,397	-75
Accrued income and prepaid expenses	**192,882**	225,398	-32,516
Other assets	**2,632**	3,346	-714
Non-current assets			
Participations	**3,649,670**	3,561,817[1]	87,853
Other financial investments	**180,000**	180,570[1]	-570
Treasury shares	**-**	40	-40
Total assets	**5,112,216**	4,622,322	489,894
Due from Group companies	**1,088,264**	527,306	560,958

	31.12.2014 *CHF 1,000*	31.12.2013 *CHF 1,000*	Change *CHF 1,000*
Liabilities and equity			
Liabilities			
Due to banks	**28,104**	-	28,104
Debt issued	**1,075,000**	725,000	350,000
Accrued expenses and deferred income	**29,042**	20,645	8,397
Other liabilities	**17,235**	17,787	-552
Equity			
Share capital	**4,476**	4,476	-
Legal reserve	**2,322,681**	2,392,440	-69,759
of which general reserve	***827***	*827*	-
of which share premium reserve/capital contribution reserve	***2,321,854***	*2,391,613*	*-69,759*
including reserve for treasury shares	**-**	*40*[2]	*-40*
Other reserves	**1,458,218**	1,273,218	185,000
Disposable profit	**177,460**	188,756	-11,296
of which retained earnings	***3,756***	*4,194*	*-438*
of which net profit	***173,704***	*184,562*	*-10,858*
Total liabilities and equity	**5,112,216**	4,622,322	489,894
Due to Group companies	**253,104**	232,206	20,898

[1] Reclassification of the Investment in associates into participations
[2] Equals the consideration shares not yet transferred to Merrill Lynch & Co., Inc. (2,006,089 shares * CHF 0.02 par). Refer to Note 19 for details.

NOTES

Changes in equity	Share capital CHF 1,000	General reserve CHF 1,000	Share premium reserve CHF 1,000	Reserve for treasury shares CHF 1,000	Other reserves CHF 1,000	Disposable profit CHF 1,000	**Total** CHF 1,000
At 1 January 2013	4,334	827	2,356,055	-	1,258,218	19,194	3,638,628
Capital increase	142	-	165,542	-	-	-	165,684
Dividend paid	-	-	-130,024	-	-	-	-130,024
Net profit	-	-	-	-	-	184,562	184,562
Additions	-	-	-	142	-	-	142
Disposals	-	-	-	-102	-	-	-102
Reclassifications	-	-	-	-	15,000	-15,000	-
At 31 December 2013	4,476	827	2,391,573	40	1,273,218	188,756	3,858,890
At 1 January 2014	**4,476**	**827**	**2,391,573**	**40**	**1,273,218**	**188,756**	**3,858,890**
Capital increase	**-**	**-**	**63,448**	**-**	**-**	**-**	**63,448**
Dividend paid	**-**	**-**	**-133,167**	**-**	**-**	**-**	**-133,167**
Net profit	**-**	**-**	**-**	**-**	**-**	**173,704**	**173,704**
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-40**	**-**	**-**	**-40**
Reclassifications	**-**	**-**	**-**	**-**	**185,000**	**-185,000**	**-**
At 31 December 2014	**4,476**	**827**	**2,321,854**	**-**	**1,458,218**	**177,460**	**3,962,835**

Contingent liabilities	**31.12.2014** CHF 1,000	31.12.2013 CHF 1,000	Change CHF 1,000
Surety and guarantee obligations and assets pledged in favour of third parties	**2,367,582**	1,797,868	569,714

PARTICIPATIONS

Please see consolidated financial statements, Note 26A. Participation income from subsidiaries is recorded based on an economic standpoint, i.e. at the same time that the corresponding income is recorded at the subsidiary.

TREASURY SHARES

In the statutory financial statements of Julius Baer Group Ltd., a reserve for treasury shares, comprising all treasury shares held in the financial investments of Julius Baer Group and its subsidiaries, is stated in equity in accordance with the Swiss Code of Obligations.

In 2013, 7,102,407 shares were issued related to the acquisition of Merrill Lynch's International Wealth Management business. Refer to Notes 19 and 30 for details.

Compliant with the corresponding provisions of the Swiss Code of Obligations and the Banking Ordinance, the shares of Julius Baer Group Ltd. held in the trading portfolio of Bank Julius Baer & Co. Ltd. are not included in this reserve. These shares serve merely to hedge written options. The applicable conditions for purchasing treasury shares as a means of protecting shareholders' equity are not affected by this (barring the return of contributions of the Swiss Code of Obligations).

AUTHORISED CAPITAL

Refer to consolidated financial statements, Note 19.

DEBT ISSUED

Refer to consolidated financial statements, Note 16.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/participants held more than 3% of the voting rights in Julius Baer Group Ltd. as at 31 December 2014: [1]

Shareholder/participant[4]	Disclosure of purchase positions[2]	Disclosure of sale positions[3]
MFS Investment Management[5]	9.98%	
Harris Associates L.P.[6]	5.33%	
Wellington Management Company LLP[7]	5.03%	
Thornburg Investment Management[8]	4.99%	
Davis Selected Advisers L.P.[9]	4.97%	
BlackRock, Inc.[10]	4.97%	0.0024%
Bank of America Corporation[11]	3.76%	
Veritas Asset Management LLP[12]	3.16%	
Norges Bank[13]	3.01%	

[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 the above figures are based on reports made before respectively after the following events: a) capital reduction executed by cancellation of 10,240,000 registered shares of Julius Baer Group Ltd. on 22 June 2012; b) capital increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; c) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

[2] Equity securities, conversion and share purchase rights (Art. 15 para. 1 a SESTO-FINMA), granted (written) share sale rights (Art. 15 para. 1 b SESTO-FINMA) and financial instruments (Art. 15 para. 1 c and para. 2 SESTO-FINMA)

[3] Share sale rights (specifically put options) and granted (written) conversion and share purchase rights as well as financial instruments that provide for or permit cash settlement as well as other differential transactions (such as contracts for difference and financial futures)

[4] 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 www.six-exchange-regulation.com in the section Obligations > Disclosure of Shareholdings > Significant Shareholders, Julius Bär Gruppe AG

[5] MFS Investment Management, Boston/USA, and its subsidiaries (reported on 30 December 2013)

[6] Harris Associates L.P., Chicago/USA (reported on 3 September 2013)

[7] Wellington Management Company LLP, Boston/USA (reported on 18 December 2013)

[8] Thornburg Investment Management, Santa Fe/USA, as investment manager on behalf of clients (reported on 28 April 2014)

[9] Davis Selected Advisers L.P., Tucson/USA, as investment advisor (reported on 28 March 2014)

[10] BlackRock, Inc., New York/USA, and its subsidiaries (reported on 20 August 2012)

[11] Bank of America Corporation, Charlotte/USA, and its directly and indirectly held subsidiaries (reported on 16 August 2012)

[12] Veritas Asset Management LLP, London/UK, as investment manager on behalf of clients (reported on 30 June 2014)

[13] Norges Bank, Oslo/Norway (reported on 22 July 2013)

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

		Number of shares
Shareholdings of the members of the Board of Directors[1]		
Daniel J. Sauter – Chairman	**2014**	**107,192**
	2013	73,982
Gilbert Achermann	**2014**	**5,260**
	2013	2,660
Andreas Amschwand	**2014**	**5,260**
	2013	2,660
Heinrich Baumann	**2014**	**10,987**
	2013	8,327
Leonhard H. Fischer (left the Board in April 2014)	**2014**	**n.a.**
	2013	4,660
Claire Giraut	**2014**	**14,550**
	2013	11,950
Gareth Penny	**2014**	**18,260**
	2013	15,660
Charles G. T. Stonehill	**2014**	**15,920**
	2013	13,260
Total	**2014**	**177,429**
Total	2013	133,159

[1] Including shareholdings of related parties

None of the Board members held any option positions in Julius Baer Group Ltd. shares as at year-end 2014 and 2013.

As of 2014, share ownership guidelines for the members of the Board of Directors and the members of the Executive Board have been introduced.

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, respectively.

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.

Board members who were elected and/or re-elected in 2014 (i.e. all current Board members) are required to reach the targeted number of shares by year-end 2017.

Shareholdings of the members of the Executive Board[1]		Number of shares
Boris F.J. Collardi, Chief Executive Officer	**2014**	**224,200**
	2013	125,000
Dieter A. Enkelmann, Chief Financial Officer	**2014**	**84,578**
	2013	58,911
Jan A. Bielinski, Chief Communications Officer	**2014**	**31,039**
	2013	27,639
Gregory F. Gatesman, Chief Operating Officer (joined in February 2013)	**2014**	**6,000**
	2013	-
Christoph Hiestand, General Counsel	**2014**	**4,943**
	2013	4,807
Bernhard Hodler, Chief Risk Officer	**2014**	**28,542**
	2013	12,017
Bernard Keller, Private Banking Representative	**2014**	**22,046**
	2013	20,109
Total	**2014**	**401,348**
Total	2013	248,483

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions in Julius Baer Group Ltd. shares as at year-end 2014 and 2013.

As of 2014, share ownership guidelines for the members of the Board of Directors and the members of the Executive Board have been introduced.

The CEO is required to build up and maintain 100,000 vested shares of Julius Baer Group Ltd., the other members of the Executive Board the lower of 2.5 times the base salary or 30,000 shares.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years (and reached at year-end of the respective year) and maintained upon leaving the Julius Baer Group. The current members of the Executive Board are required to reach the targeted level by year-end 2016.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 15 APRIL 2015

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2014 financial year of CHF 177,460,488, consisting of net profit for the financial year in the amount of CHF 173,703,998 plus CHF 3,756,490 of retained earnings brought forward from the prior financial year, be distributed as follows:

- Allocation to other reserves:
  CHF 175,000,000
- Balance brought forward:
  CHF 2,460,488

- Dividend of CHF 1.00
  per share at CHF 0.02 par value
- Total dividends on the 223,809,448 shares
  entitled to dividends:
  CHF 223,809,448
  Total distribution, fully charged to share premium reserve/capital contribution reserve

DIVIDENDS

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
Dividend per share	1.00	-	1.00

The dividends will be paid from 21 April 2015.

On behalf of the Board of Directors

The Chairman

Daniel J. Sauter

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

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Julius Baer Group Ltd., Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Julius Baer Group Ltd., which comprise the balance sheet, income statement and notes (pages 156 to 162) for the year ended 31 December 2014.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

KPMG

Julius Baer Group Ltd., Zurich
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act ("AOA") and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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

Philipp Rickert
Licensed Audit Expert
Auditor in Charge

Cataldo Castagna
Licensed Audit Expert

Zurich, 30 January 2015

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Moscow, Singapore to Tokyo.

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