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Prospectus dated 21 June 2019

Julius Bär

Julius Baer Group Ltd.

CHF 350,000,000 2.375% Perpetual Tier 1 Subordinated Bonds (the "2019 CHF Tier 1 Bonds")

Issuer's Name and registered office:	Julius Baer Group Ltd., Bahnhofstrasse 36, CH-8001 Zürich, Switzerland (the "**Issuer**")
Size and Denomination:	CHF 350,000,000; CHF 5,000 (the "**Original Notional Amount**").
Currency:	CHF
Issue Date:	25 June 2019 (the "**Issue Date**")
Maturity:	The 2019 CHF Tier 1 Bonds are perpetual securities in respect of which there is no fixed Redemption Date (as defined in the Terms of the Bonds) and shall only be redeemed or purchased in the manner and subject to the conditions specified in Condition 3 (*Redemption, Purchase and Cancellation*). The 2019 CHF Tier 1 Bonds will not be redeemable at any time at the option of the holders of the 2019 CHF Tier 1 Bonds (the "**Holders**" and, individually, a "**Holder**")
Interest:	The 2019 CHF Tier 1 Bonds will – subject to, *inter alia*, "*Discretionary Interest*" and "*Mandatory Interest Cancellation*" below – bear interest from (and including) the Issue Date, payable annually in arrears on 25 September in each year (each an "**Interest Payment Date**"), on the Prevailing Notional Amount (as defined below), for the first time on 25 September 2020 (long first coupon).
Interest Rate:	The rate of interest applicable to the 2019 CHF Tier 1 Bonds shall be: (i) in respect of the period from (and including) the Issue Date to (but excluding) 25 September 2025 (the "**First Reset Date**"), 2.375% *per annum*; and (ii) in respect of each successive five-year period, the first such period commencing on (and including) the First Reset Date and ending on (but excluding) the fifth anniversary of that date, the aggregate of the Benchmark Rate (as defined in the Terms of the Bonds) and the Margin.
Margin:	2.861%
Discretionary Interest:	Subject to the 2019 CHF Tier 1 Bonds being recognised as Additional Tier 1 Capital in whole or in part, the Issuer may, at its sole discretion, elect to cancel all or part of any payment of interest which is otherwise scheduled to be paid on an Interest Payment Date or the Redemption Date (if any) in the manner specified in Condition 2(b) (*Discretionary Interest*).
Mandatory Interest Cancellation:	The Issuer shall be prohibited from making any payment of interest in respect of the 2019 CHF Tier 1 Bonds otherwise scheduled to be paid on an Interest Payment Date or the Redemption Date if and to the extent that on such Interest Payment Date or Redemption Date (if any): (i) the amount of such interest otherwise due, together with (a) any interest payments or distributions to be paid or made during the Relevant Period (as defined in the Terms of the Bonds) on Parity Securities (as defined in the Terms of the Bonds), and (b) any Distributions (as defined in the Terms of the Bonds) paid or made during the Relevant Period with respect to the financial year ended

immediately prior to such Interest Payment Date or Redemption Date, in aggregate, shall exceed the amount of Distributable Items as at such Interest Payment Date or Redemption Date; or

(ii) the Issuer is prohibited by the National Regulations (as defined in the Terms of the Bonds) or the Regulator (as defined in the Terms of the Bonds), from declaring or making any distributions or other payments, in whole or in part, on, or relating to, the 2019 CHF Tier 1 Bonds or any Parity Securities.

In the event where (i) mandatory cancellation of interest only applies in part, and (ii) the Issuer elects to make such interest payment that is not prohibited to be made, the interest payable on the 2019 CHF Tier 1 Bonds shall be made *pro rata* with the interest payments or distributions on Parity Securities scheduled to be paid or made during the Relevant Period.

"**Distributable Items**" means, with respect to any Interest Payment Date or Redemption Date, the aggregate of (i) net annual profit and (ii) freely available reserves, in each case, less any amounts that must be contributed to legal reserves under the laws and regulations applicable to the Issuer, all as appearing in the Relevant Accounts for the financial year ended immediately before such Interest Payment Date or Redemption Date.

"**Relevant Accounts**" means the audited unconsolidated financial statements of the Issuer for any financial year for which a set of such financial statements has been published.

No Claim by Holders for Interest:

No Holder shall have any claim in respect of any interest or part thereof cancelled and/or not due or payable as described under "*Discretionary Interest*" or "*Mandatory Interest Cancellation*". Accordingly, such interest shall not accumulate for the benefit of the Holders and such non-payment of interest will not constitute an event of default by the Issuer for the purpose of the Terms of the Bonds or any other purpose, and the Holders shall have no right thereto whether in a liquidation, dissolution or insolvency of the Issuer or otherwise.

Restrictions following non-payment of Interest:

If, on any Interest Payment Date, payment of interest scheduled to be made on such date is not made in full on the Prevailing Notional Amount by reason of Condition 2(b) (*Discretionary Interest*) or 2(c) (*Mandatory Interest Cancellation*):

(i) the Board of Directors of the Issuer shall not directly or indirectly recommend to the shareholders of the Issuer that any Distribution (as defined in the Terms of the Bonds) – other than in the form of Ordinary Shares (as defined in the Terms of the Bonds) or other capital stock – be paid or made on any Ordinary Shares or other capital stock of the Issuer; and or

(ii) the Issuer shall not directly or indirectly redeem, purchase or otherwise acquire any Ordinary Shares or other capital stock of the Issuer other than in relation to: (a) transactions in securities effected by or for the account of customers of the Issuer or any of its Subsidiaries or in connection with the distribution or trading of, or market making in respect of such securities; (b) the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or any of its Subsidiaries; (c) a reclassification of the capital stock of the Issuer or of any of its Subsidiaries or the exchange or conversion of one class or series of such capital stock for another class or series of such capital stock; or (d) the purchase of fractional interests in shares of the capital stock of the Issuer or any of its majority-owned Subsidiaries pursuant to the provisions of any security being converted into or exchanged for such capital stock,

	in each case until the earliest of (x) the interest due and payable on the following Interest Payment Date in respect of the then Prevailing Notional Amount of all out-standing 2019 CHF Tier 1 Bonds having been paid in full to the Holders; or (y) all the 2019 CHF Tier 1 Bonds having been redeemed or purchased and cancelled in full in accordance with Condition 3 (*Redemption, Purchase and Cancellation*); or (z) the Prevailing Notional Amount of the 2019 CHF Tier 1 Bonds having been reduced to zero in accordance with Condition 8 (*Contingent and Subsequent Write-down upon the occurrence of a Write-down Trigger Event*) or Condition 9 (*Write-off upon the occurrence of a Viability Event*).
Issue Price:	The Managers have purchased the 2019 CHF Tier 1 Bonds at the price of 100.00% of their nominal amount (before commissions).
Placement Price:	According to demand
Redemption at the Option of the Issuer:	Subject to "*Redemption Conditions*" below, the 2019 CHF Tier 1 Bonds may be redeemed at the option of the Issuer in whole, but not in part, (i) at any time in the three months prior to (and including) the First Reset Date, by giving not less than fifteen (15) days' notice, or (ii) on each Interest Payment Date thereafter by giving not less than thirty (30) days' notice, to the Holders in accordance with Condition 12 (*Notices*) and notifying the date fixed for redemption at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the date fixed for such redemption. "**Prevailing Notional Amount**" means the principal amount of each 2019 CHF Tier 1 Bond outstanding at any given time, accounting for any Contingent Write-down (as defined below) or Subsequent Write-down (as defined below) that may have occurred.
Redemption for Taxation Reasons:	Subject to "*Redemption Conditions*" below and upon the occurrence of a Tax Event, the 2019 CHF Tier 1 Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than thirty (30) days' notice to the Holders in accordance with Condition 12 (*Notices*) and notifying the date fixed for redemption at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the date fixed for such redemption. "**Tax Event**" means the receipt by the Issuer of an opinion of a nationally recognised law firm or other tax adviser (which may be an accounting firm) in Switzerland experienced in such matters stating that there is more than an insubstantial risk that (i) the Issuer is not, or will not be, able to any longer obtain a tax deduction for Swiss corporate income tax purposes for any payment of interest in respect of the 2019 CHF Tier 1 Bonds, as a result of which the Issuer is, or will be, subject to more than a *de minimis* amount of additional taxes, or (ii) the Issuer is, or will become, obliged to deduct or withhold taxes under the laws or regulations of Switzerland in respect of any payments of interest to Holders in respect of the 2019 CHF Tier 1 Bonds, and in each of cases (i) and (ii) this cannot be avoided by the Issuer taking such reasonable measures available to it without any material adverse effect on, or material cost to, the Issuer (as determined by the Issuer in its sole discretion).
Redemption upon a Regulatory Event:	Upon the occurrence of a Regulatory Event, the 2019 CHF Tier 1 Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than thirty (30) days' notice to the Holders in accordance with Condition 12 (*Notices*) and notifying the date fixed for redemption at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the date fixed for such redemption. A "**Regulatory Event**" is deemed to have occurred if (i) the Issuer is notified in writing by the Regulator to the effect that the 2019 CHF Tier 1 Bonds are not eligible to be treated as Tier 1 Capital in whole or in part,

	or (ii) the National Regulations are amended with the effect that the 2019 CHF Tier 1 Bonds are not eligible to be treated as Tier 1 Capital in whole or in part.
Redemption Conditions:	Any redemption or purchase of the 2019 CHF Tier 1 Bonds (other than a redemption upon a Regulatory Event or purchases for purposes of market making) is subject to: (i) the prior approval of the Regulator, if then required; (ii) as at the date on which the notice of redemption is given and the date fixed for such redemption (or as applicable, the date of purchase), neither a Write-down Trigger Event (as defined below) having occurred and being continuing nor a Viability Event (as defined below) having occurred; and (iii) the Issuer's Group, both at the time of, and immediately following the redemption or purchase of the 2019 CHF Tier 1 Bonds, being in compliance with the Capital Requirements (as defined in the Terms of the Bonds).
Contingent Write-down and Subsequent Write-down:	If a Contingent Write-down has not previously occurred and a Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, the claims of the Holders against the Issuer to receive repayment of the Original Notional Amount on the Redemption Date (if any) shall be reduced by the relevant Write-down Amount (such reduction, a "**Contingent Write-down**") and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount. If, following a Contingent Write-down, a further Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be further reduced by the relevant Write-down Amount and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount (each such further reduction, a "**Subsequent Write-down**"). In either case, if the Write-down Amount is equal to the Original Notional Amount or the Prevailing Notional Amount (as applicable), the claims of the Holders are reduced to zero and the 2019 CHF Tier 1 Bonds shall be cancelled. "**CET1 Ratio**" means, as of the relevant Cut-off Date and expressed as a percentage, the CET1 Capital of the Issuer's Group divided by the Risk Weighted Positions, each (or their constituents) as disclosed in the Issuer's Relevant Reports. "**Cut-off Date**" means the cut-off date for the calculation of the CET1 Ratio in the Relevant Report. "**Relevant Report**" means (i) any of the Issuer's annual reports or interim reports (*Zwischenberichte*), such interim reports currently consisting of the semi-annual reports (*Halbjahresberichte*), excluding any press releases or other communications relating to or in connection with such reports or respective results, or (ii) any special report prepared by the Issuer for the purpose of calculating the CET1 Ratio, which report may be commissioned by the Regulator at any time. "**Risk Weighted Positions**" means the aggregate reported amount, in CHF, of all risk weighted positions of the Issuer's Group on a consolidated basis as calculated pursuant to the National Regulations.

"**Subsequent Trigger Test Date**" means, in respect of a Write-down Trigger Event, the earlier of:

(i) the date falling ten Business Days after the date of publication of the Relevant Report; and

(ii) the date on which the Regulator instructs or requests the Issuer to proceed with the write-down.

"**Write-down Amount**" means the amount required to be deducted from the Prevailing Notional Amount, as determined by the Issuer in consultation with the Regulator after a Write-down Trigger Event has occurred, as will (together with any substantially concurrent conversion, write-off or write-down of holders' claims in respect of any other capital instruments of the Issuer that, pursuant to their terms or by operation of law, are capable of being converted into equity, written off or written down at that time (including capital instruments with a write-down, write-off or conversion threshold equal to or higher than the Write-down Threshold Ratio, provided that the conversion, write-off or write-down in respect of capital instruments with a write-down, write-off or conversion threshold higher than the Write-down Threshold Ratio shall for that purpose take priority over any write-down of the 2019 CHF Tier 1 Bonds)), restore the CET1 Ratio back to a level equal to or, if required by the Regulator, higher than the Write-down Threshold Ratio, provided that, for the avoidance of doubt, the maximum Write-down Amount shall be equal to the Prevailing Notional Amount.

"**Write-down Date**" means the date on which the relevant Contingent Write-down or Subsequent Write-down shall become effective as specified in the relevant Write-down Trigger Event Notice, or the date on which the Prevailing Notional Amount shall be written down to zero as specified in the Viability Event Notice.

"**Write-down Threshold Ratio**" means 5.125%.

"**Write-down Trigger Event**" shall occur on the Business Day following the publication of a Relevant Report (an "Initial Trigger Test Date") if, the CET1 Ratio as per the relevant Cut-off Date of such Relevant Report is less than the Write-down Threshold Ratio and the Issuer delivers to the Listing and Principal Paying Agent within five (5) Business Days from the Initial Trigger Test Date a certificate signed by two Authorised Signatories (as defined in the Terms of the Bonds) certifying that the CET1 Ratio as per the Cut-off Date of such Relevant Report is less than the Write-down Threshold Ratio.

Viability Event:

If a Viability Event has occurred, the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be reduced to zero and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the 2019 CHF Tier 1 Bonds (*bedingte Aufhebung einer Forderung durch Übereinkunft*) and the 2019 CHF Tier 1 Bonds shall be cancelled.

"**Public Sector**" means the federal or central government or central bank in the Issuer's country of incorporation.

"**Viability Event**" means that either:

(i) the Regulator has notified the Issuer that it has determined that the write-down of the 2019 CHF Tier 1 Bonds, together with the conversion, write-down or write-off of holders' claims in respect of any other instruments that, pursuant to their terms or by operation of laws are capable of being converted into equity, written down or written off at that time, is, because customary measures to improve the Issuer's capital adequacy are at the time inadequate or unfeasible, an essential requirement to prevent the Issuer from

	becoming insolvent, bankrupt or unable to pay a material part of its debts as they fall due, or from ceasing to carry on its business; or (ii) customary measures to improve the Issuer's capital adequacy being at the time inadequate or unfeasible, the Issuer has received an irrevocable commitment of extraordinary support directly or indirectly from the Public Sector (beyond customary transactions and arrangements in the ordinary course of business) that has, or imminently will have, the effect of improving the Issuer's capital adequacy and without which, in the determination of the Regulator, the Issuer would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.
Status of the 2019 CHF Tier 1 Bonds	The Tier 1 Bonds constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves. The rights and claims of the Holders are subordinated as described in Terms of the Bonds. In the event of an order being made, or an effective resolution being passed, for the liquidation or dissolution of the Issuer, the rights and claims of a Holder against the Issuer under the 2019 CHF Tier 1 Bonds shall rank, subject to any obligations which are mandatorily preferred by law, (i) junior to the claims of all holders of unsubordinated obligations of the Issuer and all other subordinated obligations of the Issuer except the claims of all holders of Parity Securities, (ii) *pari passu* among themselves and with the claims of all holders of Parity Securities, and (iii) senior to Equity Capital and any other equivalent items of capital.
Purchases:	Subject to "*Redemption Conditions*" above, the Issuer or any of its Subsidiaries may, either directly or indirectly, at any time purchase 2019 CHF Tier 1 Bonds at any price, in the open market or otherwise subject to any prevailing limits or conditions under the National Regulations. Such 2019 CHF Tier 1 Bonds may be held, resold or, at the option of the Issuer, surrendered for cancellation.
Taxation:	All payments with respect to the 2019 CHF Tier 1 Bonds are subject all applicable taxes and deductions. As of the time of the issuance, payments of interest under the 2019 CHF Tier 1 Bonds are exempt from Swiss withholding tax. Each annual interest payment of CHF 118.75 in respect of each 2019 CHF Tier 1 Bond of CHF 5,000 is split into (i) a non-taxable option premium amount equivalent to CHF 65.45 (1.309% per annum, and (ii) a taxable interest amount, in respect to the time up to the First Reset Date of CHF 53.30 (1.066% per annum) and thereafter as set out in the section Taxation on pages 53–56.
Further Issues:	The Issuer may from time to time, without the consent of the Holders, issue further bonds and, provided that such bonds have the same terms and conditions as the 2019 CHF Tier 1 Bonds in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further bonds will be consolidated and form a single series with the 2019 CHF Tier 1 Bonds.
No Set-off:	No Holder may set off obligations against the Issuer with claims he has under the 2019 CHF Tier 1 Bonds against the Issuer.
Form:	The 2019 CHF Tier 1 Bonds will be issued in uncertificated form as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations and, upon registration in the main register (*Hauptregister*), will constitute intermediated securities (*Bucheffekten*); investors do not have the right to request the delivery of individually certificated bonds.

Listing and Trading:	The 2019 CHF Tier 1 Bonds have been provisionally admitted to trading on the SIX Swiss Exchange from 21 June 2019. The last trading day is expected to be the second dealing day prior to the Redemption Date or the Write-down Date, as applicable, in accordance with the Terms of the Bonds. Application will be made for the 2019 CHF Tier 1 Bonds to be listed on the SIX Swiss Exchange.
Listing and Principal Paying Agent:	UBS AG
Governing Law and Jurisdiction:	Swiss law, Courts of the Canton of Zurich.
Selling Restrictions:	In particular U.S.A. and U.S. Persons, U.K., Prohibition of sales to EEA retail investors and Italy
Rating of the 2019 CHF Tier Bonds:	The 2019 CHF Tier 1 Bonds are rated Baa2 (hyb) by Moody's.
Issuer Rating:	A3 by Moody's
Security Numbers:	48'101'378 | CH0481013784

UBS Investment Bank

Zürcher Kantonalbank

Bank Julius Baer

Credit Suisse
Vontobel
Luzerner Kantonalbank

Raiffeisen
Basler Kantonalbank
BNP Paribas (Suisse) SA

SafraSarasin
Banque Cantonal Vaudoise
Lombard Odier

together the **Managers**

SELLING RESTRICTIONS

United States

The 2019 CHF Tier 1 Bonds have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The 2019 CHF Tier 1 Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Bond Purchase Agreement, it will not offer, sell or deliver the 2019 CHF Tier 1 Bonds, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the 2019 CHF Tier 1 Bonds, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells 2019 CHF Tier 1 Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the 2019 CHF Tier 1 Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of 2019 CHF Tier 1 Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) received by it in connection with the issue or sale of the 2019 CHF Tier 1 Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the 2019 CHF Tier 1 Bonds in, from or otherwise involving the United Kingdom.

In June 2015, the U.K. Financial Conduct Authority published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**"). Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"):

(a) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the 2019 CHF Tier 1 Bonds, must not be sold to retail clients in the EEA; and

(b) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

European Economic Area

The 2019 CHF Tier 1 Bonds are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area (the "**EEA**"). For the purposes of this provision:

a) the expression "retail investor" means a person who is one (or more) of:

   (i) a retail client as defined in point (11) of Article 4(1) of the Markets in Financial Instruments Directive 2014/65/EU, as amended or superseded ("**MiFID II**");

   (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

   (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded).

b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the 2019 CHF Tier 1 Bonds to be offered so as to enable an investor to decide to purchase or subscribe the 2019 CHF Tier 1 Bonds.

Consequently, no key information document required by Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") for offering or selling the 2019 CHF Tier 1 Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the 2019 CHF Tier 1 Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Italy

The offering of the 2019 CHF Tier 1 Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no 2019 CHF Tier 1 Bonds may be offered, sold or delivered, and no copies of this Prospectus or of any other document relating to the 2019 CHF Tier 1 Bonds may be distributed in the Republic of Italy.

General

Neither the Issuer nor the Managers represent that the 2019 CHF Tier 1 Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of this Prospectus and the offering of the 2019 CHF Tier 1 Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the 2019 CHF Tier 1 Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Singapore

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the 2019 CHF Tier 1 Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD LOOKING STATEMENTS

This Prospectus contains various forward-looking statements, including statements of future financial and operational developments and results as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Issuer or its management, that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer to differ materially from the information presented herein. When used in this Prospectus, the words "assumes", "plans", "believes", "is of the opinion", "estimates", "projected", "intends", "anticipates", "expects", "should" and similar expressions are intended to identify such forward-looking statements and subjective assessments. Such statements are made on the basis of assumptions, estimates and expectations which, although reasonable at this time, may prove to be erroneous or unfounded in the future. The risks and uncertainties facing the Issuer that could affect the future accuracy of these forward-looking statements include, but are not limited to, the factors discussed under "Risk Factors" and elsewhere. If any of these risks or uncertainties materialises or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Investors in the 2019 CHF Tier 1 Bonds are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this Prospectus. The Issuer undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or reflect any change in the Issuer's expectations.

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Holders should consider carefully, among other things and in light of their financial circumstances and investment objectives, all the information contained in this Prospectus and, in particular, the specific risk factors set out below, before making an investment decision with respect to the 2019 CHF Tier 1 Bonds. The risks described below may not be the only risks to which the Issuer's and the legal entities of the Issuer, the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer (the "Julius Baer Group") or the Holders are exposed. The additional risks not presently known or currently deemed immaterial may also impair the Issuer's business, results of operations, financial condition and prospects. The realisation of one or more of these risks could individually or together with other circumstances adversely affect the Issuer's business, results of operations, financial condition and prospects. In addition, each of the risks set out below could adversely affect the trading price of the 2019 CHF Tier 1 Bonds or lead to interest not being paid on them or their principal amount being written down as a result of any of which Holders may lose part or all of their investment. This Prospectus may also contain forward-looking statements that involve risks and uncertainties. The Issuer's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks it faces that are described below and elsewhere in this Prospectus. The selected sequence of the risk factors mentioned below represents neither a statement about the probability of the risks' realisation nor an assessment of the extent of the economic effects or the importance of the risks. Defined terms used in this section shall have the meanings assigned to them elsewhere in this Prospectus.

Risks Related to the 2019 CHF Tier 1 Bonds

The 2019 CHF Tier 1 Bonds are complex financial instruments.

The 2019 CHF Tier 1 Bonds are complex financial instruments. As a result, an investment in the 2019 CHF Tier 1 Bonds will involve increased risks. Each potential investor in the 2019 CHF Tier 1 Bonds must determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the 2019 CHF Tier 1 Bonds, the merits and risks of investing in the 2019 CHF Tier 1 Bonds and the information contained in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's particular financial situation, an investment in the 2019 CHF Tier 1 Bonds and the impact the 2019 CHF Tier 1 Bonds will have on the investor's overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the 2019 CHF Tier 1 Bonds including a total loss of the investment; and (iv) be able to evaluate (either alone or with the help of financial, legal or tax advisors) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and the investor's ability to bear the applicable risks.

Before investing in the 2019 CHF Tier 1 Bonds, each potential investor should have understood thoroughly the Terms of the Bonds and be familiar with them and the content of this Prospectus and any applicable supplement.

The 2019 CHF Tier 1 Bonds are perpetual securities which have no scheduled maturity.

The 2019 CHF Tier 1 Bonds are perpetual securities, which means they have no scheduled maturity or redemption date. The Issuer is under no obligation to redeem the 2019 CHF Tier 1 Bonds at any time. The 2019 CHF Tier 1 Bonds may, subject to the conditions to redemption set out in Condition 3(b) (*Conditions to Redemption and Purchase*) of the Terms of the Bonds, be redeemed at the option of the Issuer at any time in the three months prior to (and including) the First Reset Date, or on any Interest Payment Date thereafter or, in certain circumstances as specified in the Terms of the Bonds, before that date. There can be no assurance, however, that the Issuer will opt to redeem the 2019 CHF Tier 1 Bonds at any time. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the 2019 CHF Tier 1 Bonds for an indefinite period of time.

The likelihood of an occurrence of a write-down of the 2019 CHF Tier 1 Bonds is material for the purpose of assessing an investment in the 2019 CHF Tier 1 Bonds. The 2019 CHF Tier 1 Bonds may be written down in part or to zero.

Holders will lose the entire amount of their investment in the 2019 CHF Tier 1 Bonds upon the occurrence of a Viability Event and may lose part or the entire amount of their investment upon the occurrence of a Write-down Trigger Event. Upon the occurrence of a Viability Event, the full principal amount of the 2019 CHF Tier 1 Bonds will automatically be written down to zero and the 2019 CHF Tier 1 Bonds will be cancelled. Upon the occurrence of a Write-down Trigger Event, the Prevailing Notional Amount of the 2019 CHF Tier 1 Bonds will be reduced by the relevant Write-down Amount and, where 2019 CHF Tier 1 Bonds are written down to zero upon the occurrence of a Write-down Trigger Event, the 2019 CHF Tier 1 Bonds will be cancelled. Any write-down will be permanent and irrevocable, meaning that the 2019 CHF Tier 1 Bonds, if written down, will not be written up subsequently.

The circumstances that may trigger a write-down are unpredictable.

The occurrence of a Write-down Trigger Event or Viability Event is inherently unpredictable and depends on a number of factors, any of which may be outside of the Issuer's control.

In particular, the occurrence of a Write-down Trigger Event depends, in part, on the calculation of the CET1 Ratio, which can be affected, among other things, by the growth of the Issuer's business (including by way of acquisitions, takeovers or any joint ventures which the Issuer may conduct from time to time) and its future earnings or losses, expected distribution of profits by the Issuer, regulatory changes (including possible changes in regulatory capital definitions and calculations), the Issuer's ability to manage Risk Weighted Positions across its various businesses, or otherwise. A Write-down Trigger Event shall occur on the Business Day following the publication of a Relevant Report if (among other things) the CET1 Ratio as per the relevant Cut-off Date of such Relevant Report is less than 5.125%. Although the Issuer reports the Issuer's Group CET1 Ratio in its annual and half-year reports, the Swiss Financial Market Supervisory Authority (FINMA) as part of its supervisory activity may instruct the Issuer to calculate the CET1 Ratio of the Issuer's Group of any date during such periods.

The occurrence of a Viability Event is dependent upon, among other things, the subjective determination of the FINMA regarding the viability of the Issuer. It is up to the FINMA to determine whether a write-down of the Prevailing Notional Amount of the 2019 CHF Tier 1 Bonds to zero is an essential requirement to prevent the Issuer from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business because customary measures to improve the Issuer's capital adequacy are inadequate or unfeasible. The respective circumstances are beyond the control of the Issuer.

Additionally, if customary measures to improve the Issuer's capital adequacy are inadequate or infeasible and, as a result, the Issuer has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course of business), it is up to the FINMA to determine whether the Issuer would have become insolvent, bankrupt, unable to pay a material portion of its debts as they fall due or unable to carry on its business without such extraordinary support, and the FINMA has considerable discretion in making such determination. As a result, the FINMA may require, or the Swiss federal government may take actions contributing to the occurrence of, a write-down in circumstances that are beyond the control of the Issuer and with which the Issuer does not, at the relevant time, agree.

Because of the inherent uncertainty regarding the determination of whether a Write-down Trigger Event or Viability Event has occurred, it will be difficult to predict when, if at all, a write-down of the 2019 CHF Tier 1 Bonds will occur. Accordingly, trading behaviour in respect of the 2019 CHF Tier 1 Bonds may not follow trading behaviour associated with other types of subordinated securities. Any indication that the Issuer is heading towards a condition that could result in the occurrence of a Write-down Trigger Event or a Viability Event can be expected to have an adverse effect on the market price of the 2019 CHF Tier 1 Bonds.

The rights of Holders of the 2019 CHF Tier 1 Bonds may be adversely affected by powers of the FINMA allowing it to order protective measures, institute restructuring proceedings, exercise any other resolution powers or institute liquidation proceedings with respect to the Issuer.

The resolution regime under Swiss banking laws and regulations applies not only to duly licensed banks in Switzerland, such as the Issuer's subsidiary and principal operating entity Bank Julius Baer & Co. Ltd., but also to a parent company of a financial group, such as the Issuer. As a consequence, the FINMA is able to exercise its broad statutory powers thereunder with respect to the Issuer, including the ordering of protective measures, the institution of restructuring proceedings (and the exercise of any resolution powers in connection therewith), and the institution of liquidation proceedings. If the FINMA were to, at any time, open restructuring proceedings with respect to the Issuer, it would be able to exercise its resolution powers to, among other things, fully or partially write-down the principal of, and cancel, the 2019 CHF Tier 1 Bonds, if not already written down pursuant to their terms. In such a case, Holders of the 2019 CHF Tier 1 Bonds would lose all or some of their investment in the 2019 CHF Tier 1 Bonds. In addition, if the FINMA were to order any restructuring protective measures that would require or result in the deferment of payment of principal and/or interest under the 2019 CHF Tier 1 Bonds, no such payment of principal or interest, as applicable, would be due and payable under the 2019 CHF Tier 1 Bonds until permitted by the FINMA (as set forth in the relevant order or as otherwise notified by the FINMA), and such non-payment would not constitute a default or an event of default. As a result, all payments on the 2019 CHF Tier 1 Bonds may cease after the exercise of any resolution power with respect to the Issuer, the ordering of any restructuring protective measures or the institution of liquidation proceedings.

There can be no assurance that the taking of any actions by the FINMA under the above-described resolution regime would not adversely affect the rights of Holders of the 2019 CHF Tier 1 Bonds, the price or value of an investment in the 2019 CHF Tier 1 Bonds and/or the Issuer's ability to satisfy its obligations under the 2019 CHF Tier 1 Bonds.

FINMA has broad statutory powers to take measures in relation to banks.

According to article 25 *et seqq*. of the Swiss Banking Act, the FINMA has broad statutory powers to take measures in relation to banks (and their parent companies) if they (i) are overindebted, (ii) have serious liquidity problems or (iii) fail to fulfil the applicable capital-adequacy provisions after expiry of a deadline set by the FINMA. If one of these prerequisites is met, the FINMA is authorised (a) to open restructuring proceedings (*Sanierungsverfahren*) or (b) to open liquidation (*bankruptcy*) proceedings (*Bankenkonkurs*) or (c) to impose protective measures (*Schutzmassnahmen*) even if, at that time, a Write-down Trigger Event or a Viability Event with respect to the Issuer has not occurred. The Swiss Banking Act grants significant discretion to the FINMA. In particular, protective measures that may be imposed by the FINMA include a broad variety of measures such as a (bank) moratorium (*Stundung*) or a maturity postponement (*Fälligkeitsaufschub*) and may be ordered by the FINMA either on a stand-alone basis or in connection with reorganisation or liquidation proceedings. In a restructuring proceeding, the resolution plan may, among other things, provide for (i) the transfer of the property of banks/parent companies or parts thereof with assets and debt as well as contracts to another entity, or (ii) haircuts on obligations owed by banks/parent companies.

Other regulatory capital instruments may not be subject to a write-down.

The terms and conditions of other regulatory capital instruments already in issue or to be issued after the date hereof by the Issuer or any of its subsidiaries may vary and accordingly such instruments may not be written down at the same time, or to the same extent, as the 2019 CHF Tier 1 Bonds, or at all. In particular, regulatory capital instruments issued by the Issuer with terms that require such instruments to be converted into equity or written down when a capital measure falls below a threshold that is equal or higher than the Write-down Threshold Ratio, may not be converted or written down in case of the occurrence of a Write-down Trigger Event if the relevant capital measure for triggering a conversion or write-down, as the case may be, under those instruments is calculated differently from the CET1 Ratio. Furthermore, regulatory capital instruments issued by the Issuer with terms that require such instruments to be converted into equity or written down when a capital measure falls below a threshold that is lower than the Write-down Threshold Ratio may be converted or written down only after the 2019 CHF Tier 1 Bonds have been fully written down.

Holders will bear the risk of fluctuations in the CET1 Ratio.

The market price of the 2019 CHF Tier 1 Bonds is expected to be affected by fluctuations in the CET1 Ratio or the Total Capital Ratio as defined below in "*Information regarding the CET1 Ratio and Swiss capital ratios*". Fluctuations in the CET1 Ratio may be caused by changes in the amount of CET1 Capital or the amount of Risk Weighted Positions (each of which shall be calculated by the Issuer's Group on a consolidated basis), as well as changes to their respective definitions under relevant capital adequacy standards and guidelines. Any indication or expectation that the CET1 Ratio is trending towards a Write-down Trigger Event can be expected to have a material adverse effect on the market price of the 2019 CHF Tier 1 Bonds. Changes in the Total Capital Ratio may be caused by changes in total capital or the respective amount of Risk Weighted Positions (each of which shall be calculated by the Issuer's Group on a consolidated basis).

Interest payments may be cancelled.

Payment of interest, if any, on any Interest Payment Date is at the sole discretion of the Issuer. The Issuer may elect not to pay interest, in whole or in part, on any Interest Payment Date or Redemption Date (if any).

In addition, payments of interest on any Interest Payment Date or Redemption Date (if any) will mandatorily be limited and will not be paid, or not paid fully to the extent:

(i) the amount of such interest otherwise due, together with (x) any interest payments or distributions paid or made, or scheduled to be paid or made, during the Relevant Period on Parity Securities, and (y) any Distributions paid or made, or scheduled to be paid or made, during the Relevant Period with respect to the financial year ended immediately prior to such Interest Payment Date or Redemption Date, shall exceed the amount of Distributable Items as at such Interest Payment Date or Redemption Date; or

(ii) the Issuer is prohibited, by National Regulations or an order of the Regulator, from declaring or making any distributions or other payments, in whole or in part, on, or relating to, the 2019 CHF Tier 1 Bonds or any Parity Securities.

In the event where (x) mandatory cancellation of interest only applies in part, and (y) the Issuer elects to make such interest payment that is not prohibited to be made, the interest payable on the 2019 CHF Tier 1 Bonds shall be made partially only and *pro rata* with the interest payments or distributions on Parity Securities scheduled to be paid or made during the Relevant Period.

Any interest which is not paid, in accordance with Condition 2(b) (*Discretionary Interest*) or Condition 2(c) (*Mandatory Interest Cancellation*) of the Terms of the Bonds, shall not accumulate or be payable at any time thereafter, and such non-payment will not constitute an event of default by the Issuer, and the Holders shall have no right thereto whether in a liquidation, dissolution or insolvency of the Issuer or otherwise.

The interest rate on the 2019 CHF Tier 1 Bonds will be reset on the First Reset Date, which can be expected to affect the interest payment on an investment in the 2019 CHF Tier 1 Bonds and the market value of the 2019 CHF Tier 1 Bonds.

The 2019 CHF Tier 1 Bonds will initially earn interest at a fixed rate of 2.375% per annum until the First Reset Date. From the First Reset Date, however, the fixed interest rate in respect of the 2019 CHF Tier 1 Bonds will be reset periodically every five years a rate which will be equal to the sum of the Benchmark Rate plus the Margin on the Interest Determination Date. Such reset rate could be less than the original interest and could affect the market value of an investment in the 2019 CHF Tier 1 Bonds. A Holder of the 2019 CHF Tier 1 Bonds is thus exposed to the risk that the market price of such security might fall as a result of changes in the current interest rate on the capital markets.

The 2019 CHF Tier 1 Bonds have a reset rate based on a "benchmark", and any discontinuation or reform of such benchmark may adversely affect the value of and return on the 2019 CHF Tier 1 Bonds.

The Reset Rate of Interest for a Relevant Five-Year Period is the aggregate of the Margin and the Five-year CHF Mid-Market Swap Rate for that Relevant Five-Year Period. The Five-year CHF Mid-Market Swap Rate (which is currently the rate displayed on GOTTEX page "CHF Interest Rate Swaps vs LIBOR") is calculated by reference to LIBOR, a "benchmark" that is the subject of ongoing national and international regulatory scrutiny and reform. On 27 July 2017, the United Kingdom Financial Conduct Authority (the "**FCA**") announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. These reforms may cause LIBOR (and, as a consequence, the Five-year CHF Mid-Market Swap Rate) to perform differently to how it has performed in the past or to be discontinued entirely and may have other consequences that cannot be predicted. Any such consequences could adversely affect the value of and return on the 2019 CHF Tier 1 Bonds.

Any of the proposals for reform or the general increased regulatory scrutiny of LIBOR could increase the costs and risks of administering or otherwise participating in the setting of LIBOR and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to LIBOR, trigger changes in the rules or methodologies used in LIBOR or lead to the discontinuation or unavailability of quotes of LIBOR and, therefore, the Five-year CHF Mid-Market Swap Rate.

To the extent that the Issuer determines on an Interest Determination Date that the Five-year CHF Mid-Market Swap Rate has been discontinued, the Rate of Interest will be determined using an Alternative Benchmark Rate (as defined in the Terms of the Bonds) with such adjustments as may be necessary to make the Alternative Benchmark Rate comparable to the Five-year CHF Mid-Market Swap Rate had it not been discontinued. These alternative methods to determine the Rate of Interest may result in interest payments that are lower than or that do not otherwise correlate over time with the payments that would have been made on the 2019 CHF Tier 1 Bonds if the Five-year CHF Mid-Market Swap Rate was available in its current form. Further, the same costs and risks that may lead to the discontinuation or unavailability of LIBOR (and as a consequence, the Five-year CHF

Mid-Market Swap Rate) may make one or more of these alternative methods impossible or impracticable to determine. Any of the foregoing may have an adverse effect on the value of the 2019 CHF Tier 1 Bonds.

Holders are subject to interest rate risks.

Interest rate risk is defined as the impact of potential changes in interest rates on the market value of the respective assets and liabilities, in general, and of the 2019 CHF Tier 1 Bonds, specifically.

Because the 2019 CHF Tier 1 Bonds bear a fixed rate of interest (reset periodically), an investment in the 2019 CHF Tier 1 Bonds involves the risk that if market interest rates subsequently increase above the prevailing rate paid on the 2019 CHF Tier 1 Bonds, it will adversely affect the market value of the 2019 CHF Tier 1 Bonds.

Credit ratings may not reflect all risks. Changes to the credit ratings could affect the value of the 2019 CHF Tier 1 Bonds.

One or more independent credit rating agencies may assign credit ratings to the 2019 CHF Tier 1 Bonds. The 2019 CHF Tier 1 Bonds are rated Baa2 (hyb) by Moody's. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the 2019 CHF Tier 1 Bonds. There can be no assurance that the methodology of a rating agency will not evolve or that such rating will not be suspended, reduced or withdrawn at any time by such rating agency. Further, such credit rating may be revised downwards in the event of a deterioration in the capital position or viability of the Issuer. A rating is not a recommendation to buy, sell or hold the 2019 CHF Tier 1 Bonds and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency.

There are no restrictions from issuing further securities, debt or guarantees which rank senior to or pari passu with the 2019 CHF Tier 1 Bonds.

There is no restriction on the amount or type of securities or indebtedness or liabilities which the Issuer may issue, guarantee or otherwise incur. In particular, such other securities or indebtedness or liabilities may rank senior to the 2019 CHF Tier 1 Bonds or *pari passu* with the 2019 CHF Tier 1 Bonds. The issue of any such securities or debt or guarantees may reduce the amount, if any, recoverable by the Holders in a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against the Issuer, or may increase the likelihood that the Issuer may elect to cancel or be obliged to cancel payments of interest under the 2019 CHF Tier 1 Bonds. Consequently, the Holders could suffer direct and materially adverse consequences, including the loss of all interest and principal.

The Issuer may redeem the 2019 CHF Tier 1 Bonds under certain circumstances.

The 2019 CHF Tier 1 Bonds may (subject to the satisfaction of certain conditions, as set out in Condition 3 (*Redemption, Purchase and Cancellation*)) be redeemed at the option of the Issuer at any time in the three months prior to (and including) the First Reset Date, or on any Interest Payment Date following the First Reset Date; or (ii) following the occurrence of a Regulatory Event or a Tax Event (see Condition 3 (*Redemption, Purchase and Cancellation*)).

For instance, the Issuer may exercise its option to redeem the 2019 CHF Tier 1 Bonds when its cost of borrowing is lower than the interest rate payable by the Issuer on the 2019 CHF Tier 1 Bonds. There can be no assurance that, at the relevant time, Holders will be able to reinvest the amounts received upon redemption, if any, at a rate that will provide the same return as their investment in the 2019 CHF Tier 1 Bonds. Prospective investors should consider reinvestment risk in light of other investments available at that time.

In addition, the optional redemption feature of the 2019 CHF Tier 1 Bonds is likely to limit their market value. During any period when the Issuer has the right to elect to redeem the 2019 CHF Tier 1 Bonds, the market value of the 2019 CHF Tier 1 Bonds generally will not rise substantially above the price at which they can be redeemed. There is no requirement to redeem the 2019 CHF Tier 1 Bonds or any other capital instruments of the Issuer on a *pro rata* basis or otherwise upon the occurrence of any event giving the Issuer the right to redeem the 2019 CHF Tier 1 Bonds prior to maturity. Also, upon the occurrence of any event giving the Issuer the right to redeem the 2019 CHF Tier 1 Bonds prior to maturity, the Issuer, may, instead of redeeming the 2019 CHF Tier 1 Bonds, choose to redeem other outstanding capital instruments if the terms of those capital instruments so provide, leaving the Holders of the 2019 CHF Tier 1 Bonds subject to the risk of a Contingent Write-down, Subsequent Write-down or write-off upon the occurrence of a Viability Event while other investors are redeemed at par or other advantageous prices.

Any redemption of the 2019 CHF Tier 1 Bonds on the First Reset Date or on any later date thereafter, or following a Tax Event at any time will be subject to the consent of the FINMA, which pursuant to applicable Swiss regulations requires, among other things, that at the time of the redemption the Issuer (i) in the case of a replacement of capital, issues at least equivalent capital in the same amount, or (ii) without a replacement of capital, has capital in an amount that is materially above the minimum capital requirements. This requirement may result in the Issuer not being able to redeem the 2019 CHF Tier 1 Bonds even when it would appear likely to do so, which would leave the Holders of the 2019 CHF Tier 1 Bonds at risk of a Contingent Write-down, Subsequent Write-down or write-off upon the occurrence of a Viability Event notwithstanding the occurrence of an event that would otherwise give rise to redemption at the Prevailing Notional Amount.

The Issuer's obligations under the 2019 CHF Tier 1 Bonds are deeply subordinated.

In the event of an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer, but no Write-down Trigger Event or a Viability Event has occurred, the rights and claims of the Holders against the Issuer (including any damages awarded for breach of any obligation) in respect of or arising under the 2019 CHF Tier 1 Bonds will rank, subject to any obligations which are mandatorily preferred by law, (i) junior to the claims of all holders of unsubordinated obligations of the Issuer and all other subordinated obligations of the Issuer except the claims of all holders of Parity Securities (the "**Senior Obligations**"), (ii) *pari passu* among themselves and with the claims of all holders of Parity Securities, and (iii) senior to Equity Capital and any other equivalent items of capital.

Therefore, even if no Write-down Trigger Event or a Viability Event has occurred, if the Issuer were liquidated or dissolved, the liquidator of the Issuer would first apply assets of the Issuer to satisfy all rights and claims of holders of Senior Obligations. If the Issuer does not have sufficient assets to settle claims of holders of Senior Obligations in full, the claims of the Holders under the 2019 CHF Tier 1 Bonds will not be settled and, as a result, the Holders will lose the entire amount of their investment in the 2019 CHF Tier 1 Bonds.

In addition, Holders should be aware that, upon the occurrence of a Write-down Trigger Event, parts of the principal amount or the full principal amount of the 2019 CHF Tier 1 Bonds may automatically be written down. Upon the occurrence of a Write-down Trigger Event leading to a full write-down of the principal amount or upon the occurrence of a Viability Event, the full principal amount of the 2019 CHF Tier 1 Bonds will automatically be written down to zero and the 2019 CHF Tier 1 Bonds will be cancelled, and, as a result, the Holders will lose the entire amount of their investment in the 2019 CHF Tier 1 Bonds irrespective of whether the Issuer has sufficient assets available to settle the claims of the Holders under the 2019 CHF Tier 1 Bonds or other securities subordinated to the same or greater extent than the 2019 CHF Tier 1 Bonds, in bankruptcy proceedings or otherwise. As a result, even if other bonds or other securities that rank *pari passu* with or junior to the 2019 CHF Tier 1 Bonds are paid in full, following a write-down, the Holders of the 2019 CHF Tier 1 Bonds will have no rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount.

There are limited remedies available under the 2019 CHF Tier 1 Bonds. There are no events of default or acceleration rights.

In accordance with the requirements for tier 1 instruments, the 2019 CHF Tier 1 Bonds contain no events of default. Holders have no acceleration rights in respect of the 2019 CHF Tier 1 Bonds. Holders are only entitled to claim redemption of the Prevailing Notional Amount, if any, of the 2019 CHF Tier 1 Bonds in case of the Issuer's bankruptcy, dissolution or liquidation. Even if, at that time, a Write-down Trigger Event or a Viability Event with respect to the Issuer has not occurred, rights of the Holders in bankruptcy proceedings (*Konkursverfahren*) or any form of restructuring proceedings (*Sanierungsverfahren*) in relation to the Issuer are also limited.

Changes in law.

The Terms of the Bonds are based on Swiss law (including tax law) in effect as at the date of this Prospectus and the description of the effects thereof. Such laws and the interpretation thereof have been and are subject to change. No assurance can be given as to the impact of any possible judicial decision or change to Swiss law (including changes in tax legislation, rulings and interpretations of existing tax laws that may affect the tax situation of the Julius Baer Group) or administrative practice in Switzerland after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the 2019 CHF Tier 1 Bonds.

In particular, any amendment or replacement of the Swiss Banking Act or any amendment, replacement or implementation of an implementing ordinance or other implementing regulation and any change in their application in respect of the applicable provisions of the Swiss Banking Act or other regulation in respect of the Issuer, systemically relevant banks or generally could impact the calculation of the CET1 Ratio, the CET1 Capital and the Risk Weighted Positions. Furthermore, because the occurrence of a Write-down Trigger Event depends, in part, on the calculation of the CET1 Ratio, any change in Swiss law that affects the calculation of the CET1 Ratio would also affect the determination of whether a Write-down Trigger Event Notice must be given (i.e., whether a Write-down Trigger Event will occur). Any such amendment which impacts the calculation of any of the aforementioned ratios can be expected to have an adverse effect on the market value of the 2019 CHF Tier 1 Bonds.

The 2019 CHF Tier 1 Bonds are not deposit liabilities of the Issuer and will not be insured by any depositor protection scheme or any other government guarantee or compensation or insurance scheme.

The 2019 CHF Tier 1 Bonds are not deposit liabilities of the Issuer and will not be covered by the Swiss Banks and Securities Dealers' Depositor Protection Association (*Einlagensicherung*) nor by any other government compensation or insurance scheme. In the event of the insolvency of the Issuer, a Holder may lose all or some of its investment in the 2019 CHF Tier 1 Bonds.

No voting rights.

The 2019 CHF Tier 1 Bonds do not carry voting rights at shareholders' meetings. Consequently, the Holders cannot influence, *inter alia*, any decisions by the Issuer's shareholders concerning the capital structure of the Issuer.

Risks relating to the Market Generally

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to assess the Terms of the Bonds (including those provisions relating to the Write-down of the 2019 CHF Tier 1 Bonds) and to determine whether and to what extent (i) 2019 CHF Tier 1 Bonds are legal investments for it, (ii) 2019 CHF Tier 1 Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any 2019 CHF Tier 1 Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of 2019 CHF Tier 1 Bonds under any applicable risk-based capital or similar rules.

A trading market may not develop for the 2019 CHF Tier 1 Bonds.

The 2019 CHF Tier 1 Bonds are complex financial instruments and, notwithstanding the fact that the 2019 CHF Tier 1 Bonds are expected to be listed and traded on the SIX Swiss Exchange, a trading market may never develop. The Issuer does not intend to apply for the 2019 CHF Tier 1 Bonds to be traded on any other exchange. The Issuer cannot assure investors that an active trading market in the 2019 CHF Tier 1 Bonds will develop on the SIX Swiss Exchange or, if a market does develop, of the nature of such trading market. Even if an active trading market does develop, no one, including the Managers, is required to maintain its liquidity, if any. Holders may not be able to sell their 2019 CHF Tier 1 Bonds easily or at prices that will provide them with any yield or a yield comparable to similar investments that have a developed secondary market.

The market value of the 2019 CHF Tier 1 Bonds may be influenced by a variety of factors.

Many factors, most of which are beyond the Issuer's control, will influence the value of the 2019 CHF Tier 1 Bonds and the price, if any, at which securities dealers may be willing to purchase or sell the 2019 CHF Tier 1 Bonds in the secondary market, including:

(i) the creditworthiness of the Issuer and, in particular, the level of the Issuer's capital ratios from time to time;

(ii) supply and demand for the 2019 CHF Tier 1 Bonds, including inventory with any securities dealer; and

(iii) economic, financial, political or regulatory events or judicial decisions that affect the Issuer or the financial markets generally.

Accordingly, if a Holder sells its 2019 CHF Tier 1 Bonds in the secondary market, it may not be able to obtain a price equal to the principal amount of the 2019 CHF Tier 1 Bonds or a price equal to the price that it paid for the 2019 CHF Tier 1 Bonds.

Payments on or with respect to the 2019 CHF Tier 1 Bonds may be subject to US withholding under FATCA.

The Issuer and other financial institutions through which payments on the 2019 CHF Tier 1 Bonds are made may be required to withhold at a rate of up to 30 % on all, or a portion of, payments pursuant to Sections 1471 through 1474 of the US Internal Revenue Code (commonly referred to as "**FATCA**").

The Issuer is a foreign financial institution ("**FFI**") for the purposes of FATCA. If the Issuer is required, or agrees, to provide certain information about its account holders pursuant to a FATCA agreement with the US Internal Revenue Service (i.e. the Issuer is a "**Participating FFI**") then withholding may be triggered if: (i) payments on the 2019 CHF Tier 1 Bonds are classified as "foreign passthru payments" for purposes of FATCA and (ii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a US person or should otherwise be treated as holding a "United States Account" of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any FFI that is an investor, or through which payment on the 2019 CHF Tier 1 Bonds is made, is not a Participating FFI or otherwise exempt from being withheld upon under FATCA.

The United States and Switzerland entered into an intergovernmental agreement to facilitate the implementation of FATCA (an "**IGA**"). Under the US-Switzerland IGA, financial institutions acting out of Switzerland generally are directed to become Participating FFIs. The agreement ensures that accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. The United States has entered into IGAs with a number of jurisdictions besides Switzerland and is in the process of negotiating or in dialogue regarding IGAs with other jurisdictions.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the 2019 CHF Tier 1 Bonds, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a paying agent or any other party as a result of the deduction or withholding of such amount. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

An FFI investor that is not a Participating FFI and that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

There is a grandfathering rule that generally exempts payments made with respect to obligations that are classified as indebtedness for US federal income purposes that are issued before the date that is six months after the publication of regulations defining the term foreign passthru payment. However, the terms of the 2019 CHF Tier 1 Bonds make it uncertain that they will be classified as indebtedness for these purposes.

Significant aspects of the application of FATCA are not currently clear. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

Risk-hedging transactions.

The ability to eliminate or to restrict the risks of the 2019 CHF Tier 1 Bonds arising from their purchase by concluding any hedging transactions depends mainly on the market conditions and the terms and conditions of the specific security. As a consequence, such transactions – if at all possible – may be concluded at unfavourable market prices to the effect that corresponding losses may arise. Prospective investors should therefore not rely on the ability to conclude transactions at any time that will allow them to offset or limit relevant risks.

Inflation risk.

Inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on a 2019 CHF Tier 1 Bond. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or negative.

In certain instances the Terms of the Bonds may be amended without the consent of a Holder.

Certain statutory provisions of Swiss law may apply to the 2019 CHF Tier 1 Bonds, which allow for the calling of meetings of the Holders to consider matters affecting their interests. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

Risks Related to the Issuer

Unless indicated otherwise, all references to the Issuer in the risk factors set out under this section are describing the consolidated businesses carried on by the Issuer and its subsidiaries.

The Issuer is affected by global economic and financial market conditions and politics.

As a private banking group operating internationally and with a global client base, the Issuer's business is affected by changing conditions in the global financial markets and economic conditions generally and perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium-term remains challenging and many forecasts predict only stagnant or modest levels of gross domestic product growth across certain of the Issuer's key markets.

Further, unpredictable events (including, but not limited to wars or civil wars, terrorism and/or natural disasters) or changes in world and regional politics may have a negative impact. Any such events or changes may affect the Issuer's customers or directly its business. For instance, certain countries and/or high net worth individuals might become subject to political sanctions.

Changes in foreign exchange rates could have an adverse effect on the Issuer's assets under management and results of operations.

The Issuer is exposed to risk from fluctuations in foreign exchange rates for currencies, particularly the U.S. dollar, euro and pounds sterling. The Issuer prepares its consolidated financial statements in Swiss francs. However, a substantial portion of the Issuer's assets, liabilities, invested assets, revenues and expenses are denominated in other currencies, particularly the U.S. dollar and the euro. Accordingly, changes in foreign exchange rates, particularly between the Swiss franc and the U.S. dollar and between the Swiss franc and the euro, and exchange rate volatility in general, have an effect on the Issuer's reported income and expenses, and on other reported figures such as assets under management, risk-weighted assets and regulatory capital. Since exchange rates are subject to constant change, the Issuer's results are subject to risks associated with changes in the relative values of currencies. The Issuer's capital is also stated in Swiss francs and it might not hedge its capital position against changes in currency exchange rates.

The Issuer may generate lower income from commissions and fees due to changes to regulations and fluctuations in the financial markets, which have led or may lead to lower client activity and clients experiencing weaker than expected returns on their investments.

The Issuer's results of operations depend, to a significant extent, on factors that are difficult to control such as the returns enjoyed by the Issuer's clients on their investments as well as the ability to attract net new money inflows. For instance, a substantial portion of its revenues is directly related to the value of assets under management. Therefore, the Issuer's results of operations depend to a significant extent on factors such as investment returns and risk management, as well as its ability to attract net new money inflows. Because the fees that the Issuer charges for managing its clients' portfolios are in many cases based on the value of those portfolios, a market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals of assets would reduce its revenues. In addition, clients experiencing weaker than expected returns on investments the Issuer offers or recommends relative to investment solutions offered or recommended by the Issuer's competitors could trigger substantial redemptions and outflows from its clients' accounts. A market downturn is also likely to lead to a decline in the volume of transactions that the Issuer executes for its clients and hence to reduced commission income.

The Issuer's regulatory capital position is subject to change and its business could be adversely affected as a result of changes to capital adequacy and liquidity requirements.

The Issuer's regulatory capital position, as measured by Basel III and Swiss regulation, is determined by (i) risk-weighted assets and (ii) eligible capital. Both risk-weighted assets and eligible capital are subject to change. Eligible capital would be reduced if the Issuer experiences net losses, as determined for purposes of the regulatory capital calculation. Eligible capital can also be reduced for a number of other reasons, including adverse currency movements directly affecting the value of equity and prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, or through dividends, share repurchases or similar distributions to shareholders. Risk-weighted assets, on the other hand, are driven by the Issuer's business activities and by changes in the risk profile of its exposures. For instance, substantial market volatility, a widening of credit spreads, a change in regulatory treatment of certain positions, adverse currency movements, increased counter-party risk or deterioration in the economic environment could result in an increase in risk-weighted assets. Any unanticipated reduction in eligible capital or increase in risk-weighted assets could materially impact the Issuer's capital ratios.

The required levels and calculation of the Issuer's regulatory capital and the calculation of its risk-weighted assets are also subject to changes in regulatory requirements or their interpretation.

Changes in the Swiss requirements for risk-based capital, leverage ratios or liquidity ratios, whether pertaining to the minimum levels required for Swiss banks or to the calculation thereof, or changes in liquidity requirements could have a material adverse effect on the Issuer's business and could affect its competitive position internationally compared with institutions that are regulated under different regimes. In addition, forthcoming changes to the capital adequacy rules of the European Union (the "**EU**") member states implementing Basel III could, subject to the implementation of according regulations in Switzerland, also have a material adverse effect on the Issuer's capital requirements.

The Issuer operates in an industry that is highly regulated in Switzerland, the EU and each of the other markets in which it operates. Increased regulation of the Julius Baer Group's business or greater governmental enforcement actions and investigations in the private banking industry could decrease its revenues and profitability.

The Issuer's operations are regulated and supervised by the regulatory authorities in each of the jurisdictions in which it conducts its business. Laws and regulations applied at the national, state, provincial or local level generally grant governmental agencies and industry self-regulatory authorities broad administrative discretion over its activities and the activities of its business units, including the power to limit or restrict business activities. It is possible that laws and regulations governing the Issuer's operations or particular investment products could be amended or interpreted in a manner that is adverse to it. To the extent that amendments to existing regulations or new regulations reduce the sale, or increase the redemptions, of the products and services it offers, or negatively affect the investment performance of the products it offers, the Julius Baer Group's assets under management and revenues could be adversely affected.

In particular, after the global financial crisis of 2007/08, there has been a substantially enhanced level of government and regulatory supervision, intervention and scrutiny, and there have been changes to regulations applying to financial institutions. Further, there is an ongoing substantial increase in government regulation and supervision of the financial services industry in order to seek to prevent future crises and otherwise ensure the stability of institutions under their supervision, including the imposition of higher capital and liquidity requirements, heightened disclosure standards, further development of corporate governance and employee compensation regimes and restrictions on certain types of transaction structures. Future changes in laws, regulations and fiscal or other policies can be difficult to predict and are beyond the control of the Julius Baer Group.

Governmental policies and regulatory changes – which are beyond the Issuer's control and difficult to predict – that could adversely impact the Julius Baer Group's business include, but are not limited to:

- the monetary, interest rate and other policies of central banks and regulatory authorities;

- general changes in government or regulatory policy, or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Issuer operates, may change the structure of and access to those markets and the products offered, or may increase the costs of doing business in those markets;

- changes to other regulatory requirements such as rules on consumer protection and prudential rules relating to capital adequacy or liquidity, charging special levies to fund governmental intervention in response to crises (which may not be tax deductible for the Julius Baer Group), separation of certain businesses from deposit-taking and the breaking up of financial institutions that are perceived to be too large for regulators to take the risk of their failure;

- further developments in relation to financial reporting including changes in accounting and auditing standards, corporate governance, conduct of business and employee compensation;

- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and

- other unfavourable political, military or diplomatic developments, producing social instability or legal uncertainty which, in turn, may affect demand for the Issuer's products and services.

Such new requirements could, to differing extents, significantly impact the profitability and results of operations of firms operating within the financial services industry, including entities within the Julius Baer Group, or could require those affected to alter their current strategies, prevent the continuation of current lines of operations, restrict the type or volume of transactions which may be entered into or set limits on, or require the modification of, rates or fees that may be charged.

The Issuer's costs, profitability and available regulatory capital could be adversely affected due to an increase in the cost of compliance following an increase in the scope of regulation to which the Issuer and its operations are subject. In addition, the Issuer may be subject to certain laws and regulations applicable where its clients reside. Due to the complexity of the regulatory environment in which the Issuer operates, it expects that any increases in the volume of regulation to which it is subject will result in a corresponding increase in the cost of compliance.

For instance, in Switzerland new regulation providing for new rules regarding financial market infrastructures and derivatives trading similar to the EU's European Market Infrastructure Regulation rules entered into force as of 1 January 2016 and further legislation to implement new prudential rules similar to the EU's Markets in Financial Instruments Directive ("**MiFID II**") rules is expected to enter into effect on 1 January 2020.

Whilst there is growing international regulatory cooperation on supervision and regulation of international and EU banking groups, the Issuer is, and will continue to be, subject to the complexity of complying with existing and new regulatory requirements in each of the jurisdictions in which it operates. Where changes in regulation are made they may not be co-ordinated, potentially resulting in the Julius Baer Group having to comply with varying and possibly conflicting requirements. The foregoing matters may adversely impact any number of areas of the Julius Baer Group's operations and activities.

Additionally, the Issuer is subject to various rules and regulations regarding money laundering prevention. Monitoring compliance with increasingly stringent anti-money laundering rules will place a significant financial burden on the Issuer and pose a significant challenge in ensuring that its anti-money laundering standards are up-to-date and consistently applied in all circumstances by its employees across all branches and subsidiaries. Any violation of anti-money laundering rules or even the suggestion of such violations may have severe legal, regulatory, financial and reputational consequences for the Issuer.

The Issuer is experiencing increased regulation of its activities as a result of anti-money laundering initiatives in a number of jurisdictions. Furthermore, Switzerland and other jurisdictions in which the Issuer operates have proposed or adopted regulations to strengthen prohibitions on money laundering and terrorist financing.

Changes in Swiss law and politics in general might have a negative impact.

Changes in law (including the law on accounting and financial reporting) and politics in general might have a negative impact on the Issuer.

The Issuer uses third parties for certain services, and if these third parties do not perform as contractually required or expected, or otherwise cease to provide their services to the Issuer, the Issuer may be subject to the risk of client attrition, its reputation may suffer and its businesses may not perform as expected.

In providing private banking services to its clients, the Issuer depends also on third parties for certain services, notably the access to, and the functioning of systems maintained by such third parties, including, but not limited to, IT services providers, correspondent banks and sub-custodians. Although the Issuer engages in due diligence and closely scrutinises the third parties it procures services from, ultimately it does not control these third parties. If such third parties do not provide the services to the Issuer for whatever reason, this could adversely affect the Issuer's business, financial condition and results of operations.

The Issuer's operating performance could be adversely affected by sudden and substantial changes in interest rates.

Unexpected and erratic changes in interest rates can affect the level of the Issuer's net interest income. Since funding costs and interest earnings do not necessarily correlate in all interest rate environments, movements in overall interest rate levels as well as in the yield curve can influence the Issuer's net interest income. Interest rate fluctuations may also influence the value of its fixed-income trading portfolio and the amount of income the Issuer derives from its sales and trading businesses. Moreover, interest rate movements may have an impact on market prices for various classes of financial assets, including its assets under management. Despite its best efforts to manage this interest rate risk, the Issuer's business, financial condition and results of operations could be adversely affected by sudden and substantial changes in interest rates.

Inability to preserve a stable funding and liquidity position could adversely affect the Issuer's operating performance and financial condition.

Despite actively managing its funding and liquidity position and ensuring sufficient liquidity at a specific point in time, the Issuer faces liquidity risk. Liquidity risk, i.e. the risk of being unable to meet (re)payment obligations when they become due, is inherent in any banking operation and could adversely affect the Issuer's business, financial condition and results of operations.

Negative changes in market prices could adversely affect the value of the Issuer's treasury and trading portfolio.

The value of the Issuer's treasury and trading portfolio is affected by changes in market prices, such as interest rates, equities, currencies, certain commodities and derivatives. The Issuer takes various actions to address risks from such market price fluctuations, including entering into hedging transactions to address the market risks relating to its treasury and trading activities, however significant negative changes in market prices could adversely affect its business, financial condition and results of operations.

As a result of the cross-border nature of its business, the Issuer is exposed to the risk of compliance with different regulatory regimes.

As a result of the cross-border nature of its business, the Issuer is exposed to the risk that its relationships with its clients may be deemed to be governed by more than one regulatory regime. For example, even if the Issuer is providing advice to a client in Switzerland, if clients are domiciled in a foreign country, they may bring an action against the Issuer predicated upon the laws of their country of domicile. As a result, the Issuer is subject to the risk that it could be deemed to have provided non-compliant advice to the extent that it does not comply with legislation such as the Markets in Financial Instruments Directive ("**MiFID**"), which applies in EU member states. Even if any such actions are not successful, the Issuer may nonetheless incur legal expenses in defending them.

In addition, the ongoing implementation in the United States of the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), including the "**Volcker Rule**", derivatives regulation and other regulatory developments, have imposed, and will continue to impose, new regulatory burdens on certain of the Issuer's operations. These requirements have contributed to the Issuer's decision to exit certain businesses and may lead it to exit other businesses. Because the scope of the Volcker Rule remains subject to final implementation and its impact on the Issuer's market-making and risk mitigation activities is unclear, it is still uncertain whether the Issuer may be required to curtail or discontinue some of these activities or if its operations may otherwise be adversely affected. Under the Dodd-Frank Act, the Issuer also became and further expects to become subject to new Commodity Futures Trading Commission and U.S. Securities and Exchange

Commission ("**SEC**") rules that could materially increase the operating costs, including compliance, information technology and related costs, associated with its derivatives businesses with U.S. persons.

Cross-border risks may increase market and credit risks that the Issuer faces.

Country, regional and political risks are components of market and credit risk. Financial markets and economic conditions generally have been and may be materially affected by such risks. Economic or political pressures in a country or region, including those arising from local market disruptions, currency crises, monetary controls or other factors, may adversely affect the ability of the Issuer's clients or counterparties located in that country or region to obtain foreign currency or credit and, therefore, to perform their obligations to the Issuer, which in turn may have an adverse impact on its results of operations.

The Issuer may face significant losses in emerging markets.

As a global financial services company doing business in emerging markets, the Issuer is exposed to economic instability in emerging market countries. The Issuer monitors these risks, seeks diversity in the sectors in which it invests and emphasises client-driven business. Its efforts at limiting emerging market risk, however, may not always succeed.

The Issuer could become subject to reimbursement claims by its clients and its compliance costs could increase in the event that fees received by it for the distribution of financial products issued by third parties are considered to be "retrocessions".

Case law arising from litigation in Swiss courts has established that fees received by a bank for the distribution of financial products may be considered to be "retrocessions" unless they are received for genuine distribution services. If a fee is deemed to be a retrocession, the bank must disclose to the affected client that it has received a retrocession and must provide the client with sufficient information to calculate the amount of the retrocession in order for the client to validly renounce a claim to the retrocession. If fees received by the Issuer for the distribution of financial products are deemed to be retrocessions, absent a waiver, the Issuer could become subject to reimbursement claims by its clients.

The EU Commission's proposals in connection with MiFID II may adversely affect the Issuer's ability to generate fee and commission income.

Pursuant to MiFID II which was passed by the European Parliament on 15 April 2014, independent investment advisers and portfolio managers are (subject to certain exceptions) required to pass on (and not retain) all fees, commissions or any monetary benefits paid or provided by a third party to such independent investment advisers and portfolio managers to the client who should be accurately informed about all such commissions. This law could impact the Issuer's ability to generate income from commissions.

Separately to MiFID II, in the United Kingdom, the FCA introduced rules (effective from 31 December 2012) which impact the distribution of retail investment products and services to clients within the United Kingdom (known as the "**Retail Distribution Review**"). Other EU member states may implement rules similar to the Retail Distribution Review adopted in the United Kingdom which will impact the distribution of retail investment products.

Non-compliance with regulatory requirements may result in enforcement measures or subject the Issuer to significant penalties or increased costs and could adversely affect its reputation, all of which could result in a significant decline in assets under management and hence, revenue and profitability.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action against the Issuer. Possible sanctions could include the revocation of licenses to operate certain businesses, the suspension or expulsion from a particular jurisdiction or market of any of the Issuer's business organisations or their key personnel, the imposition of fines and censures on the Issuer's employees or the Issuer, the enforcement of payment obligations to clients or market participants and the imposition of additional capital requirements. The Issuer cannot give any assurance that it will not be subject to future regulatory scrutiny, which could give rise to adverse publicity, damage its reputation or have a material adverse effect on its business. For example, regulators in certain markets around the world may determine that industry practices generally, and the Issuer's practices in particular, regarding the provision of services to clients are inconsistent with their interpretations of existing local laws and regulations (such as in relation to licensing, product distribution and consumer protection requirements).

Increased costs of compliance with applicable laws and regulations following any such determination could negatively affect the Issuer's profitability. In addition, private litigation regarding such issues also could result in liability for the Issuer, such as a determination that affected contracts are void or unenforceable. Any material loss of investor or client confidence as a result of non-compliance or alleged non-compliance with regulatory requirements could result in a significant decline in assets under management.

Because of changes in the laws regarding automatic exchange of financial account information and bank client confidentiality, the Issuer could experience outflows of assets under management and its business could otherwise be adversely affected.

Swiss banking legislation protecting bank client confidentiality has historically been an important factor influencing high net worth individuals' choice to hold their assets in Switzerland. The ongoing changes in law and in interpretation of the laws by authorities or courts that affect bank client confidentiality and the automatic exchange of financial accounts information that effectively terminates bank client confidentiality in relation to international clients may make Switzerland a less attractive location for clients to hold their assets in Switzerland. In particular, Switzerland has concluded a multilateral agreement with the EU on the international automatic exchange of information ("**AEOI**") in tax matters, which applies to all EU member states. In addition, Switzerland has signed the multilateral competent authority agreement on the automatic exchange of financial account information ("**MCAA**"), and based on the MCAA, a number of bilateral AEOI agreements with other countries. Based on such agreements and the implementing laws of Switzerland, Switzerland collects and exchanges data in respect of financial assets, including 2019 CHF Tier 1 Bonds, as the case may be, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in another treaty state. An up-to-date list of the AEOI agreements to which Switzerland is a party that are in effect of signed but not yet in effect can be found on the website of the State Secretariat for International Financial Matters (SIF).

Further, certain countries seek actively to encourage repatriation of wealth of their citizens held offshore in Switzerland as a means of combating tax evasion.

The Julius Baer Group is and may become subject to investigations or enforcement actions by authorities in Switzerland and in countries other than Switzerland resulting in costs and potentially fines.

The Julius Baer Group is and may become subject to further investigations or enforcement actions by authorities in Switzerland and in countries other than Switzerland, which could result in the Julius Baer Group being required to incur significant defence costs and pay fines and could expose it to other sanctions and also harm its reputation. These investigations and enforcement actions may also give rise to claims by affected clients, counterparties or the Julius Baer Group's employees.

The Issuer is subject to the risk that changes in tax and regulatory regimes could cause clients to transfer their assets out of the Julius Baer Group or reduce the demand for the Issuer's services.

The Issuer is subject to the risk that governments in the jurisdictions in which it does business will introduce changes in their tax or regulatory regimes that could adversely affect the Issuer's ability to offer certain of its products or the favourable tax treatment for those products. The Issuer is also exposed to the risk that one or more jurisdictions in which it holds client assets may become a less attractive location for its clients to hold their assets. In particular, legal, regulatory or tax changes in such jurisdictions might cause clients to move their assets to other jurisdictions. Clients may also have an incentive, through beneficial tax treatments due to changes in tax laws or tax amnesties, to move their assets into jurisdictions, including the clients' home jurisdictions, where the Issuer does not have banking operations, thereby negatively impacting its assets under management. Because a significant portion of the Issuer's assets under management are held in a location other than the clients' home jurisdictions, it is particularly exposed to regulatory and tax changes that make Switzerland and the Issuer's other booking centres less attractive locations for clients to hold their assets.

Systemic risk resulting from failures by banks, other financial institutions and corporates could adversely affect the Julius Baer Group.

Within the financial services industry, the default of any one institution could lead to defaults by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, other financial institutions and exchanges in the markets in which the Julius Baer Group operates and cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect the Issuer and its contract counterparties and, for instance, prevent the Issuer from raising new funding. In addition, the failure of a sufficiently large and influential institution could impact future product sales as a potential result of reduced confidence in the financial services industry.

The Julius Baer Group may incur significant losses on its trading and investment activities.

The Issuer maintains large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets. Further, these positions are exposed to the risk that the counterparties of those positions will not perform their obligations. These counterparties may default on their obligations to the Issuer due to lack of liquidity, operational failure, bankruptcy or other reasons, which could result in a loss of those positions and this could have a material adverse effect on the Issuer's operational results and financial condition.

The Issuer's reputation is one of the most important assets it has and if that reputation is harmed, the Issuer may not be able to retain and attract clients and the Issuer's business, results of operations and financial condition may suffer.

Negative publicity could arise, for example, from misconduct by an existing or newly acquired client, which could have a negative impact on the Issuer as a result of allegations that it does not fully comply with regulatory requirements or anti-money laundering rules, publicity about politically exposed persons in its client base or allegations that a regulator or prosecutor is conducting investigations involving it. The Issuer could also suffer harm to its reputation if investments or financial products it recommends do not perform as expected. It could also experience negative publicity or become subject to legal proceedings in the event that it is not successful in protecting its clients' data or confidential information or in the event of fraud or misconduct committed by one of its employees, agents or third-party distributors or by external asset managers. Furthermore, any resulting damage to the Issuer's reputation could cause material damage to its business even if legal proceedings are not commenced or are determined in its favour.

Any damage to its reputation could cause existing clients to withdraw their assets and potential clients to be reluctant to do business with the Issuer. Furthermore, negative publicity or potential or actual legal proceedings may result in greater regulatory scrutiny and influence the Julius Baer Group's perception in the market.

The Issuer faces an increase in the intensity of competition both on a domestic and on an international level.

The Issuer competes with a number of large banks and other broad-based financial institutions both domestically and internationally that have the ability to offer a wide range of products, including loans, deposit taking, securities, investment banking and asset management services, and may benefit from government guarantees, all of which may enhance their competitive position. Generally, they also have substantial financial resources and, accordingly, have the ability to support securities, investment banking and asset management services in an effort to gain market share, which could result in pricing and other competitive pressures on the Issuer's business. The ability of clients to withdraw assets on short notice requires careful monitoring of, and quick responses to, the activities of the Issuer's competitors. If the Issuer is not able to respond to these activities rapidly enough, it could lose assets under management or clients.

The Issuer's revenue may decline due to competition from alternative trading systems.

Securities and futures transactions are now being conducted through the internet and other alternative, non-traditional trading systems, and it appears that this trend toward the use of alternative trading systems will continue and may accelerate. A dramatic increase in electronic trading may adversely affect the Issuer's commission and trading income and could reduce its market share. The Julius Baer Group has made, and may continue to be required to make, significant additional expenditures to develop and support new trading systems or otherwise invest in technology to maintain its competitive position.

The Issuer may face increased competition with respect to attracting and retaining key management and personnel, and in particular its client relationship managers.

The Julius Baer Group faces the risk of losing key employees due to employees joining competitors, pursuing other interests, retirement and other reasons. It is important to retain key management personnel. The employment agreements the Issuer has with key management do not contain non-competition restrictions in the event they leave the Issuer, and therefore, there is nothing that legally prevents them from leaving the Issuer to engage in competing business activities. In addition, losing the services of one or more members of its management team could adversely affect the Issuer's business. The Issuer may not be able to retain key personnel unless it increases retention payments and otherwise increases the compensation it pays to its key personnel.

If the Issuer fails or is unable to adequately protect its intellectual property rights, its competitive position could be adversely affected.

The protection of the Issuer's brand name is extremely important to its business. Even though the Issuer has registered its brand name in the countries in which it operates, it may become necessary for the Issuer to defend its intellectual property rights in order to prevent others from misappropriating or infringing the Julius Baer Group's brand names. Should the Issuer be unable to adequately protect these brand names, its competitive position could be adversely affected. The Issuer's brand and reputation might furthermore be adversely affected if a third party, using its brand under a licence agreement, is exposed to negative or adverse publicity, press speculation and threatened or actual legal proceedings. Any misuse of or other adverse impact on the Issuer's brand could adversely affect its reputation, competitive position and results of operations.

The Issuer may become subject to external fraud.

External fraud refers to unauthorised or illegal activity, theft or fraud carried out by a third party outside the Julius Baer Group. External fraud includes, but is not limited, to theft or robbery, forgery (including check forgery), computer hacking or theft of information. In particular, in the area of computer hacking, the Issuer could become subject to cyber-attacks, security breaches, unauthorised access, loss or destruction of data, unavailability of services, computer viruses or other events that could have an adverse impact. As a result of such external fraud, the Julius Baer Group could become subject to litigation or suffer financial loss, a disruption of its businesses, liability to its clients, regulatory intervention or reputational damage.

The Issuer is involved in, and may become involved in, legal or other regulatory proceedings that may be costly and time consuming.

In the ordinary course of its business, the Issuer (and its legal entities) is involved in, and may become involved in, legal or regulatory proceedings, including those related to tax, bribery and anti-trust matters and other regulatory and legal matters, that may be costly to defend and could result in large monetary losses, including punitive damage awards and fines, and cause significant harm to the Issuer's reputation. In particular, the Issuer is involved in a number of regulatory enforcement activities and third-party claims made against it, its affiliates or agents. In certain of these claims, the Issuer is unable to make a meaningful estimate of the amount or range of any loss that could result from an unfavourable outcome. Even if the Issuer is successful defending the allegations and claims against it or in arguing its claims against third parties, such proceedings may result in expenditures of sums which prove to be irrecoverable and may divert management's attention and resources. Consistent with applicable accounting standards, the Issuer from time to time makes provisions against any losses which it is more likely than not to incur but there can be no assurance that the losses actually suffered from such proceedings will not exceed the provisions made. For information on current legal or other regulatory proceedings, see also Note 18 "Provisions" in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

The Issuer may incur losses from its market making and proprietary trading activities due to market fluctuations.

The Issuer engages in certain limited market making activities principally in respect of its own structured products and proprietary trading activities in foreign exchange, fixed-income and equity markets, including derivatives markets, and are therefore exposed to losses in the event of adverse market movements (whether up or down) in specific equities, fixed-income or other products, baskets of securities, indices, foreign exchange rates and the markets generally. The Issuer's trading positions can also be adversely affected by the level of volatility in the financial markets (that is, the degree to which prices fluctuate over a particular period) regardless of market levels. There can be no assurance that future results from market making and proprietary trading will not be materially and adversely different from those experienced in recent periods.

In connection with the Issuer's market making and proprietary trading activities, it attempts to mitigate related market risks by entering into hedging transactions, which may include over-the-counter derivative contracts or the purchase or sale of securities, financial futures, options or forward contracts. If any of the variety of instruments and strategies the Issuer uses to hedge its exposure to market risks are not effective, it may incur losses. Many of the Issuer's strategies are based on historical trading patterns and correlations. However, these strategies may not be effective in mitigating its risk exposure in all market environments or against all types of risk. Unexpected market developments may affect a number of hedging strategies.

The Issuer may incur losses from its investment of surplus liquidity from clients' deposits in securities.

The Issuer invests a majority of its surplus liquidity from clients' deposits in interest-bearing securities. The Issuer cannot provide assurances that its investments will perform as they have in the past. It may also be forced to sell these investments earlier than anticipated and may incur losses. In addition, there is a risk that interest due under these investments or amortization payments will not be paid or that the investments default. These investments are susceptible to market volatility, in particular, but not limited to interest rate levels, and the effects of the current and any future financial crisis could lead to lower credit quality and increased credit spreads, which could significantly decrease their value. If any of these risks materialise, this could have a material adverse effect on the Issuer's operational results and financial condition.

The Issuer's risk management policies and procedures may leave it exposed to unidentified or unanticipated risk.

The Issuer has risk management policies and procedures in place to cover strategic and business risk, credit risk, market risk, liquidity and financing risk, operational risk and reputational risk. If these policies and procedures prove to be inadequate in addressing all the risks the Issuer faces or are not properly adhered to, the Issuer may experience material losses.

Strategic and business risk are risks arising from the business environment. Credit or counterparty risk is the risk of non-compliance with an obligation a counterparty has incurred with the Issuer. Market risk measures the potential loss to which the Issuer is exposed through changes in market prices in interest rate, equity, foreign exchange and commodity markets. Financing risk is the risk that the Issuer is unable to finance its existing or planned activities on an on-going basis at acceptable terms. Liquidity risk, conversely, is the risk that the Issuer is unable to meet its payment obligations when they fall due. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Issuer is exposed to reputational risk which means the risk that negative publicity, press speculation and threatened or actual legal proceedings concerning the Issuer's business, employees or clients may harm its reputation.

The Issuer takes various actions to address risks that arise in its businesses, including entering into hedging transactions to address the market risks relating to its limited market making and proprietary trading activities, prescribing limits on the amount and type of credit risk per counterparty that the Issuer may incur in its margin lending activities and prescribing acceptance and monitoring procedures relating to legal and regulatory risks that could arise in connection with its relationships with independent asset managers. Some of these and other methods of managing risks that the Issuer employs are based upon its use of observed historical market behaviour. The Issuer applies statistical and other methods to these observations to arrive at quantifications of its risk exposures. The Issuer's policies and procedures to identify, monitor and manage risks may not be effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks which it fails to identify or anticipate. These methods may not be effective in predicting future risk exposures, which could be significantly greater than historical measures indicate. This is particularly true during times of extreme market conditions when, for instance, historically observed patterns of correlation and volatility of asset values break down, market-wide liquidity constraints materialise and counterparty risk increases to dramatic levels. Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that is publicly available or otherwise accessible. This information may not in all cases be accurate, up-to-date or properly evaluated.

For information on the Issuer's risk management, see the chapter "Comment on Risk and Capital Management" of the "Financial Statements Julius Baer Group 2018" in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

The Issuer is exposed to third-party credit risk, and financial or other problems experienced by third parties.

The Issuer is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include the Issuer's clients, trading counterparties, clearing agents, exchanges, clearing houses and other financial institutions. These parties may default on their obligations to the Issuer due to lack of liquidity, operational failure, bankruptcy or other reasons. Market conditions in the global financial crisis of 2007/08 led to the failure or merger under distressed conditions of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in losses, including to the Julius Baer Group's principal operating entity (Bank Julius Baer & Co. Ltd.), as a consequence of defaults on securities issued by such institutions and defaults under bilateral derivatives and other contracts entered into with such entities as counterparties.

The large majority of the Issuer's private banking related exposure to credit risk is attributable to secured and margin lending activities, which are collateralised primarily by pledges of marketable securities. As a result, the Issuer's risk management procedures focus strongly on the value of the collateral securing its margin loans in addition to the creditworthiness of the borrower. The Issuer may encounter situations where its exposure has become under-collateralised, for example, as a result of sudden declines in market values that reduce the value of the collateral. The Issuer may incur losses up to the amount by which the obligation owed to it exceeds the value of the collateral securing such obligation.

For information on the Issuer's management of credit risk, see the chapter "Comment on Risk and Capital Management – Credit Risk" of the "Financial Statements Julius Baer Group 2018" in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

The information that the Issuer uses to manage its credit risk may be inaccurate or incomplete.

Although the Issuer regularly reviews its credit exposure to specific clients and counterparties and to specific industries, countries and regions that it believes may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as, for instance, fraud. The Issuer may also fail to receive full information with respect to the credit or trading risks of a counterparty.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates which may change over time.

In order to establish the value of financial instruments which the Julius Baer Group, under IFRS, recognises at fair value, the Issuer relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instrument utilised by such valuation models may not be available, or may become unavailable, due to changes in market conditions, as has been the case at times since the commencement of the recent financial crisis. In such circumstances, the Issuer's internal valuation models require it to make assumptions, judgements and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgements and estimates the Issuer is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, asset price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect new information, changing trends and market conditions. The resulting change in the fair values of financial instruments could have a material adverse effect on the Issuer's financial condition, results of operations and prospects.

For information on these estimates and valuations see the chapters "Summary of significant accounting policies – Use of estimates in preparing the consolidated financial statements" and "Summary of significant accounting policies – Changes in accounting policies" and Note 26B "Financial instruments – Fair value determination" each of the "Financial Statements Julius Baer Group 2018" in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

Risks relating to off-balance sheet entities.

The Issuer enters into transactions with special purpose entities ("**SPEs**") in the normal course of business, and certain SPEs with which it transacts business are not consolidated and their assets and liabilities are off-balance sheet. The accounting requirements for consolidation, initially and if certain events occur that require the Issuer to reassess whether consolidation is required, can require the exercise of significant management judgement. Accounting standards relating to consolidation, or their interpretation, have changed and may continue to change. If the Issuer is required to consolidate an SPE, its assets and liabilities would be recorded on its consolidated balance sheet and the Issuer would recognise related gains and losses in its consolidated statements of operations, and this could have an adverse impact on its results of operations and capital and leverage ratios.

The Issuer has a certain degree of client concentration, and to the extent that it is unable to retain these clients or sufficiently diversify its client base, its results of operations may suffer.

As an institution engaged primarily in private banking, the Issuer is exposed to client concentration risk. A significant portion of its customers are high net worth individuals. Those individuals and their households have, to a certain degree, similar socio-economic characteristics and they are likewise exposed to comparable macroeconomic and regulatory risks. Also, the geographical mix of the Issuer's client base may not be sufficiently diversified. In addition, a limited number of ultra high net worth individuals will continue to be significant to the Issuer in terms of assets under management. If the Issuer is unable to retain these clients or sufficiently diversify its client base, its results of operations and financial condition may be adversely affected.

The Issuer is a holding company and relies on its subsidiaries for all funds necessary to meet its financial obligations.

The Issuer is a holding company and its subsidiaries conduct all of its operations and own all of its assets. The Issuer has no significant assets other than the partnership interests, stock and other equity interests in its subsidiaries. The Issuer's subsidiaries are separate and distinct legal entities and, under certain circumstances, legal and contractual restrictions may limit the ability of these subsidiaries to provide the Issuer with funds for the Issuer's payment obligations, whether by dividends, distributions, loans, interest and/or principal payments (including those under the 2019 CHF Tier 1 Bonds) or other payments, including but not limited to payments in connection with regulatory capital instruments issued by the Issuer's subsidiaries to the Issuer. Any distribution of earnings to the Issuer from its subsidiaries, or advances or other distributions of funds by these subsidiaries to the Issuer, all of which are subject to statutory or contractual restrictions, are contingent upon the subsidiaries' earnings and are subject to various business considerations.

A deterioration of the Issuer's credit ratings could result in increased funding costs, may damage client perceptions and may have a material adverse impact on its liquidity.

The Issuer's credit ratings (currently being only rated by Moody's) affect both the terms on which creditors are willing to transact with it and the willingness of clients to do business with it. Because the interest rate and other terms of the Issuer's debt agreements depend in part on its credit rating, any deterioration in its credit ratings or a negative outlook given by a rating agency could result in increased funding costs and may limit its funding sources or impact its liquidity. In addition, rating downgrades may limit the Issuer's ability to conduct certain businesses or may cause clients to be reluctant to do business with the Issuer. The negative consequences of any downgrade of its credit rating could negatively impact its funding costs and liquidity.

Operational risks, including information technology risk, may disrupt the Issuer's businesses, result in regulatory action against it or limit its growth.

The issuer faces a wide variety of operational risks, including technology risk that stems from dependencies on information technology, third-party suppliers and the telecommunications infrastructure.

In particular, the Issuer faces operational risk arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted. The Issuer's businesses are highly dependent on its ability to process, on a rapid basis, a large number of transactions across several and diverse markets in many currencies, and the transactions the Issuer processes have become increasingly complex. Consequently, the Issuer relies heavily on its financial, accounting and other data processing systems. In the future, if any of these systems does not operate properly, is disabled, not replaced or not newly implemented, the Issuer could suffer financial loss, a disruption of its businesses, liability to clients, regulatory intervention or reputational damage. In addition, the inability of the Issuer's systems to accommodate an increasing volume of transactions could constrain its ability to expand its businesses. The Issuer also faces such information technology risks in connection with the global renewal of its IT platforms. The Issuer selected Temenos to initiate planning of its core banking platform replacement in Asia, while retaining flexibility to select the optimal providers for renewals in other regions and for additional components and applications. After the completion of the project in Asia, the renewal of the IT platforms will also be implemented in other regions.

Information security, data confidentiality and integrity are of critical importance to the Issuer's business. Despite the Issuer's vast array of security measures to protect confidentiality, integrity and availability of its systems and information, it is not always possible to anticipate the evolving risk landscape and mitigate all risks to its systems. The Issuer could also be affected by risks to the systems and information of clients, vendors, service providers, counterparties and other third parties.

The Issuer is exposed to legal and compliance risk.

The Issuer faces significant legal risks in its businesses, and the volume and amount of damages claimed in litigation, regulatory proceedings and other adversarial proceedings against financial services firms are increasing.

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 company of the Julius Baer Group being unable to enforce existing or anticipated rights, most commonly contractual rights, against third parties. Liability risk, on the other hand, arises when a company of the Julius Baer Group, 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, and that such failure results in injury to the third party concerned.

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.

The Issuer is exposed to the risk of losses as a result of employee fraud, misconduct or improper practice.

Fraud, misconduct or improper practice by any of the Issuer's employees could expose the Issuer to the risk of direct or indirect financial loss and damage to its reputation. Such fraud, misconduct and improper practice could involve, for example, fraudulent transactions entered into for a client's account, the intentional or inadvertent release of confidential customer information or failure to follow internal procedures. Such actions by employees may, again by way of example only, expose the Issuer to financial losses resulting from the need to reimburse customers or as a result of fines or other regulatory sanctions and may lead to damage the Issuer's reputation. Such financial losses and reputational damages may adversely affect the Issuer's business, results of operations and financial condition.

Risks relating to mergers and acquisitions ("M&A"), integration and realisation of expected synergies.

The Issuer has been acquiring other financial services businesses of various sizes from time to time and may continue to do so in the future. In connection with one or more M&A transactions of any kind, the Issuer may, in particular, not be able to:

- achieve its targets and the benefits and synergies expected in connection with an M&A transaction;
- achieve its key commercial objectives following an M&A transaction;
- achieve its earnings accretion targeted in relation to an M&A transaction;
- avoid writing down the carrying value of its investment in any business acquired by way of an M&A transaction;
- ensure that the services that a counterparty in an M&A transaction or its affiliates provide pursuant to transitional service agreements will be timely or will adequately meet the needs of the Julius Baer Group;
- close and complete an M&A transaction timely or at all;
- recover pre-payments that it has made to the extent that a particular business or company is not transferred to it;
- adequately protect itself from contingent or unknown liabilities; and
- eliminate all currency risk in respect of the consideration payable in connection with an M&A transaction, in the event that the hedging strategy is not fully effective.

If any of these risks materialise, this could have a material adverse effect on the Issuer's financial condition, results of operations and prospects.

GENERAL INFORMATION

Notice to Investors

The Prospectus shall be read and construed on the basis that (i) the annexes hereto and (ii) the Basel III Pillar 3 Disclosures 2018 (available at https://www.juliusbaer.com/group/en/financial-information/financial-reporting/) are deemed to be incorporated in, and to form part of, this Prospectus.

The financial institutions involved in the issuance and offering of the 2019 CHF Tier 1 Bonds are banks, which directly or indirectly have participated, or may participate, in financing transactions and/or other banking business with the Issuer, which are not disclosed herein.

Investors are advised to familiarise themselves with the entire content of this Prospectus.

Auditor

The auditor of the Issuer is KPMG AG, Badenerstrasse 172, CH-8004 Zurich, Switzerland (the "**Auditor**").

The Auditor is supervised by and registered with the Swiss Federal Audit Oversight Authority (FAOA), and its register number currently is 501403.

KPMG AG has audited, and rendered an unqualified audit report on, the annual consolidated financial statements of the Issuer for the financial years ended 31 December 2017 and 2018.

Proceedings

Other than as disclosed herein (see "*Julius Baer Group Ltd. — Legal proceedings/contingent liabilities*"), there are no pending or threatened court, arbitral or administrative proceedings that are of material importance to assets and liabilities or profit and losses of the Issuer and/or its Subsidiaries.

Documents Available

Copies of this Prospectus are available at UBS AG, Investment Bank, Swiss Prospectus Switzerland, P.O. Box, 8098 Zurich, Switzerland, or can be ordered by telephone +41-44-239 47 03 (voicemail), fax +41-44-239 69 14 or by e-mail swiss-prospectus@ubs.com.

Prospectus

This Prospectus is available in English language only and provides information about the Issuer and the 2019 CHF Tier 1 Bonds. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any 2019 CHF Tier 1 Bonds.

No person has been authorised to give any information or make any representation in connection with the offering of the 2019 CHF Tier 1 Bonds other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or any of the Managers. Neither the delivery of this Prospectus, nor the issue of the 2019 CHF Tier 1 Bonds nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer dated 24 May 2019 and the Bond Purchase Agreement dated 21 June 2019 between the Issuer on one side and UBS AG, acting through its business division UBS Investment Bank ("**UBS AG**") on its own behalf as well as on behalf of the other Managers, on the other side, the Issuer has authorised the issue of the 2019 CHF Tier 1 Bonds of CHF in the amount of 350,000,000.

Use of Net Proceeds

The net proceeds from the issue of the 2019 CHF Tier 1 Bonds, being the amount of CHF 350,000,000 (the "**Net Proceeds**"), will – after deduction of commissions, selling concessions, fees and estimated expenses – be used for general corporate purposes including repayment of indebtedness. None of the Managers shall have any responsibility for, or be obliged to concern itself with, the application of the Net Proceeds of the 2019 CHF Tier 1 Bonds.

Notices

According to the Articles of Incorporation, official notices of the Issuer to the shareholders are to be published in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). Notices in respect of the 2019 CHF Tier 1 Bonds will be published in accordance with Condition 12 (*Notices*).

Representation

In accordance with Article 58a of the Listing Rules of the SIX Swiss Exchange, UBS AG has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

INFORMATION ON THE ISSUER

History and Structure

The Julius Baer Group's principal operating entity's origins date back to 1890. Since that time, the Issuer's ("**Julius Baer Group Ltd.**") group has expanded its business and developed an international presence. In 1974, Julius Baer Holding Ltd. was formed and Bank Julius Baer & Co. Ltd. was incorporated in Zurich, Switzerland. Julius Baer Holding Ltd. became a publicly traded company in Switzerland in 1980, being the first specialised Swiss private banking group to do so. In 1995 and 1997, Julius Baer Holding Ltd. increased its stake in Bank Julius Baer (Geneva) Ltd. (formerly Société Bancaire Julius Baer SA, Genève) which it had acquired in 1986, from 51% to 75% and 100%, respectively. Also in 1997, Julius Baer Holding Ltd. bought Lucerne-based Bank Falck & Co. Both acquisitions were subsequently integrated into the branch network. In 2003, Julius Baer Holding Ltd. sold its brokerage business, Julius Baer Brokerage SA, in order to refocus on wealth management for private clients and institutional investors. In 2005, Julius Baer Holding Ltd. purchased from UBS AG three independent private banks – Ferrier, Lullin & Cie SA, the oldest Geneva private bank dating back to 1795, Ehinger & Armand von Ernst AG with a strong presence in the German-speaking markets, and BDL Banco di Lugano with its sizeable Italian-speaking franchise – as well as Swiss & Global Asset Management AG ("**GAM**"), a specialised asset manager.

Following a strategic review conducted during early 2009, the Board of Directors of Julius Baer Holding Ltd. decided to separate Julius Baer Holding Ltd.'s businesses into two distinct, independent entities, both listed on the SIX Swiss Exchange, being:

- the Issuer, together with its subsidiaries, comprising Bank Julius Baer & Co. Ltd. as its principal operating entity, as well as certain related ancillary businesses; and

- GAM Holding Ltd., together with its subsidiaries (including Swiss & Global Asset Management later renamed GAM as well) the former Julius Baer Asset Management, the exclusive manager of Julius Baer-branded investment funds, including the private label funds business that was formerly part of Julius Baer Holding Ltd.'s "Bank Julius Baer" reporting segment, and its stake in Artio (having become part of the Aberdeen Group), whose initial public offering was completed in 2009.

In 2009, the Issuer was established as a subsidiary of Julius Baer Holding Ltd. In order to facilitate the separation of Julius Baer Holding Ltd.'s former private banking and asset management businesses, the private banking business was transferred to the Issuer and the shares of the Issuer were subsequently distributed as a dividend in kind to holders of Julius Baer Holding Ltd.'s registered shares and were listed according to the Main Standard of and traded on the SIX Swiss Exchange. Following this transaction, the Issuer became the leading Swiss pure private banking group. In connection with the separation transaction, the Issuer entered into an arm's length royalty generating brand licence with GAM Holding Ltd. pursuant to which GAM Holding Ltd. until the end of August 2017 had the exclusive right to produce and manage Julius Baer branded investment fund products worldwide, including private label funds for customised and complex structures.

On 15 January 2010, the Issuer completed the acquisition of the private bank, ING Bank (Switzerland) Ltd. This transaction doubled the Issuer's presence in Geneva and added booking centre capability in Monaco, and also contributed to an increase in the business volume in Central and Eastern Europe, Russia and other growth markets. Also in 2010, the Issuer completed the acquisition of Milan-based Alpha SIM, a specialised investment manager focused on serving high net worth individuals, which at the time managed assets of approximately CHF 0.6 billion. In the same year, the Issuer upgraded its operations in Hong Kong by opening a branch in Hong Kong following the receipt of a banking licence from the Hong Kong Monetary Authority.

In May 2011, the Issuer acquired 30% of GPS Investimentos Financeiros e Participações S.A. ("**GPS**"), which includes GPS Planejamento Financeiro Ltda and CFO Administração de Recursos Ltda.

In October 2011, the Issuer announced that it had entered into a strategic collaboration agreement with Macquarie Group Ltd. pursuant to which it refers clients' investment banking transactions to Macquarie and Macquarie will refer clients who require private banking services to the Issuer. Additionally, the Issuer agreed that Macquarie's Asian Private Wealth business would be transferred to the Issuer.

In July 2012, the Issuer entered into a strategic partnership with Bank of China Limited. Under the terms of the partnership, Bank of China refers clients with international private banking needs outside the Chinese Mainland to the Issuer; and the Issuer refers clients requiring banking services on the Chinese Mainland to Bank of China. The Issuer will also cooperate with Bank of China in the distribution of certain products and the research of financial markets as well as in other areas. In addition, Bank of China (Suisse) SA has been integrated into Bank Julius Baer & Co. Ltd.

On 13 August 2012, the Issuer announced its agreement to acquire the International Wealth Management business of Bank of America Merrill Lynch outside the United States and Japan (the "**IWM**"), consisting (at that time) in particular of USD 84 billion (CHF 81 billion) of assets under management and approximately 2,100 employees, including approximately 525 financial advisers.

On 3 June 2013, the Issuer announced that the Issuer and Milan-based Kairos Investment Management SpA, a leading independent Italian wealth manager ("**Kairos**"), with approximately Euro 4.5 billion of assets under management, have achieved the completion on 31 May 2013 of the transaction initially announced on 12 November 2012. The transaction comprised the contribution by the Issuer to Kairos of Milan-based Julius Baer SIM and the acquisition of a 19.9% stake in Kairos by the Issuer. The combined business in Italy operated under the name ‹Kairos Julius Baer SIM SpA' as of 1 June 2013.

On 19 November 2013, the Issuer announced the merger of Zurich-based independent wealth management companies Infidar Investment Advisory Ltd. ("**Infidar**") and WMPartners Wealth Management Ltd. The merger was completed on 1 April 2014 and has resulted in the creation of one of the largest independent wealth management companies in Switzerland, with 50 employees and over CHF 4 billion in client assets held at around 30 different custodian banks. The consolidated company traded under the name of WMPartners Vermögens-verwaltungs AG ("**WMPartners**").

Also in November 2015, the Issuer agreed to exercise its option and to increase its stake in Kairos by acquiring an additional 60.1% interest of the Milan-based company, following its initial purchase of 19.9% in 2013, bringing the Julius Baer Group's total ownership of Kairos to 80% at the time.

On 25 March 2014, the Issuer announced the acquisition of an additional 50% of São-Paulo-based GPS. This increased the Issuer's participation in GPS to 80% from the 30% acquired in May 2011. This increase followed a highly successful cooperation and underscored the Issuer's strategic goal of building a leading wealth management business in Brazil.

On 23 March 2015, the Issuer announced its strategic cooperation with Bank Leumi Private Bank AG ("**Bank Leumi**"), which included the acquisition of Bank Leumi's private banking business in Switzerland. Clients with assets under management of more than CHF 4.2 billion and more than 30 employees, including 20 relationship managers, were transferred from Bank Leumi in Geneva and Zurich to the Julius Baer platform in March 2015.

On 20 July 2015, the Issuer announced that it was to acquire a 40% participation in the leading independent financial advisory firm in Mexico, NSC Asesores, S.A. de C.V., Asesor en Inversiones Independiente, for an undisclosed amount. The transaction marked the Issuer's entry in the second largest wealth management market in Latin America and underlined its commitment to further extend its footprint in this important growth region.

On 21 September 2015, the Issuer announced that it completed the transfer of IWM in India to the Issuer. The volume of the asset transfer in India corresponded to more than CHF 6 billion. With that step, the overall client assets transferred as part of the IWM transaction reached the target range of CHF 57 to 72 billion, albeit at the lower end.

On 3 November 2015, the Issuer acquired the Geneva based Swiss independent wealth manager Fransad Gestion SA ("**Fransad**") with a staff of 19 people and managed assets of CHF 1.3 billion. Fransad complemented the Julius Baer Group's existing independent wealth management business and strengthened the Julius Baer Group's position in French-speaking Switzerland. Fransad continues to operate under its brand.

In December 2015, the Issuer agreed to acquire Commerzbank International S.A. Luxembourg, a fully licensed private bank. The acquisition of the bank now operating under the name Bank Julius Baer Europe S.A. and adding approximately EUR 2.5 billion in assets under management and 150 employees took place on 4 July 2016.

On 1 March 2016, the Julius Baer Group exercised the forward contract to acquire the remaining 20% interest of its Brazilian subsidiary GPS being specialised in discretionary portfolio management and advisory services. GPS for the time being continues to operate under its brand.

On 1 April 2016, the Julius Baer Group exercised its call option to acquire the outstanding 40% interest in its Japanese-market-focused subsidiary Julius Baer Wealth Management AG ("**JBWM**"), formerly called TFM Asset Management AG. JBWM, a Swiss-registered independent asset management company, specialised in discretionary asset management services for high net worth Japanese and Swiss private clients and holding an investment advisory and investment management licence granted by the Japanese FSA.

On 1 February 2017, the Issuer acquired Wergen & Partner Vermögensverwaltungs AG, a Swiss independent asset management company, which was established in 2010 and managed assets totalling more than CHF 600 million focusing on the core markets of Switzerland, Germany and Austria.

On 23 June 2017, Julius Baer announced to merge WMPartners into Bank Julius Baer & Co. Ltd. to create a multi-custody platform within the bank whilst the Group is continuing to operate the two asset managers Fransad and Wergen & Partner Vermögensverwaltungs AG under their respective own names.

On 9 January 2018, Julius Baer announced to increase its stake in Kairos Investment Management SpA (Kairos) to 100% (from initially 19.9% in 2013, followed by an increase to 80% in 2016) adding assets under management of EUR 11 billion.

On 31 January 2018, Julius Baer announced that it had agreed to acquire 95% of the São Paulo-based Reliance Group ("**Reliance**") for an undisclosed amount subject to certain performance conditions. Reliance, one of the largest independent wealth managers in Brazil with a total staff of 70, was established in 1998 and had, at the time of its acquisition, client assets of approximately BRL 17 billion (CHF 5 billion). The acquisition significantly strengthened Julius Baer's strategic position in Brazil where the Group was already present with the wholly owned independent wealth manager GPS Investimentos (GPS). On 5 June 2018 Julius Baer announced the successful closing of the transaction as of 4 June 2018.

On 8 March 2018, Julius Baer and Siam Commercial Bank ("**SCB**"), the first commercial bank established in Thailand, announced their agreement to establish a strategic joint venture to offer unique and best-in-class wealth management services to Thai clients. The joint venture will, upon closing of the transaction, seamlessly combine SCB's strong brand credibility and wealth management expertise with Julius Baer's full suite of international wealth management capabilities and advisory services. The joint venture will operate via domestic and international companies in Thailand and Singapore, respectively, and will provide a unique and holistic global wealth management proposition tailored to the needs of its Thai client base. At inception, Julius Baer will hold 40% in the joint venture, with the option to increase to 49% over time. On 25 April 2019, Julius Baer and SCB announced that their joint venture company, SCB Julius Baer, has received the necessary approvals and licences to operate in Thailand, beginning with over 50 dedicated professionals.

On 27 September 2018, Julius Baer and Nomura announced the acquisition by Nomura of a 40 per cent shareholding in Julius Baer Wealth Management Ltd., a wholly owned subsidiary of Julius Baer which provides international wealth management services to high net worth clients in Japan. This equity investment by Nomura represents a significant step forward for both firms' strategic ambition for the Japanese market and will provide Julius Baer access to Nomura's high net worth franchise.

On 8 November 2018, Julius Baer announced to have opened an Advisory Office in Johannesburg, Julius Baer (South Africa) Proprietary Ltd., allowing Julius Baer to offer fully licensed investment advice to private clients in South Africa in order to give them access to its full breadth of sophisticated advisory and investment solutions.

On 21 December 2018, Julius Baer announced its intention to sell its domestic business in the Netherlands to Wealth Management Partners N.V. in a strategic push to focus its investments and physical presence on core markets.

Business

The Julius Baer Group is the leading Swiss pure private banking group, focusing primarily on the demands of sophisticated private clients, family offices and independent asset managers from around the world. The Issuer has the largest international presence of all Swiss private banks with over 50 locations in more than 25 countries, including a comprehensive pan-Swiss network. Switzerland and Asia are the Issuer's two home markets, with its head office being located in Zurich, Switzerland. The Julius Baer Group employed a staff (FTE) of 6,693 worldwide (as of 31 December 2018).

Private Banking Product Offering

Private banking products and services such as those of the Julius Baer Group's principal operating entity are often, but not exclusively, aimed at achieving capital protection and long-term investment performance. Other strategic aims that high net worth individuals look for when utilising these products and services include regular incomes or dividends from portfolio management, as well as performance stability. Private banks such as the Julius Baer Group's principal operating entity provide clients with advice and tailored solutions aimed at addressing their current and future financial situation and needs with respect to wealth management. These solutions include a broad range of services, such as investment advice, financial, tax and succession planning, family office services, asset consolidation, estate planning, trust services, and transaction execution, as well as more traditional banking services, such as accepting deposits, granting Lombard loans (loans extended against pledged collateral, which is typically in the form of liquid assets such as stocks and bonds) and other types of loans, executing foreign exchange transactions and providing custody services. Private banks such as the Julius Baer Group's principal operating entity may also provide support in other areas, such as the achievement of philanthropic goals or the protection of specific assets, such as artwork.

Clients' financial needs are often complex and specific in nature and thus require professional services and long-term relationships with specialised service providers. Moreover, clients are diverse and have different requirements and expectations. Clients are becoming increasingly sophisticated and self-directed, making use of alternative channels to access information and execute simple transactions. Private banks such as the Julius Baer Group's principal operating entity increasingly need to provide customised solutions in order to differentiate themselves from the offerings of other competitors. Investment strategies for private banking clients have become highly sophisticated through the use of well diversified portfolios, which can include investments in bonds, equities and alternative financial products, such as private equity, single hedge funds, funds of hedge funds and structured products. These alternative products generally aim to improve capital protection and absolute returns under different and often volatile capital markets scenarios. Due to the range of products with different risk profiles, return potential, correlations and liquidity characteristics, a private bank such as the Julius Baer Group's principal operating entity may have the ability to add significant value for its clients.

Private banks such as the Julius Baer Group's principal operating entity can provide in-house services or can acquire services from third party providers or using a mix of the two approaches. The in-house product offering is driven by a bank's relative strength in developing and distributing competitive products. Private banks such as the Julius Baer Group's principal operating entity also tend to offer a range of third-party products to their clients designed to provide a "best in class" combined product offering. Outsourcing has also come to be seen as helpful in improving the efficiency of private banks. Private banking clients can generally choose between discretionary and non-discretionary services, depending on whether the private bank or the client makes the investment decision. In a discretionary portfolio, the responsibility for the investment decision is delegated to the bank, which chooses investments based on a pre-determined mandate. Non-discretionary clients make their own decisions regarding individual investments. These clients may use the banks' investment advice and decision support services or may simply rely on the private banks to provide administrative services. When using the banks' investment advice clients receive solutions tailored to their investment needs and goals and are continually updated on new developments, opportunities and risks and have access to a variety of investment ideas.

Private banks' fees from discretionary accounts are usually based on a fixed percentage of the clients' assets under management. Non-discretionary services generate commissions that are often based on the volume and the nature of the transaction being executed. Margins earned on discretionary mandates tend to be higher than margins earned on non-discretionary mandates, reflecting the additional service provided and risks taken with respect to discretionary accounts. Private banks earn additional fees from services such as custody and advisory fees. To a lesser extent, private banks earn interest income on deposits and loans granted to clients and trading income stemming from the execution of clients' transactions and, to differing degrees, asset and liability management and proprietary activities.

Management of the Issuer

Board of Directors of Julius Baer Group Ltd.

The following table sets forth, as at the date of this Prospectus, the name, age and title of each member of the Issuer's Board of Directors (current) followed by a brief description of each director's business experience and education, including the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years (other than at other Julius Baer Group companies).

Name	Born	Title	Elected until
Romeo Lacher [1][4]	1960	Non-executive Chairman	2020
Olga Zoutendijk[1][2].	1961	Non-executive Director	2020
Gilbert Achermann[3][4].	1964	Non-executive Director	2020
Richard Campbell-Breeden[1][3].	1962	Non-executive Director	2020
Heinrich Baumann[2][3].	1951	Non-executive Director	2020
Paul Man-Yiu Chow[2].	1946	Non-executive Director	2020
Ivo Furrer[1][2].	1957	Non-executive Director	2020
Claire Giraut[2][4].	1956	Non-executive Director	2020
Eunice Zehnder-Lai[3][4].	1967	Non-executive Director	2020
Charles G.T. Stonehill[1][4].	1958	Non-executive Director	2020

(1) Member of the Governance and Risk Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Member of the Nomination Committee.

Romeo Lacher (born 1960, Swiss citizen); Master's Degree in Economics (lic. oec. HSG, 1987) and PhD in Economics (Dr. oec. HSG, 1995) of University of St. Gallen; 1990–02/2017 Credit Suisse Group, Switzerland: 2016 Chief Operating Officer, International Wealth Management and Member of the IWM Management Committee; 2011–2015 Head of Private Banking EMEA / Western Europe and Member of the Private Banking Management Committee; 2004–2011 Global Head of Operations and Product Management and Member of the Private Banking Management Committee; 2002–2003 Chief Operating Officer CS Corporate and Retail Banking, and Member of the Management Committee, CS Financial Services; 2000–2002 Head of e-Channels, Member of the Executive Board, e-Business; 1997–1999 Head of Retail Banking Switzerland and Member of Senior Management; 1995–1996 Head Product Management Direct Banking Products and Member of Senior Management; 1990–1994 Direct Marketing / Project Manager, Marketing Department; 1987–1990 Institut für Versicherungswirtschaft, Project Manager, Junior Consultant; Mandates: (former) 2012–2016 Credit Suisse (Luxembourg) SA Chairman of the Board of Directors; 2012–2016 Bank Now AG Member of the Board of Directors and Member of the Nomination and Compensation Committee; 2006–2007 SIS AG Chairman of the Board of Directors; 2005–2012 CLS AG Member of the Board of Directors and Chairman of the Nomination and Governance Committee; 2004–2007 Fides Treasury Services AG Chairman of the Board of Directors; 2002–2016 Swisscard AECS Member of the Board of Directors and Member of the Nomination and Compensation Committee; 2002–2007 Telekurs Holding AG Member of the Board of Directors and Member of the Audit Committee; (current) Wordline SA Member of the Board of Directors, incl. Chairman of the Nomination and Remuneration Committee, Vice-Chairman of the Investment Committee and Co-Chairman of the Strategy and Innovation Committee; Economiesuisse Member of the Board of Directors; Swiss Finance Institute Vice-Chairman of the Board of Directors; SIX Group Chairman of the Board of Directors (2008–10/2016 Vice Chairman, Chairman of the Nomination and Compensation Committee).

Olga Zoutendijk (born 1961, Australian and Dutch citizen); Graduate of the Australian Institute of Company Directors, Australia (2012), INSEAD, Fontainebleau, Paris/France, Advanced Management Program (1999), Thunderbird School of Global Management, USA, Master of International Management (Finance, 1985) and San José State University, USA, Bachelor of Science in Business Administration (1983); Self-employed Strategic Adviser; 2014–2018 ABN AMRO Group N.V. and ABN AMRO Bank N.V. Chair of the Supervisory Board (2016–2018), Vice-Chair of the Supervisory Board and Chair of the Risk & Capital Committee (2015–2016) and Member of the Supervisory Board (2014–2015); 2007–2011 Standard Chartered Bank, Group Head of Wholesale Banking Asia; 2001–2007 Westpac Banking Corporation, Group General Manager/Corporate and Institutional Banking (2003–2007), Group General Manager, Business and Consumer Banking Products (2002–2003) and General Manager, Business Banking Products (2001–2002); 1986–2001 ABN AMRO Bank N.V., CEO Portugal (1999–2001), Deputy

CEO, Australia and New Zealand (1997–1999), Head of Wholesale Banking, Ireland (1995–1997), Banker, Corporate Clients, USA (1988–1995), Officer, Emerging Markets, the Netherlands (1987–1988) and International Career Banker Training Program, the Netherlands (1986–1987); Mandates: Leiden University, the Netherlands Member of the Board of Governors and Chair of the Audit Committee.

Gilbert Achermann (born 1964, Swiss citizen); Bachelor of Business Administration, University of Applied Sciences (HWV), St. Gallen, 1988; Executive MBA, IMD Lausanne, 2000. UBS Investment Banking, 1988–1998: Graduate trainee programme Trading & Sales, 1988–1989; Associate Corporate Finance / Capital Markets; Assistant to Regional Head North America, 1990–1994; Director Corporate Finance Advisory, 1995–1998; Straumann Group, Basle, since 1998: Chief Financial Officer and Deputy CEO, 1998–2001; Chief Executive Officer, 2002–2010; Chairman of the Board of Directors since 2010. Vitra Group, 2012–2015: Chairman of the Board of Directors from July 2013 until December 2015; Co-CEO from July 2014 until December 2015. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012. Mandates: Chairman of the Board of Directors of Straumann Group, Basle, Switzerland; Member of the Board of Directors of the ITI Association and ITI Foundation, Basle, Switzerland; Member of the Committee and its Executive Committee of Handelskammer beider Basel, Basle, Switzerland; Member of the Supervisory Board of IMD, International Institute for Management Development, Lausanne, Switzerland.

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

Heinrich Baumann (born 1951, Swiss citizen); PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: Project Leader IT/Logistics and Finance, 1975–1985; COO Singapore Branch and Deputy Branch Manager, 1985–1987; Chief of Staff International Division and Section Head Management Support, 1987–1990; member of the Regional Management Committee (New York), Chief Operating Officer Region North America, 1990–1994; Department Head Finance and Controlling on Group level, 1994–1998; independent Management Consultant, 1998–1999; HSBC Guyerzeller Bank Ltd., 1999–2009: Chief Operating Officer, 1999–2002; Vice-President of the Executive Committee/Chief Operating Officer, 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. Mandates: 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 Board of Directors of KSHB Holding AG (holding company of Atlis AG, Biberist, Switzerland), Berne, Switzerland; Vice-President of the Foundation Board of International Foundation for Research in Paraplegia, Chêne-Bourg, Switzerland.

Paul Man-Yiu Chow (born 1946, Chinese (Hong Kong SAR) citizen); University of Hong Kong: Bachelor of Science in Mechanical Engineering, 1970, Diploma in Management Studies, 1979, Master of Business Administration, 1982; Diploma in finance, Chinese University of Hong Kong, 1987; Doctor h.c. of Social Science, the Open University of Hong Kong, 2010. Hong Kong Government, Executive Officer II, 1970–1971; IBM World Trade Corporation, Hong Kong, Associate Systems engineer, 1971–1973; Sun Hung Kai Group, Hong Kong, 1973–1988: Sun Hung Kai Securities Limited, Executive Director, 1982–1983; Sun Hung Kai Bank Limited, Executive Director, Deputy General Manager and Chief Financial Officer, 1983–1985; Sun Hung Kai & Co. Ltd., Chief Administration & Financial Officer, and Sun Hung Kai Securities Limited, Executive Director, 1985–1988; Chinese University of Hong Kong, lecturer in finance, 1988–1989; The Stock Exchange of Hong Kong Limited, 1989–1997: Director of Operations and Technology, 1989–1990; Hong Kong Securities Clearing Company Ltd., Chief Executive Officer, 1990–1991; Chief Executive, 1991–1997; HSBC Asset Management, Asia Pacific (ex Japan) Region, Chief Executive Officer; HSBC Asset Management Group, member of the Global Management Committee; HSBC Insurance Company Limited, Hong Kong, Non-executive Director, 1997–2003; Hong Kong Exchanges & Clearing Limited, Chief Executive Officer and Executive Director, 2003–2010; China Mobile Limited, Hong Kong, Independent Non-executive Director since May 2013; CITIC Limited, Hong Kong, Independent Non-executive

Director since March 2016. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2015. Mandates: Independent Non-executive Director, Chairman of the Nomination Committee as well as member of the Audit Committee and of the Remuneration Committee, China Mobile Limited, Hong Kong; Independent Non-executive Director and member of the Remuneration Committee, CITIC Limited, Hong Kong.

Ivo Furrer (born 1957, Swiss citizen); PhD in Law, University of Zurich, 1985. Winterthur Insurance, 1983–1999: Group Insurance Marketing and project management in Europe, Canada and the USA, 1983–1991; Winterthur International, USA, Underwriting, 1992–1994; Winterthur International, London, different management positions, 1994–1997; Chief Underwriting Officer Global Corporate, 1998–1999; Credit Suisse Group, 1999–2002: Personal Financial Services, Head of the Executive Committee, amongst others implementation of an Internet bank in Luxembourg, 1999–2001; member of the Executive Committee e-Investment Services Europe, 2001–2002; Zurich Financial Services, 2002–2008: Zurich Financial Services, Germany, Head of international key account business, 2002–2005; member of the Global Corporate Executive Committee; responsible for the development of key accounts and distribution management globally, 2005–2007; CEO Life Switzerland, member of the Global Life Executive Committee, 2007–2008; Swiss Life Group, CEO Switzerland and member of the Corporate Executive Board from September 2008 until March 2017; Helvetia Insurance, St. Gallen, member of the Board of Directors since April 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2017. Mandates: Member of the Board of Directors of Helvetia Insurance, St. Gallen, Switzerland; Member of the Board of Directors of inventx, Chur, Switzerland; Member of the Board of Directors of responsAbility Investments AG, Zurich, Switzerland; Member of the Board of Directors of Financial Market Authority Liechtenstein, Vaduz, Liechtenstein; President of the Executive Committee of digitalswitzerland, Zurich, Switzerland; Member of the Foundation Board of Stiftung für Kinder in der Schweiz, Hergiswil, Switzerland; Member of Swiss Economic Forum/ Powerpreneurs, Gwatt, Switzerland.

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, Chief Financial Officer, 2011–2012; bioMérieux, Marcy l'Etoile, Corporate Vice-President Purchasing and Information Systems from September 2013 until March 2018, Chief Financial Officer from January 2014 until March 2018; DBV Technologies, Montrouge, member of the Board of Directors since June 2016. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010. Mandates: Member of the Board of Directors of DBV Technologies, Montrouge, France.

Eunice Zehnder-Lai (born 1967, Swiss and Hong Kong citizen); Harvard Business School, Boston, MA, USA Master of Business Administration (MBA, 1994) and Harvard University, Cambridge, MA, USA Bachelor of Arts (BA, 1989); DKSH Group, Zurich, Switzerland Member of the Board of Directors and Geberit Group, Rapperswil-Jona, Switzerland, Member of the Board of Directors; IPM Institut für Persönlichkeitsorientiertes Management AG, Pfaeffikon, Switzerland, 2015–2018 Chief Executive Officer and 2014–2015 Managing Director; 2005–2014 LGT Capital Partners, Pfaeffikon, Switzerland, Executive Director; 2002–2004 Zehnder-Lai Investment Advisors, Baech, Switzerland; Founder; 1994–2001 Goldman, Sachs & Co., New York, London, Hong Kong, Zurich Executive Director, Equities and Private Wealth Management; 1993 Booz Allen Hamilton, Hong Kong Summer associate; 1991–1992 Procter & Gamble, Hong Kong Assistant Brand Manager; 1989–1991 Merrill Lynch Capital Markets, New York, Investment Banking Analyst; Mandates: Friends of Asia Society Switzerland Arts & Culture Foundation, President of the Foundation Board; Asia Society Switzerland, Zurich, Switzerland Member of the Board of Directors.

Charles G.T. Stonehill (born 1958, 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; Gulfsands Petroleum, Non-executive Director, 2005–2006; Panmure Gordon Plc., Chairman of the Board of Directors, 2006–2008; The London Metal Exchange Ltd., Independent Director from 2005 until August 2009; Better Place, Palo Alto, Chief Financial Officer, 2009–2011; Green & Blue Advisors LLC, New York, co-founder and partner since 2011; RSR Partners, New York, Managing Director, 2012–2013; TGG Group, New York, Advisor, 2014–2015; AXA Equitable Holdings, New York, member of the Board of Directors since 2018. 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. Mandates: Member of the Board of Directors of AXA Equitable Holdings (incl. AXA Equitable Life Insurance Company), New York, USA; Non-executive member of the Board of Directors of CommonBond, Inc., New York, USA; Member of the Board of Directors of Play Magnus A/S, Oslo, Norway; Governor, Harrow School, Harrow on the Hill, London, UK; – Member of the Foundation Board of the Fondation Georg Solti Accademia, Geneva, Switzerland.

The business address of all members of the Board of Directors of Julius Baer Group Ltd. is Julius Baer Group Ltd., Bahnhofstrasse 36, P.O. Box, CH-8010 Zurich, Switzerland.

Executive Board of Julius Baer Group Ltd. (the "Executive Board")

The Executive Board is responsible for the day-to-day operational management of Julius Baer Group Ltd. It develops and implements the strategic business plans for the Julius Baer Group overall as well as for the principal businesses subject to approval by the Board of Directors. It further reviews and co-ordinates significant initiatives, projects and business developments and establishes Julius Baer Group-wide policies.

The following table sets forth the name, age and title of each member of the Executive Board, followed by a brief description of each member's business experience and education, including the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years (other than at other Julius Baer Group companies).

Name	Born	Title
Bernhard Hodler.	1960	Chief Executive Officer
Dieter A. Enkelmann.	1959	Chief Financial Officer
Nic Dreckmann.	1974	Chief Operating Officer
Oliver Bartholet.	1966	Chief Risk Officer
Larissa Alghisi Rubner.	1970	Chief Communications Officer
Christoph Hiestand.	1969	General Counsel

Bernhard Hodler (born 1960, Swiss citizen); Bachelor of Business Administration, University of Applied Sciences (HWV), Berne, 1984–1987; Staff IT School SIB, Zurich, 1988–1989; Financial Risk Manager (FRM), Global Association of Risk Professionals, 1997; Advanced Executive Program, Swiss Finance Institute, 1999–2000; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004. Union Bank of Switzerland, Credit Analyst, 1982–1984; Credit Suisse First Boston, Zug and London, Business Audit, Senior Corporate Auditor, 1987–1990; Swiss Bank Corporation, Tokyo and Zurich, 1990–1994: Deputy Head Global Risk Management, 1990–1993; Head Risk Management Asia Pacific and member of the Regional Management Committee, 1993–1994; Credit Suisse, Zurich, Head of Global Market & Credit Risk and Global Controlling Trading & Sales, 1994–1996; Credit Suisse First Boston, London, Head of Europe and Asia Risk Management, 1997–1998. Entry into Bank Julius Baer & Co. Ltd. in 1998 as Head of Global Risk Management, 1998–2001; Chief Risk Officer, 2001–2009; President of the Management Committee from 2001 until 2 December 2005; Julius Baer Holding Ltd.: member of the Extended Group Executive Board and Chief Risk Officer from 2001 until 2 December 2005; Head Corporate Centre and Chief Risk Officer from 3 December 2005 until 14 November 2007; member of the Executive Board from 15 November 2007 until 30 September 2009; Bank Julius Baer & Co. Ltd., member of the Executive Board 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) from 1 April 2011 to 31 December 2012, COO a.i. from 1 to 31 January 2013; Chief Risk Officer from 1 February 2013 to 26 November 2017. Chief Operating Officer (COO) a.i. of Julius Baer Group Ltd. from 1 to 31 January 2013; member of the Executive Board and Chief Risk Officer of Julius Baer Group Ltd. from 1 October 2009 to 26 November 2017; member of the Executive Board and Chief Executive Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 27 November 2017.

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

Executive Board of Julius Baer Holding Ltd. from 1 September 2008 until 30 September 2009; member of the Executive Board and Chief Financial Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 October 2009.

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

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

Larissa Alghisi Rubner (born 1970, Swiss and Italian citizen); Master of Arts (lic. oec. HSG), University of St. Gallen, 1995. Andersen Consulting (Accenture), Zurich, Consultant, 1996–1999; UBS AG, Zurich, 1999–2010: Media Relations, 1999–2001; Stakeholder Reporting, 2001–2008; Head Corporate Center Communications / Head of Communications Management and Internal Communications, 2008–2010; GAM Holding AG, Zurich, Group Head of Communications, 2010–2016; member of the Group Management Board from July 2015–2016. Entry into Julius Baer Group Ltd. on 1 June 2017: member of the Executive Board and Chief Communications Officer of Julius Baer Group Ltd. since 1 July 2017.

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 Bank Julius Baer & Co. Ltd., 2001: Legal Counsel 2001–2003; General Counsel, Corporate Centre, 2004–2005; Julius Baer Holding Ltd., Deputy Group General Counsel, 2006 until 30 September 2009; member of the Executive Board and General Counsel of Julius Baer Group Ltd. since 1 October 2009; additionally Chief Risk Officer a.i. of Julius Baer Group Ltd. from 27 November 2017 until 28 February 2018.

The business address of all members of the Executive Board of Julius Baer Group Ltd. is Julius Baer Group Ltd., Bahnhofstrasse 36, P.O. Box, CH-8010 Zurich, Switzerland.

Audit Committee

The Audit Committee is responsible for the integrity of controls for financial reporting and the review of the Issuer's and the Group's financial statements, including the interim management statements but in particular the consolidated statement of the Group and the annual and semi-annual financial statements before they are presented to the complete Board of Directors for approval. It also reviews the internal and external communication regarding the financial data and accounting statements and related information. The Audit Committee monitors compliance by the Issuer 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 managing bodies.

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

The Audit 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 Audit Committee is also responsible for assessing the performance of the external auditors 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.

All members of the Audit Committee are independent and, based on their education and professional expertise, financial experts. 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 the Issuer 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.

As at the date of this Prospectus, the Audit Committee consists of Heinrich Baumann (chairperson), Claire Giraut, Ivo Furrer, Paul Man-Yiu Chow and Charles G.T. Stonehill.

Corporate Governance

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 the Issuer 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 Issuer therefore aims to thoroughly satisfy these legitimate information needs through its respective publications.

The corporate governance information of the Issuer is presented in accordance with the Directive Corporate Governance of the SIX Swiss Exchange (revised effective 1 May 2018), 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 February 2016) and the Federal Council's 'Ordinance against excessive compensation in listed companies' (in force effective 1 January 2014).

The Swiss Financial Market Supervisory Authority FINMA has revised its corporate governance requirements for banks in a new circular 2017/1 entitled Corporate Governance – banks, as per the implementation date 1 July 2018. The Issuer already implemented these altered supervisory requirements relating to corporate governance, internal control systems and risk management for banks effective 1 January 2018.

For further information regarding Corporate Governance, refer to Chapter I – Corporate Governance in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

Incorporation, Company Name, Registered Office, Register and Legal Form

The Issuer's legal name is Julius Baer Group Ltd. (Julius Bär Gruppe AG, Julius Baer Groupe SA). The Issuer was incorporated on 18 June 2009 as a company limited by shares (*Aktiengesellschaft*) established under the laws of Switzerland (article 620 *et seqq.* of the Swiss Code of Obligations) for an indefinite period of time and registered in the commercial register of the Canton of Zurich, Switzerland (the "**Commercial Register**"), on 25 June 2009 and has been assigned the Business Identification Number (UID) CHE-114.934.412. Its current registered office is at Bahnhofstrasse 36, CH-8001 Zurich, Switzerland. The Issuer's most recent Articles of Incorporation are dated 9 April 2014.

The Issuer was incorporated on 18 June 2009 by Julius Baer Holding Ltd. (renamed GAM Holding AG) as founder and registered in the Commercial Register on 25 June 2009.

The Issuer is a holding company that comprises Bank Julius Baer & Co. Ltd., as principal operating entity, and other (consolidated) subsidiaries listed in Note 27A of the Issuer's consolidated financial statements as at and for the year ended 31 December 2018.

Purpose

According to article 2.1 of the Articles of Incorporation, the main corporate purpose of the Issuer is the acquisition and management of its permanent participations, particularly in banks and other companies engaged in financial services.

Share Capital Structure

The Shares

All of the shares in the Issuer are registered shares (*Namenaktien*) with a nominal value of CHF 0.02 each, are validly issued and fully paid-in. The shares are listed on the SIX Swiss Exchange and traded under the ticker symbol "BAER".

In accordance with the Articles of Incorporation and the requirements of the clearing arrangements of SIX SIS Ltd., the shares are issued in uncertificated form (*Wertrechte*, within the meaning of article 973c of the Swiss Code of Obligations) and entered in the Issuer's book of book-entry securities (*Wertrechtebuch*). The shares are registered in the main register (*Hauptregister*) maintained by SIX SIS Ltd and credited to the securities account of each holder of such shares and thus will become intermediated securities (*Bucheffekten*, within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*)). Shareholders are not entitled to request delivery of shares or share certificates. However, a shareholder may at any time request that the Issuer issues a confirmation of such shareholder's shareholding. Such confirmation is not a negotiable instrument.

Registered Issued Share Capital

As at the date of this Prospectus, the Issuer's registered issued share capital amounted to CHF 4,476,188.96, divided into 223,809,448 registered shares, fully paid-up, with a nominal value of CHF 0.02 each.

Conditional Share Capital

The Issuer's Articles of Incorporation currently provide for a conditional share capital (*bedingtes Aktienkapital*) of CHF 200,000, divided into 10,000,000 registered shares, to be fully paid-up, with a nominal value of CHF 0.02 each.

Article 3.4 of the Articles of Incorporation reads as follows (translated from the German original):

"1 The Company's share capital is to be increased by the issue of up to 10,000,000 registered 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 4.3 *et seqq*. of the Articles of Incorporation.

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

3 Important reasons can be the securing of optimal conditions

4 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 or 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 Zurich stock exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds."

As of the date of this Prospectus, no shares out of the Issuer's conditional capital have been issued. Application has been made to, and approval has been given by, the SIX Swiss Exchange to formally list according to the Main Standard of the SIX Swiss Exchange 10,000,000 additional registered shares with a nominal value of CHF 0.02 each that may be issued under the conditional share capital of the Issuer.

Own Equity Securities

As of 31 December 2018, companies within the Issuer held 6'504'760 registered shares equaling 2.906% of the Issuer's registered issued share capital (including the shares in the Issuer held by the Julius Baer Group in the course of ordinary banking activities).

Shareholders' Rights

Each share carries one vote at the Issuer's shareholders' meeting. Voting rights may be exercised only after a shareholder has been recorded in the Issuer's share register (*Aktienregister*) as a shareholder with voting rights. The shares rank *pari passu* with each other, including with respect to dividends, to a share in the liquidation proceeds in case of a liquidation of the Issuer and to subscription rights (*Bezugsrecht*).

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.

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 of the date of this Prospectus):

Shareholder(s)/group	Purchase positions	Sale positions	Publication date
	total percentage in voting rights	total percentage in voting rights	
MFS Investment Management	9.9834%	–	04.01.2014
Wellington Management Group LLP.	4.97%	–	23.05.2019
Harris Associates L.P.	4.95%	–	02.12.2016
BlackRock Inc..	4.93%	0.07%	03.06.2019
Government of Singapore.	3.09%	–	04.06.2019
UBS Fund Management (Switzerland) AG.	3.07%	–	23.04.2019
T.Rowe Price Associates Inc..	3.06%	–	14.03.2019

The percentage holding of voting rights as well as the other terms as used above have to be read in the context of the applicable SIX Swiss Exchange rules. The Issuer publishes the current numbers and additional details to such reports on its website.

Outstanding Bonds

For further information regarding the Issuer's bonds as of the end of 2018, see Note 16 "Debt Issued" in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

Independent Auditors

The Issuer's statutory auditors are KPMG AG, Badenerstrasse 172, CH-8004 Zurich, Switzerland. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants. The Issuer's consolidated financial statements as at and for the year ended 31 December 2018 and the Issuer's consolidated financial statements as at and for the year ended 31 December 2017, and the Issuer's statutory financial statements as at and for the year ended 31 December 2018 and the Issuer's statutory financial statements as at and for the year ended 31 December 2017 have been audited by KPMG AG, independent accountants, as stated in their reports appearing herein.

Court, Arbitration and Administrative Proceedings

The Issuer and its subsidiaries are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of their businesses. It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving the Issuer's businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of material or indeterminate amounts or involve novel legal claims.

For further information regarding legal proceedings and the Julius Baer Group's litigation provisions as of 31 December 2018, see Note 18 "Provisions" in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

Ratings

The Issuer was assigned an "A3 (stable)" Issuer Rating by Moody's Investors Service, Inc. ("**Moody's**") on 5 December 2016.

Fiscal Year

The fiscal year of the Issuer commences on 1 January and ends on 31 December of each calendar year.

Historical Dividend Information

The following table sets forth the total ordinary dividends paid by the Issuer in respect of each year since its incorporation:

Fiscal Year	Total dividends	Dividends per share
	(CHF in millions)	(CHF)
2014	224[1]	1.00
2015	246[1]	1.10
2016	269[1]	1.20
2017	313[1]	1.40
2018	336[1]	1.50

Note
(1) Paid out of reserves from capital contributions/share premium (*Reserven aus Kapitaleinlagen/gesetzlichen Kapitalreserven*).

Information Policy

The Issuer provides information to its shareholders and the public by means of annual and half-year reports and interim management statements. It also publishes press releases, presentations and brochures as needed. The documents are generally available to the public in electronic form on the website of the Issuer (http://www.juliusbaer.com) as well as in printed form. Current publication dates can be found online on the website of the Issuer (http://www.juliusbaer.com).

Notices

According to the Articles of Incorporation, official notices of the Issuer to the shareholders are to be published in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). Notices from the Issuer to registered shareholders shall be sent by letter to the addresses entered in the share register. Additionally, notices required under the listing rules will be published on the website of the SIX Swiss Exchange (http://www.six-exchange-regulation.com), or otherwise in compliance with the Listing Rules. Notices in respect of the 2019 CHF Tier 1 Bonds will be published in accordance with Condition 12 (*Notices*).

Financial Statements

Unless otherwise indicated, financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"; formerly known as "**International Accounting Standards**" or "**IAS**") of the International Accounting Standards Board.

Recent Developments

On 26 February 2019, Julius Baer announced the entering of a partnership for digital asset services with SEBA Crypto AG. In combination with a minority equity investment in SEBA Crypto AG ("**SEBA**"), Julius Baer intends to collaborate with SEBA to provide its clients with access to a range of new digital asset services. Founded in April 2018 and headquartered in Zug, SEBA is a pioneer in the financial industry, building a progressive technological bridge between the traditional and the digital asset worlds. SEBA is expected to be one of the first start-ups in the crypto space to close the regulatory gap between conventional and digital assets.

On 6 February 2019, Julius Baer has resolved its Deferred Prosecution Agreement ("**DPA**") with the U.S. Department of Justice to settle its liability in connection with its legacy U.S. cross-border private banking business. Since Julius Baer fulfilled its obligations under the DPA, the U.S. Attorney's Office for the Southern District of New York filed a motion to dismiss the charges.

On 26 February 2019, Julius Baer announced the entering of a partnership for digital asset services with SEBA Crypto AG. In combination with a minority equity investment in SEBA Crypto AG ("**SEBA**"), Julius Baer intends to collaborate with SEBA to provide its clients with access to a range of new digital asset services. Founded in April 2018 and headquartered in Zug, SEBA is a pioneer in the financial industry, building a progressive technological bridge between the traditional and the digital asset worlds. SEBA is expected to be one of the first start-ups in the crypto space to close the regulatory gap between conventional and digital assets.

On 4 March 2019, Julius Baer announced that it has increased its stake in NSC Asesores by acquiring an additional participation of 30% of the company, following its initial purchase of 40% in 2015. The transaction will significantly strengthen Julius Baer's and NSC Asesores' position in Mexico.

On 2 April 2019, Julius Baer announced the Issuer's shares leave SMI and join SMIM as of 10 April 2019. SIX Swiss Exchange (with message no. 18/2019) announced that following the spin-off of Alcon AG from Novartis AG, SIX Swiss Exchange will carry out an extraordinary adjustment to the index composition of SMI, SLI, SPI, SXI Special Industry indices and sub-indices as a result of which the shares of Julius Baer (CH0102484968) are excluded from the SMI and SPI20 as of 10 April 2019 and instead are admitted to the SMIM as of 10 April 2019.

On 2 May 2019, Julius Baer announced that GPS Investimentos Financeiros e Participações S.A. (GPS), a Brazilian company of the Julius Baer Group, has signed a partnership agreement with the leading local digital financial advisor Magnetis Gestora de Recursos Ltd., a leading digital financial advisor in Brazil, in which it will acquire a minority stake. This partnership agreement underlines Julius Baer's clear strategic commitment to smart and focused market coverage. The partnership will allow Julius Baer to capitalise on the growing market of upcoming younger tech-conscious investors in one of its core markets.

The most recent material business developments have been published by the Issuer with the Interim Management Statement for the first four months of 2019 on 24 May 2019 (as attached hereto in Annex B).

Annual General Meeting of 10 April 2019

The shareholders of Julius Baer Group Ltd. approved all of the proposals submitted by the Board of Directors at the Annual General Meeting of 10 April 2019. At the Annual General Meeting:

(i) The Financial Statements and Consolidated Financial Statements 2018 were approved.

(ii) The Remuneration Report 2018 was approved in a consultative vote.

(iii) The appropriation of the disposable profit, the dissolution and the distribution of CHF 335.7 million out of 'statutory capital reserve' were approved. The amount corresponds to a distribution of CHF 1.50 per registered share. The distribution was paid free of expense from 16 April 2019.

(iv) The members of the Board of Directors and of the Executive Board were discharged for the 2018 financial year.

(v) The maximum aggregate amount of compensation of the Board of Directors for the coming term of office (AGM 2019–AGM 2020) was approved. Additionally, the shareholders approved the Executive Board's aggregate amount of variable cash-based compensation elements for the completed financial year 2018, the aggregate amount of variable share-based compensation elements that are allocated in the financial year 2019 and the maximum aggregate amount of fixed compensation for the next financial year 2020.

(vi) The Board members Gilbert Achermann, Heinrich Baumann, Richard Campbell-Breeden, Paul Man-Yiu Chow, Ivo Furrer, Claire Giraut and Charles G.T. Stonehill (Vice Chairman) were re-elected for a one-year term.

(vii) Romeo Lacher, Eunice Zehnder-Lai and Olga Zoutendijk were elected as new members of the Board of Directors for a one-year term.

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

(ix) Gilbert Achermann, Heinrich Baumann and Richard Campbell-Breeden were re-elected as members of the Compensation Committee for a one-year term.

(x) Eunice Zehnder-Lai was elected as new member of the Compensation Committee for a one-year term.

(xi) KPMG AG, Zurich, was appointed as Statutory Auditors for another one-year period.

(xii) Dr. Marc Nater, Wenger Plattner Attorneys at Law, Kuesnacht, was elected as independent representative until the end of the next Ordinary Annual General Meeting.

INFORMATION REGARDING THE CET1 RATIO AND SWISS CAPITAL RATIOS

Capital Requirements – Overview of the Swiss legal framework

Switzerland applies the internationally agreed capital adequacy rules of the Basel Capital Accord, but the implementation imposes a differentiated and stricter regime than the internationally agreed rules, including a more stringent definition of capital. The Capital Adequacy Ordinance for banks and securities dealers of 1 June 2012, as amended (*Verordnung über die Eigenmittel und Risikoverteilung für Banken und Effektenhändler*) ("**CAO**"), which implements Basel III, not only covers credit, market and operational risks, but also risk concentrations. Under the Federal Act on Banks and Savings Banks of 8 November 1934, as amended (*Bundesgesetz über die Banken und Sparkassen*), the Ordinance on Banks and Savings Banks of 30 April 2014, as amended (*Verordnung über die Banken und Sparkassen*), and the CAO, a bank must maintain an adequate ratio of capital resources to total risk-weighted assets. This requirement applies to the Issuer on a consolidated basis.

Pursuant to the CAO, bank regulatory capital is composed of the following capital categories: Figures Julius Baer Group 31 December 2018

• Tier 1 capital, consisting of:	
(i) Common Equity Tier 1 ("**CET1**");	2'731.2 (mCHF)
(ii) Additional Tier 1 ("**AT1**");	1201.8 (mCHF)
• Tier 2 capital (supplementary capital); and	58.2 (mCHF)
• Countercyclical Buffer including extended countercyclical buffer.	72.3 (mCHF)

CET1 includes paid-in share capital, open reserves, reserves for general banking risks, capital participations of minority shareholders in certain fully-consolidated subsidiaries as well as retained earnings and current-year net profits less anticipated dividends. Subject to certain conditions, CET1 may also include share capital relating to preference shares (*Vorzugsaktien*) and to non-voting share capital (*Partizipationskapital*). CET1 is reduced by, among other things, losses carried forward and losses accrued in the current year, net long position in own shares, goodwill, uncovered valuation adjustments and uncovered provision requirements of the current year and the net long position of participations in companies active in the finance sector included in the consolidation. AT1 capital includes participations which do not qualify as CET1 capital and certain debt instruments, in both cases **provided that**, among other things, there is no formal maturity date, with repayment being at the discretion of the bank; repayment by the bank is only possible five years after issuance at the earliest and is subject to the approval of FINMA, the capital or debt instrument is subordinated to all unsubordinated claims; any compensation is independent of the creditworthiness of the bank; and, in the case of debt instruments, the instrument will be extinguished upon the reaching of a certain trigger point – the point of non-viability – or by conversion into CET1 or write-down of the debt. Tier 2 capital includes primarily subordinated debt instruments with a minimum term of five years which are either written off or converted into CET1 when the point of non-viability is reached.

Under the CAO, a Swiss bank is required to maintain on a consolidated basis a regulatory capital-to-risk ratio (the "**Total Capital Ratio**") of minimum 8%, with 4.5% being covered by CET1 capital and 6% being covered by Tier 1 capital. The minimum Capital Conservation Buffer, in the form of CET1 capital, must be maintained at 2.5% of risk-weighted assets. In addition, the Swiss Federal Council, upon request of Swiss National Bank, may require banks to accumulate a Countercyclical Buffer representing up to an additional 2.5% in the form of CET1 capital of risk-weighted assets. FINMA retains its power to increase the capital requirements under the CAO.

The Issuer qualifies as a category 3 bank which must have a Total Capital Ratio of at least 12%, a CET1 ratio of at least 7.8% and a Tier 1 capital ratio of at least 9.6% Furthermore, the SNB temporary countercyclical buffer for Swiss mortgages and an additional countercyclical buffer for commitments outside Switzerland must be added to the minimum 12% capital requirement which presently adds 0.3% in the form of CET1 capital resulting in a minimum Total Capital Ratio of at least 12.3%.

Regulatory Capital of the Issuer

The following information in this Section "Information regarding the CET1 ratio and Swiss capital ratios – Regulatory Capital of the Issuer" (including all subsections) has been extracted from the Chapter "Comment on Risk and Capital Management – Management of Capital including Regulatory Capital" of the "Financial Statements Julius Baer Group 2018" in the Julius Baer Group Annual Report 2018 as attached hereto in Annex A.

Overview

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 CET1 capital and total capital. In the target-setting process the Group takes into account the regulatory minimum capital requirements and regulatory expectations that the Group will hold additional capital above the minimum required for each capital category, the Group's internal assessment of aggregate risk exposure requiring equity capital provision, the views of rating agencies, and comparison to peer institutions based on the Group's business mix and market presence.

In 2018, the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 27A of the Julius Baer Group Annual Report 2018 (as attached) provides an overview of the Group's consolidated companies.

The Group's calculations of its risk-weighted assets published in the Annual Report are identical to those carried out for regulatory reporting purposes.

The Basel III international standard approach requires CET1 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 anti-cyclical CET1 capital buffer for mortgages on residential properties in Switzerland and an additional anti-cyclical CET1 capital buffer for commitments outside Switzerland. Taken together, these add a further 0.3% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2018 and at 31 December 2017 was sufficient to meet the relevant BIS and FINMA requirements.

Capital ratios

The following table sets forth the Issuer's capital ratios as at 31 December 2018, 2017 and 2016 (CHF in millions):

	As at 31 December		
	2018[1]	2017[1]	2016[1]
		(CHF in millions)	
Risk-weighted positions			
Credit risk	14,527.7	13,627.9	14,902.8
Non-counterparty-related risk	352.8	445.9	506.7
Market risk	1,245.1	561.1	957.7
Operational risk	5,212.8	4,941.1	4,634.6
Total	**21,338.4**	**19,576.0**	**21,001.8**
Eligible capital			
CET1 capital[2]	2.731.2	3,260.8	3,444.2
Tier 1 capital[2]	3,933.0	4,235.1	3,597.0
of which hybrid tier 1 instruments[3]	1,201.8	1,455.3	1,134.7
Tier 2 capital	58.2	63.4	70.2
of which lower tier 2 instruments	0.0	0.0	0.0
Total capital	3,991.2	4,298.5	3,667.2
CET1 capital ratio[2]	12.8%	16.7%	16.4%
Tier 1 capital ratio[2]	18.4%	21.6%	17.1%
Total capital ratio	**18.7%**	**22.0%**	**17.5%**

Notes:

(1) 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) During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increased proportionally over time, and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreased respectively.

(3) The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012 (repaid in March 2018), 2014, 2015, 2016 and 2017.

Capital components

The principal adjustment to the Issuer'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 (as at 31 December 2018, 2017 and 2016). 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 Issuer's eligible regulatory capital and its reported IFRS balance sheet as at 31 December 2018. 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.

	As at 31 December		
	2018[1]	2017[1]	2016[1]
		(CHF in millions)	
Gross common equity tier 1 capital	6,041.9	5,830.4	5,339.7
of which non-controlling interests	1.9	5.9	9.4
Effects of IAS 19 revised relating to pension liabilities	0.0	40.0	81.0
Goodwill and other intangible assets	(2,902.3)	(2,269.7)	(1,670.8)
Other deductions	(408.4)	(339.9)	(305.7)
Common equity tier 1 capital	**2,731.2**	**3,260.8**	**3,444.2**
Tier 1 capital instruments	1,201,8	1,455.3	1,134.7
of which preferred securities (phase-out capital instrument)	–	–	–
of which tier 1 bond (Basel III-compliant capital instrument)	1,201.8	1.455.3	1,134.7
Goodwill and intangible assets, offset against tier 1 capital instruments	–	(481.0)	(981.9)
Additional tier 1 capital	**1,201.8**	**974.3**	**152.8**
Tier 1 capital	3,933.0	4,235.1	3,597.0
Tier 2 capital	58.2	63.4	70.2
of which lower tier 2 capital (phase-out capital instrument)	–	–	–
of which other tier 2 capital	58.2	63.4	70.2
Total capital	**3,991.2**	**4,298.5**	**3,667.2**

Notes:

(1) 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.

Capital requirements

Required capital (see table below, as at 31 December 2018, 2017 and 2016) for credit risks arising from amounts due from banks, loans, financial investments and derivative financial instruments accounts for more than 68% (2017: 70%) of the total required capital. Capital required for non-counterparty risk (2018: 2%; 2017: 2%) and market risk (2018: 6%; 2017: 3%) is of minor significance. The capital required to cover operational risk accounts for 24% of total required capital (2017: 25%).

	As at 31 December		
	2018[(1)]	2017[(1)]	2016[(1)]
		(CHF in millions)	
Credit risk	1,162.2	1,090.2	1,192.2
of which for equity securities in the banking book	17.6	15.2	9.8
Non-counterparty-related risk	28.2	35.7	40.5
Market risk	99.6	44.9	76.6
Operational risk	417.0	395.3	370.8
Total	**1,707.1**	**1,566.1**	**1,680.1**

Notes:

(1) 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.

For further information on the Issuer's capital adequacy and liquidity, see Basel III Pillar 3 Disclosures 2018 available at https://www.juliusbaer.com/group/en/financial-information/financial-reporting/.

TAXATION

The following discussion of taxation under the heading "Switzerland" in this section is only an indication of certain tax implications currently in force under the laws of Switzerland as they may affect investors. It applies only to persons who are beneficial owners of the 2019 CHF Tier 1 Bonds and may not apply to certain classes of person. The summary contains general information only; it is not exhaustive and does not constitute legal or tax advice and is based on taxation law and practice at the date of this Prospectus. Potential investors should be aware that tax law and interpretation, as well as the level and bases of taxation, may change from those described and that changes may alter the benefits of investment in, holding or disposing of, 2019 CHF Tier 1 Bonds. The Issuer makes no representations as to the completeness of the information nor undertakes any liability of whatsoever nature for the tax implications for investors. Potential investors are strongly advised to consult their own professional advisers on the implications of making an investment in, holding or disposing of, 2019 CHF Tier 1 Bonds under the laws of the countries in which they are liable to taxation and in light of their particular circumstances.

Swiss Withholding Tax

The 2019 CHF Tier 1 Bonds will qualify for the statutory exemption under Article 5(1)(g) of the Swiss Withholding Tax Act of 13 October 1965 (*Bundesgesetz über die Verrechnungssteuer vom 13. Oktober 1965*), pursuant to which interest payments by the Issuer in respect of the 2019 CHF Tier 1 Bonds will be exempt from Swiss withholding tax (*Verrechnungssteuer)*. In order for the 2019 CHF Tier 1 Bonds to qualify for the exemption, the Regulator must have approved the 2019 CHF Tier 1 Bonds for purposes of meeting regulatory requirements. In respect of the 2019 CHF Tier 1 Bonds, the Issuer will obtain such approval from the Regulator prior to the Issue Date and, on the basis of such approval, will obtain from the Swiss Tax Administration confirmation on the qualification of the 2019 CHF Tier 1 Bonds for the statutory withholding tax exemption.

In 2015 the Swiss Federal Finance Department, mandated by the Swiss Federal Council, appointed a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with an automatic exchange of information regime or a paying agent-based regime for Swiss withholding tax. Further, on 23 October 2017, the Swiss Federal Economic Affairs and Taxation Committee of the Swiss National Council filed a parliamentary initiative reintroducing the request to replace the current regime applicable to interest payments with a paying agent-based system for Swiss withholding tax. The initiative requests, among other things, a paying agent-based system that (i) subjects all interest payments made by paying agents in Switzerland to individuals resident in Switzerland to Swiss withholding tax and (ii) provides an exemption from Swiss withholding tax for interest payments to all other persons (including Swiss corporations). On 21 August 2018, the Economic Affairs and Taxation Committee of the Swiss Council of States consented to the parliamentary initiative, and, on 13 November 2018, the Swiss Federal Economic Affairs and Taxation Committee of the Swiss National Council resolved to appoint a sub-commission to prepare a preliminary draft for fulfilment of the parliamentary initiative. If such a new paying agent-based regime were to be enacted and were to result in the deduction or withholding of Swiss withholding tax on any interest payments in respect of a Note by any person other than the Issuer, the Holder would not be entitled to receive any additional amounts as a result of such deduction or withholding under the terms of the 2019 CHF Tier 1 Bonds.

Swiss Securities Turnover Tax

The issue, and the sale and delivery, of the 2019 CHF Tier 1 Bonds, on the Issue Date to initial Holders of the 2019 CHF Tier 1 Bonds are not subject to Swiss securities turnover tax (*Umsatzabgabe*) (primary market).

The trading of the 2019 CHF Tier 1 Bonds in the secondary market is subject to Swiss securities turnover tax at a rate of 0.15 % of the consideration paid for the 2019 CHF Tier 1 Bonds traded, however, only if a Swiss securities dealer, as defined in the Swiss federal stamp tax act (*Bundesgesetz über die Stempelabgaben*), is a party or an intermediary to the transaction and no exemption applies in respect of one or both of the parties to the transaction. Subject to applicable statutory exemptions, generally half of the tax is charged to one party to the transaction and the other half to the other party. Where both the seller and the purchaser of the 2019 CHF Tier 1 Bonds are not residents of Switzerland or the Principality of Liechtenstein, no Swiss securities turnover tax will apply.

Swiss Income Taxation

i) Classification and Coupon Split

The 2019 CHF Tier 1 Bonds classify for as transparent structured financial products composed of a bond and one or more options or similar rights the yield-to-maturity of which predominantly derives from periodic interest payments and not from a one-time interest payment such as an original issue discount or a repayment premium (*Obligationen ohne überwiegende Einmalverzinsung; non-IUP*).

Each annual interest payment of CHF 118.75 in respect of each 2019 CHF Tier 1 Bond of CHF 5,000 is split into two components for Swiss tax purposes:

(i) a non-taxable option premium amount for the write-down feature (hereinafter for purposes of this section, the "**Embedded Premium Amount**") equivalent to CHF 65.45 (1.309% *per annum*, the "**Embedded Premium Rate**"); and

(ii) a taxable interest amount (hereinafter for purposes of this section, the "**Embedded Interest Amount**") equivalent to:

- CHF 53.30 (1.066% *per annum*) from (but excluding) the Issue Date until (but excluding) the First Reset Date; and

- CHF 5,000 multiplied by the embedded rate of interest being calculated on the basis of (a) the Benchmark Rate plus the Margin, minus (b) the Embedded Premium Rate, in respect of each successive five-year period, the first such period commencing on (and including) the First Reset Date and ending on (but excluding) the fifth anniversary of that date.

ii) 2019 CHF Tier 1 Bonds held by Non-Swiss Holders

Holders who are not residents of Switzerland for tax purposes and who during the relevant taxable period have not held 2019 CHF Tier 1 Bonds through a permanent establishment within Switzerland are not subject to Swiss income tax in respect of their 2019 CHF Tier 1 Bonds.

See "*—Swiss Withholding Tax*" above for a summary of the taxation treatment of the 2019 CHF Tier 1 Bonds in respect of Swiss withholding tax. See "*—International Automatic Exchange of Financial Accounts Information in Tax Matters*" as concerns the exchange of information in respect of 2019 CHF Tier 1 Bonds held in accounts or deposits with financial institutions in Switzerland. See "*—FATCA*" below for a summary of the taxation treatment of the 2019 CHF Tier 1 Bonds in respect of FATCA.

iii) 2019 CHF Tier 1 Bonds held as Private Assets by Swiss Resident Holders

individuals who reside in Switzerland and hold 2019 CHF Tier 1 Bonds as private assets are required to include all payments of Embedded Interest Amounts on the 2019 CHF Tier 1 Bonds in their personal income tax return for the relevant tax period and are taxable on any net taxable income (including the Embedded Interest Amounts) for such tax period at the then prevailing tax rates.

The payment of Embedded Premium Amounts on the 2019 CHF Tier 1 Bonds and a gain realised on the sale or other disposal of 2019 CHF Tier 1 Bonds, including, in respect of the option(s) or similar right(s) embedded in the 2019 CHF Tier 1 Bonds, interest accrued or interest rate fluctuations, is a tax-free private capital gain. The same applies for gain realised upon the redemption of 2019 CHF Tier 1 Bonds, except when 2019 CHF Tier 1 Bonds are redeemed early, in which case compensation for interest accrued paid by the Issuer to a Holder constitutes a taxable interest amount. Conversely, a loss, including in respect of interest rate fluctuations realised on the sale or other disposal or redemption of 2019 CHF Tier 1 Bonds or a loss resulting from a Contingent Write-down or a Subsequent Write-down is a private capital loss which is not tax deductible. See "*—2019 CHF Tier 1 Bonds held as Assets of a Trade or Business in Switzerland*" for a summary of the taxation treatment of Swiss resident individuals who, for income tax purposes, are classified as "professional securities dealers".

iv) 2019 CHF Tier 1 Bonds held as Assets of a Trade or Business in Switzerland

Individuals who hold 2019 CHF Tier 1 Bonds through a business in Switzerland, and Swiss-resident corporate taxpayers, and corporate taxpayers residing abroad holding 2019 CHF Tier 1 Bonds through a permanent establishment situated in Switzerland, are required to recognise payments of Embedded Interest Amounts and Embedded Premium Amounts and gains or losses realised on the disposal or redemption of 2019 CHF Tier 1 Bonds, and, as the case may be, losses realised from a Contingent Write-down or a Subsequent Write-down of 2019 CHF Tier 1 Bonds in their income statement for the relevant tax period, and will be taxable on any net taxable earnings for such tax period at the then prevailing tax rates. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, classify as "professional securities dealers" for reasons of, for example, frequent dealings, or leveraged transactions, in securities.

International Automatic Exchange of Financial Accounts Information in Tax Matters

Switzerland has concluded a multilateral agreement with the EU on the international automatic exchange of information ("**AEOI**") in tax matters, which applies to all EU member states. In addition, Switzerland has signed the multilateral competent authority agreement on the automatic exchange of financial account information ("**MCAA**"), and based on the MCAA, a number of bilateral AEOI agreements with other countries. Based on such agreements and the implementing laws of Switzerland, Switzerland collects and exchanges data in respect of financial assets, including 2019 CHF Tier 1 Bonds, as the case may be, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in another treaty state. An up-to-date list of the AEOI agreements to which Switzerland is a party that are in effect of signed but not yet in effect can be found on the website of the State Secretariat for International Financial Matters (SIF).

FATCA

The Issuer and other financial institutions through which payments on the 2019 CHF Tier 1 Bonds are made may be required to withhold at a rate of up to 30 % on all, or a portion of, payments made after 31 December 2018 pursuant to Sections 1471 through 1474 of the US Internal Revenue Code (commonly referred to as "**FATCA**").

The Issuer is a foreign financial institution ("**FFI**") for the purposes of FATCA. If the Issuer is required, or agrees, to provide certain information about its account holders pursuant to a FATCA agreement with the US Internal Revenue Service (i.e. the Issuer is a "**Participating FFI**") then withholding may be triggered if: (i) payments on the 2019 CHF Tier 1 Bonds are classified as "foreign passthru payments" for purposes of FATCA and (ii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a US person or should otherwise be treated as holding a "United States Account" of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any FFI that is an investor, or through which payment on the 2019 CHF Tier 1 Bonds is made, is not a Participating FFI or otherwise exempt from being withheld upon under FATCA.

The United States and Switzerland entered into an intergovernmental agreement to facilitate the implementation of FATCA (an "**IGA**"). Under the US-Switzerland IGA, financial institutions acting out of Switzerland generally are directed to become Participating FFIs. The agreement ensures that accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. The United States has entered into IGAs with a number of jurisdictions besides Switzerland and is in the process of negotiating or in dialogue regarding IGAs with other jurisdictions.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the 2019 CHF Tier 1 Bonds, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a paying agent or any other party as a result of the deduction or withholding of such amount. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

An FFI investor that is not a Participating FFI and that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

There is a grandfathering rule that generally exempts payments made with respect to obligations that are classified as indebtedness for US federal income purposes that are issued before the date that is six months after the publication of regulations defining the term foreign passthru payment. However, the terms of the 2019 CHF Tier 1 Bonds make it uncertain that they will be classified as indebtedness for these purposes.

Significant aspects of the application of FATCA are not currently clear. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for all information contained in this Prospectus and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

Zurich, 21 June 2019

TERMS OF THE BONDS

TERMS AND CONDITIONS OF THE 2019 CHF TIER 1 BONDS

The terms and conditions of the Perpetual Tier 1 Subordinated Bonds (the "**2019 CHF Tier 1 Bonds**") (each a "**Condition**", and together the "**Terms of the Bonds**"), issued by Julius Baer Group Ltd. (the "**Issuer**"), are as follows:

1. Amount, Denomination, Reopening, Form, Custodianship and Transfer

(a) **Amount, Denomination and Reopening**

The initial aggregate principal amount of the 2019 CHF Tier 1 Bonds of CHF 350,000,000 (three hundred fifty million Swiss francs) is divided into bonds (each a "**2019 CHF Tier 1 Bond**" and, collectively, the "**2019 CHF Tier 1 Bonds**"), with denominations of CHF 5,000 each.

The Issuer may from time to time, without the consent of the holders of the 2019 CHF Tier 1 Bonds (the "**Holders**" and, individually, a "**Holder**"), issue further bonds and, provided that such bonds have the same terms and conditions as the 2019 CHF Tier 1 Bonds in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further bonds will be consolidated and form a single series with the 2019 CHF Tier 1 Bonds. If the Issuer issues any such further bonds, references in these Terms and Conditions to "**2019 CHF Tier 1 Bonds**" include such further bonds, unless the context otherwise requires.

(b) **Form, Custodianship and Transfer**

The 2019 CHF Tier 1 Bonds are issued in uncertificated form as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations of 30 March 1911, as amended (*Schweizerisches Obligationenrecht*; "**CO**").

Such uncertificated securities will be entered into the main register (*Hauptregister*) of SIS or any other intermediary (SIS or any such other intermediary, the "**Intermediary**") in Switzerland recognized for such purposes by SIX Swiss Exchange. Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the 2019 CHF Tier 1 Bonds will constitute intermediated securities (*Bucheffekten*; the "**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act of 3 October 2008, as amended (*Bucheffektengesetz*; "**FISA**").

So long as the 2019 CHF Tier 1 Bonds are Intermediated Securities, the 2019 CHF Tier 1 Bonds may only be transferred by the entry of the 2019 CHF Tier 1 Bonds in a securities account of the transferee.

The records of the Intermediary will determine the number of Tier 1 Bonds held through each participant of that Intermediary. In respect of Tier 1 Bonds held in the form of Intermediated Securities, the Holders will be the persons holding the 2019 CHF Tier 1 Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the 2019 CHF Tier 1 Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any other party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of, a permanent global certificate (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*). No physical delivery of the 2019 CHF Tier 1 Bonds shall be made.

2. Interest

(a) **Interest Rate**

(i) Initial Fixed Interest Rate

The 2019 CHF Tier 1 Bonds will bear interest from (and including) 25 June 2019 (the "**Issue Date**") to (but excluding) 25 September 2025 (the "**First Reset Date**") at a fixed rate equal to 2.375% per annum (the "**Fixed Rate of Interest**"), payable annually in arrear on 25 September of each year (each an "**Interest Payment Date**") on the Prevailing Notional Amount, for the first time on 25 September 2020 (long first coupon).

(ii) Subsequent Fixed Interest Rate

As from (and including) the First Reset Date, in respect of each successive five-year period (the "**Relevant Five-Year Period**"), the first such period commencing on (and including) the First Reset Date and ending on (but excluding) the fifth (5^{th}) anniversary of that date, the 2019 CHF Tier 1 Bonds will bear interest on the Prevailing Notional Amount payable annually in arrear on each Interest Payment Date with the rate of interest being the Reset Rate of Interest (and each of the Fixed Rate of Interest and the Reset Rate of Interest, a "**Rate of Interest**") as determined on each Interest Determination Date.

(iii) Day Count Fraction

Subject to Conditions 2(b), 2(c), 8 and 9 below, if interest is required to be paid on any date, it shall be calculated by applying the relevant Rate of Interest to the Prevailing Notional Amount, multiplying the product by the Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(b) **Discretionary Interest**

The Issuer may, at its sole discretion but subject to Condition 2(c) below, elect to cancel all or part of any payment of interest which is otherwise scheduled to be paid on an Interest Payment Date or the Redemption Date (if any) by giving notice of such election to the Holders in accordance with Condition 12, and to the Principal Paying Agent, (i) in the case of interest otherwise due on an Interest Payment Date, not more than thirty (30) nor less than ten (10) Business Days prior to the relevant Interest Payment Date, or (ii) in the case of interest otherwise due on the Redemption Date, on the relevant Redemption Notice Date.

Any interest which is not paid in accordance with this Condition 2(b), shall not accumulate or be payable at any time thereafter, and such non-payment will not constitute an event of default by the Issuer for the purpose of these Terms of the Bonds or any other purpose, and the Holders shall have no right thereto whether in a liquidation, dissolution, insolvency or bankruptcy of the Issuer or otherwise.

If the Issuer determines, after consultation with the Regulator, that the full Prevailing Notional Amount of the 2019 CHF Tier 1 Bonds does not qualify or no longer qualifies – even partially – as Additional Tier 1 Capital, (A), the Issuer shall not, to the extent permitted under National Regulations and subject to Mandatory Interest Cancellation events, exercise its discretion pursuant to this Condition 2(b) to cancel any interest payments due on the 2019 CHF Tier 1 Bonds on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 12 as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to this Condition 2(b) to cancel any interest payments as from the date of such notice.

(c) **Mandatory Interest Cancellation**

The Issuer shall be prohibited from making any payment of interest on the 2019 CHF Tier 1 Bonds otherwise scheduled to be paid on the relevant Interest Payment Date or the Redemption Date if and to the extent that on such Interest Payment Date or Redemption Date (if any) (the "**Mandatory Interest Cancellation**"):

(i) the amount of such interest otherwise due, together with (x) any interest payments or distributions paid or made, or scheduled to be paid or made, during the Relevant Period on Parity Securities, and (y) any Distributions paid or made, or scheduled to be paid or made, during the Relevant Period with respect to the financial year ended immediately prior to such Interest Payment Date or Redemption Date, in aggregate shall exceed the amount of Distributable Items as at such Interest Payment Date or Redemption Date; or

(ii) the Issuer is prohibited, by National Regulations or an order of the Regulator, from declaring or making any distributions or other payments, in whole or in part, on, or relating to, the 2019 CHF Tier 1 Bonds or any Parity Securities.

In the event where (x) Mandatory Interest Cancellation only applies in part, and (y) the Issuer elects to make such interest payment that is not prohibited to be made, the interest payable on the 2019 CHF Tier 1 Bonds shall be made pro rata with the interest payments or distributions on Parity Securities scheduled to be paid or made during the Relevant Period.

Any interest which is not paid in accordance with this Condition 2(c), shall not accumulate or be payable at any time thereafter, and such non-payment will not constitute an event of default by the Issuer for the purpose of these Terms of the Bonds or any other purpose, and the Holders shall have no right thereto whether in a liquidation, dissolution or insolvency of the Issuer or otherwise.

(d) **Restrictions following non-payment of Interest**

If, on any Interest Payment Date, payment of interest scheduled to be made on such date is not made in full on the Prevailing Notional Amount by reason of Condition 2(b) or 2(c):

(i) The Board of Directors of the Issuer shall not directly or indirectly recommend that any Distribution (other than in the form of Ordinary Shares or other capital stock) be paid or made on any Ordinary Shares or other capital stock of the Issuer; and

(ii) The Issuer shall not directly or indirectly redeem, purchase or otherwise acquire any Ordinary Shares or other capital stock of the Issuer other than in relation to (a) transactions in securities effected by or for the account of customers of the Issuer or any of its Subsidiaries or in connection with the distribution or trading of, or market making in respect of such securities; (b) the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or any of its Subsidiaries; (c) a reclassification of the capital stock of the Issuer or of any of its Subsidiaries or the exchange or conversion of one class or series of such capital stock for another class or series of such capital stock; or (d) the purchase of fractional interests in shares of the capital stock of the Issuer or any of its majority-owned Subsidiaries pursuant to the provisions of any security being converted into or exchanged for such capital stock,

in each case until the earliest of (x) the interest due and payable on any subsequent Interest Payment Date in respect of the then Prevailing Notional Amount of all outstanding 2019 CHF Tier 1 Bonds having been paid in full to the Holders; or (y) all the 2019 CHF Tier 1 Bonds having been redeemed or purchased and cancelled in full in accordance with Condition 3; or (z) the Prevailing Notional Amount of the 2019 CHF Tier 1 Bonds having been reduced to zero in accordance with Condition 8 or Condition 9.

3. Redemption, Purchase and Cancellation

(a) **No Fixed Redemption Date**

The 2019 CHF Tier 1 Bonds are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled as provided in these Terms of the Bonds, each 2019 CHF Tier 1 Bond is perpetual and shall only be redeemed or purchased as specified in this Condition 3.

The 2019 CHF Tier 1 Bonds will not be redeemable at any time at the option of the Holders.

(b) **Conditions to Redemption and Purchase**

Any redemption or purchase of the 2019 CHF Tier 1 Bonds under these Conditions, other than a redemption following a Regulatory Event or purchases for purposes of market making, is subject to:

(i) the prior approval of the Regulator, if then required;

(ii) as at the Redemption Notice Date and the Redemption Date (or as applicable, the date of purchase), neither a Write-down Trigger Event having occurred and being continuing nor a Viability Event having occurred; and

(iii) the Issuer's Group, both at the time of, and immediately following the redemption or purchase of the 2019 CHF Tier 1 Bonds, being in compliance with the Capital Requirements.

(c) **Redemption at the Option of the Issuer**

Subject to Condition 3(b), the Issuer may elect, in its sole discretion, to redeem the 2019 CHF Tier 1 Bonds, in whole but not in part, (i) at any time in the three months prior to (and including) the First Reset Date, by giving not less than fifteen (15) days' notice, or (ii) on any Interest Payment Date thereafter, by giving not less than thirty (30) days' notice (the date on which any such notice has been given, the "**Optional Redemption Notice Date**") to the Holders in accordance with Condition 12 and notifying to the Holders the date fixed for redemption (the "**Optional Redemption Date**"), at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Optional Redemption Date.

(d) **Redemption upon a Tax Event**

Upon the occurrence of a Tax Event, but subject to Condition 3(b), the Issuer may, at any time, redeem the 2019 CHF Tier 1 Bonds, in whole but not in part, by giving not less than thirty (30) days' notice (the date on which such notice has been given, the "**Tax Event Redemption Notice Date**") to the Holders in accordance with Condition 12 and notifying the date fixed for redemption (the "**Tax Event Redemption Date**"), at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Tax Event Redemption Date.

Notwithstanding the foregoing, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem in accordance with this Condition 3(d) is satisfied and the reasons therefor, and such certificate shall be conclusive and binding on the Holders. Prior to the publication of any notice of redemption pursuant to this Condition 3(d), the Issuer shall deliver an opinion of a nationally recognised law firm or independent tax advisers of recognised standing to the Principal Paying Agent to the effect that the circumstances entitling the Issuer to exercise its rights of redemption under this Condition 3(d) have arisen.

A "**Tax Event**" means the receipt by the Issuer of an opinion of a nationally recognised law firm or other tax adviser (which may be an accounting firm) in Switzerland experienced in such matters stating that there is more than an insubstantial risk that (i) the Issuer is not, or will not be, able to any longer obtain a tax deduction for Swiss corporate income tax purposes for any payment of interest in respect of the 2019 CHF Tier 1 Bonds, as a result of which the Issuer is, or will be, subject to more than a *de minimis* amount of additional taxes, or (ii) the Issuer is, or will become, obliged to deduct or withhold taxes under the laws or regulations of Switzerland in respect of any payments of interest to Holders in respect of the 2019 CHF Tier 1 Bonds, and in each of cases (i) and (ii) this cannot be avoided by the Issuer taking such reasonable measures available to it without any material adverse effect on, or material cost to, the Issuer (as determined by the Issuer in its sole discretion).

(e) **Redemption upon a Regulatory Event**

Upon the occurrence of a Regulatory Event, the Issuer may, at any time, redeem the 2019 CHF Tier 1 Bonds, in whole but not in part, by giving not less than thirty (30) days' notice (the date on which such notice has been given, the "**Regulatory Event Redemption Notice Date**") to the Holders in accordance with Condition 12 and notifying to the Holders the date fixed for redemption (the "**Regulatory Event Redemption Date**"), at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Regulatory Event Redemption Date.

Notwithstanding the foregoing, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem in accordance with this Condition 3(e) is satisfied and the reasons therefor, and such certificate shall be conclusive and binding on the Holders.

A "**Regulatory Event**" is deemed to have occurred if (i) the Issuer is notified in writing by the Regulator to the effect that the 2019 CHF Tier 1 Bonds are not eligible to be treated as Tier 1 Capital in whole or in part or (ii) the National Regulations are amended with the effect that the 2019 CHF Tier 1 Bonds are not eligible to be treated as Tier 1 Capital in whole or in part.

(f) **Purchases**

Subject to Condition 3(b), the Issuer or any of its Subsidiaries may, directly or indirectly, at any time purchase 2019 CHF Tier 1 Bonds at any price, in the open market or otherwise subject to any prevailing limits or conditions under the National Regulations. The Regulator's approval is not required for purchases in accordance with market making in the 2019 CHF Tier 1 Bonds. Any purchase shall be made in accordance with applicable laws and regulations, including applicable stock exchange regulations. Such 2019 CHF Tier 1 Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out in Condition 3(g).

(g) **Cancellation**

All 2019 CHF Tier 1 Bonds which are redeemed or purchased and surrendered in accordance with this Condition 3 shall forthwith be cancelled. All 2019 CHF Tier 1 Bonds so cancelled cannot be reissued or resold.

4. Payments

The amounts required for payments with respect to the 2019 CHF Tier 1 Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto.

Upon receipt of the funds in Switzerland and under the same conditions as received, the Principal Paying Agent will arrange for payment to the Holders.

The Issuer undertakes that payments shall be made in freely disposable CHF without collection cost to the Holders, and, unless otherwise provided for by applicable law, without any restrictions and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Holders and without requiring any affidavit or the fulfilment of any other formality.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as above provided shall release the Issuer of its payment obligations under the 2019 CHF Tier 1 Bonds to the extent of such payments.

If, at any time during the life of the 2019 CHF Tier 1 Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent or as Holders' Representative as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or the duly licensed Swiss branch or subsidiary of a major foreign bank chosen by the Issuer. In the event of such a replacement of the Principal Paying Agent, all references to the Principal Paying Agent and to the Holders' Representative shall be deemed to refer to such replacement. Notice of such a replacement shall be published in accordance with Condition 12.

5. Statute of Limitations

In accordance with Swiss law, claims for interest payments shall become time-barred after a period of five (5) years and claims for the repayment or redemption of 2019 CHF Tier 1 Bonds after a period of ten (10) years, calculated from their respective due dates.

6. Taxation

All payments with respect to the 2019 CHF Tier 1 Bonds are subject all applicable taxes and deductions. As of the time of the issuance, payments of interest under the 2019 CHF Tier 1 Bonds are exempt from Swiss withholding tax.

7. Status and Subordination of the 2019 CHF Tier 1 Bonds

(a) **Status**

The 2019 CHF Tier 1 Bonds constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves. The rights and claims of the Holders are subordinated as described in Condition 7(b).

(b) **Subordination**

In the event of an order being made, or an effective resolution being passed, for the liquidation or dissolution of the Issuer, the rights and claims of a Holder against the Issuer shall rank, subject to any obligations which are mandatorily preferred by law, (i) junior to the claims of all holders of unsubordinated obligations of the Issuer and all other subordinated obligations of the Issuer except the claims of all holders of Parity Securities, (ii) *pari passu* among themselves and with the claims of all holders of Parity Securities, and (iii) senior to Equity Capital and any other equivalent items of capital.

8. Contingent and Subsequent Write-down upon the occurrence of a Write-down Trigger Event

(a) Contingent Write-down

If a Contingent Write-down has not previously occurred and a Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, the claims of the Holders against the Issuer to receive repayment of the Original Notional Amount on the Redemption Date (if any) shall be reduced by the relevant Write-down Amount (as set out in Condition 8(c)) with effect as of the relevant Write-down Date, and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount (such reduction, a "**Contingent Write-down**") (*bedingte Aufhebung einer Forderung durch Übereinkunft*). If the Write-down Amount is equal to the Original Notional Amount, the claims of the Holders are reduced to zero and the 2019 CHF Tier 1 Bonds shall be cancelled.

(b) Subsequent Write-down

If, following a Contingent Write-down, a further Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be further reduced by the relevant Write-down Amount (as set out in Condition 8(c)) with effect as of the relevant Write-down Date, and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount (each such further reduction, a "**Subsequent Write-down**") (*bedingte Aufhebung einer Forderung durch Übereinkunft*). If the Write-down Amount is equal to the Prevailing Notional Amount, the claims of the Holders are reduced to zero and the 2019 CHF Tier 1 Bonds shall be cancelled.

(c) Write-down Amount

"**Write-down Amount**" means the amount required to be deducted from the Prevailing Notional Amount, as determined by the Issuer in consultation with the Regulator after a Write-down Trigger Event has occurred, as will (together with any substantially concurrent conversion, write-off or write-down of holders' claims in respect of any other capital instruments of the Issuer that, pursuant to their terms or by operation of law, are capable of being converted into equity, written off or written down at that time (including capital instruments with a write-down, write-off or conversion threshold equal to or higher than the Write-down Threshold Ratio, provided that the conversion, write-off or write-down in respect of capital instruments with a write-down, write-off or conversion threshold higher than the Write-down Threshold Ratio shall for that purpose take priority over any write-down of the 2019 CHF Tier 1 Bonds)) restore the CET1 Ratio back to a level equal to or, if required by the Regulator, higher than the Write-down Threshold Ratio, **provided that**, for the avoidance of doubt, the maximum Write-down Amount shall be equal to the Prevailing Notional Amount.

(d) Write-down Trigger Event

A "**Write-down Trigger Event**" shall occur on the Business Day following the publication of a Relevant Report (an "**Initial Trigger Test Date**") if the CET1 Ratio as per the relevant Cut-off Date of such Relevant Report is less than the Write-down Threshold Ratio and the Issuer delivers to the Principal Paying Agent within five (5) Business Days from the Initial Trigger Test Date a certificate signed by two Authorised Signatories certifying that the CET1 Ratio as per the Cut-off Date of such Relevant Report is less than the Write-down Threshold Ratio.

Such Write-down Trigger Event shall be continuing on the Subsequent Trigger Test Date unless the Regulator, at the request of the Issuer, has agreed on or prior to the Subsequent Trigger Test Date but after the Initial Trigger Test Date, that a write-down of the Prevailing Notional Amount is not required as a result of actions taken by the Issuer or circumstances or events which have had, or imminently will have, the effect of restoring the CET1 Ratio as per the Subsequent Trigger Test Date to a level above the Write-down Threshold Ratio.

If the Write-down Trigger Event is continuing on the Subsequent Trigger Test Date, the Issuer shall deliver to the Principal Paying Agent, on the Business Day following the Subsequent Trigger Test Date (the "**Write-down Trigger Event Notice Date**"), a certificate signed by two Authorised Signatories designating the Write-down Amount and the Write-down Date (the "**Write-down Trigger Event Notice**"), **provided, however, that** the Write-down Date shall be no later than twenty (20) Business Days after the Write-down Trigger Event Notice Date.

If the Write-down Trigger Event is not continuing on the Subsequent Trigger Test Date, the Issuer shall deliver to the Principal Paying Agent, on the Business Day following the Subsequent Trigger Test Date, a certificate signed by two Authorised Signatories confirming that the Write-down Trigger Event is not continuing on the Subsequent Trigger Test Date and, therefore, a write-down of the 2019 CHF Tier 1 Bonds shall not occur at that time.

"**Subsequent Trigger Test Date**" means, in respect of a Write-down Trigger Event, the earlier of:

(i) the date falling ten (10) Business Days after the date of publication of the Relevant Report; and

(ii) the date on which the Regulator instructs or requests the Issuer to proceed with the write-down.

"**Write-down Threshold Ratio**" means 5.125%

(e) **No interest on Write-down Amount, no Event of Default**

Following a Contingent Write-down or a Subsequent Write-down, the 2019 CHF Tier 1 Bonds shall not carry any interest on any Write-down Amount and interest will only accrue on the resulting Prevailing Notional Amount. For the avoidance of doubt, neither a Contingent Write-down nor any Subsequent Write-down shall constitute an event of default by the Issuer for any purpose.

(f) **No Contingent Write-down or Subsequent Write-down**

In accordance with Condition 8(d), no Contingent Write-down or Subsequent Write-down shall occur if, notwithstanding the CET1 Ratio being below the Write-down Threshold Ratio, the Regulator, at the request of the Issuer, has agreed, on or prior to the publication of the Relevant Report, that a Contingent Write-down or Subsequent Write-down, as the case may be, shall not occur because it is satisfied that actions, circumstances or events have had, or imminently will have, the effect of restoring the CET1 Ratio to a level above the Write-down Threshold Ratio.

9. Write-off upon the occurrence of a Viability Event

If a Viability Event has occurred, the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be reduced to zero with effect as of the relevant Write-down Date. The Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the 2019 CHF Tier 1 Bonds (*bedingte Aufhebung einer Forderung durch Übereinkunft*) and the 2019 CHF Tier 1 Bonds shall be cancelled. For the avoidance of doubt, a Viability Event shall not constitute an event of default by the Issuer for any purpose.

A "**Viability Event**" means that either:

(i) the Regulator has notified the Issuer that it has determined that the write-down of the 2019 CHF Tier 1 Bonds, together with the conversion, write-down or write-off of holders' claims in respect of any other instruments that, pursuant to their terms or by operation of laws are capable of being converted into equity, written down or written off at that time, is, because customary measures to improve the Issuer's capital adequacy are at the time inadequate or unfeasible, an essential requirement to prevent the Issuer from becoming insolvent, bankrupt or unable to pay a material part of its debts as they fall due, or from ceasing to carry on its business; or

(ii) customary measures to improve the Issuer's capital adequacy being at the time inadequate or unfeasible, the Issuer has received an irrevocable commitment of extraordinary support directly or indirectly from the Public Sector (beyond customary transactions and arrangements in the ordinary course of business) that has, or imminently will have, the effect of improving the Issuer's capital adequacy and without which, in the determination of the Regulator, the Issuer would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

"**Public Sector**" means the federal or central government or central bank in the Issuer's country of incorporation.

No later than three (3) Business Days after the occurrence of a Viability Event, the Issuer shall deliver to the Principal Paying Agent a notice signed by two Authorised Signatories, stating that a Viability Event has occurred and designating the Write-down Date (the "**Viability Event Notice**" and, the date on which such notice is given, the "**Viability Event Notice Date**"), **provided, however, that** the Write-down Date shall be no later than ten (10) Business Days after the Viability Event Notice Date.

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has the effect that a Viability Event could cease to apply to the 2019 CHF Tier 1 Bonds without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders no later than five (5) Business Days after such joint determination stating that such provisions shall cease to apply from the date of such notice, and from the date of such notice, such provisions shall cease to apply to the 2019 CHF Tier 1 Bonds.

10. Substitution of the Issuer

The Issuer may without the consent of the Holders, at any time substitute for itself in respect of all rights and obligations arising under or in connection with the 2019 CHF Tier 1 Bonds any legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the "**New Issuer**"), **provided that**:

(a) the Regulator has approved the substitution of the Issuer;

(b) the Issuer is not in default in respect of any amount payable under the 2019 CHF Tier 1 Bonds at the time of such substitution;

(c) such substitution does not give rise to a Tax Event, Regulatory Event or Write-down Trigger Event;

(d) the Issuer and the New Issuer have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the New Issuer has undertaken in favour of each Holder to be bound by these Terms of the Bonds in place of the Issuer and procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the New Issuer have been taken, fulfilled and done and are in full force and effect;

(e) if the New Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the New Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 6 in relation to the payment of all amounts due and payable under, or in respect of, the 2019 CHF Tier 1 Bonds but with the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the New Issuer to indemnify each Holder against any taxes, duties, assessments or other government charges of any nature that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the New Issuer's organisation with respect to any 2019 CHF Tier 1 Bond and that would not have been so imposed had the substitution not been made, as well as against any taxes, duties, assessments or other government charges of any nature, and any cost or expense, relating to such substitution;

(f) if the New Issuer is not organised under the laws of Switzerland, the New Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the 2019 CHF Tier 1 Bonds;

(g) the Issuer and the New Issuer have obtained all necessary governmental authorisations of the country of its domicile or its deemed residence for tax purposes; and

(h) the Issuer has issued an irrevocable, subordinated guarantee as per article 111 CO subordinated to the same level as the Issuer's payment obligations under the 2019 CHF Tier 1 Bonds in respect of the obligations of the New Issuer under the 2019 CHF Tier 1 Bonds.

Notice of any substitution shall be published in accordance with Condition 12.

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer.

11. No Set-Off

No Holder may set-off claims under the 2019 CHF Tier 1 Bonds against obligations the Issuer has against the Holder.

12. Notices

All notices regarding the 2019 CHF Tier 1 Bonds shall be given (i) for so long as the 2019 CHF Tier 1 Bonds are listed on the SIX Swiss Exchange on the website of the SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/search_en.html) or (ii) in case the 2019 CHF Tier 1 Bonds were no longer listed on the SIX Swiss Exchange in a daily newspaper with general circulation in Switzerland (which is expected to be the Neue Zürcher Zeitung).

13. Listing

Application will be made for the admission to trading and listing of the 2019 CHF Tier 1 Bonds on SIX Swiss Exchange. The Issuer will use reasonable endeavours to have the 2019 CHF Tier 1 Bonds listed on the SIX Swiss Exchange and to maintain such listing up to (i) the Redemption Date, if any, pursuant to Condition 3, or (ii) to a Write-down Date, if any, on which the Prevailing Notional Amount of the 2019 CHF Tier 1 Bonds is reduced to zero, pursuant to Condition 8 or 9, as the case may be.

14. Principal Paying Agent

The Issuer is entitled to appoint, vary or terminate the appointment of Principal Paying Agent, **provided that**:

(a) so long as the 2019 CHF Tier 1 Bonds are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a paying agent, with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority; and

(b) there will at all times be a Principal Paying Agent.

The Principal Paying Agent acts solely as agents of the Issuer and do not assume any obligation to, or relationship of agency with, any Holders.

15. Governing Law and Jurisdiction

The Terms of the Bonds and the 2019 CHF Tier 1 Bonds shall be governed by and construed in accordance with the laws of Switzerland.

Any dispute which might arise based on the Terms of the Bonds and the 2019 CHF Tier 1 Bonds shall fall within the exclusive jurisdiction of the courts of the City of Zurich and, if permitted, the Commercial Court of the Canton of Zurich, Switzerland, venue being Zurich 1.

The above mentioned jurisdiction is also exclusively valid for the declaration of the cancellation of the 2019 CHF Tier 1 Bonds.

16. Severability

If at any time one or more of the provisions of the Terms of the Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

17. Definitions

"**2019 CHF Tier 1 Bond**" and "**2019 CHF Tier 1 Bonds**" have the meaning set out in Condition 1(a).

"**Additional Tier 1 Capital**" has the meaning ascribed to it under the National Regulations.

"**Alternative Benchmark Rate**" means an alternative benchmark rate for the determination of the reset rate that shall be determined in its discretion and good faith and with such adjustments as may be necessary to make such alternative benchmark rate comparable to the Five-year CHF Mid-Market Swap Rate had it not been discontinued by (i) an Independent Adviser, or, (ii) the Issuer, if (a) the Issuer is, despite reasonable endeavours, unable to appoint an Independent Adviser, or (b) the Independent Adviser appointed by it fails to determine an alternative benchmark rate.

"**Authorised Signatories**" means any two signatories of the Issuer with joint signatory power according to the Issuer's entry in the commercial register of the Canton of Zurich.

"**Benchmark Rate**" means the Five-year CHF Mid-Market Swap Rate, or if the Issuer has determined that the Five-year CHF Mid-Market Swap Rate has been discontinued, the Alternative Benchmark Rate.

"**Business Day**" means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich.

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period.

"**Capital Requirements**" means the capital requirements applicable to the Issuer's Group pursuant to the National Regulations.

"**CET1 Capital**" means the aggregate reported amount, in CHF, of all items constituting common equity tier 1 capital of the Issuer's Group on a consolidated basis, less any deductions from such common equity tier 1 capital, in each case within the meaning ascribed to these terms under the National Regulations.

"**CET1 Ratio**" means, as of the relevant Cut-off Date and expressed as a percentage, the CET1 Capital of the Issuer's Group divided by the Risk Weighted Positions, each (or their constituents) as disclosed in the Issuer's Relevant Reports.

"**CHF**" means Swiss francs, the lawful currency of Switzerland.

"**CO**" has the meaning set out in Condition 1(b).

"**Condition**" means each Condition of these Terms of the Bonds.

"**Contingent Write-down**" has the meaning set out in Condition 8(a).

"**Cut-off Date**" means the cut-off date for the calculation of the CET1 Ratio in the Relevant Report.

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

“**Distributable Items**“ means, with respect to any Interest Payment Date or Redemption Date, the aggregate of (i) net annual profit, and (ii) freely available reserves, in each case, less any amounts that must be contributed to legal reserves under the laws and regulations applicable to the Issuer, all as appearing in the Relevant Accounts for the financial year ended immediately before such Interest Payment Date or Redemption Date.

“**Distributions**“ means any dividends or distributions to shareholders in respect of the Ordinary Shares or capital stock, whether of cash, assets or other property (including a spin-off), and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including any distribution or payment to shareholders in respect of Ordinary Shares or capital stock upon or in connection with a reduction of capital.

“**Equity Capital**“ means the share capital (*Aktienkapital*) and participation capital (*Partizipationskapital*) (if any) of the Issuer.

“**FINMA**“ means the Swiss Financial Market Supervisory Authority FINMA (*Eidgenössische Finanzmarktaufsicht FINMA*).

“**First Reset Date**“ has the meaning set out in Condition 2(a)(i).

“**FISA**“ has the meaning set out in Condition 1(b).

“**Five-year CHF Mid-Market Swap Rate**“ means the five-year CHF mid-market swap rate calculated on the basis of the rates displayed on GOTTEX page “CHF Interest Rate Swaps vs LIBOR“ (or on any other GOTTEX page replacing this page or on the relevant page of another service provider designated by the Principal Swiss Paying Agent) at 11.00 a.m. (London) on the Interest Determination Date. If such Five-year CHF Mid Market Swap Rate does not appear on that page, it shall be determined by the Principal Paying Agent on the basis of (i) quotations provided by the principal office of each of four major banks in the CHF swap market of the rates at which swaps in CHF are offered by it at approximately 11.00 a.m. (London) on the Interest Determination Date to participants in the CHF swap market for the period equal to the Relevant Five-Year Period; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations on the Interest Determination Date.

“**Fixed Rate of Interest**“ has the meaning set out in Condition 2(a)(i).

“**Former Residence**“ has the meaning set out in Condition 10(e).

“**Holder**“ and “**Holders**“ have the meaning set out in Condition 1(a).

“**Independent Adviser**“ means an independent financial institution or another independent financial adviser experienced in the Swiss capital markets, in each case, appointed by the Issuer at its own expense.

“**Initial Trigger Test Date**“ has the meaning set out in Condition 8(d).

“**Interest Determination Date**“ means, in respect of a Relevant Five-Year Period, the day falling five (5) Business Days prior to the first (1st) day of such Relevant Five-Year Period.

“**Interest Payment Date**“ has the meaning set out in Condition 2(a)(i).

“**Intermediary**“ has the meaning set out in Condition 2(b).

“**Intermediated Securities**“ has the meaning set out in Condition 2(b).

“**Issue Date**“ has the meaning set out in Condition 2(a)(i).

“**Issuer**“ means Julius Baer Group Ltd., Bahnhofstrasse 36, CH-8001 Zurich, Switzerland.

“**Issuer's Group**“ means the Issuer together with such of its Subsidiaries as are subject, together with the Issuer, to capital adequacy requirements on a consolidated level under the National Regulations.

“**Mandatory Interest Cancellation**“ has the meaning set out in Condition 2(c).

"**Margin**" means 2.861% per annum.

"**National Regulations**" means, as in effect from time to time, the national banking and capital adequacy laws and regulations in Switzerland applicable to the Issuer's Group (including, without limitation, the circulars of FINMA based thereon).

"**New Issuer**" has the meaning set out in Condition 10.

"**New Residence**" has the meaning set out in Condition 10.

"**Optional Redemption Date**" has the meaning set out in Condition 3(c).

"**Optional Redemption Notice Date**" has the meaning set out in Condition 3(c).

"**Ordinary Shares**" means the registered shares of the Issuer from time to time which, as at the Issue Date, are listed on the SIX Swiss Exchange (Swiss Security Number: 010248496 / ISIN: CH0102484968).

"**Original Notional Amount**" means the initial principal amount of a 2019 CHF Tier 1 Bond as of the Issue Date, being CHF 5,000.

"**Parity Securities**" means (i) all obligations of the Issuer (as issuer or guarantor) in respect of Tier 1 Instruments and (ii) any other obligations of the Issuer that rank, or are expressed to rank, *pari passu* with the 2019 CHF Tier 1 Bonds.

"**Prevailing Notional Amount**" means the principal amount of each 2019 CHF Tier 1 Bond outstanding at any given time, accounting for any Contingent Write-down or Subsequent Write-down that may have occurred.

"**Principal Paying Agent**" means UBS AG in its function as principal paying agent or any person appointed as its replacement in accordance with Condition 14.

"**Public Sector**" has the meaning set out in Condition 9.

"**Rate of Interest**" has the meaning set out in Condition 2(a)(ii).

"**Redemption Date**" means the Optional Redemption Date, the Tax Event Redemption Date or the Regulatory Event Redemption Date.

"**Redemption Notice Date**" means the Optional Redemption Notice Date, the Tax Event Redemption Notice Date or the Regulatory Event Redemption Notice Date.

"**Regulator**" means the national regulator having the leading authority to supervise and regulate the Issuer's Group at the relevant time, being at the Issue Date, FINMA.

"**Regulatory Event**" has the meaning set out in Condition 3(e).

"**Regulatory Event Redemption Date**" has the meaning set out in Condition 3(e).

"**Regulatory Event Redemption Notice Date**" has the meaning set out in Condition 3(e).

"**Relevant Accounts**" means the audited unconsolidated financial statements of the Issuer for any financial year for which a set of such financial statements has been published.

"**Relevant Five-Year Period**" has the meaning set out in Condition 2(a)(ii).

"**Relevant Period**" means the Issuer's current financial year.

"**Relevant Report**" means (i) any of the Issuer's annual reports or interim reports (*Zwischenberichte*, such interim reports currently consisting of the semi-annual reports (*Halbjahresberichte*)), excluding any press releases or other communications relating to or in connection with such reports or respective results, or (ii) any special report prepared by the Issuer for the purpose of calculating the CET1 Ratio, which report may be commissioned by the Regulator at any time.

“**Reset Rate of Interest**“ means the higher of (i) the aggregate of the prevailing Benchmark Rate and the Margin, and (ii) zero (0).

“**Risk Weighted Positions**“ means the aggregate reported amount, in CHF, of all risk weighted positions of the Issuer's Group on a consolidated basis as calculated pursuant to the National Regulations.

“**Subsequent Trigger Test Date**“ has the meaning set out in Condition 8(d).

“**Subsequent Write-down**“ has the meaning set out in Condition 8(b).

“**Subsidiaries**“ means the direct and indirect subsidiaries of the Issuer whose financial statements are consolidated with those of the Issuer in accordance with applicable law or accounting principles.

“**Substitution Documents**“ has the meaning set out in Condition 10(d).

“**Tax Event**“ has the meaning set out in Condition 3(d).

“**Tax Event Redemption Date**“ has the meaning set out in Condition 3(d).

“**Tax Event Redemption Notice Date**“ has the meaning set out in Condition 3(d).

“**Terms of the Bonds**“ means these Terms of the Bonds.

“**Tier 1 Capital**“ has the meaning ascribed to it under the National Regulations.

“**Tier 1 Instruments**“ means any and all securities or other obligations issued by the Issuer that qualify, or are issued in respect of securities that qualify, in whole or in part as Tier 1 Capital, but excluding Equity Capital.

“**Viability Event**“ has the meaning set out in Condition 9.

“**Viability Event Notice**“ has the meaning set out in Condition 9.

“**Viability Event Notice Date**“ has the meaning set out in Condition 9.

“**Write-down Amount**“ has the meaning set out in Condition 8(c).

“**Write-down Date**“ means the date on which the relevant Contingent Write-down or Subsequent Write-down shall become effective as specified in the relevant Write-down Trigger Event Notice, or the date on which the Prevailing Notional Amount shall be written down to zero as specified in the Viability Event Notice.

“**Write-down Threshold Ratio**“ has the meaning set out in Condition 8(d).

“**Write-down Trigger Event**“ has the meaning set out in Condition 8(d).

“**Write-down Trigger Event Notice**“ has the meaning set out in Condition 8(d).

“**Write-down Trigger Event Notice Dat**e“ has the meaning set out in Condition 8(d).

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Julius Bär

2018

ANNUAL REPORT

Julius Baer Group Ltd.

Including integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestitures, the net profit achieved in 2018 amounted to CHF 735 million. Excluding these items, the adjusted net profit for 2018 amounted to CHF 810 million. Further information on this basis can be found in the presentation and the media release on the 2018 financial results and the Business Review 2018.

KEY FIGURES

	2018	2017	
Return on equity (ROE)	12.5%	12.8%	-
Return on tangible equity (ROTE)[1]	27.5%	29.7%	-
Cost/income ratio[2]	73.0%	71.8%	-
Cost/income ratio[3]	70.6%	69.0%	-

	31.12.2018	31.12.2017	Change %
Consolidated balance sheet			
Total assets (CHF m)	102,898.3	97,917.6	5.1
Total equity (CHF m)	6,041.9	5,854.0	3.2
BIS CET1 capital ratio	12.8%	13.5%[4]	-
BIS total capital ratio	18.7%	21.2%[4]	-
Client assets (CHF bn)			
Assets under management	382.1	388.4	-1.6
Total client assets	443.9	457.1	-2.9
Personnel			
Number of employees (FTE)	6,693	6,292	6.4
of whom in Switzerland	3,535	*3,423*	*3.3*
of whom abroad	3,157	*2,869*	*10.1*
Number of relationship managers	1,501	1,396	7.6

[1] Net profit of the shareholders of Julius Baer Group Ltd. less integration and restructuring expenses as well as amortisation of intangible assets/(half-yearly) average shareholders' equity less goodwill and other intangible assets
[2] Excluding provisions and losses
[3] Excluding provisions and losses, and integration and restructuring expenses as well as amortisation of intangible assets
[4] Basel III fully-applied

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

Ticker symbol	BAER

	2018	2017	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	28.4	27.3	4.1
EPS	3.37	3.25	
Dividend proposal 2018 and dividend 2017	1.50	1.40	-
Share price (as at 31.12.)	35.01	59.60	-41.3
Market capitalisation (CHF m, as at 31.12.)	7,836	13,339	-41.3
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa2	Aa2	-
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	217,953,484	216,894,003	-
Share capital (CHF m)	4.5	4.5	-

DEAR READER

Financial market volatility took centre stage again in the second half of 2018, affecting the annual performance of most asset classes. After almost a decade of sustained economic growth and with global liquidity in decline, questions whether corporate earnings or indeed economic growth itself had reached their peak were reflective of more bearish market sentiment. This uncertainty also weighed on client activity. While asset flows were resilient throughout the year, with net new money growth of 4.5% well within our 4–6% target range, in terms of profitability 2018 was really a tale of two halves: record results up to 30 June and a more challenging period in the last six months of the year.

Such cyclicality is inherent to our industry. While Julius Baer is not immune to it, our aim is to manage our business with the prudence to offset its impact on the Group's profitability. To compensate for the market-driven revenue fluctuations in the second half of the year, we have accelerated the steps to improve our efficiency and initiated immediate cuts in discretionary spending.

We continued to prioritise our Group's presence, client offering and growth investments in strategic markets. In the past year, we broadened our presence in the important markets of Germany and the United Kingdom with the opening of several new offices. In Brazil, the acquisition of Reliance Group significantly enlarged our already strong market standing. At the same time, we reassessed our business priorities in Latin America. Among other steps, we initiated the closure of our offices in Lima and Panama City and the discontinuation of our services to clients from selected countries. In Europe, our Luxembourg booking centre further gained in importance as a hub for servicing clients from across the EU. As it no longer fitted our strategic requirements, we sold our local business in the Netherlands (Amsterdam). We also made targeted moves in defined growth markets. We entered strategic partnerships with Siam Commercial Bank in Thailand and with Nomura in Japan, and opened an advisory office in South Africa (Johannesburg).

We continued to evolve our wealth management, planning and financing solutions to meet the sophisticated needs of our clients in strategic markets. Digitalisation creates a new benchmark for how we deliver advice. By investing in technology and by fostering innovation, we improve client experience, develop new business opportunities and work more efficiently. *Our Digital Advisory Suite,* for instance, supports our relationship managers in delivering advice that is personalised for each client, compliant with new regulation, pro-active and event-driven.

The implementation of our strategy is well supported by our compliance and risk framework, in which we continue to invest, and our strong capital base. At the end of December 2018, the BIS CET1 capital ratio was 12.8%, and the BIS total capital ratio stood at 18.7%. At these levels, the capital ratios remain comfortably above the Group's floors of 11% and 15%, respectively, and significantly above the regulatory floors of 8.1% and 12.3%, respectively. The Board of Directors intends to propose to the Annual General Meeting on 10 April 2019 an increased dividend of CHF 1.50 per share. The total proposed dividend payout amounts to CHF 336 million, up from CHF 313 million in 2018.

Based on our compelling value proposition, our trusted brand and our focused business model, we are well positioned for the future. We thank all our stakeholders for their trust in us and look forward to their continued support.

Daniel J. Sauter
Chairman

Zurich, March 2019

Bernhard Hodler
Chief Executive Officer

I. CORPORATE GOVERNANCE

II. REMUNERATION REPORT

This Annual Report also appears in German. The English version is prevailing.

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2018

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2018

This Annual Report also appears in German. The English version is prevailing.

I. CORPORATE GOVERNANCE

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 Directive Corporate Governance of the SIX Swiss Exchange (revised effective 1 May 2018), 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 February 2016) and the Federal Council's 'Ordinance against excessive compensation in listed companies' (in force effective 1 January 2014).

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

Swiss Financial Market Supervisory Authority FINMA has revised its corporate governance requirements for banks in a new circular 2017/1 entitled *Corporate governance – banks,* to be implemented by 1 July 2018 at the latest. The company already implemented these altered supervisory requirements relating to corporate governance, internal control systems and risk management for banks effective 1 January 2018.

The following information corresponds to the situation as at 31 December 2018 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

Operational Group structure of Julius Baer Group Ltd. as at 31 December 2018

Julius Baer Group Ltd.

Board of Directors
Daniel J. Sauter, Chairman

Chief Executive Officer
Bernhard Hodler

Chief Financial Officer	**Chief Operating Officer**	**Chief Risk Officer**	**Chief Communications Officer**	**General Counsel**
Dieter A. Enkelmann	Nic Dreckmann	Oliver Bartholet	Larissa Alghisi Rubner	Christoph Hiestand

Executive Board

The consolidated Group companies are disclosed in Note 27A.

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 2018[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
Harris Associates L.P.[5]	4.95%	
BlackRock Inc.[6]	4.94%	0.09%
Wellington Management Group LLP[7]	3.04%	

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 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.; b) 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).
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).
The implementing provisions on disclosure law have been integrated into the new FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA), which entered into force on 1 January 2016. Purchase positions must be disclosed pursuant to art. 14 para. 1 a FMIO-FINMA and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

3 Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on www.six-exchange-regulation.com in the section Publications > Significant Shareholders, Issuer Julius Bär Gruppe AG.

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

5 Harris Associates L.P., Chicago/USA (reported on 30 November 2016)

6 BlackRock Inc., New York/USA (reported on 29 October 2018)

7 Wellington Management Group LLP, Boston/USA (reported on 18 December 2018)

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

CROSS-SHAREHOLDINGS

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

CAPITAL STRUCTURE

CAPITAL

The share capital of the Company amounted to CHF 4,476,188.96 as at 31 December 2018. 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 number 10 248 496; ISIN CH 010 2484968) are listed on the SIX Swiss Exchange and are member 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 in chapter *III. Financial Statements Julius Baer Group* of this Annual Report. For information about changes of capital in periods three or more years back please visit www.juliusbaer.com/reports

SHARES AND PARTICIPATION CERTIFICATES

Shares

	2018	2017
Number of shares with par value of CHF 0.02 as at 31 December	**223,809,448**	223,809,448
(Dividend entitlement, see Note 20)		

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 2018)

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, and place of incorporation in case of legal entities. In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administrates the Company's share register.

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

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

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

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

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

CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds.

BOARD OF DIRECTORS

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

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

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

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

MEMBERS OF THE BOARD OF DIRECTORS

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; Alpine Select AG, Zug, Chairman of the Board of Directors, 2001–2012; Sika AG, Baar, member of the Board of Directors since 2000. Julius Baer Holding Ltd., member of the Board of Directors, 2007–2009; Bank Julius Baer & Co. Ltd., member of the Board of Directors since 2007 and its Chairman since 2012; Julius Baer Group Ltd., member of the Board of Directors since 2009; Chairman of the Julius Baer Foundation since 1 January 2018; Chairman of the Board of Directors of Julius Baer Group Ltd. since 2012 (term of office until 2019).

Gilbert Achermann (born 1964), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), St. Gallen, 1988; Executive MBA, IMD Lausanne, 2000. UBS Investment Banking, 1988–1998: Graduate trainee programme Trading & Sales, 1988–1989; Associate Corporate Finance / Capital Markets; Assistant to Regional Head North America, 1990–1994; Director Corporate Finance Advisory, 1995–1998; Straumann Group, Basle, since 1998: Chief Financial Officer and Deputy CEO, 1998–2001; Chief Executive Officer, 2002–2010; Chairman of the Board of Directors since 2010. Vitra Group, 2012–2015: Chairman of the Board of Directors from July 2013 until December 2015; Co-CEO from July 2014 until December 2015. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012 (2019).

Andreas Amschwand (born 1960), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (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 (2019).

Heinrich Baumann (born 1951), Swiss citizen; PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: Project Leader IT/Logistics and Finance, 1975–1985; COO Singapore Branch and Deputy Branch Manager, 1985–1987; Chief of Staff International Division and Section Head Management Support, 1987–1990; member of the Regional Management Committee (New York), Chief Operating Officer Region North America, 1990–1994; Department Head Finance and Controlling on Group level, 1994–1998; independent Management Consultant, 1998–1999; HSBC Guyerzeller Bank Ltd., 1999–2009: Chief Operating Officer, 1999–2002; Vice-President of the Executive Committee/Chief Operating Officer, 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 (2019).

Richard M. Campbell-Breeden (born 1962), British citizen; Bachelor of Science in Mechanical Engineering, University of Bristol, UK, 1984. Rolls-Royce, sponsored undergraduate, Aero-Engine Divison, 1980–1984; 3i Group plc, 1984–1987: Executive, City Office, Large LBOs, 1984–1985; Executive, Shipping Division, 1985–1987; Goldman Sachs & Co., 1989–2016: Associate, M&A, New York, 1989–1991; Vice-President Investment Banking Division, London, 1991–1999; Managing Director, Head of UK Investment Banking, London, 1999–2005; Head of M&A, Asia-Pacific Ex-Japan (APEJ), Hong Kong, incl. Chairman Industrials APEJ, 2008–2011; Vice-Chairman, Investment Banking Asia Pacific Ex-Japan (APEJ), Hong Kong, incl. member of APEJ Commitments Committee and member of APEJ Client & Business Standards Committee, 2011–2016; Omeshorn Capital Advisors (founder) since 2016; Arq Limited (incl. Arq International Limited, Arq UK Management Limited and Arq IP Limited), Chairman of the Board of Directors since 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2018 (2019).

Paul Man Yiu Chow (born 1946), Chinese (Hong Kong SAR) citizen; University of Hong Kong: Bachelor of Science in Mechanical Engineering, 1970, Diploma in Management Studies, 1979, Master of Business Administration, 1982; Diploma in finance, Chinese University of Hong Kong, 1987; Doctor h.c. of Social Science, the Open University of Hong Kong, 2010. Hong Kong Government, Executive Officer II, 1970–1971; IBM World Trade Corporation, Hong Kong, Associate Systems engineer, 1971–1973; Sun Hung Kai Group, Hong Kong, 1973–1988: Sun Hung Kai Securities Limited, Executive Director, 1982–1983; Sun Hung Kai Bank Limited, Executive Director, Deputy General Manager and Chief Financial Officer, 1983–1985; Sun Hung Kai & Co. Ltd., Chief Administration & Financial Officer, and Sun Hung Kai Securities Limited, Executive Director, 1985–1988; Chinese University of Hong Kong, lecturer in finance, 1988–1989; The Stock Exchange of Hong Kong Limited, 1989–1997: Director of Operations and Technology, 1989–1990; Hong Kong Securities Clearing Company Ltd., Chief Executive Officer, 1990–1991; Chief Executive, 1991–1997; HSBC Asset Management, Asia Pacific (ex Japan) Region, Chief Executive Officer; HSBC Asset Management Group, member of the Global Management Committee; HSBC Insurance Company Limited, Hong Kong, Non-executive Director, 1997–2003; Hong Kong Exchanges & Clearing Limited, Chief Executive Officer and Executive Director, 2003–2010; China Mobile Limited, Hong Kong, Independent Non-executive Director since May 2013; CITIC Limited, Hong Kong, Independent Non-executive Director since March 2016. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2015 (2019).

Ivo Furrer (born 1957), Swiss citizen; PhD in Law, University of Zurich, 1985. Winterthur Insurance, 1983–1999: Group Insurance Marketing and project management in Europe, Canada and the USA, 1983–1991; Winterthur International, USA, Underwriting, 1992–1994; Winterthur International, London, different management positions, 1994–1997; Chief Underwriting Officer Global Corporate, 1998–1999; Credit Suisse Group, 1999–2002: Personal Financial Services, Head of the Executive Committee, amongst others implementation of an Internet bank in Luxembourg, 1999–2001; member of the Executive Committee e-Investment Services Europe, 2001–2002; Zurich Financial Services, 2002–2008: Zurich Financial Services, Germany, Head of international key account business, 2002–2005; member of the

Global Corporate Executive Committee; responsible for the development of key accounts and distribution management globally, 2005–2007; CEO Life Switzerland, member of the Global Life Executive Committee, 2007–2008; Swiss Life Group, CEO Switzerland and member of the Corporate Executive Board from September 2008 until March 2017; Helvetia Insurance, St. Gallen, member of the Board of Directors since April 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2017 (2019).

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, Chief Financial Officer, 2011–2012; bioMérieux, Marcy l'Etoile, Corporate Vice-President Purchasing and Information Systems from September 2013 until March 2018, Chief Financial Officer from January 2014 until March 2018; DBV Technologies, Montrouge, member of the Board of Directors since June 2016. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010 (2019).

Gareth Penny (born 1962), dual British and South African citizen; Master of Arts in Philosophy, Politics and Economics, Oxford University (Rhodes Scholar), UK, 1985. Anglo American Corporation, Johannesburg, Head of Anglo American & De Beers Small Business Initiative, 1988–1991; De Beers Group, 1991–2010: Teemane Manufacturing Company, Botswana, Project Manager, 1991–1993; Diamond Trading Company De Beers, various functions, 1993–2006, incl. Managing Director, 2004–2006; De Beers SA, Luxembourg, member of the Board of Directors, 2003–2010; De Beers SA, Luxembourg, Group Managing Director, 2006–2010; AMG Advanced Metallurgical Group N.V., London, Chief Executive mining business, 2011–2012; New World Resources Plc, London, Executive Chairman of the Board of Directors, 2012–2016; Norilsk Nickel, Moscow, Non-executive Chairman of the Board of Directors since April 2013; Pangolin Diamonds Corp., Toronto, since 2016: Non-executive Chairman of the Board of Directors from August 2016 until 31 March 2018; Advisor to the Board of Directors since 1 April 2018. 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 (2019).

Charles G. T. Stonehill (born 1958), dual American and British 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; Gulfsands Petroleum, Non-executive Director, 2005–2006; Panmure Gordon Plc., Chairman of the Board of Directors, 2006–2008; The London Metal Exchange Ltd., Independent Director from 2005 until August 2009; Better Place, Palo Alto, Chief Financial Officer, 2009–2011; Green & Blue Advisors LLC, New York, co-founder and partner since 2011; RSR Partners, New York, Managing Director, 2012–2013; TGG Group, New York, Advisor, 2014–2015; AXA Equitable Holdings, New York, member of the Board of Directors since 2018. 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 (2019).

HONORARY CHAIRMAN

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

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

Elections and re-elections at the Annual General Meeting 2018/Changes in the Board of Directors
At the Annual General Meeting of Julius Baer Group Ltd. on 11 April 2018, Daniel J. Sauter, Gilbert Achermann, Andreas Amschwand, Heinrich Baumann, Paul Man Yiu Chow, Ivo Furrer, Claire Giraut, Gareth Penny and Charles G. T. Stonehill (Vice-Chairman) were re-elected to the Board of Directors for another term of one year.

Richard M. Campbell-Breeden was elected as new member of the Board of Directors for a one-year term.

Ann Almeida did not stand for re-election after having served on the Board of Directors for two 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 re-elected as members of the Compensation Committee for a one-year term. Richard M. Campbell-Breeden was elected as new member 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.

Mandates in exchange-listed companies:

Daniel J. Sauter:
- Member of the Board of Directors of Sika AG, Baar, Switzerland.

Gilbert Achermann:
- Chairman of the Board of Directors of Straumann Group, Basle, Switzerland.

Paul Man Yiu Chow:
- Independent Non-executive Director, Chairman of the Nomination Committee as well as member of the Audit Committee and of the Remuneration Committee, China Mobile Limited, Hong Kong;
- Independent Non-executive Director and member of the Remuneration Committee, CITIC Limited, Hong Kong.

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

Claire Giraut:
- Member of the Board of Directors of DBV Technologies, Montrouge, France.

Gareth Penny:
- Non-executive Chairman of the Board of Directors of Norilsk Nickel, Moscow, Russia;
- Advisor to the Board of Directors of Pangolin Diamonds Corp., Toronto, Canada.

Charles G. T. Stonehill:
- Member of the Board of Directors of AXA Equitable Holdings (incl. AXA Equitable Life Insurance Company), New York, USA.

Mandates in non-listed companies:

Daniel J. Sauter:
- Chairman of the Board of Directors of Hadimec AG, Maegenwil, Switzerland;
- Member of the Board of Directors of ARAS Holding AG, Lenzburg, Switzerland (holding company, including AS Print AG and richnerstutz AG, both Villmergen, Switzerland);
- Chairman of the Board of Directors of Tabulum AG (private holding), Zug, Switzerland;
- Chairman of the Board of Directors of Trinsic AG (private holding), Zug, Switzerland.

Andreas Amschwand:
- Chairman of the Board of Directors, EMFA Holding AG, Kerns, Switzerland;
- Chairman of the Board of Directors of Agricola Tirgu Frumos SA, Razboieni, Romania;
- Administrator of SC AA Agriculture Farm SRL, Razboieni, Romania;
- Chairman of the Board of Directors of Alois Amschwand AG, Kerns, 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 Board of Directors of KSHB Holding AG (holding company of Atlis AG, Biberist, Switzerland), Berne, Switzerland.

Richard M. Campbell-Breeden:
- Founder and Chairman of the Board of Directors of Omeshorn Capital Advisors, London, UK;
- Chairman of the Board of Directors of Arq Limited (incl. Arq International Limited, Arq UK Management Limited and Arq IP Limited), London, UK.

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

Gareth Penny:
- Non-executive Chairman of the Board of Directors of Edcon Ltd., Johannesburg, South Africa.

Charles G. T. Stonehill:
- Non-executive member of the Board of Directors of CommonBond, Inc., New York, USA;
- Member of the Board of Directors of Play Magnus A/S, Oslo, Norway.

Other mandates:

Daniel J. Sauter:
- Member of the Foundation Board of Avenir Suisse, Zurich, Switzerland.

Gilbert Achermann:
- Member of the Board of Directors of the ITI Association and ITI Foundation, Basle, Switzerland;
- Member of the Committee and its Executive Committee of Handelskammer beider Basel, Basle, Switzerland;
- Member of the Supervisory Board of IMD, International Institute for Management Development, Lausanne, Switzerland (effective 19 January 2019).

Andreas Amschwand:
- Chairman of Verein Standortpromotion Kanton Obwalden, Sarnen, Switzerland.

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

Ivo Furrer:
- Member of the Board of Directors of Financial Market Authority Liechtenstein, Vaduz, Liechtenstein;
- President of the Executive Committee of digitalswitzerland, Zurich, Switzerland;
- Member of the Foundation Board of Stiftung für Kinder in der Schweiz, Hergiswil, Switzerland;
- Member of Swiss Economic Forum/ Powerpreneurs, Gwatt, Switzerland.

Charles G. T. Stonehill:
- Governor, Harrow School, Harrow on the Hill, London, UK;
- Member of the Foundation Board of the Fondation Georg Solti Accademia, Geneva, Switzerland.

ELECTIONS AND TERMS OF OFFICE

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

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

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

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

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

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

Biographical overview

Board member	Age 31.12.2018	Gender	Nationality	Board member since	Independence
Daniel J. Sauter	61	male	Swiss	2009	Independent
Gilbert Achermann	54	male	Swiss	2012	Independent
Andreas Amschwand	58	male	Swiss	2012	Independent
Heinrich Baumann	67	male	Swiss	2011	Independent
Richard M. Campbell-Breeden	56	male	British	2018	Independent
Paul Man Yiu Chow	72	male	Chinese (HK SAR)	2015	Independent
Ivo Furrer	61	male	Swiss	2017	Independent
Claire Giraut	62	female	French	2010	Independent
Gareth Penny	56	male	British/ South African	2009	Independent
Charles G. T. Stonehill	60	male	US/British	2009	Independent

Core skills

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

Core skills overview

Board member	Banking	Senior Executive	Finance	Audit/Risk	Legal
Daniel J. Sauter	x	x	x	x	
Gilbert Achermann	x	x	x		
Andreas Amschwand	x	x			
Heinrich Baumann	x	x	x	x	
Richard M. Campbell-Breeden	x	x	x	x	
Paul Man Yiu Chow	x	x	x	x	
Ivo Furrer		x		x	x
Claire Giraut		x	x	x	
Gareth Penny	x	x			
Charles G. T. Stonehill	x	x	x	x	

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

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

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

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

Finance covers varying aspects such as the function as current or former financial expert, proficiency in financial accounting and reporting as well as academic or advanced degrees in economics, e.g. former CFO role, Chartered Accountant (CA), Master of Business Administration (MBA), Master of Arts (MA) in Economics, Certified Public Accountant (CPA) or Chartered Financial Analyst (CFA).

Relevance: Expertise and experience in finance are important prerequisites to soundly evaluate Julius Baer's financial statements and capital structure and assist in understanding and overseeing the integrity of the Group's financial reporting.

Audit/Risk includes a broad range of expertise related to auditing (e.g. current or former partner of an auditing company, senior role in an auditing capacity or member of an audit committee) or a degree in the subject. It also covers experience in establishing risk management and internal control frameworks, setting an organisation's risk appetite and overseeing its risk culture.

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

Legal expertise requires practise as current or former legal expert (e.g. lawyer, partner in a law firm, general counsel) or a degree in the subject.

Relevance: Legal qualifications and/or practices assist Julius Baer's Board in assessing and meeting its legal requirements in the highly regulated financial markets globally.

Specific skills

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

Specific skills overview

Board member	Wealth Management	Mergers & Acquisitions	Capital Markets	Credit	IT/Technology/ Operations/ Fintech
Daniel J. Sauter	x	x	x	x	
Gilbert Achermann		x	x		x
Andreas Amschwand	x	x	x	x	x
Heinrich Baumann	x			x	x
Richard M. Campbell-Breeden		x	x		
Paul Man Yiu Chow	x		x		x
Ivo Furrer					x
Claire Giraut		x	x		x
Gareth Penny	x				x
Charles G. T. Stonehill		x	x	x	x

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

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

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

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

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

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

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

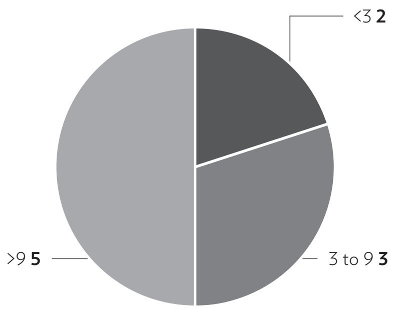
Relevance: Experience in credit-related business areas assists in understanding, reviewing and assessing Julius Baer's client-related credit strategy and associated risks.

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

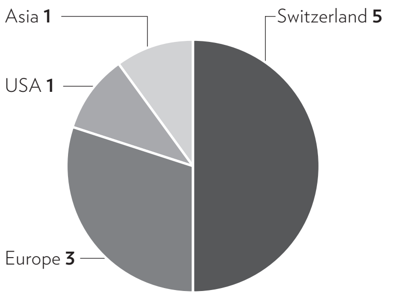
Relevance: Experience in these areas is relevant for Julius Baer in many aspects ranging from client experience to internal operations. In particular, it is instrumental in assessing the impact of new technologies and related investment decisions. Expertise in organisation and processes management gives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

Graphical summary of Board attributes

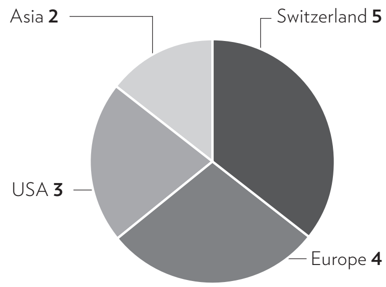
Term of office (years)



Geographic diversity based on primary nationality

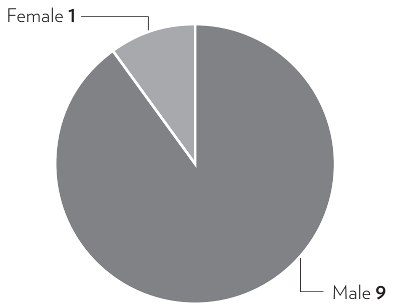


Geographic diversity based on work experience[1]

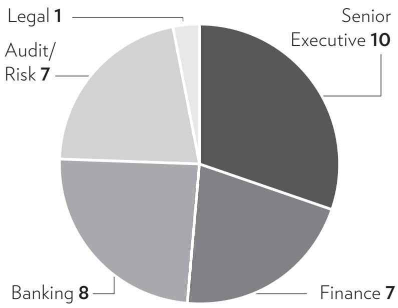


[1] Multiple choices possible

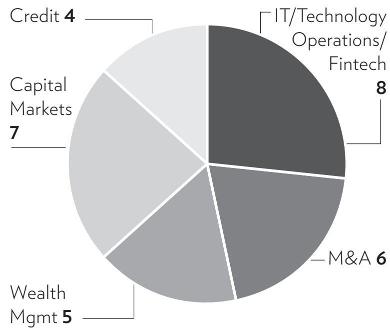
Gender diversity



Core skills



Specific skills



INTERNAL ORGANISATIONAL STRUCTURE

The Board of Directors consists of five or more members. It meets as often as business requires, but at least once per quarter. The presence of a majority of its members is necessary for resolutions to be passed, with the exception of the ascertainment resolution and the resolution concerning the amendment of the Articles of Incorporation 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 CEO and CFO are standing guests in the meetings of the complete Board of Directors while the other members of the Executive Board of Julius Baer Group Ltd. are invited to participate as guests for those topics that are within their business responsibility as well as for specific reporting sessions. These meetings generally take up 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.

In 2018, the Board was externally assessed for the first time. In a comprehensive process, specialised consultant Egon Zehnder meticulously reviewed the use of best industry and other practices at both individual as well as Board level. The assessment confirmed that the Board of Directors and its committees work effectively and meet the requirements of modern-day corporate governance, which is reflective of the expertise, commitment and independent stance of the individual Board members.

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 macro-economic and company-specific circumstances.

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

In 2018, the complete Board of Directors of Julius Baer Group Ltd. held eight meetings (of which one in the form of a conference call), including a two-day strategy seminar (offsite).

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

First half of 2018	January	April	June
Daniel J. Sauter, Chairperson	x	x	x
Gilbert Achermann	x	x	x
Ann Almeida[1]	x	-	-
Andreas Amschwand	x	x	x
Heinrich Baumann	x	x	x
Richard M. Campbell-Breeden[2]	-	x	x
Paul Man Yiu Chow	x	x	x
Ivo Furrer	x	x	x
Claire Giraut	x	x	x
Gareth Penny	x	x	x
Charles G. T. Stonehill	x	x	x

[1] Left the Board of Directors at the Ordinary Annual General Meeting on 11 April 2018
[2] Joined the Board of Directors in April 2018

Second half of 2018	July[1]	September	October	October offsite	December
Daniel J. Sauter, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Andreas Amschwand	x	x	x	x	E
Heinrich Baumann	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Paul Man Yiu Chow	x	x	x	x	x
Ivo Furrer	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Gareth Penny	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x

[1] Meeting by teleconference
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 implementation 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.

Governance and Risk Committee (formerly Chairman's & Risk Committee)

In adherence to FINMA circular 2017/1 *Corporate governance – banks*, requiring amongst others the consolidation of risk-related topics in one dedicated committee, the former Chairman's & Risk Committee has been renamed Governance and Risk Committee effective 1 January 2018. The composition of the Committee has initially remained unchanged but was adjusted following the Annual General Meeting 2018. The Charter of the Governance and Risk Committee has been amended accordingly as at 1 January 2018 to reflect the Committee's new responsibilities.

The Governance and 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 Governance and 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 Governance and 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 Governance and 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 Governance and Risk Committee bases its risk-related work on the Risk Landscape, as approved by the Audit Committee of the Board of Directors at a joint meeting with the Governance and Risk Committee, once a year. The Governance and 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 Governance and 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 Governance and 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 Governance and Risk Committee generally convenes monthly. During the year under review, the Committee met eleven times for approximately four hours each. The Chief Executive Officer and the Chief Financial Officer are permanent guests while the other members of the Executive Board of the Company participate for specific reporting sessions in the meetings of the Governance and Risk Committee.

Members Daniel J. Sauter (Chairperson), Andreas Amschwand, Richard M. Campbell-Breeden, Ivo Furrer and Charles G. T. Stonehill

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

First half of 2018	January	February	March	April	May	June
Daniel J. Sauter, Chairperson	x	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x	x
Richard M. Campbell-Breeden[1]	-	-	-	x	x	x
Ivo Furrer	x	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x	x
Heinrich Baumann	-	-	-	-	G	G

[1] Joined the Committee in April 2018
G = attended meeting as guest

Second half of 2018	August	September	October	November	December
Daniel J. Sauter, Chairperson	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Ivo Furrer	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x
Heinrich Baumann	-	G	-	G	-

G = attended meeting as guest

Audit Committee
As a consequence of the implementation of FINMA circular 2017/1 *Corporate governance – banks*, requiring amongst others the consolidation of risk-related topics into one dedicated committee, the risk-related responsibilities previously assigned to the Audit Committee have been shifted to the Governance and Risk Committee (formerly Chairman's & Risk Committee) effective 1 January 2018. The Charter of the Audit Committee has been amended accordingly as at 1 January 2018 to reflect the Committee's new responsibilities.

The Audit Committee is responsible for the integrity of controls for financial reporting and the review of the Company's and the Group's financial statements, including the interim management statements but in particular the consolidated statement of the Group and the annual and semi-annual financial statements before they are presented to the complete Board of Directors for approval. It also reviews the internal and external communication regarding the financial data and accounting statements and related information. The 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 managing bodies.

The Committee monitors the activities of Group Internal Audit and ultimately determines the compensation paid to the Head of Group Internal

Audit. The Chairperson of the Committee meets with the Head of Group Internal Audit on a regular basis throughout the year, usually every two months.

The Committee ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with the internal auditors. The Committee is also responsible for assessing the performance of the external auditors on an annual basis. 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.

All members of the Audit Committee are independent and, based on their education and professional expertise, financial experts. 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. 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 six meetings for approximately four hours and two conference calls.

Members Heinrich Baumann (Chairperson), Paul Man Yiu Chow, Ivo Furrer, Claire Giraut and Charles G. T. Stonehill

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

	January	April	May[1]	June
First half of 2018				
Heinrich Baumann, Chairperson	x	x	x	x
Paul Man Yiu Chow	x	x	x	x
Claire Giraut	x	x	x	x
Ivo Furrer	-	x	x	x
Charles G. T. Stonehill	x	x	x	x
Daniel J. Sauter	G	G	G	G
Andreas Amschwand	-	-	-	G
Richard M. Campbell-Breeden	-	-	-	G

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

Second half of 2018	September	October	November[1]	December
Heinrich Baumann, Chairperson	x	x	x	x
Paul Man Yiu Chow	x	x	x	x
Claire Giraut	x	x	x	x
Ivo Furrer	x	x	E	x
Charles G. T. Stonehill	x	x	x	x
Daniel J. Sauter	G	G	G	G

[1] Meeting by teleconference
E = excused
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 (CEO) and the further members of the Executive Board within the Julius Baer Group. This includes reviewing any compensation principles (changes thereof have to be submitted for approval to the 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 Group's overall compensation framework including compensation governance, compensation elements and their application in the period under review is described in detail in chapter *II. Remuneration Report* of this Annual Report.

The Compensation Committee consists of at least three members who are elected by the Annual General Meeting. With respect to decisions of 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 six meetings for three hours on average.

Members Gareth Penny (Chairperson), Gilbert Achermann, Heinrich Baumann and Richard M. Campbell-Breeden

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

	January	April	June	September	October	December
Gareth Penny, Chairperson	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Ann Almeida[1]	x	-	-	-	-	-
Heinrich Baumann	x	x	x	x	x	x
Richard M. Campbell-Breeden[2]	-	x	x	x	x	x
Daniel J. Sauter	G	G	G	G	G	-

[1] Left the Board of Directors at the Ordinary Annual General Meeting on 11 April 2018
[2] Joined the Committee in April 2018
G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

Nomination Committee
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, CEO and other Executive Board members 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. During the year under review, the Nomination Committee met six times for an average duration of one hour each.

Members Charles G. T. Stonehill (Chairperson), Gilbert Achermann, Claire Giraut and Daniel J. Sauter

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

	January	April	June	September	October	December
Charles G. T. Stonehill, Chairperson	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Ann Almeida[1]	x	-	-	-	-	-
Claire Giraut	x	x	x	x	x	x
Daniel J. Sauter	x	x	x	x	x	x
Andreas Amschwand	G	G	-	-	-	-
Heinrich Baumann	G	G	-	-	-	-
Richard M. Campbell-Breeden	-	G	-	-	-	-
Paul Man Yiu Chow	G	G	-	-	-	-
Ivo Furrer	G	G	-	-	-	-
Gareth Penny	G	G	-	-	-	-

[1] Left the Board of Directors at the Ordinary Annual General Meeting on 11 April 2018
G = attended meeting as guest

DEFINITION OF AREAS OF RESPONSIBILITY

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

Julius Baer's long-term strategy is focused exclusively on wealth management. This strategy was introduced in 2009 with the Group's separation from its asset management business, a move accompanied by the independent listing of today's Julius Baer Group. The execution of this pure wealth management strategy has been marked ever since by realising profitable growth – through organic development, capital market transactions and cooperation agreements. The Group's international footprint and regional strength, combined with its client-centric service model, form the basis for its aim to create long-term sustainable value for clients and investors.

Applying a client-centric business model

In its pure wealth management business model, Julius Baer targets wealthy private clients, family offices and external asset managers. The Group's position of strength as the leading Swiss wealth management group with international reach is derived from its unmatched focus on providing clients with holistic advice tailored to their needs, fully compliant with local rules and regulations. Personal interaction is a key element, ensured through a dedicated relationship manager for each client. The front organisation is closely supported by Julius Baer's wealth management, wealth planning and wealth financing specialists and is powered by an open product platform, proprietary research and state-of-the-art digital execution capabilities. Combined, this results in comprehensive solutions aligned with clients' aspirations, mirroring what truly matters to them – in their business and personal life, today and for future generations.

Generating sustainable growth

Julius Baer's strategy is aimed at delivering profitable growth organically as well as inorganically through acquisitions and cooperation agreements.

Organic growth is achieved by generating steady net new money inflows across the economic cycle: by attracting new clients, increasing the share of wallet with existing clients as well as targeted hiring of experienced relationship managers with an impeccable professional record. In this process, the Group's pure wealth management focus and offering, its distinctive corporate culture, its strong brand name, its conservatively managed balance sheet and its steady strategy execution contribute equally to Julius Baer's appeal as a highly attractive employer for top relationship managers and as a first-rate wealth management bank for clients.

Inorganic growth is a complementary element in support of the Group's overall growth strategy. It leverages the Group's key strengths to gain or reinforce domestic presence in promising markets, with a particular focus on growth markets. It comprises selective acquisitions as well as pioneering cooperation agreements with strong commercial partners that offer a valuable strategic and cultural fit.

Julius Baer's international footprint equips the Group to perform sustainably across economic cycles. In its allocation of resources to foster growth, the Group has always aimed to strike a balance between mature markets such as Switzerland and Europe and growth markets around the world – Asia, Latin America, the Middle East, Africa, as well as Central and Eastern Europe. As a result, the Group's assets under management by client domicile are about evenly spread between mature and growth markets.

In the long-term development of Julius Baer, the Group constantly works towards a fair balance between growing its asset base and fostering profitability. The main driver in this respect is the strong focus on what matters most to clients. The resulting high-end client solutions substantially drive its revenue development: via competitive pricing reflective of the value added to the client and via elevated levels of client satisfaction, which in turn support client retention and spur a growing share of wallet. Active cost management acts as an important complementary element, with a particular focus on fostering productivity. The latter is a constant process encompassing the deployment of technology-based tools and related organisational optimisation, which result in increased process efficiency and improved cost synergies over time.

Calibrating the strategy in a changing environment
In 2018, as every year, Julius Baer's Board of Directors reviewed the Group's long-term strategy together with the Group's Management. The two bodies jointly concluded that, while the factors such as client needs, market conditions, regulatory requirements and competitive landscape will be in permanent flux, the core elements of the Group's long-term strategy continue to offer the potential for sustainable and profitable growth well into the future.

Over the coming years, in order to remain among the most profitable businesses in the sector, the Group's strategy will focus particularly on delivering a best-in-class wealth management experience for clients, strengthening the Group's position as a first-rate wealth management bank in its chosen markets and as a highly attractive employer for top wealth management professionals. This is to be achieved by concentrating on the following elements:

- Further enhancing the Group's market orientation. Investments are therefore channelled into focus markets or complementing growth opportunities. This includes the decision to expand Julius Baer's local presence in Brazil, Germany and the UK and to enter into strategic cooperation agreements in Thailand and Japan. At the same time, the footprint is recalibrated by scaling back investments in other markets – such as the decision to close the offices in Peru and Panama and to sell the local business in the Netherlands (Amsterdam).
- Further strengthening the Group's organisational structure and processes. This includes refining the well-established management structure of front-office teams, further deepening the Group's knowledge and understanding of its clients and asserting the efficacy of the Group's risk framework. Within an effective segmentation framework, the overarching aim is to ensure clients are served in a most individual, comprehensive and fully compliant fashion.
- Enhancing Julius Baer's holistic *Your Wealth* offering. This will be achieved through the further and wider roll-out of Julius Baer's advisory models and the strengthening of Julius Baer's investment management capabilities. The objective is to further grow the share of assets under management held in discretionary or advisory mandates, which amounted to 51.0% at the end of 2018, after 47.6% at the end of 2017.
- Increasing productivity, scalability and efficiency. This will be achieved through segmented offerings, process innovation and by focusing on target clients. In that respect, technology has become an increasingly important strategic enabler, encompassing systems automation, smart digital tools and robotics solutions.

- Further establishing Julius Baer as the global leader in pure wealth management and building on the Group's attractive employee value proposition.

Creating shareholder value
The ambition of Julius Baer's strategy, with its disciplined execution, is to deliver controlled and profitable growth. This is reflected in the Group's medium-term financial targets:

- Growth: Julius Baer's focus on organic growth is reflected in the Group's medium-term target to realise between 4% and 6% net new money expansion per annum.
- Profitable growth: Julius Baer's focus on achieving profitable growth is echoed by its dual targets of realising an adjusted[1] cost/income ratio[2] of lower than 68% and an adjusted pre-tax margin[3] of between 25 and 28 basis points in the medium term.
- Return on capital: To clearer link profitability, capital efficiency and capital return ambitions, the Group aims to achieve a return on common equity Tier 1 (RoCET1)[4] of higher than 32%.
- Strong balance sheet, lower-risk business profile compared to universal banks: The focus on maintaining these two key competitive advantages partly manifests itself in Julius Baer's aim to maintain its BIS total capital ratio above 15% and its BIS core equity tier 1 ratio above 11%, three percentage points above the regulatory required minimum levels. In setting its floors at these levels, the Group believes it achieves an appropriate balance between preserving a solid capital buffer, maintaining sufficient leeway to steer and develop the business and continuing to generate attractive returns for its shareholders.
- Shareholder value: The continued successful execution of the long-term strategy is expected to result in a total return to shareholders above the average of the European banking sector, as represented by the STOXX Europe 600 Banks Index (gross return), across the economic cycle. This aim is further supported by the Group's intent to maintain its dividend payout ratio at approximately 40% of adjusted net profit and to return excess capital to shareholders if not required by the Group.
- Pay for performance: The Executive Board's compensation structure, with the cumulative economic profit and relative total shareholder return components of its equity performance plan, is aligned with the Group's focus on sustainable, profitable growth and long-term shareholder value creation.

[1] Adjusted results derived by excluding from the Group's IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments and the taxes on those respective items.
[2] Calculated using adjusted operating expenses, excluding provisions and losses.
[3] Adjusted profit before taxes/average assets under management in basis points.
[4] Adjusted net profit attributable to shareholders/(half-yearly) average CET1 capital.

Fundamentals

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

→ The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations (OGR). All relevant information contained in the OGR is substantially disclosed in the respective sections of this *Corporate Governance* chapter.

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 fall 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 when delegated by the Board of Directors to another supervisory or managing body, the Executive Board is ultimately responsible for all the day-to-day activities of the Company, including 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 or licenses, and the liquidation or closure of principal operating companies and other subsidiaries to the Governance and 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 Governance and Risk Committee of the Board of Directors.

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

The Executive Board is presided over by the 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, either in writing or verbally. At such meetings, the Board members may request from Board or Executive Board members any information about any matters concerning the 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 Governance and 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 (usually quarterly to complete Board of Directors and monthly to Governance and Risk Committee)
- Financial reporting by the CFO (Monthly Financial Report to complete Board of Directors and Governance and Risk Committee; enlarged written and oral reporting on a quarterly basis to complete Board of Directors; written and oral reporting monthly to Governance and 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 oral information monthly to Governance and Risk Committee)
- Budget, Capital Management and Scenario Planning by the CEO/CFO (annually to complete Board of Directors)
- List of loans granted to members of the Board of Directors and of the Executive Board and/or affiliated entities and related parties ('Organkredite') by the Chief Risk Officer (quarterly to Governance and Risk Committee)
- Regulatory reporting of large concentrations of risk ('Klumpenrisiken') by the Chief Risk Officer (quarterly to Governance and Risk Committee)
- Group Risk reporting by the Chief Risk Officer (quarterly to Governance and Risk Committee as well as to Audit Committee, annually to complete Board of Directors)
- Risk Landscape by the Chief Risk Officer (annually to Governance and 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

Bernhard Hodler (born 1960), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), Berne, 1984–1987; Staff IT School SIB, Zurich, 1988–1989; Financial Risk Manager (FRM), Global Association of Risk Professionals, 1997; Advanced Executive Program, Swiss Finance Institute, 1999–2000; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004. Union Bank of Switzerland, Credit Analyst, 1982–1984; Credit Suisse First Boston, Zug and London, Business Audit, Senior Corporate Auditor, 1987–1990; Swiss Bank Corporation, Tokyo and Zurich, 1990–1994: Deputy Head Global Risk Management, 1990–1993; Head Risk Management Asia Pacific and member of the Regional Management Committee, 1993–1994; Credit Suisse, Zurich, Head of Global Market & Credit Risk and Global Controlling Trading & Sales, 1994–1996; Credit Suisse First Boston, London, Head of Europe and Asia Risk Management, 1997–1998. Entry into Bank Julius Baer & Co. Ltd. in 1998 as Head of Global Risk Management, 1998–2001; Chief Risk Officer, 2001–2009; President of the Management Committee from 2001 until 2 December 2005; Julius Baer Holding Ltd.: member of the Extended Group Executive Board and Chief Risk Officer from 2001 until 2 December 2005; Head Corporate Centre and Chief Risk Officer from 3 December 2005 until 14 November 2007; member of the Executive Board from 15 November 2007 until 30 September 2009; Bank Julius Baer & Co. Ltd., member of the Executive Board 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) from 1 April 2011 to 31 December 2012, COO a.i. from 1 to 31 January 2013; Chief Risk Officer from 1 February 2013 to 26 November 2017. Chief Operating Officer (COO) a.i. of Julius Baer Group Ltd. from 1 to 31 January 2013; member of the Executive Board and Chief Risk Officer of Julius Baer Group Ltd. from 1 October 2009 to 26 November 2017; member of the Executive Board and Chief Executive Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 27 November 2017.

Larissa Alghisi Rubner (born 1970), dual Swiss and Italian citizen; Master of Arts (lic. oec. HSG), University of St. Gallen, 1995. Andersen Consulting (Accenture), Zurich, Consultant, 1996–1999; UBS AG, Zurich, 1999–2010: Media Relations, 1999–2001; Stakeholder Reporting, 2001–2008; Head Corporate Center Communications / Head of Communications Management and Internal Communications, 2008–2010; GAM Holding AG, Zurich, Group Head of Communications, 2010–2016; member of the Group Management Board from July 2015–2016. Entry into Julius Baer Group Ltd. on 1 June 2017: member of the Executive Board and Chief Communications Officer of Julius Baer Group Ltd. since 1 July 2017.

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

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

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

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 Bank Julius Baer & Co. Ltd., 2001: Legal Counsel 2001–2003; General Counsel, Corporate Centre, 2004–2005; Julius Baer Holding Ltd., Deputy Group General Counsel, 2006 until 30 September 2009; member of the Executive Board and General Counsel of Julius Baer Group Ltd. since 1 October 2009; additionally Chief Risk Officer a.i. of Julius Baer Group Ltd. from 27 November 2017 until 28 February 2018.

Changes in the Executive Board
Oliver Bartholet joined the Executive Board on 1 March 2018 as Chief Risk Officer of Julius Baer Group Ltd., replacing Christoph Hiestand who had held the position a.i. from 27 November 2017 until 28 February 2018.

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.

Mandates in exchange-listed companies:

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

Mandates in non-listed companies:

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

Other mandates:

Bernhard Hodler:
- Member of the Foundation Board of IMD, International Institute for Management Development, Lausanne, Switzerland;
- Councillor, Masayoshi Son Foundations for Scholarship, Tokyo, Japan.

Larissa Alghisi Rubner:
- Member of the Managing Board of HarbourClub (forum for the Chief Communications Officers of businesses and organisations in Switzerland), Zurich, Switzerland.

Oliver Bartholet:
- Vice-Director and Lecturer at the IFF, Institute of public finance science, finance law and law and economics, University of St. Gallen (HSG), Switzerland.

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

MANAGEMENT CONTRACTS

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

RULES ABOUT COMPENSATION AND LOANS WITHIN THE GROUP

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

VOTE ON PAY

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

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

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

COMPENSATION OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE BOARD

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

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

Compensation may be paid or granted in the form of cash, shares, options (for Executive Board members only), similar financial instruments or units, or in the form of other types of benefits. In 2017 and 2018, the compensation of both bodies did not include any grants of options.

LOANS

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

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

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

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

SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2018)

VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

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

The General Meeting of Shareholders shall elect the independent voting rights representative for a term of office expiring after completion of the next 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.

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

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

STATUTORY QUORUMS

Except when otherwise required by mandatory law and/or by article 8.14 of the Articles of Incorporation, 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.) which 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 Equity Performance Plan. All provisions remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control. More details can be found in chapter *II. Remuneration Report* of this Annual Report.

AUDIT

Audit is an integral part of corporate governance. While retaining their independence, the External 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, 8036 Zurich, Switzerland. The mandate was first given to KPMG for the business year 2006. Philipp Rickert has been the Lead Auditor since 2013. Swiss law requires the Lead Auditor to rotate every seven years.

KPMG attends all meetings of the Audit Committee. At each meeting, KPMG reports on the findings of its audit and/or interim review work. The Audit Committee reviews KPMG's audit plan on an annual basis and evaluates the performance of KPMG and its senior representative in fulfilling their responsibilities. Moreover, the Audit Committee recommends to the Board of Directors the appointment or replacement of the External 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 other services. In accordance with this guidance and as in prior years, all KPMG audit, audit-related and other services provided in 2018 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

	2018 CHF m	2017 CHF m
Audit fees[1]	**7.0**	7.5
Audit-related fees[2]	**1.0**	0.3
Other services fees[3]	**1.1**	1.6

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 34 professionals as at 31 December 2018, unchanged to the prior year, Group Internal Audit (GIA) performs the global internal audit function for the Julius Baer Group. GIA is an independent and objective function that provides independent and objective assurance to the Board of Directors on safeguards taken by management (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. Audit 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 audit issues. GIA further assures the closure and successful remediation of audit issues executed by Management.

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. Julius Baer furthermore provides a summary account of the business performance for the first four and the first ten months of each year, respectively, in separate Interim Management Statements. It also publishes media releases, presentations and brochures as needed.

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

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

IMPORTANT DATES

18 March 2019	Publication of Annual Report 2018
10 April 2019	Annual General Meeting, Zurich
12 April 2019	Ex-dividend date
15 April 2019	Record date
16 April 2019	Dividend payment date

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

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

ADDRESS AND CONTACT

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II. REMUNERATION REPORT

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

After almost a decade of sustained economic growth, Julius Baer Group's first full year under the stewardship of our Chief Executive Officer (CEO), Bernhard Hodler, was a tale of two halves: record results up to 30 June and a more challenging period in the last six months of the year. Through the CEO's leadership, we have continued to manage the business with prudence and to position it for future success.

Julius Baer Group (Julius Baer or the Group) made significant strides this year to refine its ambition for the future. Building on its history, core values, and strengths the Group set its vision to be the world's most personal and pioneering pure wealth manager.

Through this vision, the Group places an increased focus on improving our clients' overall experience, throughout their interactions with Julius Baer, while at the same time working to attract, retain and motivate employees who deliver best-in-class service. In this regard, the Group took steps in 2018 to expand our service model (Julius Baer Your Wealth) and overall digital services, enhance client offerings, strengthen and scale our investment management capabilities, and improve our client knowledge to serve them better and ultimately add to our strong reputation. From an employee perspective, we pushed forward with empowering our employees by promoting individual accountability, accentuating qualitative performance and risk awareness in business activities, and upgrading tools to assist them in providing suitable, client-focused advice.

Our compensation framework, which incorporates significant levels of deferred compensation, long-term performance periods and a balanced mix of cash and equity awards, did not materially change in the year under review. While we continue to review and implement minor changes to our compensation policy to ensure continued compliance with local regulations in our operating locations, we believe the overall compensation framework remains consistent with the promotion of value creation for all stakeholders. The continued application of this framework provides consistency to our employees, while promoting risk-appropriate growth, applying best practices defined by regulators and peers, and supporting our overall business strategy in a responsible way.

While the year was financially turbulent, the Group's adjusted net operating profit before bonus and taxes (the baseline for the Group's variable compensation pool funding) remained stable in 2018. The available bonus pool also reflected a year of stability with the overall value of the pool slightly decreasing relative to the prior year, following the Group's normal variable compensation pool funding process.

In the upcoming year, the Group will continue its efforts to strengthen our culture through the cornerstones of our vision. Building long-lasting relationships, both internally with our employees (via programmes such as our Julia@Baer networking platform, Career Manager, Coach Approach to Leadership and various mentoring offerings) and externally with our clients (by providing specific, empathetic and differentiating advice), is seen as fundamental to our growth. In addition, we recognise that disciplined and prudent risk-taking are key factors in sustainable success and, as such, our goals also emphasise and reward appropriate behaviours.

We would like to take this opportunity to thank you for the confidence that you have consistently demonstrated in Julius Baer and our compensation framework over the past years. In 2018 we have taken steps to modify our Remuneration Report to simplify and improve the overall presentation, while maintaining the same level of disclosure you are accustomed to receiving. We believe that this new structure will prove helpful to shareholders, who will again be asked to vote on the compensation arrangements for the Board of Directors and the Executive Board disclosed in this Remuneration Report. In addition, mirroring the importance we place on engaging with our shareholders on compensation matters, a consultative vote on the Remuneration Report will again be conducted.

On behalf of the Board of Directors,

Daniel J. Sauter
Chairman

Gareth Penny
Chairman of the Compensation Committee

2018 REMUNERATION HIGHLIGHTS

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

Group performance summary

In a challenging market environment, Julius Baer Group Ltd. (Julius Baer or the Group) completed the fiscal year with stable profitability and robust net new money growth. Performance can be summarised as follows:

Adjusted[1] net profit CHF 810 million (+0.5%)	Net new money CHF 17 billion (4.5% growth)	Assets under management CHF 382 billion (-1.6%)	Cost/income ratio[2] 70.6% (from 69.0%)
• Profits remained stable in 2018 • Adjusted earnings per share attributable to shareholders increased by 1.6% • IFRS net profit attributable to shareholders increased by 4.3%	• Robust inflows within target midterm range • Well-balanced throughout the year and across markets • Strong contributions from European and growth regions	• Supported by robust net new money • Offset by negative market performance and currency impact	• Increase driven by weaker gross margin and additional legal and restructuring expenses • Above medium-term target range

[1] Excluding from the audited IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments and the taxes on those respective items.

[2] Calculated using adjusted operating expenses, excluding provisions and losses.

Julius Baer has continued to receive external recognition in the industry through accolades for excellence:
- Private Banker International's Switzerland Awards: 'Outstanding Private Bank Switzerland – Domestic Player'
- Global Private Banking Awards 2018: 'Best Private Bank in the UAE'
- Private Banker International's Global Wealth Awards 2018: 'Outstanding Global Private Bank – Asia Pacific', 'Outstanding Private Bank for Growth Strategy', and 'Best Discretionary & Advisory Offering'
- The Asset's Triple A Private Banking and Wealth Management Awards 2018: 'Best Boutique Private Bank in Asia'
- Spear's Wealth Management Awards 2018: 'Private Bank of the Year (International)'

Sound compensation governance philosophy and practices

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

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

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

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

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

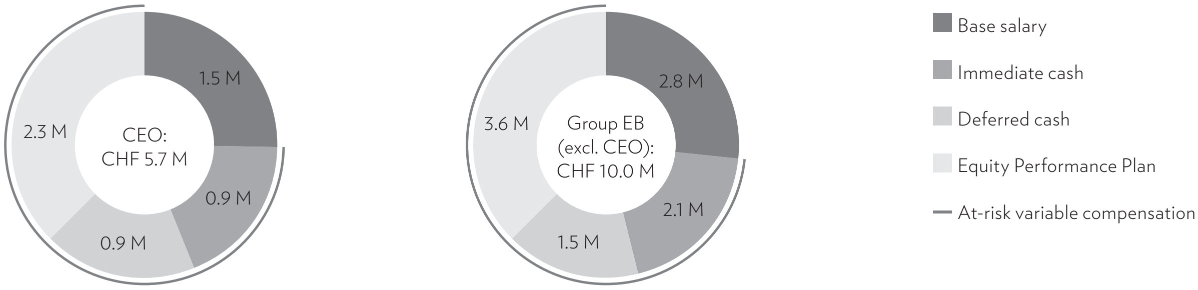
✓ **Pay at risk**
Significant portion of compensation deferred over 3 to 5 years subject to vesting and/or malus and clawback provisions

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

✓ **Strong shareholding guidelines**
Board of Directors (BoD) and Executive Board (EB) members subject to minimum shareholding requirements after a 3-year build-up period

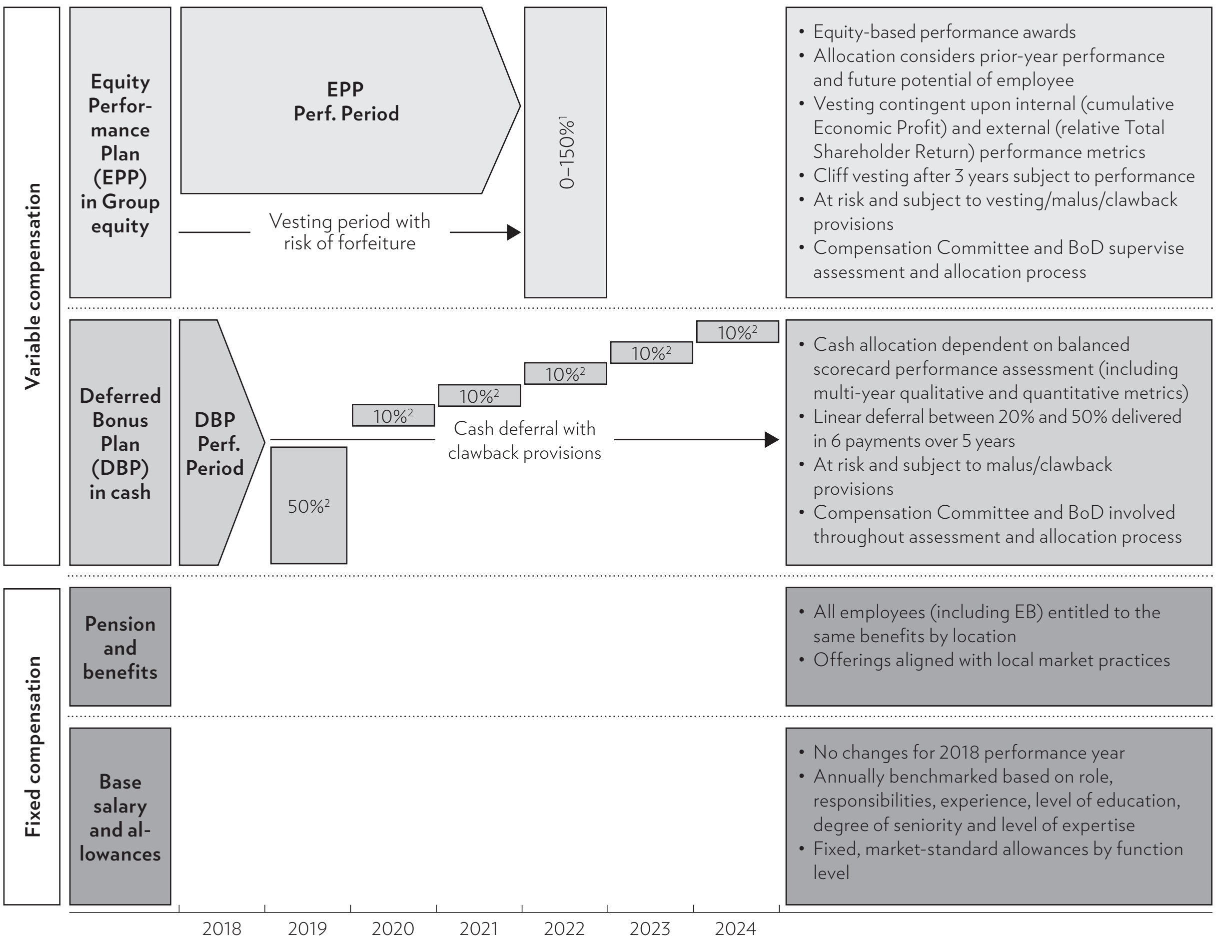
Pay linked to performance

Compensation of the EB is substantially linked to performance and reflects the dual objectives of being performance-oriented and risk-appropriate. The overall 2018 compensation decreased by 1.2% relative to the prior year (excluding replacements and pension fund, social security contributions and varia) with a significant portion of variable compensation awarded in deferred instruments.



Overview of Executive Board compensation structure

The total compensation package offered by Julius Baer has been designed to be competitive and reasonable. Through linkage to the past and future development of the Julius Baer Group's performance, it is aligned with stakeholder interests and encourages prudent risk management over a multi-year period.



[1] Subject to KPI performance; share allocation capped at 150% of Performance Units granted; vesting share value dependent on market performance.

[2] Deferrals from DBP range from 20% to 50% based on the level of the allocated bonus (example assumes 50% DBP deferral).

COMPENSATION GOVERNANCE

COMPENSATION COMMITTEE AUTHORITY AND RESPONSIBILITIES

Julius Baer operates a multi-tiered system of compensation governance, which ensures that there are clear processes governing all aspects of compensation. The Board of Directors sets the overall remuneration policy and retains full responsibility for designing and monitoring all aspects of the compensation paid to the Board of Directors and the Executive Board, which is paid in line with the compensation principles set forth in the Articles of Incorporation.

The Compensation Committee supports the Board of Directors in carrying out the Board's overall responsibility with regard to defining the Julius Baer Group's compensation principles and strategy. The Compensation Committee oversees the compensation of the Board of Directors (including the Chairman), Executive Board members (including the CEO) as well as that of all other employees of Julius Baer on a collective basis. 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 Group as a whole as well as any compensation policies within the Group which are linked to the shares of Julius Baer Group Ltd. If relevant, the Compensation Committee also collaborates with other Julius Baer Group Committees (e.g. the Audit Committee and the Chairman's and Risk Committee) when shaping policy.

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

Compensation recipient	**Recommended by**	**Reviewed and agreed by**	**Approved by**
Chairman of the Board of Directors	Chairperson 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 Chairperson 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

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 segments of the Compensation Committee meetings, which serve to discuss and determine their proposed compensation.

The Compensation Committee consists of at least three members of the Board of Directors who are elected by the Annual General Meeting (AGM). The current Compensation Committee is made up of four members. In case decisions of a specialised nature are required, the Compensation Committee may seek advice from additional members of the Board of Directors.

Members: Gareth Penny (Chairperson), Gilbert Achermann, Heinrich Baumann and Richard M. Campbell-Breeden. As described in the 'Corporate Governance' section of the Annual Report, these four individuals are experienced Board members who have a broad range of expertise in the industry as well as in matters of governance.

The Compensation Committee convenes as often as required and holds a minimum of three meetings each year. During the year under review, the Compensation Committee held six meetings each lasting an average of 2.5 hours.

The following table shows the meetings held by the Compensation Committee of Julius Baer Group Ltd. in 2018 and the Committee members attending each meeting:

	January	April	June	September	October	December
Gareth Penny, Chairperson	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Ann Almeida[1]	x	-	-	-	-	-
Heinrich Baumann	x	x	x	x	x	x
Richard M. Campbell-Breeden[2]	-	x	x	x	x	x
Daniel J. Sauter	G	G	G	G	G	-

[1] Left the Board of Directors at the Ordinary Annual General Meeting on 11 April 2018
[2] Joined the Committee in April 2018
G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

COMPENSATION PRINCIPLES

The primary compensation principles of the Group are to:

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

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

Please refer to www.juliusbaer.com/group/en/julius-baer-at-a-glance/corporate-governance for the full provisions of the Articles of Incorporation.

PEER BENCHMARKING

It is important to the Compensation Committee and the Board of Directors that the Group ensures that its compensation practices, structure and pay levels (adjusted for performance) remain competitive within the marketplace and are consistent with those of its peers.

The Compensation Committee continues to consider the SMI as the most relevant peer group for the purposes of compensation comparison. However, it also looks at industry peers as part of its assessment of corporate governance practices and relative performance reviews. Taking into account the Group's market capitalisation and the complexity of the industry in which it operates, the Group's current positioning between the lower quartile and median of SMI companies remains appropriate. This peer group positioning continues to be reviewed annually.

Overview of peer groups for compensation benchmarking and relative performance review

Industry peer group		Market peer group (SMI)		
Credit Suisse	LODH	ABB	Nestlé	Swatch
DBS	Morgan Stanley	Adecco	Novartis	Swiss Life
Deutsche Bank	Pictet	Geberit	Richemont	Swiss Re
EFG	Standard Chartered	Givaudan	Roche	Swisscom
Goldman Sachs	UBS	LafargeHolcim	SGS	Zurich Insurance
HSBC	Vontobel	Lonza	Sika	

EXTERNAL ADVISERS

In 2018, Julius Baer obtained advice from HCM International Ltd. with regard to the valuation of equity-based awards. Boston Consulting Group (BCG) was engaged to provide compensation design strategy advice based on global trends within the financial sector. During the year, Willis Towers Watson and McLagan (a business division of Aon Hewitt) provided compensation survey data and analysis that was utilised internally by the Group for benchmarking purposes. KPMG AG was retained to provide global mobility advisory and expatriate income tax-related services. PricewaterhouseCoopers Ltd. (PwC) rendered assistance on the implementation of certain aspects of the Group's compensation framework. Ernst & Young AG (EY) was mandated to prepare an analysis of various aspects of compensation and diversity. Of these aforementioned advisers, BCG, PwC, KPMG and EY also had other mandates within the Group outside the Rewards and Performance Management department.

SAY-ON-PAY

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Companies (Ordinance), Julius Baer reports the compensation awarded to members of both the Board of Directors and the Executive Board on a business year basis. While the fixed compensation for the Board of Directors and the Executive Board is approved on a prospective basis for operational purposes, shareholders vote on the actual variable compensation amounts awarded to the Executive Board. The Board of Directors recognises that the binding say-on-pay vote is not only a meaningful tool for shareholders, but also one that requires analysis and proper context to enable shareholders to interpret the compensation numbers on which they vote. This Remuneration Report aims to assist shareholders in this responsibility.

The approval of compensation by the AGM is defined in the Articles of Incorporation. This approval determines:

1. the maximum aggregate amount of compensation paid to the Board of Directors for its next term of office;
2. the maximum aggregate amount of fixed compensation of the Executive Board for the financial year following the respective General Meeting of Shareholders;
3. the aggregate amount of variable cash-based compensation elements of the Executive Board for the financial year preceding the respective General Meeting of Shareholders; and
4. the aggregate amount of variable equity-based compensation elements of the Executive Board granted in the current financial year.

In addition, a consultative vote on the Remuneration Report is again scheduled for the AGM on 10 April 2019. The Board of Directors is committed to maintaining a dialogue with shareholders on compensation matters. The detailed compensation data will be provided to shareholders as part of their invitations to the AGM.

The following table summarises the outcomes of the binding say-on-pay votes on compensation and consultative vote on the Remuneration Report held at the 2018 AGM and 2017 AGM.

Results of say-on-pay shareholder approvals

Say-on-pay shareholder approvals	Vote 'for' at 2018 AGM	Vote 'for' at 2017 AGM
Board of Directors maximum aggregate amount of compensation	98.74%	96.58%
Executive Board maximum aggregate amount of fixed compensation	97.78%	95.19%
Executive Board aggregate amount of variable cash-based compensation	97.79%	94.21%
Executive Board aggregate amount of variable equity-based compensation	92.70%	90.13%
Consultative vote on the Remuneration Report	87.23%	88.43%

If the aggregate amount of the fixed compensation approved by shareholders for the Executive Board is not sufficient to cover the fixed compensation (including any replacement award) of a new joiner to the Executive Board (joining after the AGM), the Group may award a supplementary amount. This supplementary amount is defined (in article 11.2 of the Articles of Incorporation):

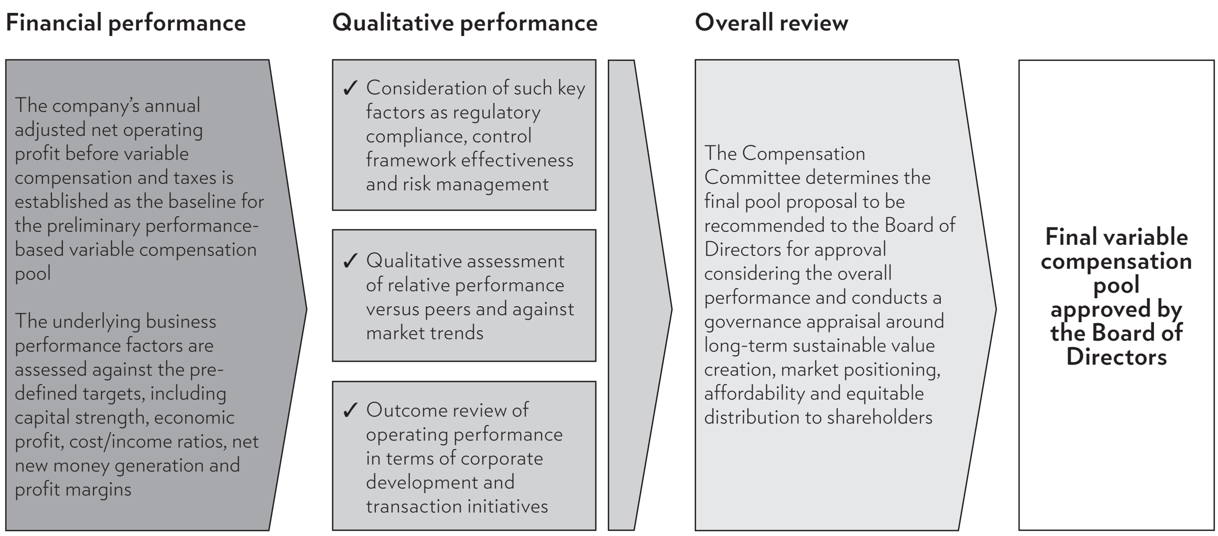
– for a new CEO as a maximum of 40% of the aggregate amounts of compensation last approved by shareholders for the Executive Board;
– for a new member of the Executive Board as a maximum of 25% of the aggregate amounts of compensation last approved by shareholders for the Executive Board.

In the financial year 2018, the supplementary amount was utilised for the purpose of compensation granted to Oliver Bartholet related to his hiring. Additional details are provided in the table entitled 'Compensation of the members of the Executive Board'.

GROUP PERFORMANCE AND VARIABLE COMPENSATION FUNDING

VARIABLE COMPENSATION FUNDING

Variable compensation funding process



Financial performance assessment
The baseline for calculating the Group's variable compensation pool is the annual adjusted net operating profit before bonus (variable compensation) and taxes (adjusted NOPbBT) generated by the Group (as reconciled by the Audit Committee). The Group's adjusted NOPbBT is derived by excluding from the audited IFRS financial statements items such as integration and restructuring expenses as well as amortisation of intangible assets related to previous acquisitions or divestments.

Adjusted NOPbBT has been selected as the appropriate baseline for the variable compensation pool funding as it is the underlying, sustainable operating profit generated by the business. It is an important metric which reflects the Group's actual performance, thus giving the Compensation Committee a clear indication of operating performance and providing a reliable baseline for comparing the year-on-year development of the Group.

In determining the pool, the Compensation Committee also takes other financial metrics into consideration such as changes in and/or the development of the capital ratios, cost/income ratio, gross/net profit margin, economic profit and net new money generation. All quantitative metrics are measured against the overall midterm plan, the strategic goals of the Group and its historical results for the prior three years.

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

Overall review
The Compensation Committee carries out a review of the size of the proposed variable compensation pool taking into account the overall performance as well as factors such as long-term sustainable value creation, affordability and market positioning as part of a governance appraisal. The Compensation

Committee recommends adjustments only in exceptional cases and does not make adjustments to the pool in subsequent years to take into account reduced or revoked variable compensation due to ex-ante or ex-post performance adjustments made in prior years. This additional governance process further helps the Compensation Committee to maintain a balance between the development of the pool and the Group's corporate performance.

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

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

2018 JULIUS BAER GROUP PERFORMANCE

As part of the Group's strategy to focus on core markets, it continued to prioritise its presence, client offerings and growth investments in 2018. Julius Baer expanded its presence in key growth markets and entered strategic cooperation agreements. In addition, efforts were accelerated to make the business more scalable and efficient for the longer term.

This year the Group geographically broadened its presence in Germany and the United Kingdom. In Brazil, the acquisition of Reliance Group significantly enlarged its already strong market standing. Targeted moves were made in defined growth markets with the initiation of strategic partnerships with Siam Commercial Bank in Thailand and with Nomura in Japan, and through the opening of an advisory office in South Africa (Johannesburg). In contrast, the Group reassessed and reduced business offerings in the Netherlands and throughout other parts of Latin America.

In a challenging market environment (particularly the latter part of 2018), Julius Baer maintained stable profit with adjusted[1] net profit for the Group increasing slightly to CHF 810 million (from CHF 806 million). As a result, adjusted earnings per share (EPS) attributable to shareholders of the Group increased by 1.6% to CHF 3.72.

While assets under management (AuM) decreased by 1.6% to CHF 382 billion, significantly influenced by negative market performance, the Group continued to deliver on net new money (NNM) with an annualised growth rate of 4.5% (or CHF 17 billion), well within the 4–6% target range.

Operating income continued to rise this year to CHF 3,368 million (increase of 3.6%). Despite increased operating income and a larger average client asset base, the adjusted cost/income ratio[2] went up from 69.0% to 70.6% (above the medium-term target range of 64–68%), driven by the second half decline in the gross margin and additional legal and restructuring expenses.

At the end of 2018, notwithstanding the partial reinvestment of the Group's excess capital into accretive acquisitions during the year, the fully-applied CET1 capital rose by 3% to CHF 2.7 billion. The Group's BIS CET1 capital ratio of 12.8% and BIS total capital ratio of 18.7% remain well above minimum regulatory capital requirements and the Group's own floors.

2018 VARIABLE COMPENSATION POOL

The Group considers it fundamental that the amount of performance-based variable compensation available for distribution to its employees

1 Excluding the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments and the taxes on those respective items.
2 Calculated using adjusted operating expenses, excluding provisions and losses.

is directly linked to the overall performance of the Group whilst also considering individual and business unit performance.

While the financial year (particularly the second half) was turbulent, the Group's adjusted NOPbBT (the baseline for the Group's variable compensation pool funding) remained stable in 2018. The available pool reflects this year of stability with the overall value of the variable compensation pool slightly decreasing relative to the prior year. The decreased pool size relates specifically to shifts in profitability throughout the Group's divisions (e.g. variable compensation decreases in Kairos due to lower performance, counter-balancing increases in the profitability and variable compensation of the wealth management sector) and reductions in hiring costs (e.g. replacements).

The Compensation Committee is confident that the 2018 pool properly reflects the Group's pay-for-performance culture in a reasonable and measured manner.

OVERVIEW OF 2018 VARIABLE COMPENSATION PLANS

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

Summary of 2018 deferred compensation plans

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

[1] Staff who are participants of the DBP and EPP are not normally eligible to participate in the DCP and PSP and vice versa.
[2] In very exceptional cases (e.g. restructuring), retention awards are granted under the LTI. The LTI may also be utilised in lieu of the PSP for locations with restrictions on variable compensation.
[3] Employees in some locations are excluded from participating for legal or regulatory reasons.
[4] For every three shares purchased by the employee, an additional share is delivered free of charge at the end of the three-year vesting period.

EXECUTIVE BOARD AND SENIOR MANAGEMENT COMPENSATION

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

Summary of 2018 compensation components

<table>
<tr><th>Element</th><th>Payment Structure</th><th>Description</th><th>Governance</th></tr>
<tr><td>Base salary and allowances</td><td>100% in cash (monthly)</td><td>Base salary is set individually taking into account the market value of the function based on role (benchmarked), responsibilities, experience, level of education, degree of seniority and level of expertise.

Similar to Group employees, Senior Management is eligible for allowances based on rank, function level and their location of employment.</td><td>Provides an appropriate level of income by function at market rates, while permitting the Group to operate a fully flexible policy for variable compensation.</td></tr>
<tr><td>Deferred Bonus Plan (DBP)</td><td>100% in Cash delivered in 6 tranches over 5 years

(partly deferred)</td><td>Annual, variable compensation determined based on the Group and individual performance (via Scorecard for EB). Developed to link compensation to business strategy and to ensure that participants continue to manage Julius Baer for sustainable long-term shareholder value creation, emulate Julius Baer values and carry out all business activities in a regulatory-compliant manner.

DBP awards are deferred at rates between 20 and 50% (linear increase) between the minimum and maximum thresholds (CHF 125,000 to CHF 1 million, respectively). The maximum deferral rate (50%) applies thereafter. Amounts below the DBP minimum threshold are not subject to deferral.

The non-deferred tranche of the DBP is paid to EB members following shareholder approval. The deferred amount is delivered in five equal annual instalments. Subject to legislative requirements, the deferred DBP can be invested (in full or in part) into three specific Julius Baer Strategy Mutual Funds (Income, Balanced or Growth) during the deferral period. Investment elections cannot be adjusted during the deferral period.</td><td>Links compensation to Group performance in a risk-aligned manner. Deferral promotes a long-term orientation, allowing for claw-back in the event of legal/regulatory breaches, financial losses (e.g. misrepresentation of variables underlying DBP award) and a variety of other events where conduct has substantially contributed to a financial loss or has caused reputational damage.

The deferral element is not intended to function as a retention measure.

Immediate cash payment to EB only following shareholder approval.</td></tr>
<tr><td>Equity Performance Plan (EPP)</td><td>100% in equity delivered on the third anniversary of the grant date

(fully deferred)</td><td>Annual, rolling equity grant recommended following the close of the relevant financial year based on factors such as: Scorecard assessment, current and projected future contributions, defined total pay mix, level of responsibility and seniority. Incentive functions as a retention element and links compensation to Julius Baer share price and the Group's future performance via two KPIs (internal: cumulative Economic Profit [cEP][1] and external: relative Total Shareholder Return [rTSR][2]).

The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI capped at a maximum multiplying factor of 200%). The cEP target is set based on the strategic three-year budget/plan that is approved by the BoD on an annual basis. KPI targets are set by the Compensation Committee each year for the upcoming grant. Multiplier performance target ranges remain unchanged for 2018:

<table><tr><th></th><th>Minimum (0% KPI multiplier)</th><th>Target (100% KPI multiplier)</th><th>Maximum (200% KPI multiplier)</th></tr><tr><td>cEP</td><td>-50%</td><td>100%</td><td>+50%</td></tr><tr><td>rTSR</td><td>-22%</td><td>+3%</td><td>+28%</td></tr></table>
Performance of each KPI is measured on a linear basis between the minimum, target and maximum.</td><td>Aligns compensation with shareholders' interests and ties it more closely to contributions to the future performance of the Group via internal and external metrics which are market-linked and risk-adjusted. Promotes retention and, through capped multiplier, promotes stable growth that does not incentivise excessive risk-taking. EPP is subject to forfeiture/clawback provisions.

The final cEP is based on figures approved by the Audit Committee. The calculation and all its components are audited. The Compensation Committee reviews and approves the final multiplier.

Granted to EB following shareholder approval.</td></tr>
<tr><td>Pension and other benefits</td><td></td><td>Senior Management (including the EB) are entitled to the same pension and benefits as other employees within their employment location.</td><td></td></tr>
<tr><td>Other compensation</td><td></td><td>Senior Management (including the EB) are not entitled to receive any other special compensation elements which are not offered to other employees within their employment location.</td><td></td></tr>
</table>

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

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

TOTAL COMPENSATION PAY MIX

The total compensation of the 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), the latter two being linked to performance. There were no significant pay mix or compensation adjustments applied to the Executive Board members in 2018. All variable compensation was determined based on a combination of the Group's performance and that of the individual Executive Board member against set regional/divisional objectives.

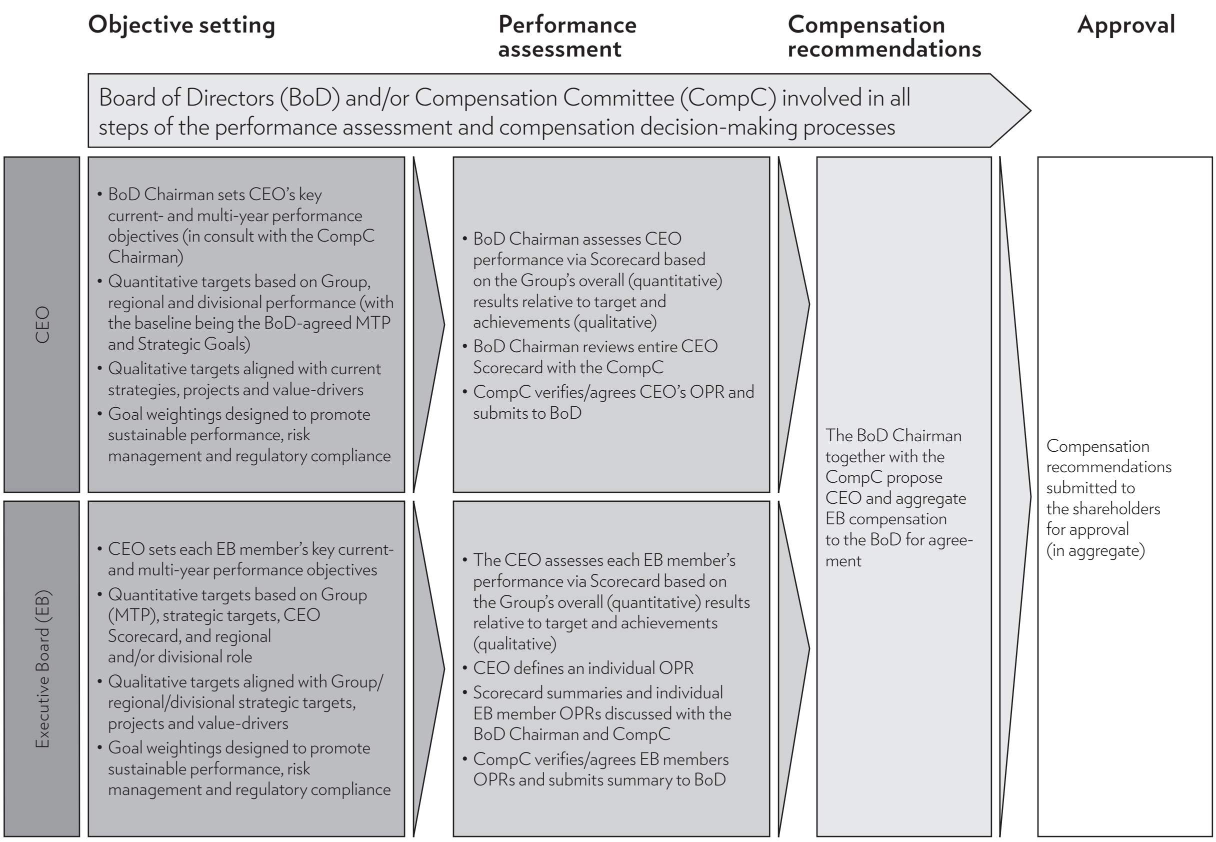
VARIABLE COMPENSATION

Performance assessment process
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's 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. These objectives are individually weighted to support the alignment of managerial actions with shareholder interests as part of a balanced scorecard (Scorecard) which results in an Overall Performance Rating (OPR). The Compensation Committee and/or Board of Directors are involved in all stages of the objective setting, performance assessment and compensation decision-making processes for the Executive Board (including the CEO). The following illustration provides an overview of this process:

Objective setting and performance assessment



The following Scorecard summarises the key performance objectives set for the Group CEO in 2018 along with the individual assessments leading to the CEO's OPR.

CEO's 2018 OPR[3] **Overall Rating: A**

CEO Core objectives (30%)

Rating: C | B | **A** | A+ | A++

Objectives	Assessment
• Overall 2018 budget achievement in terms of profitability including operating income and expenses and maintaining BIS CET1 capital ratios **Key Performance Indicators 2018** • NNM • Operating income • Profit after taxes • Cost/Income Ratio • Gross margin • AuM	Key performance indicators are measured on a weighted average basis with each metric being assessed against the Group's target performance. • NNM growth rate of 4.5% • Operating income increased by 3.6% • Increases in adjusted net profit, IFRS net profit and IFRS net profit attributable to shareholders • Cost/Income Ratio increased to 70.6% (prior year 69.0%) • Gross margin decreased by 4 basis points to 86 basis points • AuM decreased by 1.6% The Group's BIS CET1 capital ratio (12.8%) and BIS total capital ratio (18.7%) remain well above minimum regulatory requirements and the Group's own floors. Year-end Group performance benefited from swiftly implemented, midyear cost-savings initiatives implemented by the CEO and management in anticipation of weaker performance in the latter part of the year. The overall rating of core objectives performance, while within the Group's defined A rating scale (91%–110% performance), was below target (100%).

CEO Project objectives (30%)

Rating: C | B | **A** | A+ | A++

Objectives	Assessment
• Continue to support and drive the Group forward in accordance with the target growth strategy	Successful continuation of organic growth within the Group's medium-term range (with particular success in target markets), completing the acquisition of a substantial stake in Reliance Group (Brazil) and entering into strategic joint ventures / partnerships in Japan and Thailand, thereby strengthening the Group's global presence. Proactive steps to reduce operations in locations no longer part of the Group's strategic future.
• Strengthen the Group's client service framework, investment management capabilities and advisory processes	Further global roll-out of the Group's advisory platforms with enhancements focused on client suitability; continued transformation and development of Investment Management division in support of local market strategies; and diversification of investment offerings (particularly via the launch of the Unconstrained Fixed Income and Next Generation offerings).
• Increase productivity, flexibility and compliance through upgrades to the Group's technology platforms and processes	Successful implementation of digital enhancements which continue to transform the business and help maintain future competitiveness including: successful core banking platform roll-out (Asia), robotics competence centre development and refinement of the Group's investment suitability tool. Completed multi-year project in home market to increase compliance and improve data quality via client documentation enhancements (ongoing globally).
• Develop initiatives in line with Group transformation targets	Continued driving the implementation of the Group's digital strategies and empowering change throughout the organisation; further development of the business and digital transformation strategies, establishing internal governance committees, and advances in development of defined projects.

CEO General objectives and qualitative targets (30%)

Rating: C | B | **A** | A+ | A++

Objectives	Assessment
• Regulatory awareness and compliance • Risk objectives • Corporate social responsibility (CSR) • Succession/retention management • Communication • Group value proposition	Continued development of digital offerings to assist the client-facing teams comply with regulatory changes under MiFID II and protecting clients through implementation of preparatory programmes to comply with FiDLEG and FinfraG.
	Strengthened processes and procedures to prevent fraudulent activities, enhancements to Risk Management and Risk Tolerance frameworks, and augmentation of standards and processes designed to identify and raise awareness of suspicious activities and digital data security and to promote individual-level accountability.
	Promoted sustainability internally and externally, marked by the roll-out of the Group's Next Generation investment approach (promoting sustainable growth opportunities within growing markets), establishment of a new Sustainability Board and improved the Group's overall sustainability score by 50% on the SAM Corporate Sustainability Assessment.
	Retained key employees and continued to enhance the succession-planning pipeline. Actively and appropriately managed communication with stakeholders, broadened internal lines of communication, and continued to develop the Group's internal culture and identity through roll-out of the Corporate Character framework.

CEO Personal goals (10%)

Rating: C | B | **A** | A+ | A++

Objectives	Assessment
• Meet development plan targets • Organisational empowerment	The CEO actively drove and facilitated the empowerment of senior management and employees, took steps in the development of key performance indicators to measure operation efficiency gains and continued to define and refine the Group's digital strategy to drive change.

[3] Whereby performance achievement is defined as: A++ >133%; A+ = 111%–133%; A = 91%–110%; B = 67%–90% and C <67%

CEO compensation decisions

Based on the aforementioned Scorecard assessment, the Compensation Committee decided (on 28 January 2019) on the DBP and EPP awards to be granted to the CEO.

As disclosed in 2017, due to the shift in role from Chief Risk Officer (CRO) to CEO, the CEO's base salary was increased to CHF 1.5 million as of 1 January 2018.

The CEO's OPR, as disclosed in the Scorecard, reflects the Group's and the CEO's consistent performance in the range of 91–110% of overall targets. The overall value of the variable compensation decided for the CEO is CHF 4.15 million. This total variable compensation award is an increase over his 2017 awards (up 12%). This change is a reflection of the increased responsibilities associated with the change in role from CRO to CEO (i.e. 2017 compensation related to eleven months as CRO and one month as CEO) and the CEO's achievements over the course of 2018.

The determined variable compensation has been allocated as CHF 1.85 million in DBP (up 68% over 2017) and CHF 2.3 million in EPP (11.5% decrease relative to 2017). The DBP increase reflects an alignment of the CEO's variable compensation to his role and the respective level of responsibility; however, the DBP granted is below the expectations set for the performance year based on Group performance and Scorecard assessment. The EPP for the performance year 2018, considering such items as the CEO's performance, current/projected future contributions, defined pay mix, and role, responsibilities and seniority decreased relative to 2017.

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

The following summary provides the key performance achievements for the Group's Executive Board members in 2018 and the average OPR:

Executive Board's 2018 OPR[3] (average)	**Overall Rating: A**

Executive Board's 2018 Performance Summary

In addition to Group performance, the following summarises the most significant KPIs affecting the EB performance assessment for 2018 (i.e. extracted from the detailed, individual Scorecards):

- Actively implemented cost-savings initiatives to preserve profitability in difficult market conditions
- Managed large-scale direct expenses related to key internal projects appropriately (mostly at or below budget)
- Enhanced client advisory experience to strengthen the quality and scalability of Julius Baer's portfolio management
- Strengthened global client-facing management through 'First Line of Defence'-focused leadership structure
- Completed multi-year client documentation project in Switzerland improving client knowledge and compliance (ongoing globally)
- Drove market-strategic regionalisation and organisational set-up (including opening and closure of offices)
- Developed structured, Group-wide project controlling (business case reviews, cost monitoring/savings initiatives)
- Further aligned legal risk management and compliance with regulatory requirements on a global basis
- Developed and implemented Group-wide marketing strategy and introduced and managed social media presence
- Promoted sustainable investment programme
- Focused on core client base to increase efficiency and profitability
- Continued to attract relationship managers on a global basis in diverse markets

Executive Board compensation decisions
This section relates specifically to the Executive Board members excluding the CEO. The Compensation Committee decided (on 28 January 2019) on the DBP and EPP awards to be granted to the Group's Executive Board members.

Total base salary allocated to EB members decreased in 2018 due to exiting EB members; however, increases of CHF 0.08 million were allocated to existing EB members for the performance year.

The OPR for each EB member (and hence the average OPR) reflects the Group's consistent financial performance and continued achievement of regional/divisional, transformational and project targets in 2018. The variable compensation delivered to the EB is CHF 7.15 million. This reflects an overall 5.9% decrease in total variable compensation delivered to the members of the EB for performance year 2018.

Variable compensation for the EB totals CHF 3.6 million in DBP (decrease of 20% relative to 2017) and CHF 3.55 million in EPP (up 14.5% relative to 2017). The decreased DBP reflects the impacts of the Group's financially stable (albeit below target) performance, the executives' achievements of regional/divisional, transformational and strategic project targets, and the overall decreased bonus pool. The EPP for the performance year 2018 was increased to reflect the current and projected future contributions of these executives.

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

COMPENSATION CAPS

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

2018 targets and maximum caps for the Executive Board (all caps as a multiple of base salary)

	Target		Cap	
	Average EB	CEO	Average EB	CEO
Total variable compensation (DBP/EPP)	3.0	3.2	4.0	4.0
Cash-based variable compensation (DBP)	–	–	2.0	2.0
Equity-based variable compensation (EPP)	–	–	2.0	2.0

For 2018 the members of the Julius Baer Executive Board are subject to the following caps:

- The total sum of the variable compensation allocated to the members (in aggregate) of the Executive Board (including the CEO) shall be targeted at three times, but will be capped at four times the total sum of the base salaries paid to the entire Executive Board.
- The total sum of the DBP and the total sum of EPP allocated to all members (in aggregate) of the Executive Board (including the CEO) will each be capped at two times the total sum of the base salaries paid to the entire Executive Board.
- The total sum of the variable compensation allocated to the CEO shall be targeted at 3.2 times, but will be capped at four times the CEO's base salary.
- The total sum of the DBP and the total sum of the EPP allocated to the CEO will each be capped at two times the CEO's base salary.

The Compensation Committee is responsible for ensuring that the total variable compensation paid to the Executive Board members is compliant with the applicable compensation caps.

GUIDELINES ON SHARE OWNERSHIP

Since 2014, the Executive Board members have been 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 Ltd. 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 have a period of three full calendar years starting from the beginning of their appointment to the Executive Board to build up their Julius Baer Group Ltd. shareholdings. The final measurement will be performed on 31 December of the third calendar year following the Executive Board member's appointment to the Board.

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

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

EMPLOYMENT CONTRACTS

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

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

OTHER VARIABLE COMPENSATION

Newly joining Executive Board members are not entitled to hiring bonuses; however, they may be eligible to receive a replacement of compensation that was forfeited at their previous employer (including unpaid current year and/or prior-year outstanding deferred compensation). All replacements of lost compensation must be documented prior to being replaced by Julius Baer and are replaced based on prevailing fair market value. Current year compensation replacements shall be partially deferred at rates in line with the Group's standard variable compensation deferral policy and will be delivered partially in immediate cash and partly in deferred equity-based awards under the Group's Long-Term Incentive Plan. Prior-year outstanding deferred compensation shall be replaced in a fully deferred manner under the Group's Long-Term Incentive Plan.

CLAUSES FOR CHANGE OF CONTROL

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.) which are generally available to other Julius Baer employees. The Executive Board members are not entitled to other severance payments or special termination benefits under the pension plans compared to the general staff population.

Special change-of-control and good-leaver provisions may be available under the variable compensation plans. The 'Termination Provisions of Julius Baer Plans' table provides general details of the vesting and forfeiture rules for termination events. All provisions remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control.

OTHER EMPLOYEE COMPENSATION

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

Summary of 2018 employee compensation components

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

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

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

COMPENSATION ARRANGEMENTS IN STRATEGIC PARTNERSHIPS

In certain strategic partnerships, Julius Baer operates special compensation arrangements unique to the organisation concerned. Such arrangements can include compensation linked to the strategic partner entity's shares or where regulatory required, compensation linked to the performance of the strategic partner entity's managed investment funds. No such arrangements are currently linked to the shares of Julius Baer Group Ltd. However, share ownership requirements, defined in terms of Julius Baer Group Ltd. shares, are in place for senior staff of certain strategic partnerships.

KEY RISK TAKERS AND REGULATED STAFF

In accordance with European legislation, Julius Baer takes particular care in identifying staff whose professional activities may have a material impact on the Group's risk profile (Key Risk Takers) and in identifying the proper pay-out structure for such employees. Key Risk Takers are identified on an annual basis throughout the entire Group (i.e. not limited merely to the European Economic Area) and the Group's annual Key Risk Takers include both regulated (as defined by the applicable legislation) and non-regulated staff members. Quantitative and qualitative criteria are both taken into consideration in the identification process. Defined minimum compensation standards are applicable (in general) to members of the Executive Board as well as employees (including relationship managers) with a relatively high total compensation and/or who hold a function that has a high impact on the risk profile of the entity employing them or the Group. Regulated staff (e.g. Key Risk Takers) are reviewed by the Compensation Committee on an individual basis.

The European regulatory requirements include a number of provisions that impact the variable compensation awarded to employees and directors of the Group entities that fall under the jurisdiction of the European Economic Area. To comply with the applicable regulatory requirements, certain employees (e.g. identified Key Risk Takers) may receive 50% of their non-deferred variable compensation in the form of vested shares or fund-linked instruments which are blocked between six months and one year (in lieu of what otherwise would have been paid in cash).

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

OTHER VARIABLE COMPENSATION

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

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

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

Long-Term Incentive Plan (LTI)
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 a three-year period. The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out at grant. 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.

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

EMPLOYEE SHARE PURCHASE

Staff Participation Plan (SPP)
The 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 Group Ltd. shares at the prevailing market price and for every three shares purchased, they will be granted one additional share free of charge. These free shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

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

BOARD OF DIRECTORS COMPENSATION

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

Summary of compensation components

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

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

The Board of Director compensation was benchmarked again in 2018. The Chairman's and overall Board of Director compensation pay mix remains in line with market standards and pay levels are in line with Julius Baer's target pay levels (e.g. the lower quartile to median of the SMI). As such, the total compensation and compensation pay mix of the Board of Directors (including the Chairman) remained unchanged for the period between the 2018 AGM and the 2019 AGM.

The maximum aggregate compensation amount will again be presented to shareholders for approval at the 2019 AGM for the subsequent compensation period (2019 AGM to 2020 AGM).

GUIDELINES ON SHARE OWNERSHIP

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

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

Board member	Share ownership requirement (in vested Julius Baer Group Ltd. shares)
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 Group Ltd. 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 Group Ltd. Board of Directors. If the above shareholding requirements are not reached by the measurement date, 50% of the shares vesting from the individual's equity-based compensation grant will be held back until the defined level of shareholding has been reached.

Under these rules, individuals who were members of the Board of Directors from the inception of the shareholding guideline requirements (in May 2014) have been required to build up the aforementioned Julius Baer Group Ltd. shareholdings by 31 December 2017.

All members of the Board of Directors with at least three full years of tenure have fulfilled their share ownership requirements as at 31 December 2018.

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

CONTRACTS

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

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

This section provides the data for 2018 and 2017. The details of the compensation system for members of the Executive Board are presented in the 'Executive Board and Senior Management compensation' section of this Remuneration Report.

				Variable compensation[7]				
					Deferred elements			
					DBP	EPP		
Compensation of the members of the Executive Board		Base salary[1] *CHF 1,000*	Replacements[4] *CHF 1,000*	Cash *CHF 1,000*	Cash *CHF 1,000*	Performance Units *CHF 1,000*	Pension fund, social security contributions and varia[8] *CHF 1,000*	**Total** *CHF 1,000*
Total compensation	**2018**	**4,321**[2]	**3,079**[5]	**3,006**	**2,444**	**5,850**	**1,899**	**20,599**
Total compensation	2017	4,509[3]	99[6]	3,766	1,834	5,700	1,774	17,682

[1] All current members of the Executive Board have a full-time (100%) employment relationship with the Group. The disclosed 2018 and 2017 amounts include lump sum expense allowances up to CHF 22,800 p.a. per member of the Executive Board (including the new CEO for 2017) and CHF 24,000 p.a. to the respective CEO (2018: Bernhard Hodler; 2017: Boris F.J. Collardi), in aggregate: CHF 130,360 for 2018; CHF 134,160 for 2017.

[2] The 2018 amounts disclosed above include the base salary actually paid to the new CRO Oliver Bartholet who joined the Group and the Executive Board on 1 March 2018. The disclosed amount excludes any compensation paid in 2018 to the former CEO Boris F.J. Collardi through his legal ending date on 31 May 2018 (refer to the 'Former Executive' section below for additional details).

[3] The 2017 amounts include the fixed compensation paid to the former CEO Boris F.J. Collardi on a 12-month basis (his effective fixed compensation from 1 January to 31 December 2017 in line with the Group's contractual obligations), the former CCO Jan A. Bielinski on a 6-month basis (his effective fixed compensation from 1 January to 30 June 2017), the current CCO Larissa Alghisi Rubner on a 6-month basis (her effective fixed compensation from 1 July to 31 December 2017) as well as the other four members of the Executive Board on a 12-month basis. In the Remuneration Report 2018, the disclosed amount was adjusted to exclude the replacements granted to Larissa Alghisi Rubner which is now separately reported in the new 'Replacements' column.

[4] Replacements include grants and/or payments made to newly joining Executive Board members in replacement of documented compensation forfeiting at the individual's previous employer. Amounts are fully or partially deferred.

[5] In 2018, replacements were granted to Oliver Bartholet in the amount of CHF 3,079,091 (16% delivered in immediate cash subject to 1-year clawback; 84% deferred under the LTI [3-year pro rata vesting with malus/ clawback provisions]). Grant date fair values per share were CHF 58.84 (forfeited current-year variable compensation) and CHF 61.60 (forfeited deferred compensation). The aggregate amount spent on replacements in 2018 was within the permissible supplementary amount under article 11.2 of the Articles of Incorporation (25% of the aggregate amounts of compensation last approved by shareholders at the 2018 AGM for the Executive Board compensation).

[6] The 2017 amount includes a replacement of CHF 98,864 granted as a fully deferred LTI award to Larissa Alghisi Rubner (grant date fair value of CHF 54.26). The aggregate amount spent on replacements in 2017 was within the maximum total fixed compensation for the 2017 financial year approved for the Executive Board at the 2017 AGM.

[7] The DBP and EPP awards disclosed above for 2018 relate to prior-year (i.e. 2018) performance and are subject to approval by the shareholders at the AGM in April 2019 (DBP and EPP awards related to 2017 performance [granted in 2018] were approved at the April 2018 AGM). The immediately payable portion of the DBP for the 2018 performance is not paid to the recipients until shareholder approval has been granted at the AGM. The fair value of the Performance Units is based on an equally weighted valuation of (i) the cumulative Economic Profit (cEP) component using a probabilistic model of the potential deviation of the future Group results from the strategic three-year plan and of (ii) the relative Total Shareholder Return (rTSR) with the peer group being the STOXX 600 Europe Banks gross return Index. EPP grant date fair values were CHF 32.04 (grant date: 15 February 2019) and CHF 55.03 (grant date: 15 February 2018), respectively.

Starting with the 2017 reporting year, the EPP granted in February following the reporting year is disclosed as compensation for the reporting year, as such awards are based on the performance of the eligible Executive Board members in the reporting year and the overall achievements by the Group in the plan period. While the plan policies, accounting principles (including a shift to a four-year, service-based vesting expense cycle) and reporting changed for the EPP grant dated 15 February 2018, the underlying EPP award cycle has stayed the same and no additional grants have been made. Similarly, no modifications have been made to the binding say-on-pay votes (as defined in article 11.1 of our Articles of Incorporation).

The reported amount of variable compensation (EPP and DBP awards) for 2017 includes the variable compensation awarded to the current Executive Board members, the amount awarded to the former CCO Jan A. Bielinski on a 6-month basis and a contractually agreed award to Gregory F. Gatesman (the former COO). In 2017, Gregory F. Gatesman, who departed from the Executive Board of Julius Baer Group Ltd. as of 31 December 2016, but whose employment relationship continued until end of April 2017, was granted a cash payment in the amount of CHF 1,350,000 as a result of a contractually agreed award. This amount has been included in the reported variable compensation for 2017 (as disclosed in the table) and was approved by shareholders at the 2018 AGM. Furthermore, Gregory F. Gatesman's fixed compensation was paid until the end of his notice period in 2017.

All deferred elements of the variable compensation of the Executive Board are subject to forfeiture and clawback provisions.

In 2018, the average ratio of fixed to variable compensation for the members of the Executive Board amounted to 28%:72% (excluding replacements considered permissible supplementary amounts under Article 11.2 of the Articles of Incorporation), compared to 29%:71% in 2017 (including replacements approved as part of fixed compensation). 73% of the variable compensation of the members of the Executive Board in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP (67% in 2017).

[8] The amounts reported in this column include actual employer contributions to social security (AHV/ALV) for base salaries and estimated future contributions based on the grant values of the DBP for the 2018 and 2017 performance years and the fair value of the Performance Units/EPP granted for performance years 2018 and 2017. These amounts also include premiums for additional accident insurance. The aggregate amount of these social security and accident insurance costs for each respective year is CHF 1,260,905 for 2018 and CHF 1,114,377 for 2017.

COMPENSATION OF THE HIGHEST-PAID MEMBER OF THE EXECUTIVE BOARD (AUDITED)

This section provides the data for 2018 and 2017 on the highest-paid member of the Executive Board.

			Variable compensation[2]				
				Deferred elements			
				DBP	EPP		
Details of the compensation of the highest-paid member of the Executive Board		Base salary[1] *CHF 1,000*	Cash *CHF 1,000*	Cash *CHF 1,000*	Performance Units *CHF 1,000*	Pension fund, social security contributions and varia[3] *CHF 1,000*	**Total** *CHF 1,000*
Total compensation CEO (Bernhard Hodler)	**2018**	**1,500**	**925**	**925**	**2,300**	**507**	**6,157**
Total compensation CEO (Bernard Hodler)	2017	700	550	550	2,600	420	4,820
Total compensation former CEO (Boris F.J. Collardi)[4]	2017	1,500	-	-	-	218	1,718

1 The amounts disclosed for 2018 include a lump sum expense allowance of CHF 24,000 p.a. to the CEO. The amounts disclosed for 2017 include a lump sum expense allowance of CHF 22,800 p.a. to the CEO (Bernhard Hodler) and CHF 24,000 p.a. to the former CEO (Boris F.J. Collardi). These amounts are based on full-time employment (100%) during the performance year. The disclosed 2018 base salary amount excludes any compensation paid in 2018 to the former CEO Boris F.J. Collardi through his legal ending date on 31 May 2018 (refer to the 'Former Executive' section below for additional details).

2 The DBP and EPP awards disclosed above for 2018 relate to prior-year (i.e. 2018) performance and are subject to approval by the shareholders at the AGM in April 2019 (DBP and EPP awards related to 2017 performance [granted in 2018] were approved at the April 2018 AGM). The immediately payable portion of the DBP for the 2018 performance year is not paid to the recipients until shareholder approval has been granted at the AGM. The fair value of the Performance Units was based on an equally weighted valuation of (i) the cumulative Economic Profit (cEP) component using a probabilistic model of the potential deviation of the future Group results from the strategic three-year plan and of (ii) the relative Total Shareholder Return (rTSR) with the peer group being the STOXX 600 Europe Banks gross return Index. EPP grant date fair values were CHF 32.04 (grant date: 15 February 2019) and CHF 55.03 (grant date: 15 February 2018), respectively.

Starting with the 2017 reporting year, the EPP granted in February following the reporting year is disclosed as compensation for the reporting year, as such awards are based on the performance of the eligible Executive Board members in the reporting year and the overall achievements by the Group in the plan period. While the plan policies, accounting principles (including a shift to a four-year, service-based vesting expense cycle) and reporting changed for the EPP grant dated 15 February 2018, the underlying EPP award cycle has stayed the same and no additional grants have been made. Similarly, no modifications have been made to the binding say-on-pay votes (as defined in article 11.1 of our Articles of Incorporation).

All deferred elements of the variable compensation of the CEO are subject to forfeiture and clawback provisions.

In 2018, the ratio of fixed to variable compensation for the CEO amounted to 27%:73%, compared to 16%:84% for the CEO in 2017 (a transition year during which the CEO performed two executive roles). 78% of the variable compensation of the CEO in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP (85% in 2017, a transition year during which the CEO performed two executive roles).

3 The amounts reported in this column include actual employer contributions to social security (AHV/ALV) for base salaries and estimated future contributions based on the grant values of the DBP for the 2018 and 2017 performance years and the fair value of the Performance Units/EPP granted for performance years 2018 and 2017. These amounts also include premiums for additional accident insurance. The aggregate amount of these social security and accident insurance costs for the CEO is CHF 376,265 for 2018, while the aggregate amounts for the CEO were CHF 289,638 for 2017 and CHF 121,886 for the former CEO.

4 The former CEO had a six-month notice period. During this notice period, the former CEO was contractually entitled to continue to receive his monthly base salary. Of these monthly base salary payments, one month (for December 2017) is included in the amount disclosed for his 2017 base salary.

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

LOANS TO THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

		31.12.2018		31.12.2017
Loans to the members of the Executive Board	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Total	**4,244,000**	**-**	4,647,000	-
of which the highest amount: Nic Dreckmann, COO	1,823,000	-	1,847,000	-

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

No loans to former members of the Executive Board (and their related parties) were outstanding at year-end 2018 or were granted in 2018 at conditions that were not in line with market conditions.

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

SHAREHOLDINGS OF THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

Shareholdings of the members of the Executive Board[1]		Number of shares
Bernhard Hodler, Chief Executive Officer	**2018**	**85,099**
	2017	50,878
Dieter A. Enkelmann, Chief Financial Officer	**2018**	**120,170**
	2017	89,908
Larissa Alghisi Rubner, Chief Communications Officer	**2018**	**608**
	2017	-
Oliver Bartholet, Chief Risk Officer since 1 March 2018	**2018**	**-**
	2017	n.a.
Nic Dreckmann, Chief Operating Officer	**2018**	**30,003**
	2017	22,113
Christoph Hiestand, General Counsel	**2018**	**25,000**
	2017	20,525
Total	**2018**	**260,880**
Total	2017	183,424

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions on Julius Baer Group Ltd. shares as at year-end 2018 and 2017.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The CEO is required to build up and maintain 100,000 vested shares of Julius Baer Group Ltd. (by 31 December 2020), the other members of the Executive Board the lower of 2.5 times 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 until the Executive Board member leaves his or her current position and/or the Julius Baer Group.

FORMER EXECUTIVES

In line with the Group's contractual obligations, the former CEO Boris F.J. Collardi, who stepped down in November 2017, received his base salary until 31 May 2018 (the end of his six-month notice period). The total amount of base salary paid to him in 2018 was CHF 615,000. The aggregate amount of social security and accident insurance costs paid to him in 2018 was CHF 101,343.

As a result of his departure and in line with the applicable regulations, no variable compensation was awarded to him for the 2017 performance year and no additional vestings or variable compensation amounts were paid to him in 2018. His outstanding variable compensation grants from previous years have been treated in line with the respective plan termination provisions (as disclosed as part of this Remuneration Report), which provide for outstanding equity-based variable compensation awards to be forfeited. In addition, he did not receive any special termination benefits under the pension plans.

Apart from Gregory F. Gatesman (for further details, see the 'Compensation of the members of the Executive Board' table, footnote 7), no compensation was paid to former members of the Executive Board who left the Executive Board in 2017 or earlier that related to such member's prior function within the Executive Board. No compensation was granted to parties related to members of the Executive Board or former members of the Executive Board. No severance payments to members of the Executive Board (including the former CEO) were effected in 2018 or 2017.

ADDITIONAL HONORARIA, RELATED PARTIES, OTHER IMPORTANT INFORMATION

The compensation disclosed for the CEO (both in terms of his CEO role and former CRO role in 2017), the former CEO, CFO and COO includes the compensation for the same function those members assume at the level of the Executive Board of Bank Julius Baer & Co. Ltd., the principle entity of Julius Baer Group Ltd.

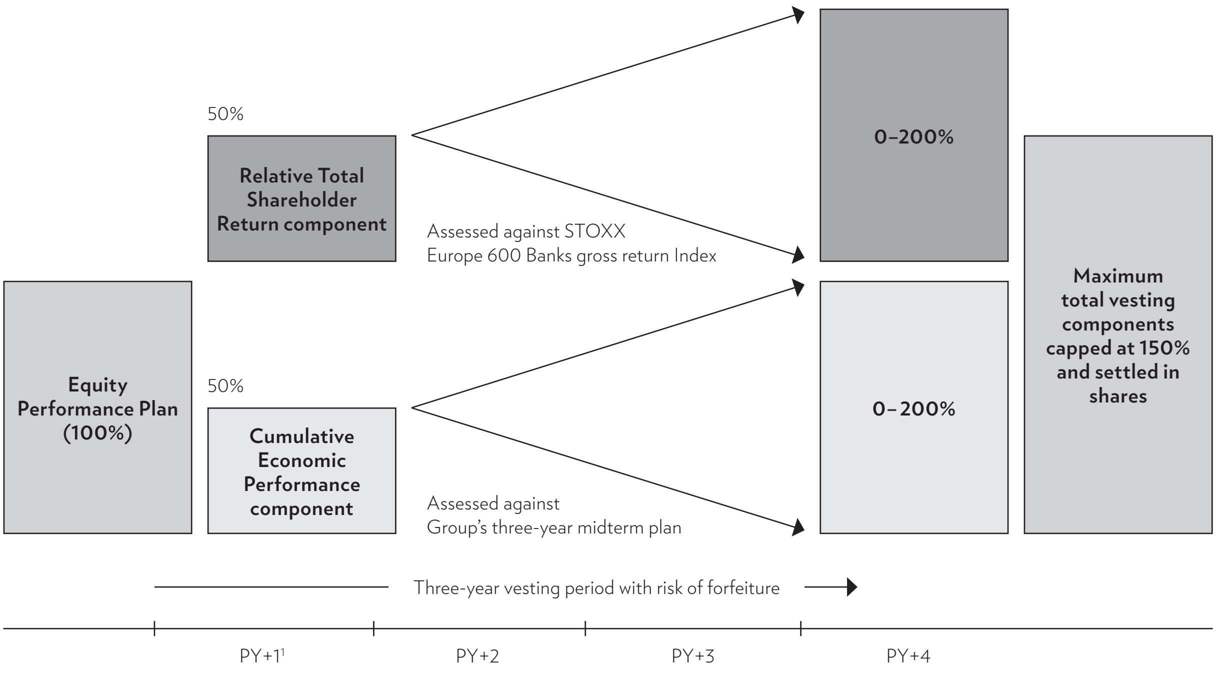
No compensation has been granted to parties related to members of the Executive Board.

VESTED COMPENSATION

The EPP vesting is contingent upon the performance of the two KPIs (namely, the cEP and the rTSR).

The number of shares delivered under the EPP is between 0% and 150% (final multiplier of 0 to 1.5) of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). Please see the graph below for an illustration of this mechanism.

The final multiplier for the 2016 EPP programme (vesting 15 February 2019) was 0.798. The final multiplier resulted from performance below target for both the rTSR and the cEP. The Group's share price drop (particularly at the end of 2018) relative to the overall drop in the Index weighed heavily on the rTSR performance (rTSR multiplier of 0.704). While the cEP performance was more stable it also ended below the Group's strategic MTP targets (cEP multiplier of 0.892).



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

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

This section provides the data for 2018 and 2017. The details of the compensation system for members of the Board of Directors are presented in the 'Board of Directors compensation' section of this Remuneration Report.

Compensation of the members of the Board of Directors[1]		Base salary[2] *CHF 1,000*	Share-based payments[3] *CHF 1,000*	Social security contributions and varia[4] *CHF 1,000*	**Total** *CHF 1,000*
Daniel J. Sauter – Chairman	**2018**	**400**	**600**	**98**	**1,098**
	2017	400	600	102	1,102
Gilbert Achermann	**2018**	**128**	**120**	**26**	**274**
	2017	124	120	25	269
Ann Almeida (left the Board in 2018)	**2018**	**32**	**0**	**4**	**36**
	2017	119	120	18	257
Andreas Amschwand	**2018**	**150**	**120**	**29**	**299**
	2017	146	120	28	295
Heinrich Baumann	**2018**	**175**	**120**	**28**	**323**
	2017	170	120	27	316
Richard M. Campbell-Breeden (joined the Board in 2018)	**2018**	**131**	**120**	**34**	**285**
	2017	n.a.	n.a.	n.a.	n.a.
Paul Man Yiu Chow	**2018**	**115**	**120**	**21**	**256**
	2017	113	120	20	253
Ivo Furrer (joined the Board in 2017)	**2018**	**169**	**120**	**32**	**321**
	2017	113	120	21	254
Claire Giraut	**2018**	**128**	**120**	**16**	**264**
	2017	124	120	75	319
Gareth Penny	**2018**	**150**	**120**	**44**	**314**
	2017	146	120	44	310
Charles G. T. Stonehill	**2018**	**205**	**120**	**26**	**351**
	2017	193	120	42	355
Total	**2018**	**1,783**	**1,680**	**358**	**3,821**
Total	2017	1,648	1,680	403	3,730

At the end of 2018, the Board of Directors consisted of ten members (consistent with the end of 2017). Raymond J. Baer remains an honorary member of the Julius Baer Group Board of Directors; however, he received no compensation in 2017 or 2018 for his activities on behalf of Julius Baer.

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

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

[3] The share-based elements reflect a fixed amount in CHF (currently CHF 120,000 for Board members and CHF 600,000 for the Chairman, rounded up to the next share) and are granted each year upon election or re-election to the Board. The share-based payments are valued at fair value at the grant date (CHF 58.77 per share of Julius Baer Group Ltd. as at 2 May 2018; CHF 50.97 per share of Julius Baer Group Ltd. as at 2 May 2017).

At the AGM in 2018, Daniel J. Sauter (Chairman), Gilbert Achermann, Andreas Amschwand, Heinrich Baumann, Paul Man Yiu Chow, Ivo Furrer, Claire Giraut, Gareth Penny and Charles G. T. Stonehill were re-elected for a term of one year and Richard M. Campbell-Breeden was elected as a new Board member.

[4] The amounts reported for 2018 and 2017 include Julius Baer's actual contributions to social security in the respective reporting period in accordance with the Ordinance, amounting to CHF 261,047 for 2018 and CHF 297,150 for 2017. Depending on the domicile of the Board member and the applicable local legislation, contributions to social security vary despite the similar level of compensation amongst members of the Board of Directors.

The value of the share-based payments shown in the above table cannot be compared with the figures in Note 29 ('Share-based payments') of the Group's 2018 consolidated financial statements as the latter disclose the compensation expense for the shares that has been recognised during the applicable reporting periods.

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

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

No compensation was granted to parties related to members of the Board of Directors.

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

	31.12.2018		31.12.2017	
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Board of Directors				
Daniel J. Sauter – Chairman	**-**	**520,000**	-	525,000
Gilbert Achermann	**-**	**-**	-	-
Ann Almeida (left the Board in 2018)	**n.a.**	**n.a.**	-	-
Andreas Amschwand	**-**	**-**	-	-
Heinrich Baumann	**3,200,000**	**-**	4,500,000	-
Richard M. Campbell-Breeden (joined the Board in 2018)	**-**	**-**	n.a.	n.a.
Paul Man Yiu Chow	**1,250,000**	**-**	3,139,000	-
Ivo Furrer (joined the Board in 2017)	**-**	**-**	-	-
Claire Giraut	**-**	**-**	-	-
Gareth Penny	**251,000**	**-**	-	-
Charles G. T. Stonehill	**-**	**-**	-	-
Total	**4,701,000**	**520,000**	7,639,000	525,000

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

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

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

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

Shareholdings of the members of the Board of Directors[1]		Number of shares
Daniel J. Sauter – Chairman	**2018**	**198,957**
	2017	187,184
Gilbert Achermann	**2018**	**14,509**
	2017	12,154
Ann Almeida (left the Board in 2018)	**2018**	**n.a.**
	2017	2,143
Andreas Amschwand	**2018**	**14,509**
	2017	12,154
Heinrich Baumann	**2018**	**20,236**
	2017	17,881
Richard M. Campbell-Breeden (joined the Board in 2018)	**2018**	**-**
	2017	n.a.
Paul Man Yiu Chow	**2018**	**7,794**
	2017	4,439
Ivo Furrer (joined the Board in 2017)	**2018**	**4,405**
	2017	2,050
Claire Giraut	**2018**	**23,799**
	2017	21,444
Gareth Penny	**2018**	**9,855**
	2017	7,500
Charles G. T. Stonehill	**2018**	**21,669**
	2017	22,814
Total	**2018**	**315,733**
Total	2017	289,763

[1] Including shareholdings of related parties

None of the Board members held any option positions on Julius Baer Group Ltd. shares as at year-end 2018 and 2017.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The Chairman of the Board of Directors is required to build up and maintain 25,000 vested shares of Julius Baer Group Ltd., the other members of the Board 7,500 each, 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 2015 or earlier (i.e. all Board members except for Richard M. Campbell-Breeden and Ivo Furrer) were required to reach the targeted number of shares by year-end 2018. Richard M. Campbell-Breeden and Ivo Furrer are required to reach the targeted number of shares by year-end 2021 and 2020, respectively.

FORMER DIRECTORS

In 2018, no compensation was granted to Board members who left the Board in 2017 or earlier.

No loans to former members of the Board of Directors (or their related parties) were outstanding at year-end 2018 or were granted in 2018 at conditions that were not in line with market rates.

ABBREVIATIONS

AGM	Annual General Meeting
BIS	Bank for International Settlements
BoD	Board of Directors
CCO	Chief Communications Officer
CEO	Chief Executive Officer
cEP	Cumulative Economic Profit
CFO	Chief Financial Officer
CoC	Cost of Capital
CompC	Compensation Committee
COO	Chief Operating Officer
CRO	Chief Risk Officer
CRD	Capital Requirements Directive
DBP	Deferred Bonus Plan
DCP	Deferred Cash Plan
EB	Executive Board
EP	Economic Profit
EPP	Equity Performance Plan
IFRS	International Financial Reporting Standards
Index	STOXX® Europe 600 Banks Index (gross return)
Kairos	Kairos Investment Management S.p.A.
KPI(s)	Key Performance Indicator(s)
LTI	Long-Term Incentive Plan
MTP	Strategic 3-year Mid-Term Plan
NNM	Net New Money
NOPbBT	Net operating profit before bonus and taxes
OPR	Overall Performance Rating
Ordinance	Swiss Ordinance against Excessive Compensation in Listed Companies
PSP	Premium Share Plan
rTSR	Relative Total Shareholder Return
SMI	Swiss Market Index
SPP	Staff Participation Plan
TSR	Total Shareholder Return

TERMINATION PROVISIONS OF JULIUS BAER PLANS

Award Name	Voluntary termination	Termination without cause	Death	Disability	Retirement	Termination for cause	Change of control
Deferred Bonus Plan (DBP)	Outstanding deferral is paid out in accordance with the original payment schedule.	Outstanding deferral is paid out in accordance with the original payment schedule.	Outstanding deferral amounts are paid out within 30 days of the notification of the event.	Outstanding deferral amounts are paid out within 30 days of termination.	Outstanding deferral is paid out in accordance with the original payment schedule.	Outstanding deferral is clawed back upon notice of termination.	Payment-schedule adjustments permissible at Board of Directors' discretion.
Equity Performance Plan (EPP)	Unvested awards are forfeited upon notice of termination.	Pro rata portion of unvested awards vests upon notice of termination subject to final performance multiplier assessment at the end of the plan period.	Award fully vests based on an assumed final multiplier of 100% and is paid out within 30 days of the notification of the event.	Award fully vests based on an assumed final multiplier of 100% and is paid out within 30 days of termination.	Awards fully vest on the date of retirement subject to the final multiplier performance assessment at the end of the plan period.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at Board of Directors' discretion. Plan allows for an intrinsic value roll-over of awards and/or early evaluation of actual performance followed by vesting.
Deferred Cash Plan (DCP)	Unvested awards are forfeited upon notice of termination.	Unvested awards vest on the date of termination.	Unvested awards vest and are paid out within 30 days of the notifi-cation of the event.	Unvested awards vest on the date of termination.	Unvested awards vest on the date of retirement.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at Compensation Committee's discretion.
Premium Share Plan (PSP)	Unvested shares from deferral and premium shares are forfeited upon notice of termination.	Unvested shares from deferral vest on date of termination. Premium shares are forfeited.	The unvested shares from deferral and premium shares vest and are paid out within 30 days of the notification of the event.	The unvested shares from deferral and premium shares vest and are paid out within 30 days of termination.	The unvested shares from deferral and premium shares vest and are paid out within 30 days of retirement.	Unvested shares from deferral and premium shares are forfeited upon termination.	Award adjustments solely at Compensation Committee's discretion. Intrinsic value rollover of awards permitted.
Long-Term Incentive Plan (LTI)	Unvested shares are forfeited upon notice of termination.	Unvested shares are forfeited upon notice of termination.	Unvested shares vest on the date of the notification of the event.	Unvested shares vest on the date of termination.	Unvested shares vest on the date of retirement.	Unvested shares are forfeited upon notice of termination.	Award adjustments solely at Compensation Committee's discretion. Intrinsic value rollover of awards permitted.

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

KPMG

Report of the Statutory Auditor

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

We have audited pages 70 to 80 of the remuneration report of Julius Baer Group Ltd. for the year ended 31 December 2018.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Julius Baer Group Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Philipp Rickert	Cataldo Castagna
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 14 March 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2018

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2018** CHF m	2017 CHF m	Change %
Interest income on financial instruments measured at amortised cost and fair value through other comprehensive income		**1,207.4**	960.6	25.7
Interest and dividend income on financial instruments measured at fair value		**217.0**	234.7	-7.5
Interest expense on financial instruments measured at amortised cost		**505.1**	207.5	143.4
Net interest and dividend income	1	**919.2**	987.8	-6.9
Commission and fee income		**2,131.3**	2,172.1	-1.9
Commission expense		**228.5**	241.5	-5.4
Net commission and fee income	2	**1,902.9**	1,930.6	-1.4
Net trading income	3	**530.2**	303.6	74.6
Net impairment losses/(recoveries) on financial assets[1]		**3.0**	-	-
Other ordinary results	4	**18.5**	30.3	-38.8
Operating income		**3,367.8**	3,252.2	3.6
Personnel expenses	5	**1,621.4**	1,555.7	4.2
General expenses	6	**688.5**	649.7	6.0
Depreciation of property and equipment	13	**38.5**	42.3	-9.0
Amortisation of customer relationships	12	**73.8**	72.7	1.5
Amortisation and impairment of other intangible assets	12	**51.8**	45.4	14.0
Operating expenses		**2,473.9**	2,365.8	4.6
Profit before taxes		**893.9**	886.5	0.8
Income taxes	7	**158.6**	170.6	-7.0
Net profit		**735.3**	715.9	2.7
Attributable to:				
Shareholders of Julius Baer Group Ltd.		**735.4**	704.8	4.3
Non-controlling interests		**-0.1**	11.1	-
		735.3	715.9	2.7

[1] New due to transition to IFRS 9 (see section Impact of IFRS 9, transition disclosures). Previously recognised in general expenses (see Note 6).

	Note	**2018** CHF	2017 CHF	Change %
Share information				
Basic earnings per share (EPS)	8	**3.37**	3.25	3.8
Diluted earnings per share (EPS)	8	**3.38**	3.25	4.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 *CHF m*	2017 *CHF m*
Net profit recognised in the income statement	**735.3**	715.9
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**-61.3**	3.3
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**12.2**	6.4
Net impairment losses on debt instruments measured at FVOCI[1]	**0.4**	-
Translation differences	**-60.9**	30.1
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI[1]	**3.8**	-
Net realised (gains)/losses on equity instruments designated at FVOCI reclassified to retained earnings[1]	**-0.3**	-
Remeasurement of defined benefit obligation	**8.1**	2.7
Other comprehensive income	**-97.7**	42.5
Total comprehensive income	**637.6**	758.4
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**638.2**	746.5
Non-controlling interests	**-0.6**	11.9
	637.6	758.4

[1] New due to transition to IFRS 9

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2018** *CHF m*	31.12.2017 *CHF m*
Assets			
Cash		**15,835.5**	10,862.9
Due from banks		**9,228.8**	8,308.9
Loans		**45,323.2**	46,623.7
Trading assets	10	**8,415.6**	12,751.8
Derivative financial instruments	25	**2,128.5**	1,962.7
Financial assets designated at fair value	26	**298.8**	277.3
Financial assets measured at fair value through other comprehensive income (FVOCI)	11	**14,587.6**	12,246.5
Investments in associates	27	**48.1**	28.2
Property and equipment	13	**352.8**	356.6
Goodwill and other intangible assets	12	**2,932.2**	2,872.4
Accrued income and prepaid expenses		**392.4**	354.3
Deferred tax assets	17	**15.9**	28.8
Other assets	19	**3,339.0**	1,243.5
Total assets		**102,898.3**	97,917.6

	Note	**31.12.2018** CHF m	31.12.2017 CHF m
Liabilities and equity			
Due to banks		**6,892.2**	7,209.5
Due to customers		**71,506.4**	67,636.8
Trading liabilities	10	**132.5**	135.8
Derivative financial instruments	25	**1,719.3**	2,059.2
Financial liabilities designated at fair value	15	**13,703.6**	11,836.7
Debt issued	16	**1,503.3**	1,777.0
Accrued expenses and deferred income		**767.4**	728.2
Current tax liabilities		**201.1**	215.9
Deferred tax liabilities	17	**74.9**	59.9
Provisions	18	**24.6**	44.9
Other liabilities	19	**331.2**	359.6
Total liabilities		**96,856.4**	92,063.6
Share capital	20	**4.5**	4.5
Retained earnings		**6,474.7**	6,106.3
Other components of equity		**-130.3**	-10.1
Treasury shares		**-308.9**	-276.1
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,039.9**	5,824.5
Non-controlling interests		**1.9**	29.5
Total equity		**6,041.9**	5,854.0
Total liabilities and equity		**102,898.3**	97,917.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*	OCI related to equity instruments at FVOCI *CHF m*
At 1 January 2017	4.5	5,638.1	50.6
Net profit	-	704.8	-
Items that may be reclassified to the income statement	-	-	9.7
Items that will not be reclassified to the income statement	-	2.6	-
Total other comprehensive income	-	2.6	9.7
Total comprehensive income	-	707.4	9.7
Dividends	-	-268.6[2]	-
Dividend income on own shares	-	7.0	-
Share-based payments expensed for the year	-	82.4	-
Share-based payments vested	-	-81.2	-
Changes in derivatives on own shares	-	7.7	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	13.4	-
At 31 December 2017	4.5	6,106.3	60.3
At 1 January 2018, before the adoption of IFRS 9	**4.5**	**6,106.3**	**60.3**
Effect of adoption of IFRS 9	**-**	**19.1**[3]	**1.5**[3]
At 1 January 2018, after the adoption of IFRS 9	**4.5**	**6,125.3**	**61.9**
Net profit	**-**	**735.4**	**-**
Items that may be reclassified to the income statement	**-**	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**8.4**	**3.5**
Total other comprehensive income	**-**	**8.4**	**3.5**
Total comprehensive income	**-**	**743.8**	**3.5**
Changes in non-controlling interests[4]	**-**	**-80.6**	**-**
Dividends	**-**	**-313.3**[5]	**-**
Dividend income on own shares	**-**	**6.7**	**-**
Share-based payments expensed for the year	**-**	**78.4**	**-**
Share-based payments vested	**-**	**-77.8**	**-**
Changes in derivatives on own shares	**-**	**-12.4**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**4.6**	**-**
At 31 December 2018	**4.5**	**6,474.7**	**65.3**

1 Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd. Previous year's numbers have been adjusted due to the reclassification of the previous remeasurement of defined benefit obligation to retained earnings.

2 Dividend payment per share CHF 1.20

3 Includes effects from a) reduction in allowance for credit losses (net of tax), and b) reclassification of equity instruments from available-for-sale to fair value through profit or loss (FVTPL)

4 Refer to Note 27 for the details related to the non-controlling interests

5 Dividend payment per share CHF 1.40

Other components of equity						
OCI related to debt instruments at FVOCI *CHF m*	OCI related to ECL changes on debt instruments at FVOCI *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
-	-	-99.8	-263.1	5,330.2	23.6	5,353.9
-	-	-	-	704.8	11.1	715.9
-	-	29.4	-	39.1	0.7	39.8
-	-	-	-	2.6	0.1	2.7
-	-	29.4	-	41.7	0.8	42.5
-	-	29.4	-	746.5	11.9	758.4
-	-	-	-	-268.6	-6.0	-274.6
-	-	-	-	7.0	-	7.0
-	-	-	-	82.4	-	82.4
-	-	-	81.2	-	-	-
-	-	-	33.0	40.7	-	40.7
-	-	-	-302.5	-302.5	-	-302.5
-	-	-	175.3	188.7	-	188.7
-	-	-70.4	-276.1	5,824.5	29.5	5,854.0
-	**-**	**-70.4**	**-276.1**	**5,824.5**	**29.5**	**5,854.0**
-17.9	**1.7**	**-**	**-**	**4.4**	**-**	**4.4**
-17.9	**1.7**	**-70.4**	**-276.1**	**5,828.9**	**29.5**	**5,858.4**
-	**-**	**-**	**-**	**735.4**	**-0.1**	**735.3**
-49.1	**0.4**	**-60.3**	**-**	**-109.1**	**-0.5**	**-109.6**
-	**-**	**-**	**-**	**11.9**	**-0.0**	**11.9**
-49.1	**0.4**	**-60.3**	**-**	**-97.2**	**-0.5**	**-97.7**
-49.1	**0.4**	**-60.3**	**-**	**638.2**	**-0.6**	**637.6**
-	**-**	**-**	**-**	**-80.6**	**-27.0**	**-107.6**
-	**-**	**-**	**-**	**-313.3**	**-**	**-313.3**
-	**-**	**-**	**-**	**6.7**	**-**	**6.7**
-	**-**	**-**	**-**	**78.4**	**-**	**78.4**
-	**-**	**-**	**77.8**	**-**	**-**	**-**
-	**-**	**-**	**-87.8**	**-100.2**	**-**	**-100.2**
-	**-**	**-**	**-420.6**	**-420.6**	**-**	**-420.6**
-	**-**	**-**	**397.8**	**402.4**	**-**	**402.4**
-67.0	**2.1**	**-130.8**	**-308.9**	**6,039.9**	**1.9**	**6,041.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 CHF m	2017 CHF m
Net profit	**735.3**	715.9
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	**38.5**	42.3
– Amortisation and impairment of other intangible assets	**125.6**	118.2
– Change in loss allowance	**3.0**	-4.6
– Income from investment in associates	**-1.9**	-1.9
– Deferred tax expense/(benefit)	**29.6**	-18.0
– Net loss/(gain) from investing activities	**56.8**	59.2
– Other non-cash income and expenses	**78.4**	82.4
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-561.6**	-2,539.9
– Net trading and derivative financial instruments	**3,827.2**	-4,612.1
– Net loans/due to customers	**5,172.6**	-8,057.7
– Issuance and repayment of financial liabilities designated at fair value	**1,845.4**	3,367.3
– Accrued income, prepaid expenses and other assets	**-2,133.4**	-935.2
– Accrued expenses, deferred income, other liabilities and provisions	**-25.6**	199.9
Adjustment for income tax expenses	**129.0**	188.5
Income taxes paid	**-142.5**	-98.7
Cash flow from operating activities	**9,176.2**	-11,494.6
Dividend from associates	**1.9**	1.9
Purchase of property and equipment and intangible assets	**-177.1**	-171.2
Disposal of property and equipment and intangible assets	**0.2**	0.0
Net (investment in)/divestment of financial assets measured at fair value through other comprehensive income	**-2,114.6**	2,670.1[1]
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-31.7**	-3.8
Deferred payment of acquisition of subsidiaries and associates	**-34.5**	-17.0
Cash flow from investing activities	**-2,355.9**	2,480.0
Net money market instruments issued/(repaid)	**-21.1**	43.3
Net movements in treasury shares and own equity derivative activity	**-111.7**	-66.1
Dividend payments	**-313.3**	-268.6
Issuance of bonds	**-**	486.2[2]
Repayment of perpetual tier 1 subordinated bond	**-250.0**	-
Changes in non-controlling interests	**-107.6**	-
Dividend payment to non-controlling interests	**-**	-6.0
Cash flow from financing activities	**-803.7**	188.8
Net (decrease)/increase in cash and cash equivalents	**6,016.6**	-8,825.8

[1] Money market instruments previously included in this position have been reclassified due to a modified interpretation of the definition of cash and cash equivalents.

[2] Related to the net proceeds of the issuance of the perpetual non-cumulative high-trigger additional tier 1 bond and the domestic senior unsecured bond issued by Julius Baer Group Ltd. in 2017. The difference to the current book values (see Note 16) relates to the amortisation of premiums and discounts (including capitalised transaction costs) and foreign exchange losses.

	2018 *CHF m*	2017 *CHF m*
Cash and cash equivalents at the beginning of the year	**19,619.9**	28,270.9
Cash flow from operating activities	**9,176.2**	-11,494.6
Cash flow from investing activities	**-2,355.9**	2,480.0
Cash flow from financing activities	**-803.7**	188.8
Effects of exchange rate changes on cash and cash equivalents	**-7.8**	174.8
Cash and cash equivalents at the end of the year	**25,628.8**	19,619.9[1]

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Cash and cash equivalents are structured as follows:		
Cash	**15,835.5**	10,862.9
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**985.3**	623.8[1]
Due from banks (original maturity of less than three months)	**8,808.0**	8,133.2
Total	**25,628.8**	19,619.9

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Additional information		
Interest received	**1,159.7**	997.8
Interest paid	**-451.9**	-187.6
Dividends on equities received (including associates)	**186.9**	204.8

[1] Money market instruments previously included in this position have been reclassified due to a modified interpretation of the definition of cash and cash equivalents.

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 2018 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 1 February 2019. In addition, they are submitted for approval to the Annual General Meeting on 10 April 2019.

Amounts in the consolidated financial statements are stated in Swiss francs. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets measured at fair value through profit or loss or at fair value through other comprehensive income, derivative financial instruments, as well as certain financial liabilities, 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 in part discussed in the corresponding notes: determining fair values of financial instruments, uncertainties in measuring provisions and contingent liabilities, loss allowances (measurement of expected credit losses), pension assets and liabilities (measurement of defined benefit obligation), income taxes (judgment regarding the interpretation of the applicable tax laws and the respective tax practice, such as transfer pricing or deductible versus non-deductible items, and anticipation of tax audit issues), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount) and contingent considerations.

ACCOUNTING POLICIES

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

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

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

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

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

A complete list of these companies is provided in Note 27A. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

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

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

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

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

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2018	31.12.2017	**2018**	2017
USD/CHF	**0.9857**	0.9745	**0.9770**	0.9795
EUR/CHF	**1.1269**	1.1702	**1.1505**	1.1160
GBP/CHF	**1.2555**	1.3182	**1.2995**	1.2750

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.

Financial instruments
As of 1 January 2018, the Group applied IFRS 9 Financial Instruments. Refer to the changes in accounting policies and the credit risk sections for the detailed application of the new standard. As the comparatives in this Annual Report have not been restated, refer to the Annual Report 2017 for the accounting policies under the previous standard (IAS 39).

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

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

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

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

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

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

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

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

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

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

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 relationships 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.

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 liability for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

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

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

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 not exceeding ten years.

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

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. The Group is subject to income taxes in numerous countries. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities. Deferred tax assets and deferred tax liabilities are taken into account for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

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

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

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

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

Post-employment benefits

For defined benefit plans, the net defined benefit liability recognised in other liabilities in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. The Group applies the projected unit credit method to determine the present value of the defined benefit obligation and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

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

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

Share-based payments
The Group maintains various share-based payment plans in the form of share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period or to other vesting conditions are expensed over the respective vesting period 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 settled net in cash or that offer a choice of settlement methods are treated as derivative instruments, with changes in fair value recognised in net trading income.

For physically settled written put option contracts the discounted strike price is deducted from equity and recorded as a liability at initial recognition. The liability is subsequently increased during the term of the contract up to the strike price using the effective interest method. Upon settlement of the contract the liability is derecognised.

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

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

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

As of 1 January 2018, the Group applied the following new standards for the first time:

IFRS 9 – Financial Instruments
Recognition and measurement
All financial instruments are initially measured at fair value; for financial instruments not at fair value through profit or loss, eligible transaction costs are included.

The new standard uses two criteria to determine how financial assets should be classified and subsequently measured:

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

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

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

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

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

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

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

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

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

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

Fair value through other comprehensive income (FVOCI): A debt instrument is measured at fair value through other comprehensive income if it meets the following conditions:

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

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

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

The Group applies this measurement principle to its trading portfolio and its derivatives.

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

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

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

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

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

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

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 own credit risk of the liability be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement. If this approach creates or enlarges an accounting mismatch, the whole change in fair value may be recognised in the income statement.

The Group applies the fair value option for its structured products, with recognition of changes in fair value attributable to the own credit risk in other comprehensive income.

Expected credit losses (ECL)

General ECL model: IFRS 9 requires an entity to recognise expected credit losses at initial recognition of any financial instrument in scope of IFRS 9 impairment and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments.

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

- if the credit risk of a debt instrument has not increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to the 12-month expected credit losses ('stage 1' ECL);

- if the credit risk of a debt instrument has increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to lifetime expected credit losses ('stage 2' ECL) or the debt instrument is impaired ('stage 3' ECL).

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

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

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

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

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

Generally, ECL calculations are based on four components:

- Probability of default (PD),
- Exposure at default (EAD),
- Loss given default (LGD) and
- Discount rate (IR).

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

Refer to the credit risk section for the application of the general ECL model to the specific financial instruments.

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

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

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

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. However, the new standard does not include accounting for macrohedges yet.

The Group continues to apply IAS 39 for hedge accounting, as permitted by IFRS 9, apart from the revised disclosure requirements which apply nonetheless.

Transition
Refer to the end of this section for the transition disclosures related to IFRS 9.

IFRS 15 – Revenue from Contracts with Customers
The new standard, including the clarifications published in 2016, 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 Group recognises fee and commission income related to its private banking-related services either at the time the service is performed, i.e. upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time. In all cases, the fees and commissions must be based on a legally enforceable contract. Income and income components that are based on performance are recognised to the extent that it is highly probable that a significant reversal will not occur.

The adoption of the new standard did not have a 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 16 – Leases
The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the respective lease payments. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability in the income statement.

The Group applies the new standard as of 1 January 2019. The vast majority of lease contracts where the Group is the lessee relates to office leases, with a limited number of vehicle and other items leases. The Group does not apply the new standard to software or other intangible assets. Generally, non-lease components in the lease contract are excluded from the accounting under this standard.

On transition to the new standard, the Group will apply the modified retrospective approach, meaning that the comparative information is not restated and the cumulative effect of the initial application is recognised in equity. The right-of-use assets are generally determined at an amount equal to the lease liability. Lease contracts expiring in the transitional year 2019 are included in the calculation of the lease liability and the right-of-use asset.

Most lease contracts previously reported as operating leases will be recognised on the Group's balance sheet, with the exception of short-term leases (up to 12 months) and low-value leases. Upon adoption of the new standard, assets (property and equipment) and liabilities (other liabilities) will increase by an estimated CHF 280 to 300 million. The expected expenses for both the depreciation of the right-of-use asset (part of operating expenses) and the interest expense (interest expense) on the lease liability are not materially different to the currently recognised expenses related to operating leases. The difference between the lease liability under IFRS 16 and the currently reported operating lease commitments (see Note 13B) is mainly based on the fact that the operating lease commitments are not discounted to their present value.

As the implicit rate in leases is generally not available, the Group as a lessee applies its incremental borrowing rate. This rate is determined based on the Group's actual funding rate (by currency and term) provided by external sources to the Group on a regular basis. At the date of transition, the weighted average rate applied is 3.15%.

The Group is lessor in a very limited number of lease contracts only. The accounting for these contracts does not change under the new standard.

IFRIC 23 – Uncertainty over Income Tax Treatment

The new interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. An entity concludes whether it is probable that the taxation authority will accept an uncertain tax treatment or not and shall reflect the effect of uncertainty in its financial statements.

The new interpretation will be effective 1 January 2019 with earlier application permitted. However, the Group does not early apply IFRIC 23. The new interpretation will not have a material impact on the Group's financial statement.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

When a change to a plan takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments clarify the requirement for the entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amended standard will be effective 1 January 2019 with earlier application permitted. However, the Group does not early apply the amended standard. The amended standard is currently not expected to have a material impact on the Group's financial statements.

IMPACT OF IFRS 9

IFRS 9 Financial Instruments has been adopted as of 1 January 2018 and resulted in changes to the Group's accounting policies, which are outlined in the changes in accounting policies section.

As permitted by the transition provisions of the new standard, the Group has elected not to restate prior periods in its 2018 financial statements. Therefore, the accounting policies as outlined in the Annual Report 2017 apply to the comparative periods. Previous period amounts have therefore not been adjusted.

The following summarises the transition impact on the Group's financial statements as of 1 January 2018:

Recognition and measurement
Based on the analyses of the two classification criteria 'contractual cash flow characteristics' and 'business model', the Group determined that the debt instruments reported at amortised cost under IAS 39 generally fulfil the criteria and therefore are measured at amortised cost on an ongoing basis. The same applies to the debt instruments reported as available-for-sale and therefore measured at fair value through OCI under IAS 39, which are measured at fair value through OCI under the new standard as well.

The equity instruments measured at fair value through OCI under IAS 39 are classified as at fair value through profit or loss under the new standard, apart from the equity instruments relating to service companies which remain in this category. The fair value gains and losses related to the transferred equities which were previously recognised in OCI are reclassified to retained earnings as of 1 January 2018.

In summary, there are no significant changes to the measurement basis arising from adopting the new classification and measurement model.

Expected credit losses
The total loss allowance on Lombard loans, mortgages and amounts due from banks to be recognised under IFRS 9 (stage 1 and stage 2 ECL) is comparable to the previously recognised collective allowance for credit losses on these positions. The difference between the previously recognised collective allowance for credit losses on Lombard loans, mortgages and amounts due from banks and the corresponding new expected credit losses under IFRS 9 has been recognised in equity (retained earnings) at transition date.

The Group did not change its approach for the calculation of loss allowances for credit-impaired financial assets. Therefore, the previously recognised specific allowance for credit losses for Lombard loans and mortgages equalled the new loss allowance for credit-impaired financial assets under IFRS 9 (stage 3 ECL) at transition date.

Under the previous accounting standard, the Group did not recognise any allowance for its treasury portfolio (debt investments available-for-sale) in 2017. Therefore, the new loss allowance to be recorded under IFRS 9 (stage 1 and stage 2) has been recognised in equity (retained earnings) at transition date.

Financial liabilities
The Group continues to apply its previous measurement approach, including the use of the fair value option. No material changes arose.

Hedge accounting
The Group has analysed its limited number of existing microhedges that are designated in effective hedging relationships and has determined that the microhedge relationships also qualify for hedge accounting under IFRS 9. However, the Group continues to apply IAS 39 (except for the new disclosures under IFRS 9) until the IASB issues a final hedge accounting standard including micro and macrohedging.

Opening balances

The following table presents the reclassification and opening balance reconciliation for the Group's financial instruments from IAS 39 to IFRS 9 as of 1 January 2018:

	IAS 39 measurement category	IFRS 9 measurement category
Assets		
Cash	Amortised cost	Amortised cost
Due from banks	Amortised cost	Amortised cost
Loans	Amortised cost	Amortised cost
Trading assets[1]	FVTPL	FVTPL
Derivative financial instruments	FVTPL	FVTPL
Financial assets designated at fair value	FVTPL	FVTPL
Financial assets measured at FVOCI (IAS 39: Financial investments available-for-sale)	FVOCI (AFS debt instruments)	FVOCI
Financial assets measured at FVOCI (IAS 39: Financial investments available-for-sale)[2]	FVOCI (AFS equity instruments)	FVOCI
Financial assets measured at FVOCI (IAS 39: Financial investments available-for-sale)	FVOCI (AFS equity instruments)	FVTPL
Accrued income	Amortised cost	Amortised cost
Total financial assets		
Liabilities		
Due to banks	Amortised cost	Amortised cost
Due to customers	Amortised cost	Amortised cost
Trading liabilities	FVTPL	FVTPL
Derivative financial instruments	FVTPL	FVTPL
Financial liabilities designated at fair value	FVTPL	FVTPL
Debt issued	Amortised cost	Amortised cost
Accrued expenses	Amortised cost	Amortised cost
Other liabilities[3]	FVTPL	FVTPL
Total financial liabilities		

[1] Physical precious metals in the amount of CHF 1,495.9 million have been reclassified to other assets (non-financial assets).

[2] Financial assets measured at fair value through other comprehensive income – equity instruments in the amount of CHF 51.1 million have been reclassified from FVOCI to FVTPL.

[3] Only the position which relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs Ltd.

IAS 39 carrying amount at 31.12.2017 CHF m	IFRS 9 reclassification to/from: Fair value through profit and loss (FVTPL) CHF m	Fair value through OCI (FVOCI) CHF m	Amortised cost CHF m	Carrying amount post reclassification CHF m	IFRS 9 remeasurement including ECL CHF m	IFRS 9 carrying amount at 01.01.2018 CHF m
10,862.9	-	-	-	10,862.9	-	10,862.9
8,308.9	-	-	-	8,308.9	1.5	8,310.3
46,623.7	-	-	-	46,623.7	2.3	46,626.0
12,751.8	-1,495.9	-	-	11,255.9	-	11,255.9
1,962.7	-	-	-	1,962.7	-	1,962.7
277.3	-	-	-	277.3	-	277.3
12,059.7	-	-	-	12,059.7	-1.7	12,059.7
186.8	-	-51.1	-	135.7	-	135.7
-	51.1	-	-	51.1	-	51.1
311.7	-	-	-	311.7	-	311.7
93,345.5	-1,444.8	-51.1	-	91,849.6	2.0	91,853.3
7,209.5	-	-	-	7,209.5	-	7,209.5
67,636.8	-	-	-	67,636.8	-	67,636.8
135.8	-	-	-	135.8	-	135.8
2,059.2	-	-	-	2,059.2	-	2,059.2
11,836.7	-	-	-	11,836.7	-	11,836.7
1,777.0	-	-	-	1,777.0	-	1,777.0
192.7	-	-	-	192.7	-	192.7
32.8	-	-	-	32.8	-	32.8
90,880.6	-	-	-	90,880.6	-	90,880.6

Loss allowance impact

The following table presents the loss allowance reconciliation for the Group's financial instruments from IAS 39 to IFRS 9 as of 1 January 2018[1]:

	IAS 39, at 31 December 2017		
		Allowance for credit losses	
	Carrying amount *CHF m*	Collective *CHF m*	Specific *CHF m*
Financial assets at amortised cost			
Due from banks	8,308.9	1.6	-
Lombard loans	36,749.4	7.6	6.0
Mortgages	9,874.3	7.1	11.4
Total	**54,932.6**	**16.3**	**17.4**
Financial assets at FVOCI			
Debt instruments at FVOCI	**12,059.7**	**-**	**-**
Financial assets at amortised cost and FVOCI	**66,992.2**	**16.3**	**17.4**

[1] For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

IFRS 9, at 1 January 2018				**IFRS 9, at 31 December 2018**			
	Loss allowance				Loss allowance		
Carrying amount *CHF m*	Stage 1 *CHF m*	Stage 2 *CHF m*	Stage 3 *CHF m*	Carrying amount *CHF m*	Stage 1 *CHF m*	Stage 2 *CHF m*	Stage 3 *CHF m*
8,310.3	0.2	-	-	9,228.8	0.3	-	-
36,749.6	7.3	0.1	6.0	35,902.4	5.9	0.2	13.2
9,876.4	4.0	1.0	11.4	9,420.8	3.3	1.6	7.1
54,936.3	**11.4**	**1.1**	**17.4**	**54,551.9**	**9.5**	**1.9**	**20.3**
12,059.7	**1.4**	**0.3**	**-**	**14,442.2**	**2.0**	**0.2**	**-**
66,996.0	**12.9**	**1.4**	**17.4**	**68,994.2**	**11.5**	**2.0**	**20.3**

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 Julius Baer Group's (the Group) defined objectives. Risk taking is an inherent component of the Group's 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 processes of the Group. The risks to which the Group is exposed can be categorized according to the following types:

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

Framework for the management of risk
The Group has risk management processes and guidelines for managing the above risks. A complete taxonomy of all relevant risks as well as the entire risk management cycle from identification, evaluation, management and monitoring through to reporting is summarized in the risk management framework. It is continuously adapted, both in response to changes in the business environment and to any modifications to the business models pursued by the Group. For particular risk types, supplementary frameworks are in force. The Group also maintains a comprehensive compendium of policies governing how specific topics and risks are dealt with. In addition, there is a Group-wide risk tolerance framework which ensures risks taken are in accordance with the strategic objectives, the available capital and a sufficient level of liquidity. The definition of risk tolerance is expressed in a series of qualitative risk strategy statements and quantitative risk metrics. Through the use of limits and detailed policies, the scope of the risk profile of the Group's business activities is limited to the extent of the planned risk tolerance.

Risk governance
The Board of Directors defines the business strategy and guidelines for the corporate culture of the Group. It is responsible for approving the Group's risk tolerance, as well as for reviewing and approving the Group-wide risk management framework. It also 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 implemented.

The Board of Directors delegates the supervision of risks to the Governance and Risk Committee. In addition, the Audit Committee is responsible for assessing the appropriateness and the effectiveness of the internal control system. The respective responsibilities are described in the Board of Directors section of this report.

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), the General Counsel (GC) and the Chief Financial Officer (CFO). The CRO is responsible for the management and control of market risk (trading book and banking book), liquidity and financing risk (particularly with regard to the banking book) and operational risk (including legal and compliance risks). As far as legal risk and regulatory aspects are concerned, the CRO coordinates his activities with the GC. The CFO is responsible for credit risk and balance sheet, capital and liquidity management. This includes maintaining a sound ratio of eligible capital to risk-weighted positions and ensuring that sufficient liquidity is available at all times.

The Executive Board of the Group's principal entity, Bank Julius Baer & Co. Ltd., is operationally responsible for measuring and supervising the above risk types in the Group's financial services activities. Accordingly, its principal tasks are:

- to formulate policies;
- to allocate risk limits in accordance with those policies;

- to evaluate and review reports relating to those risks.

There are also the following committees at the Executive Board level:

The Credit Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for measuring and supervising credit risk. Its tasks include:

- 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 Julius Baer Group Ltd. is responsible both for monitoring and supervising information security risk and for related activities for the purpose of ensuring data confidentiality and integrity.

The Group Asset & Liability Management Committee of the Executive Board of Julius Baer Group Ltd. is responsible for supervising, controlling and further developing the management of the Group-wide banking-book balance sheet and the balance sheets of non-bank entities with regard to liquidity, financing and optimisation of interest income and the present value of the balance sheet.

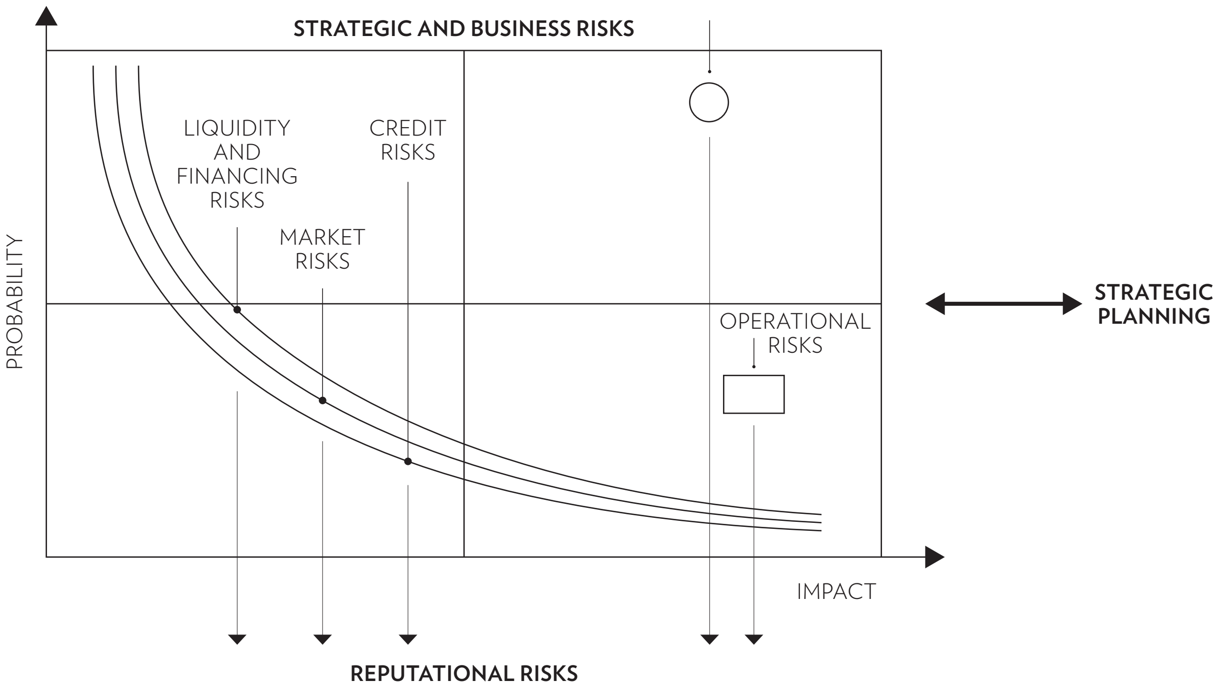
The Business Conduct and Risk Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for defining standards of conduct and processes relating to client relationships, products and services. This Committee also sets guidelines governing the general conduct of business and monitors their implementation. Finally, the Committee also ensures that the management controls which monitor such conduct are effective and that they are appropriate to the business activities carried out.

Responsibility for the operational control and management of risks lies with the individual organisational units. Identified risks in terms of stress risk scenarios are mapped to a risk landscape, which provides a consolidated picture of the probability of their occurrence and its potential impact. It is based on an annual top-down analysis of the principal strategic and business risks and a broad-based bottom-up analysis of the operational risks. 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.

Thanks to its Code of Business Conduct (‘Our professional standards’) as well as a series of topic-specific code-of-conduct guidelines, Julius Baer has sustainably established its risk culture throughout the organisation. A broad-based compendium of policies and their associated global standards ensures that the individual organisational units meet their global responsibilities. The global standards are complemented by commensurate local standards, which articulate the global principles in more concrete terms and are implemented by the individual Julius Baer entities. Finally, Julius Baer’s management processes ensure that the Group’s code-of-conduct principles are comprehensively observed in day-to-day business operations. The duties of the units engaged in risk taking and those responsible for monitoring those risks are clearly defined, particularly with regard to independence. An important principle here is to maintain an effective first line of defence which ensures that the risks taken are appropriately managed by those engaging in them. Risk is an established item on the agendas of all divisional management committees. Second-line-of-defence activities are carried out by independent units whose task is to ensure that the framework used for managing risks meets Group requirements and complies with the provisions of the law. Their work includes carrying out independent monitoring of the quality of first-line-of-defence risk management. Internal audit provides the third line of defence by ensuring that the Group’s business and risk management activities are carried out in accordance with internal policies and applicable external regulations.

Risk reporting is performed in a hierarchically appropriate fashion along the chain of management processes and the defined responsibilities described above. The Executive Board and the Board of Directors or the Board’s committees monitor compliance with the articulated risk tolerance by means of the detailed reports submitted to them. In addition, the current risk situation and the measures taken to address the risks identified as part of the annual review of the risk landscape are described in an ongoing series of quarterly reports. These reports provide details of newly identified risks and new assessments of existing risks, which are discussed at Executive Board and Board of Directors meetings. This process formally requires that the risks inherent in the Group's business model are addressed on an ongoing basis, thus ensuring that the measures to mitigate risk are implemented and that the processes required to that end are in place.

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 aforementioned 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 for 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.

Due from banks
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. As a result, the vast majority of the replacement values of the exposure arising from trading transactions are covered by collateral.
The Group places excess liquidity with central banks. It also makes short-term money-market placements with banks and invests in high-quality, repo-eligible bonds and secured debt instruments issued by governments, public institutions, banks and corporations. The credit risks associated with all these counterparties and issuers are subject to a wide range of rules and limits. These ensure that the Group's consolidated credit exposure, both on a single-counterparty and a counterparty-group basis:

- is not subject to concentration by exposure type
- is not disproportionate to the size, shareholders' equity and scale of business of the counterparty
- is clearly within the Group's risk capacity and the applicable regulatory limits

The Group settles a substantial proportion of its trading and derivatives business indirectly through central counterparties (CCPs). The credit risks associated with CCPs are negligible, because the Group works through a variety of specialised service providers and therefore generally does not directly participate in the clearing systems concerned.

Given the focused nature of its activities, the Group is not exposed to any material correlation risk or wrong way risk (i.e. the risk which arises when exposure to a counterparty is negatively correlated to its credit quality). Furthermore, the Group holds cash collateral for the majority of the counterparty risk arising from its open derivatives positions. The Group's securities lending business policies explicitly prohibit transactions involving correlation risk.

The Group has a general policy of avoiding group rating triggers in its collateral agreements for derivatives transactions. As a result, were its rating to decline below a given level, the Group would not be required to provide additional collateral.

Lombard lending
The Group has a policy of lending to private clients 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. Every credit line is assigned with an internal credit rating reflecting its credit risk. This credit risk is assessed by reference to a set of rules based on security-specific parameters such as market capitalisation, liquidity, issue size, rating, maturity, nature of the underlying asset etc. Advanceable rates can be determined or adjusted for a specific security or for individual clients. 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 rate 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. Internal rules and limits for various concentration risks are in place.

Mortgages
The Group grants mortgages to private banking clients in Switzerland and in a limited number of international locations where it maintains a local banking presence. The properties pledged are assessed and valued individually as part of the risk management process. These valuations are carried out either on the basis of a factor model or by qualified internal and external appraisers. Maximum mortgage amounts are determined based on the characteristics of each property and client. An

additional financial sustainability assessment is also carried out before a mortgage is granted. In many cases, supplementary collateral in the form of securities is also required in addition to the pledged property itself. Every mortgage is assigned a rating, which is subject to periodic reviews whose frequency is determined by the rating level. The Group tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

Collateral analysis
For Lombard loans, the principal types of collateral are readily marketable debt and equity securities; for mortgages, residential properties serve as main collateral. The following table provides information regarding the Loan-to-Value (market value) ratio for the respective credit products.

Refer to Note 26D for a collateral discussion regarding derivatives and securities transactions.

	31.12.2018
	CHF m
Loan-to-Value ratio (LTV)	
Lombard loans	
Less than 50%	17,745.5
51–70%	10,031.7
71–90%	7,063.5
91–100%	904.9
More than 100%	108.5
Total	**35,854.1**
Mortgages	
Less than 50%	4,556.0
51–70%	3,949.7
71–90%	777.2
91–100%	113.2
More than 100%	-
Total	**9,396.1**
Credit-impaired Lombard loans	
Less than 50%	-
51–70%	-
71–100%	-
More than 100%	48.3
Total	**48.3**
Credit-impaired mortgages	
Less than 50%	6.7
51–70%	16.6
71–100%	1.4
More than 100%	-
Total	**24.6**

Credit management and systems

The Group's rating concept allows an internal rating classification to be assigned to each individual exposure. In the case of the rating classes R1-R6 (neither past due nor impaired), the outstanding balances are serviced; the advancable value of the collateral (at fair value) pledged for collateralised exposures equals or exceeds the balances, and repayment of the balance is not in doubt. Balances in rating class R7 are past due, but the exposure is still covered by collateral. For balances in rating classes R7-R10, allowances for credit losses are established on a case by case basis.

The rating classification builds the basis for the limit-granting processes, monitoring and the review frequency.

Group management deliberately refrains from setting specific volume targets for the strategic development of its lending business. Instead, its objective is to achieve a growth in Lombard lending commensurate with the evolution of its wealth management business. To that end, the Board of Directors defines corridor values for credit penetration (i.e. the ratio of lending to assets under management). In addition, individual maximum lending amounts are defined for each rating category, and there is also an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically.

The Group has an explicit policy of avoiding non-targeted credit exposure which largely precludes it from lending against non-traditional forms of collateral. In individual cases, exposure of this kind may be authorised by the Governance and Risk Committee, which may also delegate lower lending limits for such transactions to named officers. Authorisation of any positions which exceed the defined limit for individual exposure by rating category can be granted only by the Governance and Risk Committee.

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

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.

Credit risks are monitored on an IT system which has been implemented throughout the Group. The system draws the relevant position data from the book-keeping systems of Group companies which grant loans. The system is able to enrich this data with credit-specific information and to consolidate it with data on client and counterparty positions from the various Group booking centres. All client and counterparty risks are monitored daily, as are current limit usage and the quality of the collateral pledged. In addition, for clients with derivatives positions whose exposure requires intraday monitoring, real-time systems are also available.

The system is able to run comprehensive stress tests. These are calibrated to reflect the prevailing market and political situation. In addition to quantifying direct counterparty risks, these stress tests also examine the effect the scenarios would have on the quality and value of the collateral pledged for Lombard loans and mortgages. The results are reviewed by the credit-monitoring units and reported to the relevant decision-making committees. In Switzerland a process-driven mortgage workflow tool is in place supporting the whole business cycle related to mortgage loans.

Cash, including balances held with central banks, is not considered a credit risk and hence excluded from all credit risk analysis.

Expected credit loss (ECL) stage allocation
Credit exposure is classified in one of the three ECL stages. At initial recognition, the Group classifies all financial assets in stage 1, as it does not acquire or originate credit-impaired debt instruments. If a significant risk increase has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the collateral/ counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination.

The Group generally originates loans and balances due from banks in its internal rating classes R1–R4, which reflect balances with low to medium credit risk. The same applies to the investment grade debt instruments held for investment purposes, which are also classified as R1–R4. Therefore, the Group determined that moves within these rating classes do not qualify for an increased credit risk, whereas a move from R4 to R5 generally triggers such a credit risk increase. Hence, under this approach, moves from R4 to a higher risk class (R5–R6) generally trigger a move from stage 1 ECL to stage 2 ECL. For example an asset moving from R1 to R2 would not trigger a significant increase in credit risk, whereas an asset moving from R1 to R5 would.

In addition, and to supplement this quantitative criterion, qualitative criteria based on other available internal or external data are applied to identify increased risk situations. These qualitative criteria are specific to the respective financial asset types (Lombard loans, mortgages, due from banks, debt instruments). For example if payments are 30 days past due, the financial asset is moved to stage 2 and lifetime expected credit losses are applied.

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

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. These ratings are applied to positions with high credit risk; they are carried in the Group's internal list of exposures which are in a loss position. Such positions show objective evidence of impairment and are referred to as defaulted. Generally, Lombard loans and mortgages are moved to these rating classes if the respective position is unsecured, i.e. the market value of the collateral is lower than the cash credit exposure.

ECL measurement
The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements for stage 1 ECL and stage 2 ECL. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD). These models have been tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the treasury portfolio as outlined below.

For the credit-impaired financial assets in stage 3, the loss allowances are not measured based on a model, but determined individually according to the specific facts and circumstances.

Wherever the Group uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside scenario. Expected probabilities are allocated to the respective scenario, which are based on the Group Economic Research's view regarding their probability of occurrence. The weightings used for the current year's ECL calculation are 70% for the baseline scenario, 15% for the downside scenario and 15% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Group's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stage 1 and 2.

To apply the expected future economic conditions in the models, the Group determined the forecast world gross domestic product (GDP) as the main economic input factor for the expected credit losses on its financial asset portfolios, as the portfolios are either fully collateralised (Lombard loans, mortgages) or consist of investment grade debt instruments. Other forward-looking main macroeconomic factors proved to be of lesser relevance for the Group's portfolios as a whole. A decrease in the expected GDP would have a negative impact on the ECL in stage 1 and 2.

In addition, for each portfolio, supplementary product-specific factors are used as outlined in the following paragraphs. These scenario factors are based on the assessment of the credit department and the risk department for current and expected market developments in the respective product areas. These factors are updated and confirmed on a regular basis by the Group's ECL committee, which comprises officers from the risk, credit risk and treasury departments.

Due from banks
For due-from-banks positions, the input factors are determined as follows:

Probability of Default: For amounts due from banks, publicly available PDs per rating class are applied, using the same PDs for stage 1 and stage 2, as the outstanding balances have a term of maximum 12 months. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction. The ratings and the related PDs are shifted by one notch of the internal rating up and down, using publicly available data sources for the respective PDs. The three scenarios are weighted based on the generally applied probabilities as used in the Group's economic research view.

Exposure at Default: For amounts due from banks, the EAD equals either the nominal value (money market issues, time accounts), or the carrying value (current and transactional accounts).

Loss Given Default: For amounts due from banks, an average LGD per rating class is applied. This factor is derived from publicly available data sources.

Lombard loans
For Lombard loans, the input factors are determined as follows:

Probability of Default: For Lombard loans, PD factors are derived from the Group-internal 'margin call process' in Lombard lending, resulting in a 'PD determination tree'. This process reflects internal procedures to avoid loan losses and is based on

- the probability that the credit position gets into a significant shortfall within one year;
- the probability that the credit position becomes unsecured within 10 days; and
- the liquidation process to cover the exposure,

taking into consideration their respective probabilities.

This margin call process is simulated for each rating class (R1–R6) and for stage 1 and stage 2 separately. The resulting PDs are then applied uniformly across all counterparties and related Lombard loans in the respective rating class.

Exposure at Default: For Lombard loans, the EAD equals the higher of a) the current exposure (based on data from the internal credit supervision system comprising the following credit exposures: cash exposure, derivative exposure, contingent liabilities and reservations); and b) the lower of the lending value or approved limit. The Group therefore assumes the highest possible risk (i.e. the highest outstanding) in determining the EAD, including any unused credit commitments. Consequently, even if no exposure is drawn under the limit, an ECL is calculated.

Loss Given Default: For Lombard loans the LGDs are formula-based, including the market value of the collateral on a client pledge group level. Scenario calculations on the market value of the collateral are performed, resulting in different LGDs per scenario. Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process.

Mortgages
For mortgages, the input factors are determined as follows:

Probability of Default: For mortgages, the PD factor is specifically determined for each counterparty and the related property based on the following input criteria:

- economic area of the counterparty domicile;
- counterparty domicile and property location (country) is the same;
- sufficient assets/collateral within the Group to pay interest/amortisation;
- counterparty self-used versus rented-out real estate; and
- stage 1 or stage 2.

For each of these criteria, fixed parameters are determined (based on experience) which then add up to the mortgage counterparty-specific PD factors. These criteria have been selected as it is assumed that they influence directly the default behaviour of the individual behind the mortgages.

Exposure at Default: For mortgages, the carrying value (exposure) equals the EAD.

Loss Given Default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (Loan-to-Value ratio; LTV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. However, instead of applying a fixed percentage for the negative scenario to all real estate uniformly, the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate specific criteria:

- property location (country/region);
- property size as a function of the property market value;
- property type (e.g. residential, office, commercial); and
- holiday home regions.

For each of these criteria, fixed parameters (based on experience) are determined which then add up to the mortgage-specific negative scenario. These criteria are selected as the resulting different characteristics of the real estate market generally respond differently to market fluctuations and hence the achievable collateral liquidation value. The total simulated market value is then compared with the exposure to determine the LGD.

Treasury portfolio
For the treasury portfolio (debt instruments measured at FVOCI), the input factors are determined as follows:

Probability of Default: For financial instruments in the treasury portfolio (debt securities, including money market instruments), publicly available PDs per rating class are applied, separately for stage 1 (one-year PD or shorter) and stage 2 (respective PD according to expected life). These ratings and the related PDs are shifted by two notches up and down, using publicly available data sources for the respective PDs. The three scenarios are then weighted based on the generally applied probabilities as used in the Group's economic research view. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction.

Exposure at Default: For debt instruments, the EAD equals the amortised cost value plus discounted outstanding interest payments.

Loss given Default: For the debt instruments, an average LGD per rating class is applied. These factors are derived from publicly available data sources.

Credit quality analysis

The following tables provide an analysis of the Group's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Group's internal credit systems[1].

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	**31.12.2018** **Total** CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		8,879.5	-	-	**8,879.5**
R5–R6: Increased risk		349.5	-	-	**349.5**
R7–R10: Impaired		-	-	-	**-**
Total		9,229.0	-	-	**9,229.0**
Loss allowance		-0.3	-	-	**-0.3**
Carrying amount		**9,228.8**	**-**	**-**	9,228.8
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		33,185.0	813.7	-	**33,998.7**
R5–R6: Increased risk		1,788.0	73.5	-	**1,861.5**
R7–R10: Impaired		-	-	61.5	**61.5**
Total		34,973.0	887.2	61.5	**35,921.7**
Loss allowance		-5.9	-0.2	-13.2	**-19.3**
Carrying amount		**34,967.2**	**887.0**	**48.3**	35,902.4
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,708.3	514.6	-	**9,222.9**
R5–R6: Increased risk		144.2	34.0	-	**178.2**
R7–R10: Impaired		-	-	31.7	**31.7**
Total		8,852.5	548.6	31.7	**9,432.8**
Loss allowance		-3.3	-1.6	-7.1	**-12.1**
Carrying amount		**8,849.2**	**547.0**	**24.6**	9,420.8
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	14,425.6	-	-	**14,425.6**
R5–R6: Increased risk	Ba1 – B3	-	16.7	-	**16.7**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**14,425.6**	**16.7**	**-**	14,442.2
Loss allowance		-2.0	-0.2	-	**-2.1**

[1] For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	01.01.2018 Total *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		8,154.0	-	-	8,154.0
R5–R6: Increased risk		156.5	-	-	156.5
R7–R10: Impaired		-	-	-	-
Total		8,310.5	-	-	8,310.5
Loss allowance		-0.2	-	-	-0.2
Carrying amount		8,310.3	-	-	8,310.3
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		35,714.8	41.3	-	35,756.1
R5–R6: Increased risk		931.9	54.2	-	986.1
R7–R10: Impaired		-	-	20.8	20.8
Total		36,646.7	95.5	20.8	36,763.0
Loss allowance		-7.3	-0.1	-6.0	-13.4
Carrying amount		36,639.4	95.4	14.8	36,749.6
Mortgages, at amortised cost					
R1–R4: Low to medium risk		9,272.3	418.5	-	9,690.8
R5–R6: Increased risk		140.1	18.5	1.7	160.3
R7–R10: Impaired		-	-	41.6	41.6
Total		9,412.5	437.0	43.3	9,892.8
Loss allowance		-4.0	-1.0	-11.4	-16.4
Carrying amount		9,408.5	436.0	31.9	9,876.4
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,042.8	-	-	12,042.8
R5–R6: Increased risk	Ba1 – B3	-	16.8	-	16.8
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		12,042.8	16.8	-	12,059.7
Loss allowance		-1.4	-0.3	-	-1.7

[1] For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

Expected credit losses

The following tables present the development of the Group's expected credit losses by stage; they are based on the Group's internal credit systems:

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2018	0.2	-	-	**0.2**
Net remeasurement of loss allowance	0.0	-	-	**0.0**
New/increase financial assets	0.3	-	-	**0.3**
Financial assets that have been derecognised	-0.2	-	-	**-0.2**
Changes in models/risk parameters	-0.0	-	-	**-0.0**
Balance at 31 December 2018	**0.3**	**-**	**-**	**0.3**
Lombard loans, at amortised cost				
Balance at 1 January 2018	7.3	0.1	6.0	**13.4**
Transfer to/(from) 12-month ECL	0.0	-0.0	-	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	**-**
Net remeasurement of loss allowance	-2.6	0.2	4.6	**2.3**
New/increase financial assets	6.4	0.0	1.3	**7.7**
Financial assets that have been derecognised	-5.2	-0.1	-0.8	**-6.1**
Write-offs	-	-	-0.9	**-0.9**
Foreign exchange and other movements	-0.1	-	3.0	**2.9**
Balance at 31 December 2018	**5.9**	**0.2**	**13.2**	**19.3**
Mortgages, at amortised cost				
Balance at 1 January 2018	4.0	1.0	11.4	**16.4**
Transfer to/(from) lifetime ECL not credit-impaired	-0.2	0.2	-	**-**
Net remeasurement of loss allowance	-0.1	0.6	0.9	**1.4**
New/increase financial assets	0.3	0.1	-	**0.5**
Financial assets that have been derecognised	-0.9	-0.0	-1.9	**-2.7**
Changes in models/risk parameters	0.2	-0.2	-	**-0.0**
Foreign exchange and other movements	-	-	-3.4	**-3.4**
Balance at 31 December 2018	**3.3**	**1.6**	**7.1**	**12.1**

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Debt instruments, at FVOCI				
Balance at 1 January 2018	1.4	0.3	-	**1.7**
Net remeasurement of loss allowance	-0.2	-0.2	-	**-0.3**
New financial assets purchased	1.2	-	-	**1.2**
Financial assets that have been derecognised	-0.5	-	-	**-0.5**
Changes in models/risk parameters	-0.0	-0.0	-	**-0.0**
Foreign exchange and other movements	0.0	0.0	-	**0.0**
Balance at 31 December 2018	**2.0**	**0.2**	**-**	**2.1**

Maximum exposure to credit risk

The following table shows the Group's theoretical maximum exposure to credit risk as of the balance sheet date, which represents the exposure in the event of other parties failing to perform their obligations, without taking account of any collateral held or other credit enhancements. For financial assets, these exposures are typically the carrying amount.

Maximum exposure to credit risk

	31.12.2018 Gross maximum exposure *CHF m*	31.12.2017 Gross maximum exposure *CHF m*
Due from banks	**9,228.8**	8,308.9
Loans	**45,323.2**	46,623.7
Trading assets	**2,078.6**	2,270.7
Derivative financial instruments	**2,128.5**	1,962.7
Financial assets designated at fair value	**298.8**	277.3
Financial assets measured at FVOCI	**14,442.2**	12,059.7
Accrued income/other assets	**380.5**	355.9
Total	**73,880.5**	71,858.9
Off-balance sheet		
Irrevocable commitments[1]	**705.1**	688.4
Total maximum exposure to credit risk	**74,585.6**	72,547.3

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

Credit risk breakdowns
The credit risk breakdowns presented below are based on the Group's capital adequacy systems and are calculated 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. They are calculated before deduction of eligible collateral.

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*	**31.12.2018** **Total** *CHF m*
Due from banks	4,673	2,040	305	1,950	48	**9,016**
Lombard loans	3,192	12,768	10,174	8,948	826	**35,908**
Mortgages	5,923	3,179	122	195	7	**9,426**
Financial assets designated at fair value	288	-	-	11	-	**299**
Financial assets measured at FVOCI	354	5,050	4,520	3,613	1,050	**14,588**
Derivative financial instruments	882	1,150	549	237	55	**2,874**
Contingent liabilities	109	504	320	84	33	**1,050**
Irrevocable commitments	141	78	96	24	3	**341**
Securities lending and repo transactions	752	1,761	210	1	2	**2,726**
Total	16,313	26,530	16,296	15,063	2,025	**76,227**

	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	31.12.2017 Total *CHF m*
Due from banks	4,544	2,139	377	1,147	43	8,250
Lombard loans	2,803	13,232	10,984	8,788	943	36,750
Mortgages	6,399	3,133	96	234	12	9,874
Financial assets designated at fair value	265	-	-	12	-	277
Financial assets measured at FVOCI	182	4,240	4,403	2,398	904	12,127
Derivative financial instruments	923	1,091	616	246	48	2,924
Contingent liabilities	107	468	330	95	28	1,028
Irrevocable commitments	190	78	55	14	1	338
Securities lending and repo transactions	1,004	2,268	62	-	2	3,336
Total	16,417	26,649	16,923	12,934	1,981	74,904

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 assets measured at fair value through other comprehensive income (FVOCI) and partly of the portion of the credit collateralised by securities issued by companies outside the financial sector.

Credit risk by sector

					31.12.2018
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	**Total** *CHF m*
Due from banks	15	8,974	-	27	**9,016**
Lombard loans	585	13,728	10,770	10,825	**35,908**
Mortgages	35	305	8,344	742	**9,426**
Financial assets designated at fair value	-	299	-	-	**299**
Financial assets measured at FVOCI	4,971	8,112	-	1,505	**14,588**
Derivative financial instruments	26	1,861	637	351	**2,874**
Contingent liabilities	79	369	433	169	**1,049**
Irrevocable commitments	18	206	67	51	**341**
Securities lending and repo transactions	-	2,721	0	5	**2,726**
Total	5,729	36,574	20,251	13,673	**76,227**

					31.12.2017
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	Total *CHF m*
Due from banks	10	8,203	-	37	8,250
Lombard loans	488	14,718	10,237	11,307	36,750
Mortgages	24	295	8,483	1,072	9,874
Financial assets designated at fair value	-	277	-	-	277
Financial assets measured at FVOCI	4,090	6,975	-	1,062	12,127
Derivative financial instruments	50	1,888	561	425	2,924
Contingent liabilities	13	375	446	194	1,028
Irrevocable commitments	2	249	66	21	338
Securities lending and repo transactions	-	3,330	4	2	3,336
Total	4,677	36,310	19,797	14,120	74,904

MARKET RISK (TRADING BOOK)

Market risks arise from both our trading activities in the trading book and non-trading business activities in the banking 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. The non-trading market risks arise therefore predominantly in the form of interest rate and foreign exchange risks.

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.

Organisation of the market risk function, controlling and reporting
The market risk function for the Group is assumed by an independent unit reporting to the Head Risk Management who reports to the Chief Risk Officer of the Group. Market risk functions of Group entities have a functional reporting line to the central market risk unit at Head Office to assure global risk aggregation and application of Group standards in all Group entities.

All risk reports in the area of market risk are produced daily on a consolidated basis and reported to the responsible Executive Board members. On a monthly basis, an integrated market risk report is provided to the Executive Board. The Governance and Risk Committee of the Board of Directors is informed quarterly about market risk exposures.

Market risk limits are set on a Group level and allocated to the single trading units depending on the nature and magnitude of the market risks in these organisations. Our primary measure of market risk is the value at risk 'VaR' complemented by scenario analysis and sensitivity values.

Trading-book market risk is primarily measured by the position-keeping and risk management systems used by the trading department. In addition, these positions are also independently measured by the market risk function. This unit uses a central IT system which is continuously developed and expanded. The system supports the calculation of the market-risk and scenario-analysis metrics used. These results are analysed on a daily basis and limit controls are carried out. Any breach of these limits is investigated in a timely fashion. That system also forms the basis for the external regulatory reporting.

The exposure arising from certain particular risks is also monitored during the trading day and checked against applicable limits.

Foreign exchange risks arising from positions in the banking book are also subject to market risk limits.

Trading and hedging strategies
The Group entities engage in trading transactions, both as principal and agent, in foreign exchange, precious metals, money market, fixed income, equities, commodities, traditional and non-traditional fund products, and in credit markets. Trading activities are pursued with the intention of benefiting, in the short term, from actual or expected differences between the opening and closing price of proprietary positions, with the intention of benefiting from arbitrage profits, or with the intention of hedging risks from positions meeting the aforementioned criteria.

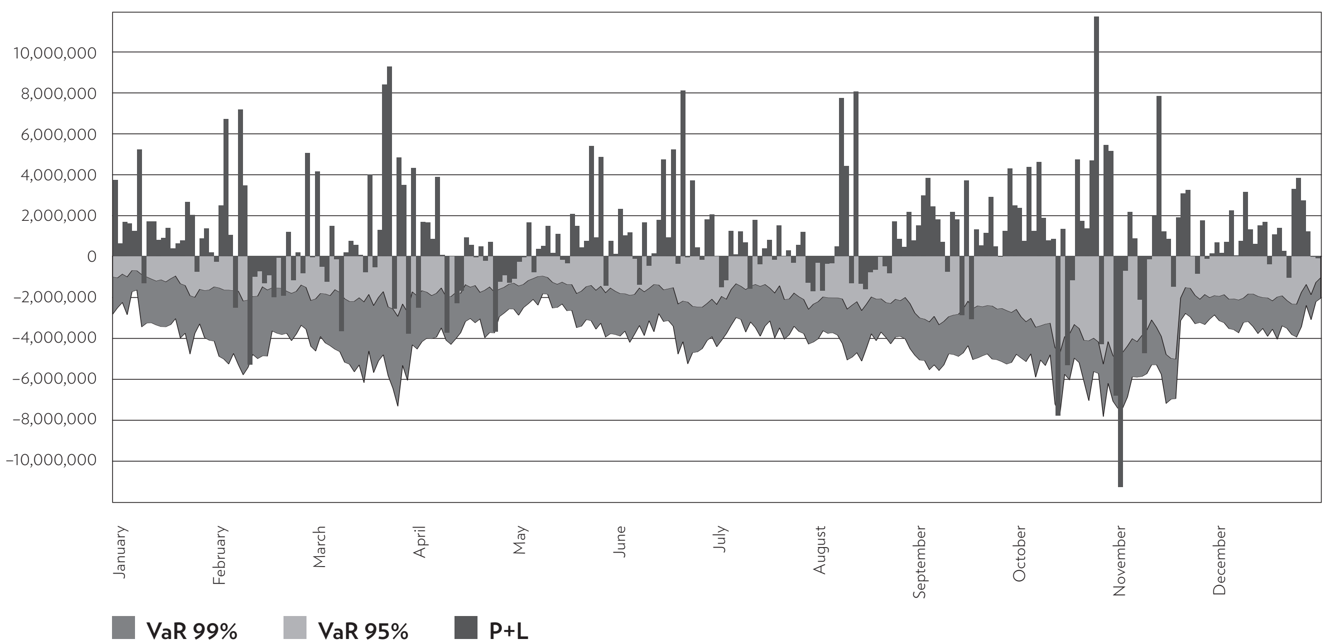
The overall trading strategies are outlined in a dedicated policy and detailed in mandates for single trading books, including hedging strategies. The effectiveness of hedging strategies is continuously assured by setting and monitoring trading limits.

Regular detailed book reviews by the independent market risk function supplement the assurance of effective hedging activities.

Market risk measurement, market risk limitation, back testing and stress testing

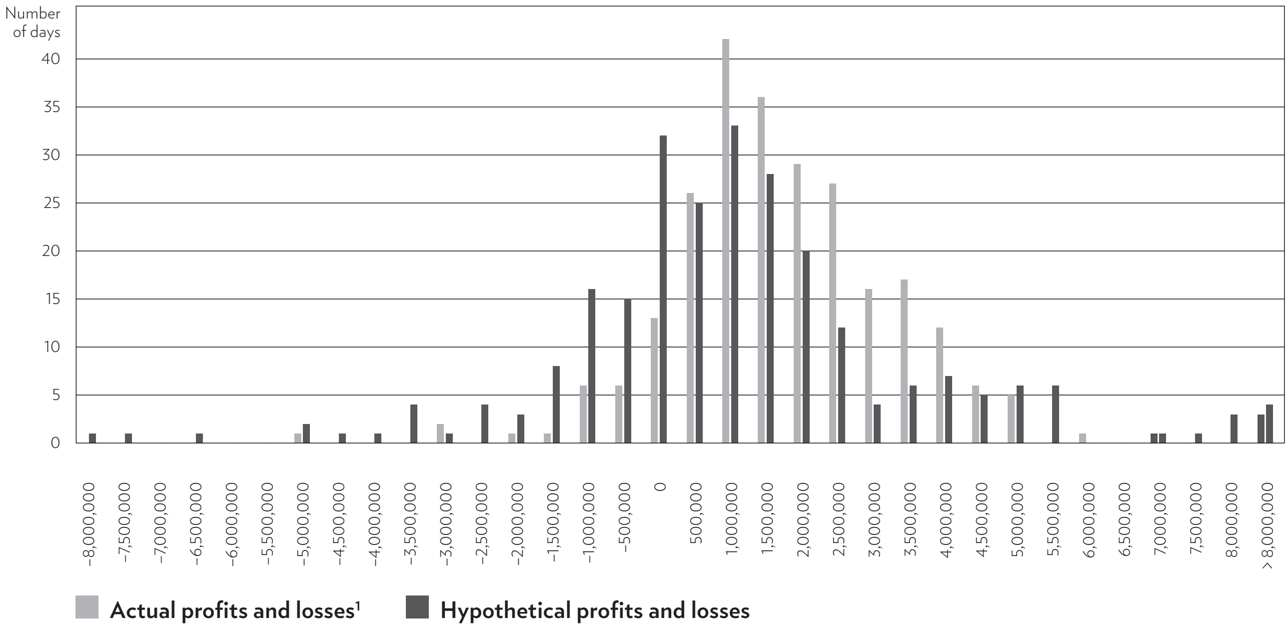
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 1.24 million on 31 December 2018 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2018 amounted to CHF 5.29 million; the minimum was CHF 0.71 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 VaR values calculated each day with the hypothetical gains or losses which would have occurred if the end-of-day positions had been left unchanged on the next trading day. The following chart shows the daily calculations of VaR in 2018 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with these hypothetical gains or losses. 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 2018 (CHF)



The following chart compares these hypothetical gains and losses with the actual profit and loss generated by the trading operations of the Group. To ensure comparability, pure commission income has been removed from these income statement results.

Distribution of daily revenues from trading activities of Julius Baer Group for 2018 (CHF)



[1] Pure trading revenues excluding commissions and fees

Whereas VaR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings. Limits are set for both these risk metrics, and their utilisation is monitored on a daily basis. The daily stress tests are periodically complemented by additional tests based on historical scenarios. Additional stress tests, reflecting specific market and political situations, are also carried out.

At the beginning of 2018, the preceding 12-month period contained two back-testing violations. The first, in April 2017, was caused by increased market volatility attributable to the French presidential elections. The second, in August 2017, was the result of a one-day rally in share prices of between 1% and 1.7%. Both violations fell out of the observation period during the course of 2018.

By end of October a new back-testing violation occurred, caused by increased market volatilities. At the end of 2018, the total number of back-testing violations stands at one. As a result, the number of statistically permissible back-testing violations during the period was not exceeded.

All back-testing violations are examined individually and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors and the Swiss Financial Market Supervisory Authority (FINMA).

VaR method and regulatory capital

For its VaR calculation, the Group uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the last 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the Group fulfil the relevant regulatory requirements and have been approved by FINMA for use in determining the capital requirement for market risks in the trading book.

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period). The Group's stress-based VaR amounted to CHF 2.56 million on 31 December 2018 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2018 amounted to CHF 5.67 million; the minimum was CHF 0.99 million. Under 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 violation over and above the statistically based maximum permitted number of violations (four over a period of 250 trading days) results in an increase in the multiplier applied to the capital requirement for market risk. There was one back-testing violation to report by the end of 2018. For additional information regarding the calculation of the Group's minimum regulatory capital requirements under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2019).

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 m*	Average *CHF m*	Maximum *CHF m*	**2018** Minimum *CHF m*
Equities	**-1.4**	**-1.5**	**-7.2**	**-0.1**
Interest rates	**-0.7**	**-0.7**	**-0.8**	**-0.5**
Foreign exchange/precious metals	**-0.5**	**-0.6**	**-1.4**	**-0.0**
Effects of correlation	**1.4**			
Total	**-1.2**	**-2.2**	**-5.3**	**-0.7**

	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	2017 Minimum *CHF m*
Equities	-0.3	-1.2	-2.4	-0.3
Interest rates	-0.6	-0.7	-0.9	-0.6
Foreign exchange/precious metals	-0.2	-0.6	-2.7	-0.0
Effects of correlation	0.0			
Total	-1.0	-1.6	-2.9	-0.9

FINANCING, LIQUIDITY 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. Interest rate risk is defined as the effect of potential changes in interest rates on the market value of the Group's assets and liabilities.

Governance

The Treasury department of Bank Julius Baer & Co. Ltd. manages the Group's financing, liquidity and interest rate risks on an integrated basis, with Bank Julius Baer & Co. Ltd. acting as the Group's central liquidity provider. The Treasury department proposes the strategy for managing the financing, liquidity and interest rate risks and submits this to the Group's Asset and Liability Management Committee (ALMCO) for approval. Limits for financing, liquidity and interest rate risks are defined at Group level. These are reviewed at least once annually and approved by the Board of Directors and the Group ALMCO. The Group's consolidated exposure to financing, liquidity and interest rate risks is reported to the Group ALMCO at least once a month. The particular liquidity and interest rate risks to which Bank Julius Baer & Co. Ltd. is exposed are monitored and managed on a daily basis, as are those of the other Group companies. The Treasury Risk Control unit provides independent reports on the relevant risk positions for this purpose.

The interest rate and liquidity stress risk of the banking book is measured by a global risk management and reporting platform. Every day, the positions are independently measured in an IT system maintained by the Treasury Risk Control unit and reported back to the Group companies with substantial risks on their books. The local treasury and risk control units are responsible for local implementation and adherence to limits. The Group Treasurer has continuous access to the Group's consolidated positions and can manage them on a Group-wide basis. The relevant data is drawn from the book-keeping systems for the Group companies' banking books. The system supports the calculation of the usual interest rate risk and liquidity stress metrics. These results are analysed on a daily basis, and limit controls are carried out. Any breach of these limits is investigated in a timely fashion.

Here, broad-based Group-wide stress tests are carried out based on the current market and political situation. Examples include scenarios that foresee an abrupt increase in interest rates. In addition to such immediate consequences as the change in the market value of the treasury bond portfolio, these scenarios also take account of longer-term effects such as changes in net interest earnings and higher refinancing costs.

Management of liquidity and financing risks

The objective of the Group's liquidity risk management is to maintain a healthy liquidity position which enables the Group to meet all its obligations when they fall due and to maintain sufficient flexibility to be able to react to company-specific stress situations in tight market conditions.

A liquidity stress scenario is modelled, which, over a time horizon of 30 days, essentially simulates substantial outflows of client deposits which would be stable under normal circumstances and the Group's ability to compensate for these by selling highly liquid investments and taking other appropriate measures. This scenario models an extreme stress situation combining company-specific stress events with tight market conditions. It is calculated on a daily basis.

To complement the analysis provided by the liquidity stress scenario, a variety of early warning indicators are monitored with respect to the current liquidity position.

Switzerland's Liquidity Ordinance and FINMA's 'Liquidity Risks – Banks' circular make it a regulatory requirement for the Group to calculate and monitor its Liquidity Coverage Ratio (LCR). The LCR provides banks with a metric to assist them in ensuring that they hold a sufficient quantity of highly liquid assets to enable them to withstand a short-term (30-day) company-specific stress situation which coincides with a period of general market stress. During 2018, the Group's LCR fluctuated between 138% and

215%, which puts it significantly above the minimum statutory requirement of 90%. For additional quantitative information relating to the LCR, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2019).

In managing its financing risks, the Group aims to ensure that it has access to appropriate sources of financing at all times. At present, 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. In addition, the Group issues various bonds.

The Group's liquidity risk management arrangements set out an emergency plan which forms an integral part of its global crisis concept. This emergency plan includes an overview of alternative sources of financing and liquidity metrics, as well as a range of emergency measures.

Management of interest rate risks
One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2018. 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 m*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2018	**3.4**	**-4.8**	**22.4**	**53.9**	**-35.7**	**39.3**
2017	3.9	-3.1	38.6	66.7	-33.6	72.4
USD						
2018	**11.5**	**-0.6**	**4.6**	**17.2**	**9.2**	**42.0**
2017	12.1	-2.5	-0.8	-38.4	15.0	-14.5
EUR						
2018	**10.5**	**-5.7**	**-0.4**	**62.4**	**-7.8**	**58.9**
2017	8.9	-4.7	-1.3	62.3	-10.2	54.9
Other						
2018	**2.3**	**-3.8**	**-1.5**	**35.9**	**0.0**	**32.9**
2017	2.0	-2.4	0.1	31.7	-0.1	31.3

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above, and further assuming that the Group took no mitigating action, the modelled effect on interest earnings would have been CHF -133.0 million at the end of 2018 (2017: CHF -129.8 million).

Fair value hedges of interest rate risk
The Group hedges part of its interest rate exposure from fixed rate CHF denominated mortgages to changes in fair value by using interest rate swaps on a portfolio basis. Such portfolio hedges are based on mortgages with similar maturities, and the hedge relationships are rebalanced on a monthly basis. The amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses are amortised over the remaining terms to maturity of the hedged items using the straight-line method.

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the bonds issued by the Group which are denominated in USD, CHF or SGD, as well as a very limited number of mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) bonds and mortgages. As such, the interest rate risk of each financial instrument is substantially reduced to the interest rate risk of the floating rate leg of the respective swap.

The counterparties of the swaps transactions used for the portfolio hedges as well as those used for the micro hedges are investment grade counterparties. However, the Group does not incur any credit risk with these derivative instruments as all credit risk is eliminated due to clearing or collateral agreements in place. Prior to committing to a hedge relationship, an assessment takes place in order to justify that the fair value of the hedged item and the hedging instrument do offset their interest rate risks and that the economic hedge relationships meet the hedge accounting criteria. Besides this qualitative assessment, regular quantitative assessments are carried out based on prospective (i.e. forward looking, using regression analysis) as well as retrospective effectiveness tests. These tests allow assessing whether the hedging instrument is expected to be or has been highly effective in offsetting changes in the fair value of the hedged item. Hedge ineffectiveness may arise from minor differences in the core data of the bond and swap fixed leg, or the interest rate sensitivities of the floating leg of the swap.

	Hedges of bond issues (micro hedges) *CHF m*	Hedges of mortgages (micro hedges) *CHF m*	**31.12.2018** Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	**-905.0**	**20.9**	**1,307.1**
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	**-5.0**	**-0.6**	**39.3**
Carrying amount hedged items	**-910.0**	**20.4**	**1,346.4**
Hedging instruments – interest rate swaps			
Notional amount (overall average fixed interest rate: 1.88%)	**906.2**		
– whereof remaining maturity 1–5 years (average fixed interest rate: 2.24%)	***558.3***		
– whereof remaining maturity > 5 years (average fixed interest rate: 1.30%)	***347.9***		
Notional amount (overall average fixed interest rate: -0.31%)		**18.0**	
– whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		***18.0***	
Notional amount (overall average fixed interest rate: 0.39%)			**1,280.0**
– whereof remaining maturity < 1 year (average fixed interest rate: 0.44%)			***120.0***
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.47%)			***985.0***
– whereof remaining maturity > 5 years (average fixed interest rate: -0.13%)			***175.0***
Positive replacement value	**5.4**	**1.3**	**3.1**[1]
– related notional amount	***541.3***	***18.0***	***250.0***
Negative replacement value	**-0.6**		**-37.3**[1]
– related notional amount	***364.8***		***1,030.0***
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**-5.0**	**-0.6**	**3.8**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**4.8**	**1.3**	**-3.0**[1]
Amount of hedge ineffectiveness recognised in the income statement	**-0.3**	**0.7**	**0.7**
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	**-**	**-**	**35.5**

[1] The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness for the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

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	15,835.5	-	-	-	-	**15,835.5**
Due from banks	-	8,874.6	304.1	50.0	-	**9,228.8**
Loans	-	35,902.7	4,029.1	3,905.3	1,486.1	**45,323.2**
Trading assets	8,415.6	-	-	-	-	**8,415.6**
Derivative financial instruments	2,128.5	-	-	-	-	**2,128.5**
Financial assets designated at fair value	298.8	-	-	-	-	**298.8**
Financial assets measured at FVOCI	-	3,459.0	2,867.1	7,501.2	760.3	**14,587.6**
Accrued income/other assets	-	380.5	-	-	-	**380.5**
Total 31.12.2018	26,678.3	48,616.8	7,200.3	11,456.5	2,246.4	**96,198.3**
Total 31.12.2017	25,854.7	48,075.8	5,078.6	11,648.2	2,732.4	93,389.8

	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						
Due to banks	-	6,103.7	788.6	-	-	**6,892.2**
Due to customers	-	70,466.5	1,039.9	-	-	**71,506.4**
Trading liabilities	132.5	-	-	-	-	**132.5**
Derivative financial instruments	1,719.3	-	-	-	-	**1,719.3**
Financial liabilities designated at fair value	1,888.0	7,612.5	2,501.7	1,262.7	438.7	**13,703.6**
Debt issued	101.0	-	-	908.3	494.0	**1,503.3**
Accrued expenses	-	240.6	-	-	-	**240.6**
Other liabilities	-	28.3	-	-	-	**28.3**
Deferred payments[1]	-	13.8	16.3	23.9	-	**54.0**
Total 31.12.2018	3,840.8	84,465.3	4,346.4	2,195.0	932.8	**95,780.2**
Total 31.12.2017	4,447.2	80,087.2	2,975.5	2,446.7	951.1	90,907.6

[1] Relates to the deferred purchase price of GPS Investimentos Financeiros e Participações S.A., Reliance Group and Wergen & Partner Vermögensverwaltungs Ltd, see Notes 27 and 28.

The following table shows an analysis of the Group's financial liabilities by remaining contractual maturities as of the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual undiscounted interest payments related to these financial liabilities. Liabilities without a stated maturity, i.e. that can be called for repayment at any time, are classified as on demand. All derivative financial instruments held for trading are classified as on demand, 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	6,688.6	202.3	25.0	0.5	-	**6,916.4**
Due to customers	57,505.9	12,763.1	1,306.3	-	-	**71,575.3**
Trading liabilities	132.5	-	-	-	-	**132.5**
Derivative financial instruments	1,678.4	-	0.7[1]	36.7[1]	3.5[1]	**1,719.3**
Financial liabilities designated at fair value	1,888.0	7,701.7	2,584.0	1,275.2	438.7	**13,887.6**
Debt issued	101.0	7.0	55.4	1,042.4	508.9	**1,714.6**
Accrued expenses	-	240.6	-	-	-	**240.6**
Other liabilities		28.3				**28.3**
Deferred payments[2]	-	13.8	16.3	23.9	-	**54.0**
Total 31.12.2018	67,994.4	20,956.7	3,987.8	2,378.7	951.1	**96,268.7**
Due to banks	6,921.7	287.3	-	0.8	-	7,209.8
Due to customers	58,918.7	8,368.7	359.6	-	-	67,646.9
Trading liabilities	135.8	-	-	-	-	135.8
Derivative financial instruments	2,011.3[1]	-	0.6[1]	25.9[1]	21.4[1]	2,059.2
Financial liabilities designated at fair value	2,130.1	5,343.4	2,506.3	1,535.0	459.9	11,974.7
Debt issued	122.1	266.5	55.6	1,099.2	520.5	2,063.9
Accrued expenses	-	192.7	-	-	-	192.7
Other liabilities	-	27.1	-	-	-	27.1
Deferred payments[3]	-	-	14.4	18.4	-	32.8
Total 31.12.2017	70,239.8	14,485.6	2,936.5	2,679.3	1,001.8	91,342.9
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[4]	666.6	5.7	22.3	6.9	3.4	**705.1**
Total 31.12.2018	666.6	5.7	22.3	6.9	3.4	**705.1**
Total 31.12.2017	627.0	2.3	37.0	19.1	3.0	688.4

[1] These derivatives are not held for trading but for hedging purposes.
[2] Relates to the deferred purchase price of GPS Investimentos Financeiros e Participações S.A., Reliance Group and Wergen & Partner Vermögensverwaltungs Ltd, see Notes 27 and 28.
[3] Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs Ltd, see Notes 27 and 28.
[4] These amounts reflect the maximum payments the Group is committed to making.

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. The balance sheets of the vast majority of Group entities are managed in local currency and they are only allowed to take on exchange rate exposure against their local currency in exceptional circumstances. Where they do occur, these exposures are limited and measured according to individual balance sheet management guidelines and are also included in the Group's VaR calculations. The local-currency shareholders' equity of these Group entities are not hedged against exchange rate risk at Group level.

OPERATIONAL RISK

Operational risk is defined as the risk of losses arising as a result either of the inadequacy or failure of internal processes, people or systems or as a consequence of external events.

Framework for the management of operational risk

The framework used to manage and limit operational risk is defined by the Group Risk Management function on the basis of the Group-wide risk management framework. This framework is based on a structured approach whose objective is to apply a set of uniform standards and methodologies for identifying, evaluating, monitoring, controlling and reporting risks across the Group. A further objective is to allow individual business areas and legal entities sufficient flexibility to adapt the specific components of this framework to meet their particular needs while at the same time ensuring that Group-wide minimum standards continue to be met.

The key components of this framework are described below:

- Organisational structure: the tasks, responsibilities and processes for managing operational risk, and the relevant escalation procedures relating thereto, are set out in the risk management framework, as well as in a series of policies, guidelines and manuals.
- Control system: the control environment which has been established to manage operational risk requires that activities are carried out in accordance with defined policies and guidelines and that processes operate as specified. Under this approach, controls are integrated into business processes wherever possible. Key controls are carried out in a timely fashion, and their results are monitored by Risk Management. In addition, the quality and completeness of certain key controls is subject to independent verification. There are also independent control functions in place that monitor certain specific operational risks.
- Register of operational risks: operational risks are recorded in a Group-wide Operational Risk Register. The purpose of this register is to evaluate and monitor the risks and mitigating measures. These operational risks are classified and evaluated according to a uniform, Group-wide risk taxonomy and a uniform quantitative risk evaluation template charting potential risks and the probability of their occurrence.
- Record of operational risk events: Losses arising as a result of operational risk are recorded by Risk Management in a Group-wide database. Evaluation of these events enables operational weaknesses to be identified so that appropriate measures can be taken to remedy them.
- Self-evaluation of risks and of the quality of the control system: these self-evaluations are carried out by the individual specialised areas and legal entities with the assistance of Risk Management. The process involves applying a uniform risk taxonomy to identify inherent operational risks and their causes, to evaluate the effectiveness of the controls and other risk-minimising measures in place and to determine the level of residual risk. The results of these self-evaluations are incorporated into the Group-wide risk landscape which is presented to the Executive Board, the Governance and Risk Committee and the Audit Committee each year.
- Risk information consolidation process: the risk managers have access to all the information they require to identify and evaluate operational risks in the areas for which they are responsible. This includes internal and external audit reports, data on operational losses, information from risk committees, quantitative risk indicators, control results, complaints from clients and other internal and external risk information. The resulting operational risk evaluation and the extent to which risk-minimising measures have been implemented are regularly reviewed and updated by the risk manager and those responsible for managing the business areas concerned. A further objective of these discussions is to identify potential new risks at an early stage and to determine possible initiatives to address them.
- Reporting to senior management: a number of risk reports are submitted to management and the Board of Directors. These reports incorporate the key operational risks, thus ensuring that timely and appropriate action can be taken in response to operational risk events and to any activities which exceed current levels of operational risk tolerance.

The Group calculates its minimum regulatory capital requirement for operational risks according to the standard approach under article 90 of the Capital Adequacy Ordinance.

Business Continuity Management

The objective of the Business Continuity Management (BCM) Programme is to establish and maintain the stability of the overall organisation in the event of massive disturbances to its operations and in crisis situations. The programme aims to protect the Group's reputation and to minimise any financial loss to clients, the Group and its employees. To that end, the Group has formulated a BCM strategy and implemented a set of Group-wide BCM directives and guidelines, which assign BCM tasks and responsibilities across the Group and define the structure of the crisis management organisation. These directives and guidelines also define the processes for planning, analysing and assessing recovery and continuity measures, and the procedures for communication and internal training.

The BCM Programme is based on national and international standards (such as ISO standards) and on the business continuity recommendations formulated by the Swiss Bankers' Association, some of which have been defined as compulsory by FINMA. The programme also reflects local BCM requirements applicable to BCM-relevant business units outside Switzerland.

Regular crisis organisation exercises are conducted to assess the effectiveness of these measures, and regular internal and external audits are carried out to review the content of the programme.

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. Measures in place to ensure adherence to current standards include a comprehensive and continuously updated catalogue of directives and manuals and an extensive staff-training concept.

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 challenging 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 and political restrictions placed on migration can be addressed through attractive terms of employment, a contemporary and competitive working environment, education and training tailored to individual job functions and strategically oriented staff development and talent management concepts. 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 the Group regards as an important management task, and it is one to which the Group accords commensurate priority.

Insurance

In line with general industry practice, and in addition to controlling and minimising the operational risks described above, we also endeavour to cover or reduce their potentially adverse financial impact by mitigating the risk of loss in specific areas of our business activities through insurance solutions.

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 nearly 130 years. 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 common equity 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 2018, the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 27A provides an overview of the Group's consolidated companies.

The Group's calculations of its risk-weighted assets published in the Annual Report are identical to those carried out for regulatory reporting purposes.

The Basel III international standard approach requires CET1 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 anti-cyclical CET1 capital buffer for mortgages on residential properties in Switzerland and an additional anti-cyclical CET1 capital buffer for commitments outside Switzerland. Taken together, these add a further 0.3% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2018 and at 31 December 2017 was sufficient to meet the relevant BIS and FINMA requirements.

Capital ratios

	31.12.2018 *Basel III fully-applied CHF m*	31.12.2017 *Basel III phase-in[1] CHF m*
Risk-weighted positions		
Credit risk	**14,527.7**	13,627.9
Non-counterparty-related risk	**352.8**	445.9
Market risk	**1,245.1**	561.1
Operational risk	**5,212.8**	4,941.1
Total	**21,338.4**	19,576.0
Eligible capital		
CET1 capital	**2,731.2**	3,260.8[2]
Tier 1 capital	**3,933.0**	4,235.1[2]
of which hybrid tier 1 capital instruments[3]	***1,201.8***	*1,455.3*
Tier 2 capital	**58.2**	63.4
Total capital	**3,991.2**	4,298.5
CET1 capital ratio	**12.8%**	16.7%
Tier 1 capital ratio	**18.4%**	21.6%
Total capital ratio	**18.7%**	22.0%

1 The Basel III effects, but also the effects of IAS 19 revised relating to pension liabilities, is phased in as at 31 December 2017 for the calculation of the eligible capital.

2 During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increased proportionally over time, and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreased respectively.

3 The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012 (repaid in March 2018), 2014, 2015, 2016 and 2017.

Further details regarding tier 1 capital instruments can be found in the Capital Instruments section of www.juliusbaer.com. 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 2018. 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 (this will be available at the end of April 2019).

Capital components

	31.12.2018 *Basel III fully-applied CHF m*	31.12.2017 *Basel III phase-in CHF m*
Gross common equity tier 1 capital	**6,041.9**	5,830.4[1]
of which non-controlling interests	***1.9***	*5.9*
Effects of IAS 19 revised relating to pension liabilities	**-**	40.0
Goodwill and other intangible assets	**-2,902.3**	-2,269.7
Other deductions	**-408.4**	-339.9
Common equity tier 1 capital	**2,731.2**	3,260.8
Tier 1 capital instruments	**1,201.8**	1,455.3
of which tier 1 bonds (Basel III-compliant capital instruments)	***1,201.8***	*1,455.3*
Goodwill and intangible assets, offset against tier 1 capital instruments	**-**	-481.0
Additional tier 1 capital	**1,201.8**	974.3
Tier 1 capital	**3,933.0**	4,235.1
Tier 2 capital	**58.2**	63.4
of which other tier 2 capital	***58.2***	*63.4*
Total capital	**3,991.2**	4,298.5

[1] Phase-in of 20% of non-controlling interests of total CHF 29.5 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 68% (2017: 70%) of the total required capital. Capital required for non-counterparty risk (2018: 2%; 2017: 2%) and market risk (2018: 6%; 2017: 3%) is of minor significance. The capital required to cover operational risk accounts for more than 24% of total required capital (2017: 25%).

Minimum capital requirement

	31.12.2018 *Basel III fully-applied CHF m*	31.12.2017 *Basel III phase-in CHF m*
Credit risk	**1,162.2**	1,090.2
of which for equity securities in the banking book	***17.6***	*15.2*
Non-counterparty-related risk	**28.2**	35.7
Market risk	**99.6**	44.9
Operational risk	**417.0**	395.3
Total	**1,707.1**	1,566.1

Leverage ratio
In addition to the existing requirement for banks to hold eligible capital proportionate to their risk-weighted assets, the leverage ratio is a non-risk-based metric. The leverage ratio is defined as the ratio between eligible (tier 1) core capital and total exposure. Total exposure encompasses all balance sheet and off-balance sheet positions, and the 'Leverage Ratio' circular defines how these are to be calculated. The minimum leverage ratio requirement is three percent.

Basel III regulations also require the publication of the leverage ratio. The relevant qualitative and quantitative information is contained in a separate disclosure report (Basel III Pillar 3 Report). The report will be published on the www.juliusbaer.com website and will be available at the end of April 2019.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	2018 *CHF m*	2017 *CHF m*	Change %
Interest income on amounts due from banks	**66.1**	44.1	49.9
Interest income on loans	**909.0**	669.3	35.8
Interest income on debt instruments at FVOCI	**232.3**	247.1	-6.0
Interest income on financial instruments measured at amortised cost and fair value through other comprehensive income	**1,207.4**	960.6	25.7
Dividend income on equity instruments at FVOCI[1]	**-**	7.6	-
Interest income on trading portfolios	**38.9**	31.8	22.5
Dividend income on trading portfolios	**178.1**	195.3	-8.8
Total interest and dividend income	**1,424.4**	1,195.3	19.2
Interest expense on amounts due to banks	**27.6**	18.7	47.2
Interest expense on amounts due to customers	**362.9**	100.6	260.6
Interest expense on debt issued	**67.1**	67.6	-0.9
Interest expense on financial assets[2]	**47.6**	20.5	132.2
Interest expense on financial instruments measured at amortised cost	**505.1**	207.5	143.4
Total	**919.2**	987.8	-6.9

[1] Due to transition to IFRS 9, dividend income on equity instruments at FVOCI is included in other ordinary results.
[2] Interest expense on financial assets is related to negative effective interests on the respective financial instruments.

2 NET COMMISSION AND FEE INCOME

	2018 *CHF m*	2017 *CHF m*	Change %
Advisory and asset management fees	**1,420.6**	1,422.7	-0.1
Brokerage commissions and income from securities underwriting	**622.9**	662.9	-6.0
Commission income from credit-related activities	**7.6**	6.1	25.2
Commission and fee income on other services	**80.2**	80.4	-0.4
Total commission and fee income	**2,131.3**	2,172.1	-1.9
Commission expense	**228.5**	241.5	-5.4
Total	**1,902.9**	1,930.6	-1.4

3 NET TRADING INCOME

	2018 CHF m	2017 CHF m	Change %
Debt instruments	**-3.6**	75.0	-
Equity instruments	**-0.2**	-158.9	99.9
Foreign exchange	**533.9**	387.6	37.7
Total	**530.2**	303.6	74.6

4 OTHER ORDINARY RESULTS

	2018 CHF m	2017 CHF m	Change %
Dividend income on equity instruments at FVOCI[1]	**7.0**	-	-
Result from disposal of debt instruments at FVOCI	**-11.0**	7.4	-
Impairment on financial assets measured at FVOCI	**-**	-0.2	-
Income from investments in associates	**1.9**	1.9	-3.3
Real estate income	**6.5**	6.1	6.9
Other ordinary income	**17.1**	15.2	12.9
Other ordinary expenses	**3.0**	0.1	-
Total	**18.5**	30.3	-38.8

[1] Due to transition to IFRS 9, dividend income on equity instruments at FVOCI is included in other ordinary results.

5 PERSONNEL EXPENSES

	2018 CHF m	2017 CHF m	Change %
Salaries and bonuses	**1,271.3**	1,223.9	3.9
Contributions to staff pension plans (defined benefits)	**78.2**	74.0	5.6
Contributions to staff pension plans (defined contributions)	**35.1**	32.5	7.9
Other social security contributions	**107.0**	104.2	2.7
Share-based payments	**78.4**	82.4	-4.9
Other personnel expenses	**51.5**	38.6	33.4
Total	**1,621.4**	1,555.7	4.2

6 GENERAL EXPENSES

	2018 *CHF m*	2017 *CHF m*	Change %
Occupancy expense	**96.8**	96.3	0.5
IT and other equipment expense	**76.9**	75.7	1.6
Information, communication and advertising expense	**196.5**	182.8	7.5
Service expense, fees and taxes	**294.8**	253.1	16.5
Provisions and losses	**15.7**[1]	29.8	-47.2
Other general expenses	**7.7**	12.0	-35.5
Total	**688.5**	649.7	6.0

[1] Previously called valuation allowances, provisions and losses.
Due to transition to IFRS 9, loss allowances (previously called valuation allowances) are included in net impairment losses/(recoveries) on financial assets as of 1 January 2018.

7 INCOME TAXES

	2018 *CHF m*	2017 *CHF m*	Change %
Income tax on profit before taxes (expected tax expense)	**196.7**	195.0	0.8
Effect of tax rate differences in foreign jurisdictions	**-5.3**	-3.7	-
Effect of domestic tax rate differences	**22.6**	29.1	-
Income subject to a reduced tax rate	**-63.9**	-70.1	-
Effect of utilisation of prior-year losses	**-3.5**	-9.4	-
Effect from unrecognised tax losses	**16.5**	10.8	-
Adjustments related to prior years	**-28.3**	-10.1	-
Non-deductible expenses	**23.9**	28.8	-
Other	**-**	0.2	-
Actual income tax expense	**158.6**	170.6	-

The tax rate of 22% (2017: 22%) was applied as the basis for the above expected tax expenses. This tax rate reflects the Group's weighted average rate.

Unrecognised accumulated loss carryforwards in the amount of CHF 282.6 million (2017: CHF 289.2 million) exist in the Group that do not expire.

The Group finalised the discussions with the tax authorities regarding the tax deductibility of certain elements in the US case and received the final tax assessments in this respect.

	2018 *CHF m*	2017 *CHF m*	Change *%*
Domestic income taxes	**102.1**	110.8	-7.9
Foreign income taxes	**56.5**	59.8	-5.5
Total	**158.6**	170.6	-7.0

Current income taxes	**129.0**	188.5	-31.6
Deferred income taxes	**29.6**	-18.0	-
Total	**158.6**	170.6	-7.0

Tax effects relating to components of other comprehensive income

			2018
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-71.4	10.1	-61.3
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	13.3	-1.1	12.2
Net impairment losses on debt instruments measured at FVOCI	0.4	-	0.4
Translation differences	-60.9	-	-60.9
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	4.8	-1.1	3.8
Net realised (gains)/losses on equity instruments designated at FVOCI reclassified to retained earnings	-0.3	0.1	-0.3
Remeasurement of defined benefit obligation	10.6	-2.5	8.1
Other comprehensive income	**-103.1**	**5.4**	**-97.7**

			2017
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	4.4	-1.1	3.3
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	6.6	-0.3	6.4
Translation differences	30.1	-	30.1
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	3.1	-0.3	2.7
Other comprehensive income	44.1	-1.7	42.5

8 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2018	2017
Basic earnings per share		
Net profit (CHF m)	**735.4**	704.8
Weighted average number of shares outstanding	**217,953,484**	216,894,003
Basic earnings per share (CHF)	**3.37**	3.25

Diluted earnings per share		
Net profit (CHF m)	**735.4**	704.8
Less (profit)/loss on equity derivative contracts (CHF m)	**2.0**	0.2
Net profit for diluted earnings per share (CHF m)	**737.4**	705.0
Weighted average number of shares outstanding	**217,953,484**	216,894,003
Dilution effect	**23,910**	8,040
Weighted average number of shares outstanding for diluted earnings per share	**217,977,394**	216,902,043
Diluted earnings per share (CHF)	**3.38**	3.25

	31.12.2018	31.12.2017
Shares outstanding		
Total shares issued at the beginning of the year	**223,809,448**	223,809,448
Less treasury shares	**5,839,110**	5,875,310
Total	**217,970,338**	217,934,138

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

9 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

						31.12.2018
	Mandatory at FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	**Total** *CHF m*
Financial assets						
Cash	-	-	-	-	15,835.5	**15,835.5**
Due from banks	-	-	-	-	9,228.8	**9,228.8**
Lombard loans	-	-	-	-	35,902.4	**35,902.4**
Mortgages	-	-	-	-	9,420.8	**9,420.8**
Trading assets	8,415.6	-	-	-	-	**8,415.6**
Derivative financial instruments	2,128.5	-	-	-	-	**2,128.5**
Financial assets designated at fair value	-	298.8	-	-	-	**298.8**
Financial assets measured at FVOCI	-	-	14,442.2	145.3	-	**14,587.6**
Accrued income/other assets	-	-	-	-	380.5	**380.5**
Total	**10,544.1**	**298.8**	**14,442.2**	**145.3**	**70,767.9**	**96,198.3**
Financial liabilities						
Due to banks	-	-	-	-	6,892.2	**6,892.2**
Due to customers	-	-	-	-	71,506.4	**71,506.4**
Trading liabilities	132.5	-	-	-	-	**132.5**
Derivative financial instruments	1,719.3	-	-	-	-	**1,719.3**
Financial liabilities designated at fair value	-	13,703.6	-	-	-	**13,703.6**
Debt issued	-	-	-	-	1,503.3	**1,503.3**
Accrued expense	-	-	-	-	240.6	**240.6**
Other liabilities	-	-	-	-	28.3	**28.3**
Deferred payments	54.0	-	-	-	-	**54.0**
Total	**1,905.8**	**13,703.6**	**-**	**-**	**80,170.8**	**95,780.2**

10 TRADING ASSETS AND LIABILITIES

	31.12.2018 *CHF m*	31.12.2017 *CHF m*	Change *CHF m*
Trading assets			
Trading securities – debt FVTPL	**2,078.6**	2,270.7	-192.1
of which quoted	***1,742.1***	*1,929.0*	*-186.9*
of which unquoted	***336.4***	*341.7*	*-5.2*
Trading securities – equity FVTPL	**6,337.0**	8,985.2	-2,648.2
of which quoted	***5,240.1***	*6,991.6*	*-1,751.5*
of which unquoted	***1,096.9***	*1,993.6*	*-896.7*
Precious metals (physical)[1]	**-**	1,495.9	-1,495.9
Total	**8,415.6**	12,751.8	-4,336.2

[1] Due to transition to IFRS 9, physical precious metals have been reclassified to other assets (non-financial assets).

Trading liabilities			
Short positions – debt	**10.2**	9.4	0.8
of which quoted	***10.2***	*9.4*	*0.8*
Short positions – equity	**122.3**	126.5	-4.2
of which quoted	***108.1***	*82.4*	*25.6*
of which unquoted	***14.2***	*44.0*	*-29.8*
Total	**132.5**	135.8	-3.3

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	31.12.2018 *CHF m*	31.12.2017 *CHF m*	Change *CHF m*
Government and agency bonds	**3,291.0**	2,848.3[1]	442.7
Financial institution bonds	**7,113.0**	5,768.6[1]	1,344.4
Corporate bonds	**4,038.3**	3,436.7	601.6
Other bonds	**-**	6.2	-6.2
Debt instruments at FVOCI	**14,442.2**	12,059.7	2,382.5
of which quoted	***10,394.6***	*10,350.4*[1]	*44.3*
of which unquoted	***4,047.6***	*1,709.3*[1]	*2,338.3*
Equity instruments at FVOCI	**145.3**	186.8	-41.5
of which quoted	**-**	*33.4*	*-33.4*
of which unquoted	***145.3***	*153.4*	*-8.1*
Total	**14,587.6**	12,246.5	2,341.0

[1] With the application of IFRS 9 as of 1 January 2018, the previously separately disclosed money market instruments have been included in debt instruments.

12 GOODWILL AND INTANGIBLE ASSETS

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Historical cost				
Balance on 01.01.2017	2,071.3	1,422.5	689.8	4,183.6
Translation differences	-3.0	0.4	0.9	-1.7
Additions	-	-	147.0	147.0
Additions from business combinations	4.7	7.4	-	12.1
Disposals/transfers[1]	-	-	7.4	7.4
Balance on 31.12.2017	2,073.0	1,430.3	830.2	4,333.6
Translation differences	-22.2	-9.8	-0.9	-33.0
Additions	-	-	141.6	141.6
Additions from business combinations	42.0	30.6	0.1	72.8
Disposals/transfers[1]	-	-	35.3	35.3
Balance on 31.12.2018	2,092.9	1,451.2	935.7	4,479.7
Amortisation and impairment				
Balance on 01.01.2017	-	1,004.4	345.0	1,349.4
Translation differences	-	0.4	0.7	1.1
Charge for the period	-	72.7	45.4[2]	118.2
Disposals/transfers[1]	-	-	7.4	7.4
Balance on 31.12.2017	-	1,077.5	383.7	1,461.2
Translation differences	-	-3.5	-0.4	-3.9
Charge for the period	-	73.8	51.8[3]	125.6
Disposals/transfers[1]	-	-	35.3	35.3
Balance on 31.12.2018	-	1,147.8	399.7	1,547.5
Carrying value				
Balance on 31.12.2017	2,073.0	352.8	446.5	2,872.4
Balance on 31.12.2018	**2,092.9**	**303.3**	**536.0**	**2,932.2**

1 Includes also derecognition of fully amortised assets
2 Includes impairment of CHF 0.4 million related to software not used anymore
3 Includes impairment of CHF 1.5 million related to software not used anymore

	Balance on 01.01.2018 CHF m	Additions CHF m	Disposals CHF m	Translation differences CHF m	**Balance on 31.12.2018** CHF m
Goodwill					
Julius Baer Private Banking	1,642.1	-	-	-5.4	**1,636.7**
GPS	113.6	-	-	-15.2	**98.3**
Reliance	-	42.0	-	-1.5	**40.5**
Kairos	317.4	-	-	-0.1	**317.3**
Total	2,073.0	42.0	-	-22.2	**2,092.9**

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generates cash inflows independently from other assets) and is subsequently compared 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 21 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Group, except for the subsidiaries GPS, Reliance and Kairos, which are tested on a stand-alone basis. GPS, Reliance and Kairos are each regarded a cash-generating unit as their cash inflows are generated independently from other assets.

The Group uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the cash-generating units based on its regular financial planning, taking into account the following key parameters and their single components which are relevant for all cash-generating units:

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

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows for the next five years, whereof the first three years are based on the detailed budgeting and the remaining two years on the less detailed mid-term planning (particularly net new money). The Group expects in the medium and long term a favourable development of the private banking activities which is reflected in the respective growth of the key parameters, although the Group cannot exclude short-term market disruptions. The Group also takes into consideration its relative strength as a pure private banking provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments 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 8.1% (2017: 8.0%) for Julius Baer Private Banking. For GPS and Reliance, the pre-tax discount rate used is 22.3% (GPS 2017: 22.7%), for Kairos, the pre-tax discount rate used is 12.8% (2017: 13.8%). The discount rates used in the calculation represent the Group's specific risk-weighted rates for the respective cash-generating unit and are based, depending on the specific unit, on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

The Group's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned and/or started business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of the Group vis-à-vis its respective competitors and in its industry. The long-term growth rate beyond management's planning horizon of five years for assets under management is assumed at 1% for all cash-generating units. This growth rate is considerably below the actual average rate of the last five years.

Changes in key assumptions

Deviations of future actual results achieved vs. forecast/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions (i.e. discount rate and growth rate) would not result in the carrying amount significantly exceeding the recoverable amounts for the CGUs.

Therefore, no impairment resulted from the ordinary analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market and business-specific environment.

13A PROPERTY AND EQUIPMENT

	Bank premises *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost			
Balance on 01.01.2017	411.5	230.5	642.0
Translation differences	-	1.8	1.8
Additions	3.5	20.7	24.2
Disposals/transfers[1]	-	17.0	17.0
Balance on 31.12.2017	415.0	236.0	651.0
Translation differences	-	-1.7	-1.7
Additions	3.8	31.7	35.5
Additions from business combinations	-	0.1	0.1
Disposals/transfers[1]	-	32.4	32.4
Balance on 31.12.2018	418.8	233.6	652.5
Depreciation and impairment			
Balance on 01.01.2017	102.8	165.4	268.2
Translation differences	-	0.8	0.8
Charge for the period	11.9	30.4	42.3
Disposals/transfers[1]	-	16.9	16.9
Balance on 31.12.2017	114.7	179.7	294.4
Translation differences	-	-1.0	-1.0
Charge for the period	11.7	26.8	38.5
Disposals/transfers[1]	-	32.2	32.2
Balance on 31.12.2018	126.4	173.3	299.7
Carrying value			
Balance on 31.12.2017	300.4	56.2	356.6
Balance on 31.12.2018	**292.5**	**60.4**	**352.8**

[1] Includes also derecognition of fully depreciated assets

13B OPERATING LEASE COMMITMENTS

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Not later than one year	**77.0**	75.6
Later than one year and not later than five years	**209.0**	201.4
Later than five years	**82.1**	102.2
Subtotal	**368.1**	379.2
Less sublease rentals received under non-cancellable leases	**15.9**	20.1
Total	**352.2**	359.1

Expenses for operating leases in the gross amount of CHF 75.2 million are included in operating expenses for the 2018 financial year (2017: CHF 74.8 million).

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

		31.12.2018		31.12.2017
	Carrying value *CHF m*	Effective commitment *CHF m*	Carrying value *CHF m*	Effective commitment *CHF m*
Securities	**863.2**	**863.2**	766.6	766.6
Other	**18.8**	**4.0**	14.8	4.8
Total	**882.0**	**867.3**	781.4	771.4

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading.

15 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2019 *CHF m*	2020 *CHF m*	2021 *CHF m*	2022 *CHF m*	2023 *CHF m*	2024–2028 *CHF m*	un-assigned *CHF m*	**31.12.2018** *CHF m*	31.12.2017 *CHF m*
Fixed rate	9,203.0	226.4	7.6		9.1	-	-	**9,446.0**	7,071.4
Interest rates (ranges in %)	0.36–60.0	2.0–18.93	2.25–7.9	-	2.0–5.25	-	-	**-**	-
Floating rate	911.1	483.7	376.2	92.8	67.0	438.7	1,888.0	**4,257.6**	4,765.3
Total	**10,114.1**	**710.1**	**383.8**	**92.8**	**76.1**	**438.7**	**1,888.0**	**13,703.6**	11,836.7

The Group issues to its private clients structured notes for investment purposes. The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.36% up to 60.0%. 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

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Money market instruments	**101.0**	122.1
Bonds	**1,402.4**	1,654.9
Total	**1,503.3**	1,777.0

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	**31.12.2018** Carrying value[1] *CHF m*	31.12.2017 Carrying value[1] *CHF m*
Julius Baer Group Ltd.						
2012[2]	5.375	Perpetual tier 1 subordinated bond	CHF	250.0	**-**	246.2
Julius Baer Group Ltd.						
2014[3]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**345.5**	347.8
Julius Baer Group Ltd.						
2015[4]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**328.7**	334.8
Julius Baer Group Ltd.						
2016[5]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**234.2**	236.4
Julius Baer Group Ltd.						
2017[6]	4.75	Perpetual tier 1 subordinated bond	USD	300.0	**293.4**	290.1
Julius Baer Group Ltd.						
2017[7]	0.375	Domestic senior unsecured bond	CHF	200.0	**200.6**	199.6
Total					**1,402.4**	1,654.9

[1] The Group applies fair value hedge accounting for certain bonds based on specific interest rate swaps. The changes in the fair value that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the bond.
[2] Own bonds of CHF 3.7 million were offset with bonds outstanding in 2017.
The effective interest rate amounts to 5.59%.
The bond was paid back on the first possible redemption date (19 March 2018).
[3] Own bonds of CHF 3.2 million are offset with bonds outstanding (2017: none).
The effective interest rate amounts to 4.41%.
[4] No own bonds are offset with bonds outstanding (2017: none).
The effective interest rate amounts to 6.128%.
[5] No own bonds are offset with bonds outstanding (2017: none).
The effective interest rate amounts to 5.951%.
[6] No own bonds are offset with bonds outstanding (2017: none).
The effective interest rate amounts to 4.91%.
[7] No own bonds are offset with bonds outstanding (2017: none).
The effective interest rate amounts to 0.32361%.

Perpetual tier 1 subordinated bonds

The maturities of the perpetual tier 1 subordinated bonds issued by Julius Baer Group Ltd. are essentially perpetual. These bonds are unsecured, subordinate to all borrowings (with the exception of the remainder of the tier 1 capital), fully paid up, capable of sustaining losses and devoid of any voting rights. The bonds can first be redeemed, at the Issuer's discretion, five to seven years after their issue date, and at yearly or half-yearly intervals thereafter, provided the regulator approves such redemption. In addition, the bonds may also be redeemed upon a regulatory event or tax event, as described in the prospectus. In the case of a viability event occurring, i.e. at a point in time where there is a threat of insolvency ('Point of non-viability' or 'PONV'), as described in Article 29 of the Capital Adequacy Ordinance of the Swiss Financial Market Supervisory Authority FINMA (CAO), all monies (including par value and any interest) due on the bonds will automatically cease to be payable and the bonds will be completely written off (i.e. their value will be written down to zero). Should a trigger event occur – i.e. should tier 1 common equity (under Basel III) fall below 5.125% (2012 and 2014 issues) or 7.0% (2015, 2016 and 2017 issues) – the value of the bonds will be written down 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 bonds will cease to be payable in their entirety. In the event of the monies payable on the bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the bonds is envisaged or permitted. From the issue date to the reset date the bonds will pay interest at a fixed rate. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate and a margin. Interest on the bonds is payable, in arrears on a 30/360-day basis, until the bonds have either been redeemed or fully written off. Interest payments on the bonds are prohibited in the event of this being ordered by the regulator (FINMA) or should there be insufficient retained earnings on the balance sheet of Julius Baer Group Ltd. to finance the payment of interest on tier 1 capital and to make any distributions already planned in respect of the previous financial year. Once suspended, any interest payments will permanently cease to be payable. Such interest payments are not cumulative, nor will they be paid at any future date. In the event of interest payments on the bonds being suspended, the Board of Directors of Julius Baer Group Ltd. will not be permitted to recommend any dividend payments to the Annual General Meeting until such time as interest payments on the bonds are resumed. Moreover, in the event of interest payments on the bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

2012 issue

The perpetual tier 1 subordinated bond was issued by Julius Baer Group Ltd. on 18 September 2012. The bonds can first be redeemed, at the Issuer's discretion, five and a half years after their issue date (i.e. on 19 March 2018). From the issue date to the reset date (19 March 2018) the bonds will pay interest at a fixed rate of 5.375% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year mid-market CHF swap rate) and a margin of 4.98%. Interest on the bonds is payable annually in arrears on 19 March in each year. The bond was paid back at par on the first possible redemption date (19 March 2018).

2014 issue

The perpetual tier 1 subordinated bond was issued by Julius Baer Group Ltd. on 5 June 2014. The bonds can first be redeemed, at the Issuer's discretion, six years after their issue date (i.e. on 5 June 2020). From the issue date to the reset date (5 June 2020) the bonds will pay interest at a fixed rate of 4.25% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year mid-market CHF swap rate) and a margin of 3.7625%. Interest on the bonds is payable annually in arrears on 5 June in each year.

2015 issue

The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 18 November 2015. The bonds can first be redeemed, at the Issuer's discretion, five years after their issue date (i.e. on

18 November 2020). From the issue date to the reset date (18 November 2020) the bonds will pay interest at a fixed rate of 5.9% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.32%. Interest on the bonds is payable semi-annually in arrears on 18 May and 18 November in each year.

2016 issue
The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 20 October 2016. The bonds can first be redeemed, at the Issuer's discretion, on 20 April 2022. From the issue date to the reset date (20 April 2022) the bonds will pay interest at a fixed rate of 5.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.915%. Interest on the bonds is payable semi-annually in arrears on 20 April and 20 October in each year.

2017 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 12 September 2017. The bonds can first be redeemed, at the Issuer's discretion, on 12 September 2024 and on every semi-annual interest payment date thereafter. From the issue date to the first reset date (12 September 2024) the bonds will pay interest at a fixed rate of 4.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year USD constant maturity treasury rate) and a margin of 2.844%. Interest on the bonds is payable semi-annually in arrears on 12 March and 12 September in each year.

Senior unsecured issue
The senior unsecured bond, which is denominated in CHF, was issued by Julius Baer Group Ltd. on 6 December 2017. The bonds have a final maturity on 6 December 2024 and pay interest at a fixed rate of 0.375% per annum paid annually on 6 December in each year.

17A DEFERRED TAX ASSETS

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Balance at the beginning of the year	**28.8**	28.8
Income statement – credit	**1.4**	20.2
Income statement – charge	**-13.5**	-9.9
Recognised directly in OCI	**-0.2**	-0.1
Translation differences and other adjustments	**-0.7**	-10.2
Balance at the end of the year	**15.9**	28.8

The components of deferred tax assets are as follows:

Operating loss carryforwards	**14.0**	22.2
Employee compensation and benefits	**5.1**	10.4
Property and equipment	**0.3**	0.2
Valuation adjustments on loans	**0.2**	0.2
Deferred tax assets before set-off[1]	**19.6**	33.2
Offset of intangible assets	**-3.4**	-4.3
Offset of other	**-0.2**	-0.0
Total	**15.9**	28.8

[1] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability as per consolidated entity if that entity is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax assets) into the single components may result in negative amounts (in this case deferred tax liabilities) which are disclosed as offsetting amounts.

Deferred tax assets related to operating loss carryforwards are assessed at each year-end with regard to their sustainability based on the actual three-year business forecast.

17B DEFERRED TAX LIABILITIES

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Balance at the beginning of the year	**59.9**	77.8
Income statement – charge	**20.0**	0.2
Income statement – credit	**-2.4**	-7.9
Acquisition of subsidiaries	**4.7**	-
Recognised directly in OCI	**-5.6**	1.6
Translation differences and other adjustments	**-1.7**	-11.8
Balance at the end of the year	**74.9**	59.9

The components of deferred tax liabilities[1] are as follows:

Provisions	**3.5**	2.7
Property and equipment	**33.3**	14.5
Financial assets measured at FVOCI	**23.5**	25.4
Intangible assets	**29.9**	35.2
Other	**8.9**	13.0
Deferred tax liability before set-off[2]	**99.1**	90.8
Offset of pension liability taxes	**-15.5**	-22.7
Offset of provision	**-**	-2.1
Offset of employee compensation and benefits	**-3.1**	-2.8
Offset of financial assets measured at FVOCI	**-1.9**	-1.5
Offset of other	**-3.6**	-1.7
Total	**74.9**	59.9

1 The temporary differences associated with investments in subsidiaries do not lead to deferred tax liabilities, as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

2 For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability as per consolidated entity if that entity is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax liabilities) into the single components may result in negative amounts (in this case deferred tax assets) which are disclosed as offsetting amounts.

18 PROVISIONS

	Legal risks CHF m	Other CHF m	**2018** **Total** CHF m	2017 Total CHF m
Balance at the beginning of the year	**30.1**	**14.7**	**44.9**	23.0
Utilised during the year	**-13.5**	**-11.0**	**-24.4**	-5.6
Provisions made during the year	**10.3**	**2.0**	**12.3**	36.6
Provisions reversed during the year	**-5.9**	**-2.0**	**-7.9**	-9.4
Translation differences	**-0.2**	**-0.0**	**-0.2**	0.3
Balance at the end of the year	**20.9**	**3.7**	**24.6**	44.9

Maturity of provisions				
Up to one year	**5.8**	**2.4**	**8.3**	24.8
Over one year	**15.1**	**1.3**	**16.3**	20.1

Introduction
The Group operates in a legal and regulatory environment that exposes it to significant litigation, compliance, reputational and other risks arising from disputes and regulatory proceedings.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action or initiating criminal proceedings against the Group and 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, the disgorgement of profit and censures on companies and employees. In certain markets, authorities, such as regulatory authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local laws and regulations. Also, from time to time, the Group is and may be confronted with information and clarification requests and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions etc.) as well as with enforcement procedures with respect to certain topics. As a matter of principle, the Group cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own interests.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Group's future business, results of operations, financial condition and prospects. The 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 administrative proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Group – depending on the status of related proceedings – is difficult to assess.

The Group establishes provisions for pending and threatened legal proceedings if 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 already 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 the case is disclosed as a contingent liability as of 31 December 2018. The 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. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. Most of the aforementioned proceedings are in preliminary procedural stages. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this ruling. In the proceedings initiated by the Liquidators the Bankruptcy Court in New York has decided on certain aspects in December 2018, which are subject to appeal.

In a landmark decision on so-called retrocessions, the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss mandate law a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived to reclaim such fees. Bank Julius Baer & Co. Ltd. has assessed this decision by the Swiss Federal Supreme Court, other relevant court decisions in this context and the mandate structures to which the Court decisions might be applicable and the documentation as well as the impact of respective waivers and the communicated bandwidths having been introduced some years ago, and implemented appropriate measures to address the matter.

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 as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank has been served with a claim from said corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank has been initiated in the plaintiff's country of domicile in the European Union. The verdict dated 25 September 2017 of the court of first instance rejecting its jurisdiction has been reversed by a verdict dated 1 March 2018 of the court of second instance confirming jurisdiction of the first instance court. The Bank has appealed such decision of the second instance to the court of last instance, which confirmed the verdict of the court of first instance on 19 October 2018 in favor of the Bank and hence definitively rejected local jurisdiction, thereby terminating the local litigation against the Bank.

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. According to its media release of 28 September 2015, the COMCO in addition opened an investigation regarding potential collusive behaviour in precious metal trading. Subject to these investigations are Swiss and foreign financial institutes which are active in foreign exchange and precious metal trading, including Julius Baer. The aim of the investigations, which are part of respective international inquiries, is to clarify possible unlawful collusion amongst market participants and possible violation of market behaviour regulations. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. The Zurich Court of Appeal has confirmed such verdict on 23 April 2018. BvS has appealed such verdict to the Swiss Federal Supreme Court, which, on 17 January 2019, partially approved the appeal and rejected the case back to the Zurich Court of Appeal for reassessment. In addition, the claim has been notified by the Bank vis-à-vis the seller 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 an environmental certificate trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014 and been dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the maximal fine possible accordingly was reimbursed to the Bank but deposited again as in July 2017 a new investigatory procedure with respect to the same matter has been initiated against the Bank potentially being brought to the court by the prosecutor. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the late external asset manager allegedly having used his personal account and company account with the Bank for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalised by 51 out of the 62 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. In October 2016, the Bank was served with another claim by additional 15 claimants, claiming a total amount of CHF 4.5 million plus accrued interest. The Bank is contesting the claim and has taken appropriate measures to defend its interests.

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of approximately CHF 91.3 million (plus accrued interest). In December 2017, the Bank has received again a payment order in various currencies in the total amount of approximately CHF 153 million (plus accrued interest), which has been renewed in December 2018 in the total amount of approximately CHF 152.46 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, that were former clients of Bank of China (Suisse) SA having been acquired by Bank Julius Baer & Co. Ltd., in the total amount of USD 29 million (plus accrued interests). Additionally, in October 2015, the claimant filed an amendment of claim in court, by which additionally USD 39 million was claimed. In March 2017, the claimant reduced the totally claimed amount to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequently to the liquidation of almost the entire portfolio of their assets in May 2010, arguing that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) and Petróleos de Venezuela S.A. (PDVSA) in Switzerland and the USA. These requests in particular focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) and in the respective superseding indictment of 25 November 2015 and in the indictment United States of America v. Francisco Convit Guruceaga, et al. of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. The Bank is supporting the inquiries and cooperating with the authorities in the investigations on this matter.

19A OTHER ASSETS

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Precious metals (physical)[1]	**1,921.4**	-
Tax receivables	**1,264.4**	1,109.9
Accounts receivable	**21.4**	26.4
Deposits	**17.4**	17.9
Other	**114.4**	89.3
Total	**3,339.0**	1,243.5

1 Due to transition to IFRS 9, physical precious metals have been reclassified from trading assets to other assets (non-financial assets).

19B OTHER LIABILITIES

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Pension liability	**89.6**	121.2
Taxes other than income taxes	**53.5**	61.6
Accounts payable	**28.3**	27.1
Deferred payments	**54.0**[1]	32.8[2]
Other	**105.7**	117.0
Total	**331.2**	359.6

1 Relates to the deferred purchase price of GPS Investimentos Financeiros e Participações S.A., Reliance Group and Wergen & Partner Vermögensverwaltungs Ltd.
2 Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs Ltd.

20 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF m*
Balance on 01.01.2017	223,809,448	4.5
of which entitled to dividends	*223,809,448*	*4.5*
Balance on 31.12.2017	223,809,448	4.5
of which entitled to dividends	*223,809,448*	*4.5*
Balance on 31.12.2018	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***

ADDITIONAL INFORMATION

21 REPORTING BY SEGMENT

The 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 Communications Officer, Chief Risk Officer, Chief Operating Officer 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 a single reportable segment. This is in line with the strategy and business model of the Group and reflects the management structure and the use of information by management in making operating decisions. Although GPS, Reliance and Kairos represent separate cash-generating units for the purpose of the goodwill impairment testing (refer to Note 12 for details), they do not constitute segments on their own.

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

	31.12.2018	31.12.2017	**2018**	2017	**2018**	2017
	Total assets		Operating income		Investments	
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
Switzerland	**85,167**	84,623	**2,014**	1,897	**117**	128
Europe (excl. Switzerland)	**38,274**	29,328	**602**	664	**10**	7
Americas	**1,138**	1,045	**113**	109	**74**	1
Asia and other countries	**27,604**	26,618	**792**	722	**49**	47
Less consolidation items	**49,286**	43,696	**152**	139		
Total	**102,898**	97,918	**3,368**	3,252	**250**	183

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.

22 RELATED PARTY TRANSACTIONS

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**13.6**	11.8
Post-employment benefits	**0.6**	0.7
Share-based payments	**8.1**	5.8
Total	**22.3**	18.2
Receivables from		
key management personnel	**7.8**	9.2
Total	**7.8**	9.2
Liabilities to		
key management personnel	**12.3**	7.2
own pension funds	**7.7**	8.0
Total	**20.0**	15.2
Credit guarantees to		
key management personnel	**0.1**	0.2
Total	**0.1**	0.2
Income from services provided to		
key management personnel	**0.5**	0.7
Total	**0.5**	0.7

[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 and the Chief Risk Officer.

For shareholdings of the Board of Directors and Executive Board, see section Financial Statements Julius Baer Group Ltd. 2018.

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

The interest rates of the Lombard loans and mortgages are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

23 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 Group 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.

	2018 *CHF m*	2017 *CHF m*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-2,921.8**	-2,687.3
Acquisitions	**-**	-1.1
Current service cost	**-77.4**	-70.3
Employees' contributions	**-44.9**	-42.9
Interest expense on defined benefit obligation	**-19.6**	-16.9
Past service cost, curtailments, settlements, plan amendments	**13.9**	-1.3
Benefits paid (including benefits paid directly by employer)	**74.5**	52.3
Transfer payments in/out	**0.4**	-0.1
Experience gains/(losses) on defined benefit obligation	**-37.1**	-62.0
Actuarial gains/(losses) arising from change in demographic assumptions	**0.7**	-101.3[1]
Actuarial gains/(losses) arising from change in financial assumptions	**98.8**	15.8
Translation differences	**5.3**	-6.7
Present value of defined benefit obligation at the end of the year	**-2,907.2**	-2,921.8
whereof due to active members	***-1,948.1***	*-1,896.6*
whereof due to deferred members	***-50.7***	*-86.7*
whereof due to pensioners	***-908.5***	*-938.4*
Fair value of plan assets at the beginning of the year	**2,808.6**	2,550.4
Acquisitions	**-**	0.9
Interest income on plan assets	**18.9**	16.1
Employees' contributions	**44.9**	42.9
Employer's contributions	**98.6**	94.7
Curtailments, settlements, plan amendments	**-12.9**	-0.6
Benefits paid by fund	**-74.2**	-52.1
Transfer payments in/out	**-0.4**	0.1
Administration cost (excluding asset management cost)	**-1.0**	-1.0
Return on plan assets (excluding interest income)	**-52.4**	152.2
Translation differences	**-4.7**	5.0
Fair value of plan assets at the end of the year	**2,825.3**	2,808.6

[1] In 2017, the Group refined its approach for estimating the life expectancy of the plan participants, using the BVG 2015 mortality table with future improvements determined by calibrating the Continuous Mortality Investigation ('CMI') 2016 model to Swiss population data with a long-term rate of 1.75%. This change in demographic assumptions resulted in an increase of the defined benefit obligation of CHF 93.1 million which was recognised in other comprehensive income.

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
2. Balance sheet		
Fair value of plan assets	**2,825.3**	2,808.6
Present value of defined benefit obligation	**-2,902.1**	-2,918.1
Present value of unfunded benefit obligation	**-5.1**	-3.7
Net defined benefit asset/(liability)	**-81.9**	-113.2

3. Income statement	**2018** *CHF m*	2017 *CHF m*
Current service cost	**-77.4**	-70.3
Interest expense on defined benefit obligation	**-19.6**	-16.9
Past service cost, curtailments, settlements, plan amendments	**0.9**	-1.9
Interest income on plan assets	**18.9**	16.1
Administration cost (excluding asset management cost)	**-1.0**	-1.0
Defined benefit cost recognised in the income statement	**-78.2**	-74.0
whereof service cost	***-77.5***	*-73.2*
whereof net interest on the net defined benefit/(liability) asset	***-0.7***	*-0.8*

4. Movements in defined benefit liability	**2018** *CHF m*	2017 *CHF m*
Net defined benefit asset/(liability) at the beginning of the year	**-113.2**	-136.9
Acquisitions	**-**	-0.2
Translation differences	**0.6**	-1.6
Defined benefit cost recognised in the income statement	**-78.2**	-74.0
Benefits paid by employer	**0.3**	0.2
Employer's contributions	**98.6**	94.7
Remeasurements of the net defined benefit liability/(asset)	**10.0**	4.7
Amount recognised in the balance sheet	**-81.9**	-113.2

Remeasurements of the net defined benefit liability/(asset)	**2018** *CHF m*	2017 *CHF m*
Actuarial gains/(losses) of defined benefit obligation	**62.4**	-147.5
Return on plan assets (excluding interest income)	**-52.4**	152.2
Total recognised in other comprehensive income	**10.0**	4.7

5. Composition of plan assets	**2018** *CHF m*	2017 *CHF m*
Cash	**131.3**	132.8
Debt instruments	**781.7**	751.6
Equity instruments	**942.6**	909.1
Real estate	**445.1**	456.2
Alternative investments	**334.8**	291.5
Other	**189.9**	267.4
Total	**2,825.3**	2,808.6

6. Aggregation of plan assets – quoted market prices in active markets	**2018** *in %*	2017 *in %*
Cash	**4.7**	4.7
Debt instruments	**26.3**	23.6
Equity instruments	**33.4**	32.4
Real estate	**6.9**	7.8
Other	**8.0**	9.0
Total	**79.3**	77.5

7. Sensitivities	**2018** *CHF m*	2017 *CHF m*
Decrease of discount rate -0.25%		
Effect on defined benefit obligation	**-77.9**	-84.4
Effect on service cost	**-2.7**	-2.8
Increase of discount rate +0.25%		
Effect on defined benefit obligation	**73.6**	79.7
Effect on service cost	**2.6**	2.6
Decrease of salary increase -0.25%		
Effect on defined benefit obligation	**9.5**	9.8
Effect on service cost	**0.9**	1.0
Increase of salary increase +0.25%		
Effect on defined benefit obligation	**-9.7**	-10.1
Effect on service cost	**-0.9**	-1.0
Life expectancy		
Increase in longevity by one additional year	**-57.5**	-57.7

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2018. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 97% (2017: 96%) of all benefit obligations and plan assets:

	2018	2017
Discount rate	**0.90%**	0.60%
Average future salary increases	**0.50%**	0.50%
Future pension increases	**0.00%**	0.00%
Duration (years)	**15**	15

Investment in Julius Baer Group Ltd. shares

The pension plan assets are invested in accordance with local laws and do not include shares of Julius Baer Group Ltd.

Expected employer contributions

The expected employer contributions for the 2019 financial year related to defined benefit plans are estimated at CHF 94.0 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 7.7 million (2017: CHF 8.0 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 35.1 million for the 2018 financial year (2017: CHF 32.5 million).

24 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Receivables		
Receivables from cash provided in securities borrowing transactions	**213.2**	56.6
of which recognised in due from banks	***213.2***	*56.6*
Receivables from cash provided in reverse repurchase transactions	**-**	2.6
of which recognised in due from banks	***-***	*2.6*
Obligations		
Obligations to return cash received in securities lending transactions	**304.2**	988.1
of which recognised in due to banks	***304.2***	*988.1*
Obligations to return cash received in repurchase transactions	**134.0**	206.3
of which recognised in due to banks	***134.0***	*206.3*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1,628.2**	2,470.1
of which securities the right to pledge or sell has been granted without restriction	***1,628.2***	*2,470.1*
of which recognised in trading assets	***672.4***	*1,547.7*
of which recognised in financial assets measured at FVOCI	***955.8***	*922.4*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**3,062.5**	2,872.3
of which repledged or resold securities	***2,988.6***	*2,834.7*

The Group enters into fully collateralised securities borrowing and securities lending transactions and repurchase and reverse repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfil the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets which continue to be recognised on the balance sheet are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

25 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	77,793.0	590.9	537.3
Futures	108.9	0.0	0.4
Cross-currency swaps	3,345.2	19.1	28.0
Options (OTC)	27,789.0	338.0	215.3
Total foreign exchange derivatives 31.12.2018	**109,036.2**	**948.0**	**781.0**
Total foreign exchange derivatives 31.12.2017	112,581.5	901.3	793.3
Interest rate derivatives			
Swaps	14,518.8	95.0	92.1
Futures	440.4	5.4	0.5
Options (OTC)	313.4	7.9	4.9
Total interest rate derivatives 31.12.2018	**15,272.6**	**108.2**	**97.5**
Total interest rate derivatives 31.12.2017	13,763.6	106.8	98.9
Precious metals derivatives			
Forward contracts	2,476.9	73.3	35.4
Futures	92.5	0.1	2.0
Options (OTC)	3,024.2	112.6	33.7
Options (traded)	428.7	-	17.2
Total precious metals derivatives 31.12.2018	**6,022.3**	**186.0**	**88.3**
Total precious metals derivatives 31.12.2017	6,690.7	175.4	55.9
Equity/indices derivatives			
Futures	962.3	17.8	13.9
Options (OTC)	8,192.6	299.3	224.8
Options (traded)	10,301.2	532.5	468.3
Total equity/indices derivatives 31.12.2018	**19,456.0**	**849.7**	**707.0**
Total equity/indices derivatives 31.12.2017	24,364.7	758.7	1,051.4
Other derivatives			
Futures	233.1	23.2	0.9
Total other derivatives 31.12.2018	**233.1**	**23.2**	**0.9**
Total other derivatives 31.12.2017	168.7	0.8	5.3

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	300.3	1.1	6.2
Total return swaps	61.9	2.5	0.5
Total credit derivatives 31.12.2018	**362.2**	**3.6**	**6.7**
Total credit derivatives 31.12.2017	386.5	2.6	6.6
Total derivatives held for trading 31.12.2018	**150,382.4**	**2,118.7**	**1,681.4**
Total derivatives held for trading 31.12.2017	157,955.7	1,945.6	2,011.3

Derivatives held for hedging

Derivatives designated as fair value hedges			
Interest rate swaps	2,204.2	9.8	37.9
Total derivatives held for hedging 31.12.2018	**2,204.2**	**9.8**	**37.9**
Total derivatives held for hedging 31.12.2017	2,590.9	17.1	47.9
Total derivative financial instruments 31.12.2018	**152,586.6**	**2,128.5**	**1,719.3**
Total derivative financial instruments 31.12.2017	160,546.6	1,962.7	2,059.2

26A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	31.12.2018 Carrying value CHF m	31.12.2018 Fair value CHF m	31.12.2017 Carrying value CHF m	31.12.2017 Fair value CHF m
Financial assets measured at amortised cost				
Cash	**15,835.5**	**15,835.5**	10,862.9	10,862.9
Due from banks	**9,228.8**	**9,236.7**	8,308.9	8,313.9
Loans	**45,323.2**	**45,799.4**	46,623.7	47,035.5
Accrued income/other assets	**380.5**	**380.5**	355.9	355.9
Total	**70,767.9**	**71,252.1**	66,151.4	66,568.3
Financial assets measured at FVTPL				
Trading assets	**8,415.6**	**8,415.6**	11,255.9	11,255.9
Derivative financial instruments	**2,128.5**	**2,128.5**	1,962.7	1,962.7
Financial assets designated at fair value	**298.8**	**298.8**	277.3	277.3
Total	**10,842.9**	**10,842.9**	13,495.9	13,495.9
Financial assets measured at FVOCI				
Financial assets measured at fair value through other comprehensive income (FVOCI)	**14,587.6**	**14,587.6**	12,246.5	12,246.5
Total	**14,587.6**	**14,587.6**	12,246.5	12,246.5
Total financial assets	**96,198.3**	**96,682.5**	91,893.8	92,310.7

Financial liabilities

	31.12.2018 Carrying value *CHF m*	31.12.2018 Fair value *CHF m*	31.12.2017 Carrying value *CHF m*	31.12.2017 Fair value *CHF m*
Financial liabilities at amortised costs				
Due to banks	**6,892.2**	**6,904.3**	7,209.5	7,209.6
Due to customers	**71,506.4**	**71,554.4**	67,636.8	67,640.3
Debt issued	**1,503.3**	**1,475.9**	1,777.0	1,839.2
Accrued expenses	**240.6**	**240.6**	192.7	192.7
Other liabilities	**28.3**	**28.3**	27.1	27.1
Total	**80,170.8**	**80,203.5**	76,843.1	76,908.9
Financial liabilities measured at FVTPL				
Trading liabilities	**132.5**	**132.5**	135.8	135.8
Derivative financial instruments	**1,719.3**	**1,719.3**	2,059.2	2,059.2
Financial liabilities designated at fair value	**13,703.6**	**13,703.6**	11,836.7	11,836.7
Deferred payments	**54.0**[1]	**54.0**	32.8[2]	32.8
Total	**15,609.4**	**15,609.4**	14,064.5	14,064.5
Total financial liabilities	**95,780.2**	**95,812.8**	90,907.6	90,973.4

[1] Relates to the deferred purchase price of GPS Investimentos Financeiros e Participações S.A., Reliance Group and Wergen & Partner Vermögensverwaltungs Ltd, see Notes 27 and 28.
[2] Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs Ltd, see Notes 27 and 28.

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 includes the balance sheet items cash and, depending on the maturity, due from banks, loans, financial assets measured at FVOCI, 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 carrying value generally approximates the fair value.

Long-term financial instruments
Depending on the maturity, these include the following balance sheet items: due from banks, loans, 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, 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 assets measured at fair value through other comprehensive income, derivative financial instruments and financial liabilities designated at fair value
Refer to Note 26B for details regarding the valuation of these instruments.

26B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

Level 1
For trading assets as well as for certain financial assets measured at fair value through other comprehensive income and exchange-traded derivatives 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 or are not derived from active markets, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unquoted financial instruments, 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.

Trading assets at FVTPL and *financial assets at FVOCI:* The Group holds a limited number of shares in companies in adjacent business area, which are measured at fair value through profit or loss. Additionally, the Group holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at fair value through other comprehensive income, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2018, dividends related to these investments in the amount of CHF 7.0 million (2017: CHF 6.7 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Group issues 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 are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The related issued notes are reported as financial liabilities designated at fair value and classified as level 3 instruments, 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:

				31.12.2018
	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**Total** *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	1,964.3	114.3	-	2,078.6
Trading – equity instruments at FVTPL	5,240.1	1,082.6	14.3	6,337.0
Total trading assets	**7,204.4**	**1,196.8**	**14.3**	**8,415.6**
Foreign exchange derivatives	2.7	945.3	-	948.0
Interest rate derivatives	5.4	112.6	-	118.0
Precious metal derivatives	0.1	185.9	-	186.0
Equity/indices derivatives	17.8	831.9	-	849.7
Credit derivatives	-	3.6	-	3.6
Other derivatives	23.2	-	-	23.2
Total derivative financial instruments	**49.3**	**2,079.2**	**-**	**2,128.5**
Financial assets designated at fair value	**19.4**	**81.5**	**197.9**	**298.8**
Debt instruments at FVOCI	10,665.6	3,776.6	-	14,442.2
Equity instruments at FVOCI	-	-	145.3	145.3
Financial assets measured at FVOCI	**10,665.6**	**3,776.6**	**145.3**	**14,587.6**
Total assets	**17,938.7**	**7,134.2**	**357.5**	**25,430.4**
Short positions – debt instruments	10.2	-	-	10.2
Short positions – equity instruments	108.1	14.2	-	122.3
Total trading liabilities	**118.2**	**14.2**	**-**	**132.5**
Foreign exchange derivatives	3.0	777.9	-	781.0
Interest rate derivatives	0.5	134.9	-	135.4
Precious metal derivatives	2.0	86.3	-	88.3
Equity/indices derivatives	13.9	693.1	-	707.0
Credit derivatives	-	6.7	-	6.7
Other derivatives	0.9	-	-	0.9
Total derivative financial instruments	**20.4**	**1,698.9**	**-**	**1,719.3**
Financial liabilities designated at fair value	**-**	**13,413.0**	**290.6**	**13,703.6**
Deferred payments	**-**	**-**	**54.0**	**54.0**
Total liabilities	**138.6**	**15,126.1**	**344.6**	**15,609.4**

	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	31.12.2017 Total CHF m
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	1,918.2	352.5	-	2,270.7
Trading – equity instruments at FVTPL	6,991.4	1,993.8	-	8,985.2
Total trading assets	8,909.6	2,346.3	-	11,255.9
Foreign exchange derivatives	5.0	896.3	-	901.3
Interest rate derivatives	1.1	122.8	-	123.9
Precious metal derivatives	1.2	174.1	-	175.4
Equity/indices derivatives	11.1	747.6	-	758.7
Credit derivatives	-	2.6	-	2.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	19.2	1,943.5	-	1,962.7
Financial assets designated at fair value	14.0	108.9	154.4	277.3
Financial investments available-for-sale – money market instruments	249.8	1,941.3	-	2,191.1
Debt instruments at FVOCI	8,908.9	959.7	-	9,868.6
Equity instruments at FVOCI	33.4	7.8	145.6	186.8
Financial assets measured at FVOCI	9,192.1	2,908.8	145.6	12,246.5
Total assets	18,134.8	7,307.6	300.0	25,742.4
Short positions – debt instruments	9.4	-	-	9.4
Short positions – equity instruments	82.4	44.0	-	126.5
Total trading liabilities	91.8	44.0	-	135.8
Foreign exchange derivatives	5.0	788.3	-	793.3
Interest rate derivatives	1.5	145.3	-	146.8
Precious metal derivatives	0.2	55.6	-	55.9
Equity/indices derivatives	11.6	1,039.7	-	1,051.4
Credit derivatives	-	6.6	-	6.6
Other derivatives	5.3	-	-	5.3
Total derivative financial instruments	23.7	2,035.5	-	2,059.2
Financial liabilities designated at fair value	-	11,557.6	279.1	11,836.7
Deferred payments	-		32.8	32.8
Total liabilities	115.5	13,637.1	311.9	14,064.5

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

	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**31.12.2018** **Total** *CHF m*
Financial assets and liabilities disclosed at fair value				
Cash	15,835.5	-	-	15,835.5
Due from banks	-	9,236.7	-	9,236.7
Loans	-	45,799.4	-	45,799.4
Accrued income/other assets	-	380.5	-	380.5
Total assets	**15,835.5**	**55,416.6**	**-**	**71,252.1**
Due to banks	-	6,904.3	-	6,904.3
Due to customers	-	71,554.4	-	71,554.4
Debt issued	1,475.9	-	-	1,475.9
Accrued expenses	-	240.6	-	240.6
Total liabilities	**1,475.9**	**78,699.3**	**-**	**80,175.2**

	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*	31.12.2017 Total *CHF m*
Financial assets and liabilities disclosed at fair value				
Cash	10,862.9	-	-	10,862.9
Due from banks	-	8,313.9	-	8,313.9
Loans	-	47,035.5	-	47,035.5
Accrued income/other assets	-	355.9	-	355.9
Total assets	10,862.9	55,705.3	-	66,568.3
Due to banks	-	7,209.6	-	7,209.6
Due to customers	-	67,640.3	-	67,640.3
Debt issued	1,839.2	-	-	1,839.2
Accrued expenses	-	192.7	-	192.7
Total liabilities	1,839.2	75,042.6	-	76,881.8

26C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Transfers from level 1 to level 2		
Trading assets	5.7	417.7
Financial assets measured at FVOCI	35.3	-
Trading liabilities	-	10.0
Transfers from level 2 to level 1		
Trading assets	39.6	57.8
Financial assets measured at FVOCI	99.0	22.6
Financial assets designated at fair value	3.6	-
Trading liabilities	-	2.6

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.

26D FINANCIAL INSTRUMENTS – OFFSETTING

As a private bank, the Group aims to enter into securities transactions and derivative financial instruments. In order to control the credit exposure and reduce the credit risk related to these transactions, the Group applies credit mitigation strategies in the ordinary course of business. The Group enters into master netting agreements with counterparties to mitigate the credit risk of securities lending and borrowing transactions, repurchase and reverse repurchase transactions and 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 financial instruments are collateralised, with the collateral being prime financial instruments or cash.

However, under IFRS, to be able to offset transactions with the same counterparty on the balance sheet, the 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. Consequently, the remaining credit risk on securities lending and borrowing as well as on repurchase and reverse repurchase transactions is fully mitigated.

Securities transactions: As the Group does not apply netting on its balance sheet, the cash collateral provided in securities borrowing and reverse repurchase transactions in the amount of CHF 213.2 million (2017: CHF 59.3 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 438.2 million (2017: CHF 1,194.5 million) as disclosed in Note 24 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 1,549.4 million (positive replacement values) and CHF 1,216.0 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. Additionally, there are derivative financial instruments in the amount of CHF 1,670.2 million (2017: CHF 1,618.6 million) which could be offset with the corresponding outstanding amount.

Refer to the credit risk section for further analysis of the Group's credit risk strategies and exposure.

27A COMPANIES CONSOLIDATED

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.2018 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.5	7,836
Swiss securities number: 10 248 496, Ticker symbol: BAER					

Unlisted operational companies which are consolidated as at 31 December 2018

	Head Office	Currency	Share capital m	Equity interest %
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore,				
Sion, St. Gallen, St. Moritz, Verbier, Zug, Zurich				
Representative Offices in Abu Dhabi, 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 Deutschland AG	Frankfurt	EUR	15.000	100
Branches in Berlin, Duesseldorf, Hamburg, Hannover, Kiel,				
Mannheim, Munich, Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer Europe S.A.	Luxembourg	EUR	93.165	100
Branch in Dublin				
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	85.000	100
Julius Baer Bank (Bahamas) Limited	Nassau	CHF	20.000	100

	Head Office	Currency	Share capital m	Equity interest %
Fransad Gestion SA	Geneva	CHF	1.000	100
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (Singapore) Limited	*Singapore*	*SGD*	*2.812*	*100*
JB Funding (Hong Kong) Limited	Hong Kong	USD	0.000	100
JB Participações Brasil Ltda.	São Paulo	BRL	552.016	100
including				
Reliance Capital Participações Ltda. (Reliance Group)	*São Paulo*	*BRL*	*1.462*	*100*
GPS Investimentos Financeiros e Participações S.A.	*São Paulo*	*BRL*	*0.280*	*100*
including				
CFO Administração de Recursos Ltda.	*São Paulo*	*BRL*	*0.064*	*100*
GPS Planejamento Financeiro Ltda.	*São Paulo*	*BRL*	*0.207*	*100*
Branches in Belo Horizonte, Rio de Janeiro				
JB Participations Ltd.	Zurich	CHF	15.000	100
Julius Baer Advisory S.A.E.	Cairo	EGP	12.847	100
Julius Baer Advisory (Uruguay) S.A.	Montevideo	UYU	0.087	100
Julius Baer Agencia de Valores, S.A.U.	Madrid	EUR	0.902	100
Julius Baer (Chile) SpA	Santiago de Chile	CLP	498.928	100
Julius Baer CIS Ltd.	Moscow	RUB	5.000	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.p.A.	Milan	EUR	0.100	100
Julius Baer Financial Services (Channel Islands) Limited	Jersey	GBP	0.025	100
Julius Baer Financial Services (Israel) Ltd.	Tel Aviv	ILS	11.000	100
Julius Baer Gestión, SGIIC, S.A.U.	Madrid	EUR	2.100	100
Julius Baer International Advisory (Uruguay) S.A.	Montevideo	USD	1.600	100
Julius Baer International Limited	London	GBP	130.200	100
Branches in Edinburgh, Leeds, Manchester				

	Head Office	Currency	Share capital m	Equity interest %
JULIUS BAER INTERNATIONAL SHARED SERVICES CENTER (URUGUAY) S.A.	Montevideo	UYU	1.340	100
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Julius Baer Investments (Panama) S.A.	Panama City	USD	22.630	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) Limited	Guernsey	CHF	0.065	100
Julius Baer (Singapore) Pte. Ltd.	Singapore	USD	10.000	100
Julius Baer (South Africa) Proprietary Limited	Johannesburg	ZAR	22.357	100
Julius Baer Wealth Advisors (India) Private Limited	Mumbai	INR	10,081.410	100
Branches in Bangalore, Chennai, Kolkata, New Delhi				
including				
Julius Baer Capital (India) Private Limited	*Mumbai*	*INR*	*2,334.350*	*100*
Branch in New Delhi				
Julius Bär Nomura Wealth Management Ltd.	Zurich	CHF	5.700	60
Branch in Tokyo				
Julius Baer Wealth Management (Monaco) S.A.M.	Monaco	EUR	0.465	100
Julius Baer (Bahrain) B.S.C. (c)	Manama	BHD	1.000	100
Julius Baer (Lebanon) S.A.L.	Beirut	LBP	2,000.000	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Julius Baer (Netherlands) B.V.	Amsterdam	EUR	0.000	100
Kairos Investment Management S.p.A.	Milan	EUR	2.355	100
including				
KAIROS ASSET MANAGEMENT SA	*Lugano*	*CHF*	*0.600*	*100*
Kairos Investment Management B.V.	*Amsterdam*	*EUR*	*1.000*	*100*
– including Kairos Investment Management Limited	*London*	*GBP*	*5.884*	*100*
Kairos Partners SGR S.p.A.	*Milan*	*EUR*	*5.084*	*100*
– Representative Offices in Rome, Turin				

	Head Office	Currency	Share capital *m*	Equity interest *%*
PINVESTAR AG	Zug	CHF	0.100	100
PT Julius Baer Advisors Indonesia (in liquidation)	Jakarta	IDR	6,725.000	100
Wergen & Partner Vermögensverwaltungs Ltd	Zurich	CHF	0.100	100
Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten	Zurich	CHF	2.260	100
LOTECO Foundation	Zurich	CHF	0.100	100

Major changes in the companies consolidated (2018):

- Reliance Capital Participações Ltda. (Reliance Group), São Paulo, new
- Julius Baer Bank & Trust (Bahamas) Ltd., Bahamas, name changed into Julius Baer Bank (Bahamas) Limited, Bahamas
- Bank Julius Baer Luxembourg S.A., Luxembourg, name changed into Bank Julius Baer Europe S.A., Luxembourg
- Bank Julius Bär Europe AG, Frankfurt, name changed into Bank Julius Bär Deutschland AG, Frankfurt
- Julius Baer (South Africa) Proprietary Limited, Johannesburg, new
- Julius Baer CIS Ltd., Moscow, new

27B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
NSC Asesores, S.C., Asesor en Inversiones Independiente	Mexico City	MXN	1.903	40
SCB-Julius Baer Securities Co., Ltd.	Bangkok	THB	1.800	40

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Balance at the beginning of the year	**28.2**	29.4
Additions	**19.7**	-
Income	**1.9**	1.9
Dividend paid	**-1.9**	-1.9
Translation differences	**0.2**	-1.2
Balance at the end of the year	**48.1**	28.2

NSC Asesores (2015)
On 6 November 2015, the Group acquired 40% of the Mexico-City-based NSC Asesores, S.C., Asesor en Inversiones Independiente, which is specialised in discretionary portfolio management and advisory services for high net worth individuals. The Group paid half of the consideration in the amount of CHF 14.5 million in cash for this interest, which was fully funded by existing excess capital of the Group. The Group agreed on two additional payments of CHF 7.1 million each on 6 November 2016 and 2017, respectively, for the outstanding purchase price, which were both performed as agreed. The Group also received two options to acquire additional interests of 30% per option in NSC Asesores at a predetermined relative price. The first option will be executed in 2019, the second one is exercisable in 2021.

The net profit of the year amounts to CHF 4.5 million (2017: CHF 5.0 million).

SCB-Julius Baer Securities Co., Ltd. (2018)
In March 2018, the Group signed a strategic agreement with Siam Commercial Bank (SCB) that intends to establish a jointly formed entity focusing on bringing the most relevant and impactful advice and solutions to the growing Thai private banking market and its increasingly sophisticated clients.

The entity seamlessly combines SCB's strong brand credibility and wealth management expertise with Julius Baer's full suite of international wealth management capabilities and advisory services. Once operating, the cooperation immediately complements SCB's existing private banking capabilities whilst opening access for the Group to the fast-growing Thai wealth management market. The entity operates via domestic and international companies in Thailand and Singapore, respectively, and provides a unique and holistic global wealth management proposition tailored to the needs of its Thai client base.

The Group holds 40% in the entity and therefore treats it as an associate; its share of CHF 19.7 million has been contributed in 2018 in cash. The Group holds an option to increase its share to 49% step-by-step over time, with the option being exercisable at the equity value of the entity at the times of exercise. The entity is currently in its collaboration phase and will take up its full operations during 2019.

27C 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.

28 ACQUISITIONS AND DISPOSALS

The following transactions were executed:

Reliance Capital Participações Ltda. (Reliance Group), São Paulo (2018)
On 4 June 2018, the Group acquired 95% of the São Paulo-based Reliance Group (Reliance). Reliance is one of the largest independent wealth managers in Brazil, with client assets mainly in advisory mandates. This acquisition significantly strengthens Julius Baer's strategic position in Brazil, where the Group is already present with the wholly owned GPS Investimentos (GPS), the country's largest independent wealth manager.

The purchase price of total CHF 71.4 million has been and will be paid in cash in several tranches over a maximum of three years since the acquisition date, the timing of the payments being dependent on certain conditions to be achieved and the tranches also being contingent on the future growth rate of the business. The purchase price is and will be fully funded by existing excess capital of the Group.

As part of the purchase agreement, the Group received the right (but not the obligation) to purchase the remaining 5% of Reliance through a call option at a contractually agreed fixed amount. In case the Group does not exercise the call option until a specific date, the sellers have the right (but not the obligation) to sell the remaining 5% to the Group at the same contractually agreed fixed amount. Therefore, for accounting purposes, the Group acquired already 100% of Reliance; hence, the above-mentioned purchase price of CHF 71.4 million includes the exercise price (the fixed amount) of the option.

For the 12 months ended 31 December 2018, Reliance recorded CHF 19.4 million operating income and CHF 6.5 million net profit. Since its acquisition on 4 June 2018, the entity has contributed CHF 11.9 million operating income and CHF 3.8 million net profit to the Group.

The assets and liabilities of Reliance have been provisionally recorded as follows:

	Fair value *CHF m*
Purchase price	
Cash	33.8
Contingent deferred purchase price (liabilities)	37.6
Total	71.4
Due from banks	2.1
Loans[1]	3.1
All other assets	0.4
Assets acquired	5.6
Deferred tax liabilities	4.7
All other liabilities	2.1
Liabilities assumed	6.9
Goodwill and other intangible assets	
Goodwill	42.0
Customer relationships	30.6
Total	72.7

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 3.1 million.

Kairos (2018/2016)
On 8 January 2018, the Group announced the purchase of the outstanding 20% shares in the Milan-based company Kairos Investment Management S.p.A., following its initial purchase of 19.9% in 2013 and the additional 60.1% interest in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice and fits into the Group's growth strategy. Kairos continues to operate under its brand.

The difference between the amount of the former non-controlling interests (NCI) recognised on the balance sheet and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

Julius Bär Wealth Management AG/Julius Bär Nomura Wealth Management Ltd. (2018)
On 27 September 2018, the Group announced to dispose of 40% non-controlling interests in its wholly owned Japanese-market-focused subsidiary Julius Bär Wealth Management AG (JBWM) to Nomura. This new equity investment by Nomura represents a significant step forward for both firms' strategic ambition for the Japanese market and will provide the Group access to Nomura's high net worth franchise. Upon completion of the transaction, JBWM's name has been changed to Julius Bär Nomura Wealth Management Ltd.

The Group recognises non-controlling interests (NCI) in its financial statements in the amount of the proportionate equity of JBWM sold. The difference between the portion of JBWM's equity sold (CHF 2.0 million at the time of disposal) and the selling price (CHF 7.0 million) is recognised in the Group's equity (retained earnings), as it is a transaction with equity holders in their capacity as equity holders (meaning that no profit can be recognised in the income statement from such transactions). The carrying amount of JBWM's assets, including goodwill, or liabilities are not adjusted in the Group's consolidated financial statements.

Wergen & Partner Vermögensverwaltungs Ltd, Zurich (2017)
In February 2017, the Group acquired the Zurich-based Wergen & Partner Vermögensverwaltungs Ltd.

The purchase price, including the deferred portions due in February 2019 and February 2021, of CHF 13.5 million has been and will be paid in cash and is fully funded by existing excess capital of the Group.

The assets and liabilities of Wergen & Partner Vermögensverwaltungs Ltd were recorded as follows (unchanged since 2017):

	Fair value *CHF m*
Purchase price	
Cash	5.5
Deferred purchase price	8.0
Total	13.5
All other assets	2.1
Assets acquired	2.1
All other liabilities	0.7
Liabilities assumed	0.7
Goodwill and other intangible assets	
Goodwill	4.7
Customer relationships	7.4
Total	12.1

29 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2018. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Group's overall compensation landscape is described in the chapter Remuneration Report of this Annual Report.

The Group hedges its liabilities from share-based payments by purchasing the shares on the market on grant date through the LOTECO Foundation (Foundation). Until vesting, the granted shares and performance units are administered by the Foundation.

Deferred variable compensation plans

Cash-based variable compensation – Deferred Cash Plan

The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DCP grant is generally made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. These annually granted deferred cash awards vest in equal one-third tranches, subject to continued employment, and accrued over a three-year plan period. The DCP may be granted outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long-Term Incentive Plan award (as described below).

Equity-based variable compensation – Premium Share Plan

The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Group through its share price. A PSP grant is made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. The employee is granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee then receives an additional share award representing a further one third of the number of shares granted to him or her at the beginning of the plan period.

Equity-based variable compensation – Equity Performance Plan

The Equity Performance Plan (EPP) is a key part of the Julius Baer compensation model. One of the Compensation Committee's objectives was to create a robust long-term incentive mechanism for key employees. The EPP is an equity plan which seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Group.

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and, as from performance year 2017, individual contribution in the reporting period (as part of the adjustment to the performance alignment approach for the year's EPP awards). 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, current as well as projected future contributions to the Group, defined total pay mix and level of responsibility.

The EPP is an annual rolling equity grant (made in February each year) that awards Performance Units to eligible participants subject to individual performance in the reporting period and future performance-based requirements. The EPP award reflects the value of the individual for the current and future success of the business and more closely links an individual's compensation to his or her contribution to the future performance of the Group.

The goal of the EPP is to incentivise participants in two ways:

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with the Group for three years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cap serves to limit EPP awards so as to avoid any unforeseen outcome of the final EPP multiplier resulting in unintentionally high or excessive levels of compensation. A high level of performance is required to attain a maximum share delivery (creating a maximum uplift of 50% of the Performance Units granted), with low-level performance leading to potential nil compensation.

The KPI targets are set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. Extremely high (and, thus, unrealistic) performance targets are avoided, so as not to incentivise excessive risk taking by executives and other managerial staff.

Integration Incentive Award (for former Bank of America Merrill Lynch relationship managers)
As part of Julius Baer's integration of Bank of America Merrill Lynch's IWM business, key relationship managers from IWM were offered participation in the Integration Incentive Award (a cash- and share-based plan) which was designed to incentivise individuals to join the Group and move clients and assets to the Group. No new grants under the Integration Incentive Award have been made since 2015.

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.

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

An LTI granted in these circumstances generally runs over a three-year plan period. The Group 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 a 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. 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.

Staff Participation Plan (SPP)
The SPP is offered to most of the Group's global employee population. Some individuals or employees in specific locations are excluded from participating because, for example, the employees concerned are participants in another Group equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal or regulatory reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer Group Ltd. shares at the prevailing market price,

and for every three shares so purchased they will receive one additional share free of charge. These free shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

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

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

	31.12.2018		31.12.2017	
	Number of units Economic Profit	Number of units Total Shareholder Return	Number of units Economic Profit	Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**761,811**	**761,811**	786,081	786,081
Granted during the year	**283,483**	**283,483**	304,427	304,427
Exercised during the year	**-246,221**	**-246,221**	-216,975	-216,975
Forfeited during the year	**-12,687**	**-12,687**	-111,722	-111,722
Unvested units outstanding, at the end of the year	**786,386**	**786,386**	761,811	761,811

	31.12.2018	31.12.2017
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**1,363,160**	1,358,893
Granted during the year	**521,446**	597,184
Vested during the year	**-611,868**	-536,703
Forfeited during the year	**-35,642**	-56,214
Unvested shares outstanding, at the end of the year	**1,237,096**	1,363,160
Weighted average fair value per share granted (CHF)	**60.49**	47.07
Fair value of outstanding shares at the end of the year (CHF 1,000)	**43,311**	81,244

	31.12.2018	31.12.2017
Integration Incentive Award		
Unvested shares outstanding, at the beginning of the year	**360,545**	668,263
Vested during the year	**-360,545**	-264,269
Forfeited during the year	**-**	-43,449
Unvested shares outstanding, at the end of the year	**-**	360,545
Fair value of outstanding shares at the end of the year (CHF 1,000)	**-**	21,488

Long-Term Incentive Plan	**31.12.2018**	31.12.2017
Unvested shares outstanding, at the beginning of the year	**549,652**	580,261
Granted during the year	**453,430**	229,008
Vested during the year	**-359,663**	-224,598
Forfeited during the year	**-78,898**	-35,019
Unvested shares outstanding, at the end of the year	**564,521**	549,652
Weighted average fair value per share granted (CHF)	**58.95**	52.41
Fair value of outstanding shares at the end of the year (CHF 1,000)	**19,764**	32,759

Staff Participation Plan	**31.12.2018**	31.12.2017
Unvested shares outstanding, at the beginning of the year	**114,518**	115,606
Granted during the year	**34,620**	42,654
Vested during the year	**-30,656**	-37,920
Forfeited during the year	**-3,880**	-5,822
Unvested shares outstanding, at the end of the year	**114,602**	114,518
Weighted average fair value per share granted (CHF)	**60.67**	48.91
Fair value of outstanding shares at the end of the year (CHF 1,000)	**4,012**	6,825

Compensation expense recognised for the various participation plans are:

Compensation expense	**31.12.2018** *CHF m*	31.12.2017 *CHF m*
Equity Performance Plan	**30.6**	36.7
Premium Share Plan	**28.5**	26.9
Integration Incentive Award	**0.7**	4.7
Long-Term Incentive Plan	**16.6**	12.4
Staff Participation Plan	**1.9**	1.8
Total	**78.4**	82.4

30 ASSETS UNDER MANAGEMENT

Assets under management include all bankable assets managed by or deposited with the Group for investment purposes. Assets included are portfolios of wealth management clients for which the Group provides discretionary or advisory asset management services. Assets deposited with the Group held for transactional or safekeeping/custody purposes, and for which the Group does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with 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. Generally reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management 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

	2018 CHF m	2017 CHF m	Change %
Assets with discretionary mandate	**59,579**	62,781	-5.1
Other assets under management	**316,648**	318,941	-0.7
Assets in collective investment schemes managed by the Group[1]	**5,847**	6,700	-12.7
Total assets under management (including double counting)	**382,074**	388,422	-1.6
of which double counting	***9,283***	*9,963*	*-6.8*
Change through net new money	**17,413**	22,157	
Change through market and currency impacts	**-26,762**	35,912	
Change through acquisition	**4,502**[2]	395[3]	
Change through divestment	**-1,380**[4]	-97[4]	
Change through other effects	**-121**[5]	-6,106[5]	
Client assets	**443,860**	457,134	-2.9

1 Collective investment schemes are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, and to Kairos Investment Management S.p.A., Milan.
2 In June 2018, the Group acquired Reliance Capital Participações (Reliance Group), São Paulo.
3 In February 2017, the Group acquired Wergen & Partner Vermögensverwaltungs Ltd, Zurich.
4 Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries.
5 Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

Client assets are defined as all bankable assets managed by or deposited with the Group companies for investment purposes and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, 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.

Breakdown of assets under management

	2018 %	2017 %
By types of investment		
Equities	**26**	28
Bonds (including convertible bonds)	**20**	19
Investment funds	**25**	26
Money market instruments	**4**	3
Client deposits	**19**	18
Structured products	**5**	5
Other	**1**	1
Total	**100**	100
By currencies		
CHF	**10**	10
EUR	**22**	23
USD	**46**	45
GBP	**4**	4
SGD	**2**	2
HKD	**3**	4
RUB	**1**	1
CAD	**1**	1
Other	**11**	10
Total	**100**	100

31 REQUIREMENTS OF SWISS BANKING LAW

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Switzerland-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is based on the regulations of the Swiss Code of Obligation, on Swiss Banking Law and the Ordinance thereto, and on the guidelines of the FINMA Circular 2015/1 'Accounting Banks'.

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

Under IFRS, expected credit losses are recognised at initial recognition of any financial instrument. Subsequently, the amount of the expected credit losses is updated at each reporting date to reflect changes in the credit risk of the respective instrument. Under Swiss GAAP, a collective allowance for credit losses is established to account for latent default risks collectively or individually; the allowance is determined on the basis of faithfully estimated default rates or other empirical data.

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

Under IFRS, goodwill is not amortised but tested for impairment annually, and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

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

On 21 December 2018, the Group announced to dispose of its domestic business in the Netherlands by selling 100% of the share capital in Julius Baer (Netherlands) B.V. to Wealth Management Partners N.V. The transaction is expected to close in the second quarter of 2019 and will not have a material impact on the Group's financial statements.

There are no other events to report that had an influence on the balance sheet or the income statement for the 2018 financial year.

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

KPMG

Statutory Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Julius Baer Group Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 84 to 200) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Goodwill impairment testing

Litigation and regulatory proceedings

Valuation of financial instruments

Impairment of loans

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Goodwill impairment testing

Key Audit Matter	Our response
As at 31 December 2018, the Group recognises goodwill of CHF 2,092.9m arising from a number of historic and recent acquisitions. Due to the significance of the Group's recognised goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment. Goodwill impairment testing is performed at the level of cash generating units ('CGUs') and relies on estimates of value-in-use based on discounted future cash flows. Uncertainty is typically highest for those CGUs where headroom between value-in-use and carrying value is limited and where the value-in-use is most sensitive to estimates of future cash flows and other key assumptions.	Our procedures included the assessment of the Group's process and key controls for the testing of goodwill impairment, including the assumptions used. We tested key assumptions forming the Group's value-in-use calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance. With the assistance of our own valuation specialists, we critically assessed the assumptions and methodologies used to determine the value-in-use for those CGUs where significant goodwill was found to be sensitive to changes in those assumptions. On an overall basis, we also evaluated the aggregate values-in-use determined by the Group to its market capitalisation. Additionally, we considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing, also refer to note 12 to the consolidated financial statements on pages 148 to 150.

Litigation and regulatory proceedings

Key Audit Matter	Our response
As at 31 December 2018, the Group recognizes provisions for legal risks of CHF 20.9m arising from litigation and regulatory proceedings (together 'legal and regulatory matters'). The Group is involved in a number of legal and regulatory matters which could have a material effect on the Group but do not qualify for the recognition of a provision. These matters are disclosed as contingent liabilities.	Our procedures included the assessment of key controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters. We paid particular attention to significant matters that experienced notable developments or that emerged during the period. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of legal and regulatory matters requires significant judgment.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Group's internal and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes.

Additionally we considered whether the Group's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

For further information on litigation and regulatory proceedings, also refer to note 18 to the consolidated financial statements on pages 159 to 162.

Valuation of financial instruments

Key Audit Matter

As at 31 December 2018, the Group reports financial assets of CHF 25,430.4m and financial liabilities of CHF 15,555.4m measured at fair value representing 24.7% and 15.1% of total assets and total liabilities respectively.

Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments.

The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Group.

Our response

Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Group in determining fair values.

For the Group's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists.

Additionally, we assessed whether the fair value determination is appropriately disclosed.

For further information on the valuation of financial instruments, also refer to notes 26B and 26C to the consolidated financial statements on pages 177 to 181.

Impairment of loans

Key Audit Matter	Our response
As at 31 December 2018, the Group reports loans of CHF 45,323.2m representing 44.0% of total assets and records a credit loss allowance of CHF 31.4m. Loans are measured at amortised cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts. The portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.	Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Group to assess the adequacy of impairment allowances for individually assessed loans. For a sample of loans with specific allowances for credit losses we evaluated the Group's individual impairment assessment and specifically challenged the Group's assumptions used, including the value of realisable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Group revised its estimates and assumptions for specific allowances established in prior year. We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Group and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans, also refer to the consolidated financial statements page 119.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Philipp Rickert	Cataldo Castagna
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 1 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zürich

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2018

INCOME STATEMENT

	2018 CHF m	2017 CHF m
Interest income	**61.5**	44.1
Interest expense	**48.8**	47.1
Result from interest	**12.7**	-3.0
Income from participations	**400.5**	588.6[1]
Revaluation of participations	**17.9**	6.4
Depreciation of participations	**82.9**	14.9
Result from participations	**335.5**	580.0
Other ordinary income	**103.0**	113.0
Other ordinary expense	**20.6**	20.0
Operating income	**430.6**	670.0
Personnel expenses	**17.9**	17.6
General expenses	**23.0**	25.7
Operating expenses	**40.9**	43.3
Gross profit	**389.7**	626.8
Extraordinary income	**0.0**	0.0
Extraordinary expense	**-**	9.2
Taxes	**5.9**	9.0
Net profit	**383.8**	608.7

[1] Including distribution in kind of Julius Baer Bank & Trust (Bahamas) Ltd., Nassau, from Julius Baer International Panama Inc., Panama City, due to its liquidation, based on the tax value of CHF 100.0 million.

BALANCE SHEET

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Assets		
Due from banks	**1,249.6**	1,558.5
Other assets	**79.5**	79.5
Accrued income and prepaid expenses	**459.2**	483.3
Total current assets	**1,788.3**	2,121.3
Other financial investments	**1,367.1**	573.9
Participations	**4,504.9**	4,342.5
Total non-current assets	**5,872.1**	4,916.4
Total assets	**7,660.4**	7,037.7
of which due from Group companies	***2,659.0***	*2,195.0*

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Liabilities and equity		
Interest-bearing liabilities	**1,049.3**	1,049.3
Other liabilities	**16.7**	-
Accrued expenses and deferred income	**45.4**	48.6
Provisions	**0.1**	0.1
Total short-term liabilities	**1,111.4**	1,097.9
Interest-bearing liabilities	**800.0**	-
Debt issued	**1,406.2**	1,657.4
Other liabilities	**11.2**	21.1
Total long-term liabilities	**2,217.4**	1,678.6
Total liabilities	**3,328.8**	2,776.5
Share capital	**4.5**	4.5
Statutory capital reserve	**1,270.0**	1,583.3
of which tax-exempt capital contribution reserve	***1,270.0***	*1,583.3*
Statutory retained earnings reserve	**262.1**	317.1
of which reserve for treasury shares	***261.2***	*316.2*
Voluntary retained earnings reserve	**2,395.1**	1,740.0
Profit carried forward	**16.3**	7.7
Net profit	**383.8**	608.7
Total equity	**4,331.6**	4,261.2
Total liabilities and equity	**7,660.4**	7,037.7
of which due to Group companies	***1,849.3***	*1,049.3*

NOTES

	31.12.2018 *CHF m*	31.12.2017 *CHF m*
Contingent liabilities		
Surety and guarantee obligations and assets pledged in favour of third parties	**2,186.2**	1,930.7

BASIS OF ACCOUNTING

The stand-alone financial statements of Julius Baer Group Ltd. are prepared in accordance with the guidelines of the Swiss Code of Obligations.

PARTICIPATIONS

Refer to the consolidated financial statements, Note 27A, for a complete list of the participations.

The participations are measured based on the principle of individual evaluation. For the material or strategic participations, a multiple method based on prices to assets under management is applied. For smaller participations, the net asset value according to IFRS is used.

Income from participations is recorded based on an economic standpoint, i.e. at the same time as the corresponding income is recorded at the subsidiary.

STATUTORY CAPITAL RESERVE

The statutory capital reserve represents the additional proceeds (premium) received from the issue of shares by Julius Baer Group Ltd. The redemption of this statutory capital reserve is exempt from taxation, similar to the share capital.

TREASURY SHARES

In the statutory financial statements of Julius Baer Group Ltd., treasury shares held by Julius Baer Group Ltd. itself are deducted directly from equity. For treasury shares held by other Group companies, a reserve for treasury shares is stated in equity.

While Julius Baer Group Ltd. did not hold any treasury shares in 2018 and 2017, different Group entities held 5,839,110 treasury shares in 2018 (2017: 5,875,310).

DEBT ISSUED

Refer to the consolidated financial statements, Note 16, for a complete list of the debt issued.

Debts issued are recorded at nominal value. Any agios are recognised in other liabilities and amortised up to the maturity date or the first possible redemption date, respectively.

AUTHORISED CAPITAL

There is no authorised capital.

FEES PAID TO AUDITOR

	2018 CHF m	2017 CHF m
Fees paid to auditor		
Audit services	**1.2**	1.4
Other services	**0.0**	0.2
Total	**1.2**	1.6

SHARE-BASED PAYMENTS

	2018 Number Equity securities	**2018** Value Equity securities CHF m	2017 Number Equity securities	2017 Value Equity securities CHF m
Equity plans				
Total granted during the year	**29,208**	**1.7**	34,619	1.8
of which members of executive bodies	***28,588***	***1.7***	*33,332*	*1.7*
of which employees	***620***	***0.0***	*1,287*	*0.1*

	2018 Number Units	**2018** Value Units CHF m	2017 Number Units	2017 Value Units CHF m
Plans based on units				
Total granted during the year	**42,892**	**2.4**	56,913	2.4
of which members of executive bodies	***36,436***	***2.0***	*50,511*	*2.2*
of which employees	***6,456***	***0.4***	*6,402*	*0.3*

FULL-TIME EQUIVALENTS

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or income statement for the 2018 financial year.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/ participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2018[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
Harris Associates L.P.[5]	4.95%	
BlackRock, Inc.[6]	4.94%	0.09%
Wellington Management Group LLP[7]	3.04%	

[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 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.; b) 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).
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).
The implementing provisions on disclosure law have been integrated into the new FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA), which entered into force on 1 January 2016. Purchase positions must be disclosed pursuant to art. 14 para. 1 a FMIO-FINMA and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

[3] Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on www.six-exchange-regulation.com in the section Publications > Significant Shareholders, Issuer Julius Bär Gruppe AG.

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

[5] Harris Associates L.P., Chicago/USA (reported on 30 November 2016)

[6] BlackRock, Inc., New York/USA (reported on 29 October 2018)

[7] Wellington Management Group LLP, Boston/USA (reported on 18 December 2018)

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Shareholdings of the members of the Board of Directors[1]		Number of shares
Daniel J. Sauter – Chairman	**2018**	**198,957**
	2017	187,184
Gilbert Achermann	**2018**	**14,509**
	2017	12,154
Ann Almeida (left the Board in 2018)	**2018**	**n.a.**
	2017	2,143
Andreas Amschwand	**2018**	**14,509**
	2017	12,154
Heinrich Baumann	**2018**	**20,236**
	2017	17,881
Richard M. Campbell-Breeden (joined the Board in 2018)	**2018**	**-**
	2017	n.a.
Paul Man Yiu Chow	**2018**	**7,794**
	2017	4,439
Ivo Furrer (joined the Board in 2017)	**2018**	**4,405**
	2017	2,050
Claire Giraut	**2018**	**23,799**
	2017	21,444
Gareth Penny	**2018**	**9,855**
	2017	7,500
Charles G. T. Stonehill	**2018**	**21,669**
	2017	22,814
Total	**2018**	**315,733**
Total	2017	289,763

[1] Including shareholdings of related parties

None of the Board members held any option positions on Julius Baer Group Ltd. shares as at year-end 2018 and 2017.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The Chairman of the Board of Directors is required to build up and maintain 25,000 vested shares of Julius Baer Group Ltd., the other members of the Board 7,500 each, 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 2015 (i.e. all Board members except for Ivo Furrer and Richard M. Campbell-Breeden) were required to reach the targeted number of shares by year-end 2018. Ivo Furrer and Richard Campbell-Breeden are required to reach the targeted number of shares by year-end 2020 and 2021, respectively.

Shareholdings of the members of the Executive Board[1]		Number of shares
Bernhard Hodler, Chief Executive Officer	**2018**	**85,099**
	2017	50,878
Dieter A. Enkelmann, Chief Financial Officer	**2018**	**120,170**
	2017	89,908
Larissa Alghisi Rubner, Chief Communications Officer	**2018**	**608**
	2017	-
Oliver Bartholet, Chief Risk Officer since 1 March 2018	**2018**	**-**
	2017	n.a.
Nic Dreckmann, Chief Operating Officer	**2018**	**30,003**
	2017	22,113
Christoph Hiestand, General Counsel	**2018**	**25,000**
	2017	20,525
Total	**2018**	**260,880**
Total	2017	183,424

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions on Julius Baer Group Ltd. shares as at year-end 2018 and 2017.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The CEO is required to build up and maintain 100,000 vested shares of Julius Baer Group Ltd. (until 31 December 2020), the other members of the Executive Board the lower of 2.5 times 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 until the Executive Board member leaves his or her current position and/or the Julius Baer Group.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 10 APRIL 2019

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2018 financial year of CHF 400,107,380, consisting of net profit for the financial year in the amount of CHF 383,782,347 plus CHF 16,325,033 of profit carried forward, be distributed as follows:

- Allocation to voluntary retained earnings reserve:
  CHF 400,000,000
- Profit carried forward:
  CHF 107,380

- Dividend of CHF 1.50
  per share at CHF 0.02 par value
- Total dividends on the 223,809,448 shares
  entitled to dividends:
  CHF 335,714,172
  Total distribution, fully charged to statutory capital reserve

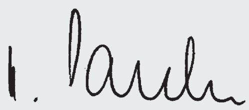
DIVIDENDS

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
Dividend per share	1.50	-	1.50

The dividends will be paid from 16 April 2019.

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

KPMG

Statutory Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Julius Baer Group Ltd., which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 208 to 214) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of participations

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of participations

Key Audit Matter

As at 31 December 2018, the Company reports participations of CHF 4,504.9m. Participations consist of a portfolio of subsidiaries in the banking and financial services industry.

Participations are valued at a maximum of the acquisition costs less necessary value adjustments, taking into account the general principle of individual valuation. Participations are subject to annual impairment testing.

Although these participations are not considered to represent a higher risk of a material misstatement, their valuation is of significance due to their materiality in the context of the financial statements as a whole.

Our response

Our procedures included the assessment of the investment valuation process. We evaluated the valuation methodology applied by referencing to accounting standards and industry practice and tested the techniques used to determine the value in use of the participations.

For the most significant participations where valuation methodologies were used, we recalculated the valuations and agreed the data inputs with available market information. For less significant participations where we had indications of possible impairment, we assessed their recoverability by comparing the carrying amount to their net asset value.

For further information on participations, also refer to the notes to the financial statements on page 210.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Philipp Rickert	Cataldo Castagna
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 1 February 2019

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The Julius Baer Group
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Hong Kong, London, Luxembourg,
Milan, Monaco, Montevideo,
Moscow, Mumbai, Singapore
and Tokyo.

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Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Interim Management Statement for the first four months of 2019[1]

Assets under management up 12% to CHF 427 billion – Gross margin recovered from low levels of end 2018 – Cost reduction programme on track

Zurich, 24 May 2019 – In the four months to the end of April 2019, Julius Baer Group's assets under management grew to a record CHF 427 billion, a year-to-date increase of 12%. The increase was driven by strong positive market performance and currency impacts, net new money inflows, as well as the first-time consolidation of NSC Asesores in Mexico.

Net new money improved after soft start

After a soft start to the year, net new money growth accelerated towards the end of the period, resulting in a growth rate of 3% (annualised). Net new money was driven especially by solid inflows from clients domiciled in Asia and Europe, and across the Group the first four months saw a meaningful contribution from RMs who joined in 2018. While inflows in Julius Baer's core wealth management operations developed at a satisfactory level, they were partly offset by net outflows from Kairos funds (following a decline in performance in 2018). Net new money was also impacted to some extent by a limited number of client exits in the context of the ongoing client risk review project, as well as by modest outflows following a wider application of negative interest rates to large cash holdings.

Gross margin recovered from low levels of end 2018

From the low levels in the second half of 2018, the improving market environment continued to drive client transaction activity and brokerage commissions higher throughout the period, particularly in Asia. In gross margin terms, this increase – combined with higher performance fees from Kairos – more than compensated for a modest decline in the trading gross margin, following lower FX volatility. As a result, the overall gross margin rose to 82 basis points, a marked recovery from the 79.6 basis points reported in the second half of 2018, and the even lower levels seen in November-December 2018.

Cost reduction programme on track

The combination of a strengthened gross margin and contained expense growth pushed the cost/income ratio[2] to below 73%, an improvement from the 74.3% recorded in the second half of 2018. This improvement did not yet benefit from the 2019 cost reduction programme, the implementation of which has started and is on track. As indicated in February, the programme encompasses a number of structural measures, including a reduction in the Group's headcount by net 2% by the end of 2019. The resulting cost savings are expected to start materialising partly in the financial results for the second half of 2019 and fully in 2020. In relation to the programme, the

[1] Based on unaudited management accounts
[2] Excluding integration and restructuring expenses as well as the amortisation of intangible assets related to acquisitions or divestments, and provisions and losses

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Group anticipates booking one-off severance costs of approximately CHF 17 million, all in 2019, of which CHF 11 million were already accounted for in the cost/income ratio[2] calculation for the first four months of the year.

Strategic progress

Julius Baer continued to make investments in longer-term growth and in strengthening its franchise around the world:

- In Latin America, the Group increased its ownership of NSC Asesores in Mexico from 40% to 70%, while Julius Baer's Brazilian subsidiary GPS signed a partnership agreement with leading local digital financial advisor Magnetis.
- In Asia, SCB Julius Baer, the joint venture with The Siam Commercial Bank, launched formal operations following the receipt of the necessary licences in Thailand.
- In Switzerland, Julius Baer announced it will enter into a partnership for the management of digital assets with SEBA Crypto AG, once SEBA has received the FINMA banking and securities dealer licence.
- In Europe, Bank Julius Baer expanded its local footprint in two core markets by opening a new office in Belfast, its fifth in the UK, and in Barcelona, its second office in Spain. Julius Baer is currently reviewing strategic options for its Italian asset management subsidiary Kairos. Julius Baer will inform on material developments, if any, in due course and according to legal and regulatory requirements.

Solid capital position

In the first four months of 2019, BIS CET1 capital was affected by the first-time consolidation of NSC Asesores. This transaction had an impact of approximately 30 basis points on the Group's capital ratios. Despite this impact, the Group's BIS CET1 capital ratio strengthened to 13.1% (end 2018: 12.8%) and the BIS total capital ratio to 19.2% (end 2018: 18.7%).

2019 half-year results

Julius Baer Group's detailed financial results for the first half of 2019 will be published on 22 July 2019.

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About Julius Baer

Julius Baer is the leading Swiss wealth management group and a premium brand in this global sector, with a focus on servicing and advising sophisticated private clients. At the end of April 2019, assets under management amounted to CHF 427 billion. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank with origins dating back to 1890, is the principal operating company of Julius Baer Group Ltd., whose shares are listed on the SIX Swiss Exchange (ticker symbol: BAER) and are included in the Swiss Leader Index (SLI), comprising the 30 largest and most liquid Swiss stocks.

Julius Baer is present in over 25 countries and more than 60 locations. Headquartered in Zurich, we have offices in key locations including Dubai, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Milan, Monaco, Montevideo, Moscow, Mumbai, Singapore and Tokyo. Our client-centric approach, our objective advice based on the Julius Baer open product platform, our solid financial base and our entrepreneurial management culture make us the international reference in private banking.

For more information visit our website at www.juliusbaer.com

Cautionary statement regarding forward-looking statements

This media release by Julius Baer Group Ltd. ('the Company') includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industries in which it operates. Forward-looking statements involve all matters that are not historical facts. The Company has tried to identify those forward-looking statements by using the words ‘may’, ‘will’, ‘would’, ‘should’, ‘expect’, ‘intend’, ‘estimate’, ‘anticipate’, ‘project’, ‘believe’, ‘seek’, ‘plan’, ‘predict’, ‘continue’ and similar expressions. Such statements are made on the basis of assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.

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Julius Bär