Execution Copy

4 December 2017

Julius Baer Group Ltd.

Issue of CHF 200,000,000 Bonds 2017-2024
under the
Debt Issuance Programme

Part A—CONTRACTUAL TERMS

Terms used herein shall be defined as set out in the terms and conditions (the **Conditions**) set forth in the Prospectus dated 21 September 2017 (the **Prospectus**). This document constitutes the Final Terms of the Bonds described herein and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available from the specified office of the Issuer.

The Prospectus, together with the Final Terms, constitutes the listing prospectus with respect to the Bonds described herein for the purposes of the listing rules of the SIX Swiss Exchange.

1.	(a)	Series Number:	2
	(b)	Tranche Number:	1
	(c)	Date on which the Bonds will be consolidated and form a single Series:	Not Applicable
2.	Specified Currency or Currencies:		Swiss Francs (CHF)
3.	Aggregate Nominal Amount:		
	(a)	Series:	CHF 200,000,000
	(b)	Tranche:	CHF 200,000,000
4.	Issue Price:		100.675 per cent. of the Aggregate Nominal Amount
5.	Specified Denomination:		CHF 5,000
6.	(a)	Issue Date:	6 December 2017
	(b)	Interest Commencement Date:	Issue Date
7.	Maturity Date:		6 December 2024
8.	Interest Basis:		Fixed Rate (further particulars specified below)
9.	Negative Pledge:		Not Applicable.
10.	Date Board approval for issuance of Bonds obtained:		12 September 2017

PROVIDE PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

11.	Fixed Rate Bond Provisions		Applicable
	(a)	Rate(s) of Interest:	0.375 per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	6 December in each year, for the first time on 6 December 2018 up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s):	CHF 18.75 per Specified Denomination
	(d)	Broken Amount(s):	Not Applicable
	(e)	Day Count Fraction:	30/360
12.	Floating Rate Bond Provisions		Not Applicable

PROVISIONS RELATING TO REDEMPTION

13.	Maturity Date:	6 December 2024
14.	Redemption Amount:	CHF 5,000 per Specified Denomination

HOLDERS' REPRESENTATIVE

The Issuer has appointed Zürcher Kantonalbank as Holders' Representative for the Bonds.

REPRESENTATIVE

In accordance with article 43 of the Listing Rules of the SIX Swiss Exchange, the Issuer has appointed Zürcher Kantonalbank, as recognised representative to lodge the listing application with the SIX Swiss Exchange.

MATERIAL ADVERSE CHANGES

Save as disclosed in the Prospectus and herein, there have been no material changes in the assets and liabilities, financial position and profits and losses of the Issuer since 30 June 2017.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms and confirms that as of the date of these Final Terms the information is correct to the best of its knowledge and no material facts or circumstances have been omitted.

PART B—OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing and admission to trading:	The first day of trading on the SIX Swiss Exchange will be 5 December 2017. Application for listing on the SIX Swiss Exchange will be made The last day of trading on the SIX Swiss Exchange will be 4 December 2024.
(ii)	Minimum trading size	Not Applicable

2. **RATINGS** Not Applicable

3. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i)	Use of proceeds	General corporate purposes
(ii)	Estimated net proceeds:	CHF 200,868,000

4. **OPERATIONAL INFORMATION**

(i)	Delivery:	Delivery against payment
(ii)	Name and address of Principal Paying Agent:	Zürcher Kantonalbank, Bahnhofstrasse 9, CH-8001 Zurich
(iii)	Swiss Security Number:	37'347'621
(iv)	ISIN:	CH0373476214
(v)	Other:	Not Applicable

5. **DISTRIBUTION**

(i)	Method of distribution:	Syndicated
(ii)	If syndicated, names and addresses of managers and underwriting commitments/quotas (material features):	Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, CH-8001 Zurich Zürcher Kantonalbank, Bahnhofstrasse 9, CH-8001 Zurich Credit Suisse AG, Paradeplatz 8, CH-8001 Zürich UBS AG, Bahnhofstrasse 45, CH-8001 Zürich Raiffeisen Schweiz Genossenschaft, Brandschenkestrasse 110d, CH-8002 Zürich Bank J. Safra Sarasin AG, Elisabethenstrasse 62, CH-4051 Basel Bank Vontobel AG, Gotthardstrasse 43, CH-8002 Zürich LGT Bank AG, Lange Gasse 15, CH-4002 Basel

			Banque Cantonale Vaudoise, Place Saint-François 14, CH-1003 Lausanne Banque Lombard Odier & Cie SA, rue de la Corraterie 11, CH-1204 Genève
	(iii)	Date of Subscription Agreement:	4 December 2017
	(iv)	If non-syndicated, name and address of dealer:	Not Applicable
6.	**RECENT DEVELOPMENTS**		
	(i)	Recent developments since date of Prospectus:	**A) Julius Baer strengthens risk governance with corporate appointments (Summary of Press Release of 22 September 2017)** On 22 September 2017, Julius Baer announced the appointment of Oliver Bartholet (Head Legal Group Regulatory & Governance at UBS) as Chief Risk Officer and member of the Executive Boards of Julius Baer Group and Bank Julius Baer effective 1 April 2018. Bernhard Hodler, who has held this role since 2001, will remain a member of the Executive Board of Bank Julius Baer and act as the deputy to the CEO, supporting the implementation of strategic projects and continuing to lead the Credit function. **B) Leadership Change at Julius Baer (Full Press Release of 27 November 2017)** The Board of Directors appoints Bernhard Hodler as CEO of Julius Baer with immediate effect, following Boris F.J. Collardi's decision to resign. The Board of Directors has taken note of the resignation of Boris F.J. Collardi from his position as CEO of Julius Baer, a role he assumed in 2009. During his tenure, Julius Baer further expanded its global presence and asset base through successful acquisitions and organic growth. Boris F.J. Collardi is leaving Julius Baer with immediate effect. He will join the privately owned Pictet Group in Geneva to co-head its global wealth management group as of mid-2018. The Board of Directors has appointed Bernhard Hodler as CEO with immediate effect. As part of its ongoing succession planning, the Board of Directors will engage in an evaluation process for the long-term leadership

of the Group. Bernhard Hodler, currently Chief Risk Officer of Julius Baer, was named deputy to the CEO in September 2017. He has been a member of Julius Baer's senior executive team since 1998 and has held various senior positions, including Chief Operating Officer and President of the Management Committee of the Bank.

Julius Baer looks back at a very successful year. The strong operating momentum of the Group was confirmed in its Interim Management Statement for the first ten months of 2017, issued on 20 November. Julius Baer reported record assets under management of CHF 393 billion, also fuelled by net inflows above its 4–6% target growth range. At the same time, the Group's cost/income ratio improved further towards its medium-term target range of 64–68%. The BIS total capital ratio at the end of October 2017 increased to 21.8% (fully applied 21.2%) and the BIS CET1 capital ratio reached 16.4% (fully applied 13.4%).

Daniel J. Sauter, Chairman of Group Julius Baer Ltd., said: "Julius Baer is in excellent shape. We would like to thank Boris Collardi for his outstanding contribution and stewardship of the Group over almost nine years. While we regret losing him, we respect his personal desire for a change and wish him all the very best for his future."

"We have a strong and experienced management team in place that has been instrumental in leading the Group where it is today. On behalf of the Board of Directors, I would like to thank Bernhard Hodler for assuming the role of CEO. His appointment ensures continuity in our successful strategy and the delivery of our growth targets. As the leader in private banking, Julius Baer's primary focus is to serve our clients with best-in-class advice and holistic wealth management solutions."

Issuance Programme

Julius Baer Group Ltd.

Prospectus dated 21 September 2017

Selling Restrictions

United States of America / U.S. persons

A) Each manager and dealer appointed under the Programme has represented or will represent that it understands that the Instruments have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to or for the account or benefit of United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each manager and dealer appointed under the Programme has represented, warranted and agreed or will represent, warrant and agree that it has not offered or sold, and will not offer or sell, any Bonds constituting part of their allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Each manager and dealer appointed under the Programme has represented, warranted and agreed or will represent, warrant and agree that it has offered and sold the Instruments, and will offer and sell the Bonds (i) as part of their distribution at any time, and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**distribution compliance period**"), only in accordance with Rule 903 of Regulation S under the Securities Act. Each manager or dealer appointed under the Programme has agreed or will agree that, at or prior to confirmation of sale of Instruments, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Instruments from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Each manager and dealer appointed under the Programme has represented and agreed or will represent and agree that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Instruments and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each dealer and manager appointed under the Programme has represented and agreed or will represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Instruments to the public in that Relevant Member State:

(A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive

(B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(C) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Instruments referred to in (A) to (C) above shall require the Issuer or any manager or dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Instruments to the public" in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each dealer and manager appointed under the Programme has represented and agreed or will represent and agree that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

General

Neither the Issuer nor any manager or dealer appointed under the Programme represents that Instruments 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 Instruments 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 authorized 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 Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required.

FORWARD LOOKING STATEMENTS

This Prospectus (as defined here after) contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Group's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including Julius Baer's (as defined here after) financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. Julius Baer's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, the Issuer assumes any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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General information about the Programme

Programme

This Prospectus documents a issuance programme (the **Programme**) of Julius Baer Group Ltd. for the issuance of Bonds and Short Term Notes (together the **Instruments**).

Legal basis

This Programme has been authorized by a resolution of the Board of Directors of the Julius Baer Group Ltd. dated 13 September 2016.

Instruments issued under the Programme

The Short Term Notes differ from the Bonds in so far as that they have different terms and a duration of not more than one year. There are separate Terms and Conditions and forms of Final Terms for Bonds and for Short Term Notes. The Terms and Conditions are supplemented by the applicable Final Terms for each issuance of Instruments.

Registration and Listing on the SIX Swiss Exchange

The Prospectus was registered by the SIX Swiss Exchange on 21 September 2017 and constitutes a programme prospectus according to art. 15 para. 4 of the Additional Rules for the Listing of Bonds of the SIX Swiss Exchange.

Instruments may be listed on the SIX Swiss Exchange or may be unlisted.

Prospectus

The Prospectus (including any supplements thereto) together with the applicable Final Terms will constitute the offering and listing prospectus within the meaning of the rules and regulations of the SIX Swiss Exchange and the Swiss Code of Obligations for the Instruments issued under this Programme.

Documents Available

Copies of this Prospectus, supplements to this Prospectus and Final Terms of Bonds or Short Term Notes issued under the Programme are available from "investor.relations@juliusbaer.com".

No Advice

This Prospectus does not constitute investment, tax, legal or other advice. Prospective investors in the Instruments should consult their professional advisers on the implications of the purchase, holding, redemption or sale of the Instruments and the receipt of payments thereon under any laws applicable to them.

Terms and Conditions for Bonds

These Terms and Conditions (these **Conditions**) are completed by the final terms prepared in connection with the relevant Tranche of Bonds (the applicable **Final Terms**).

1. AMOUNT, DENOMINATION AND FORM

1.1 General

The initial aggregate principal amount of the Bonds is specified in the applicable Final Terms. All payments in relation to the Bonds will be made in the same currency as the aggregate principal amount (the **Specified Currency**). The Bonds are issued to Holders in the denominations specified in the applicable Final Terms.

1.2 Uncertificated Bonds

The Bonds will be issued in uncertificated form. Each Tranche of Bonds will be entered into the main register (*Hauptregister*) of SIX SIS AG (**SIS**) or any other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange (SIS or any such other intermediary, the **Intermediary**) on or prior to the Issue Date. Once the uncertificated Bonds are registered in the main register of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the uncertificated Bonds will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (**Intermediated Securities**).

So long as the uncertificated Bonds constitute Intermediated Securities, they will be transferable only in accordance with the rules and procedures for the time being of the Intermediary and may only be transferred by the entry of the transferred uncertificated Bonds in a securities account of the transferee.

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

No individually certificated Bonds (*Wertpapiere*) will be printed or delivered. None of the Issuer, the Holders or any third party will at any time have the right to effect or demand the conversion of the uncertificated Bonds into, or the delivery of, a permanent global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

2. STATUS OF THE BONDS

2.1 Status

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer and without any preference among themselves, except for such preferences as are provided by any mandatory applicable provisions of law.

2.2 Negative Pledge

If so specified in the applicable Final Terms, the following negative pledge clause shall apply:

So long as the Bonds remain outstanding, the Issuer will not create any guarantee, mortgage, lien, pledge, charge or other form of encumbrance or security interest upon the whole or any part of its present or future assets or revenues, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt, other than a Permitted Security or unless, at the same time or prior thereto, the Issuer's obligations under the Bonds:

(i) are secured equally and ratably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or

(ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Holders' Representative.

In this Condition 2.2:

Permitted Security means a security (and any security created in substitution for any such security) in the form of any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest relating to the financing, refinancing or the acquisition of any specified asset or assets, but only to the extent that such security secures obligations arising from the financing, refinancing or acquisition of such specified assets.

Relevant Debt means any present or future indebtedness of at least CHF 100,000,000 of the Issuer represented or evidenced by, notes, bonds, debentures, loan stock or other securities which for the time being or are capable of being, quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter market or other securities market.

3. INTEREST

The applicable Final Terms will indicate whether the Bonds are Fixed Rate Bonds or Floating Rate Bonds.

3.1 Interest on Fixed Rate Bonds

This Condition 3.1 applies to Fixed Rate Bonds only.

The applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Fixed Coupon Amount, any applicable Broken Amount and the Day Count Fraction.

Each Fixed Rate Bond bears interest from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrear on each Interest Payment Date up to (and including) the Maturity Date (if any) subject as provided in Condition 4.2.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Interest shall be calculated, in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Bonds and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half of any such Sub-unit being rounded upwards.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 3.1:

(a) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(b) if "Actual/365" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365; or

(c) as otherwise specified in the applicable Final Terms.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

Sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency.

3.2 **Interest on Floating Rate Bonds**

This Condition 3.2 applies to Floating Rate Bonds only.

The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 3.2 for full information on the manner in which interest is calculated on Floating Rate Bonds. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, the Interest Commencement Date, any Additional Business Centres, the Margin, any maximum or minimum interest rates, the Day Count Fraction, the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

(a) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Bonds will be determined in the manner specified in the applicable Final Terms.

The Rate of Interest for each Interest Period will be (expressed as a percentage rate per annum) the Reference Rate which appears or on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent.

(b) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Final Terms specify a Minimum Rate of Interest, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (a) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (a) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the applicable Final Terms, a Minimum Rate of Interest of zero shall apply to all Bonds.

(c) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Bonds for the relevant Interest Period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Bonds and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half of any such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 3.2:

(i) if "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (I) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (II) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if "30E/360" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); or

(vi) as otherwise specified in the applicable Final Terms.

(d) ***Notfication of Rate of Interest***

The Principal Paying Agent will notify the Rate of Interest and each Interest Amount to the Holders in accordance with Condition 11 and, if the Bonds are listed, publish the Rate of Interest and each Interest Amount in accordance with the requirements of the relevant stock exchange.

3.3 **Accrual of interest**

Each Bond (or in the case of the redemption of part only of a Bond, that part only of such Bond) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until the date on which all amounts due in respect of such Bond have been paid.

3.4 **Business Days**

In these Conditions, Business Day means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Zurich and any Additional Business Centre specified in the applicable Final Terms.

4. PAYMENTS

4.1 **Method of payment**

Subject to Condition 4.2 and as provided below:

(a) all payments required to be made under the Bonds will be made available in good time in freely disposable funds in the Specified Currency, which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders;

(b) all payments required to be made under the Bonds shall be made to the Holders in the Specified Currency without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality and the receipt by the Principal Paying Agent of the due and punctual payment of funds will release the Issuer from its obligations under the Bonds to the extent of such payment.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction.

4.2 **Payment Day**

If the date for payment of any amount in respect of any Bond is not a Business Day, the Holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

5. REDEMPTION AND PURCHASE

5.1 **Redemption**

Unless previously redeemed or purchased and cancelled as specified below, each Bond will be redeemed by the Issuer at its Redemption Amount in the relevant Specified Currency on the Maturity Date all as specified in the applicable Final Terms.

5.2 **Purchases**

The Issuer and any of its Subsidiaries may at any time purchase Bonds at any price in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including (without limitation) applicable stock exchange regulations.

Bonds so purchased may be held, resold or surrendered to the Principal Paying Agent for cancellation.

6. TAXATION

All payments in respect of the Bonds are subject to all applicable taxes and deductions, including the deduction of the Swiss Federal Withholding Tax (*Verrechnungssteuer*) on interest payments (including a potential issue discount or a repayment premium), currently levied at a rate of thirty-five (35) percent.

7. PRESCRIPTION

In accordance with Swiss law, claims for payment of principal and interest under the Bonds will become time-barred unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the date on which such payment first became due and payable.

8. EVENTS OF DEFAULT

If any of the following events (each event an **Event of Default**) shall occur, the Holders' representative has the right but not the obligation, on behalf of the Holders, to declare the Bonds immediately due and repayable at par plus accrued interest:

(a) there is a failure by the Issuer to pay principal or interest on any of the Bonds, if and when due and such failure continues for a period of ten (10) calendar days; or

(b) a failure is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under the Conditions and (except where the Holders' Representative certifies in writing that, in its opinion, such failure is not capable of remedy, when no such notice or continuation as is mentioned below shall be required) such failure continues for a period of twenty (20) calendar days following the service by the Holders' Representative on the Issuer of a notice requiring such failure to be remedied; or

(c) any other present or future indebtedness of the Issuer for or in respect of monies borrowed is not paid when due (otherwise than, where permitted under the terms of the relevant indenture or agreement, at the option of the relevant debtor) or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of such indebtedness given by the Issuer is not honored when due and called or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this para. (c) unless such indebtedness, either alone or when aggregated with other indebtedness shall at any time equal or exceed the amount of at least CHF 50,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this para. operates); or

(d) the Issuer is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, a postponement of payments (Stillhalteverein¬barung), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments (*Stillhaltevereinbarung*) is agreed or declared in respect of or affecting all or a substantial part of (or a particular type of) the debts of the Issuer or a liquidator is appointed with respect to the Issuer; or

(e) the Issuer alters its legal or commercial structure through bankruptcy, liquidation, disposal of a substantial part of its assets, change in the objects of the legal entity and/or commercial activities or merger, in so far as the relevant action, in the Holders' Representative's opinion, has or will have a material adverse effect on the capacity of the Issuer to meet its obligations under the Conditions unless the Holders' Representative considers the situation of the Holders as adequately protected based on securities created or other steps taken by the Issuer; or

(f) a dissolution, winding-up, liquidation or merger involving the Issuer as result of which the Issuer is not the surviving legal entity, unless the successor legal entity assumes all the Issuer's liabilities of the Bonds.

If an Event of Default occurs, the Holders' Representative has the right but not the obligation to serve a written notice of default (**Default Notice**), such notice having the effect that the Bonds shall become immediately due and payable at par plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Conditions to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

9. SUBSTITUTION

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

(a) in the opinion of the Holders' Representative, (i) the New Issuer is in a position to fulfil all payment obligations arising from or in connection with the Bonds and (ii) the interest of the Holders are adequately protected;

(b) the Issuer and the New Issuer have entered into such documents as are necessary to give effect to such substitution and provided copies of these documents to the Holders' Representative; and

(c) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Condition 11.

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

10. PAYING AGENTS

The Principal Paying Agent and, if applicable, further Paying Agents (together the **Paying Agents**) appointed in connection with any Series will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent, provided that so long as the Bonds are listed on any stock exchange or admitted to trading 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 the relevant stock exchange or other relevant authority.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship with, any Holders.

11. NOTICES

All notices regarding the Bonds shall be given (i) for so long as the Bonds are listed on SIX Swiss Exchange on the internet site of SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/search_en.html) or otherwise in accordance with the regulations of the SIX Swiss Exchange or (ii) in case the Bonds are not or no longer listed on SIX Swiss Exchange in a daily newspaper with general circulation in Switzerland (which is expected to be the *Neue Zürcher Zeitung*).

12. CURRENCY INDEMNITY

The Specified Currency is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than the Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer or otherwise) by any Holder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount of the Specified Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Specified Currency amount is less than the Specified Currency amount expressed to be due to the recipient under any Bond, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Holder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgement or order.

13. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Bonds having terms and conditions the same as the Bonds or the same in all respects save for the issue date, the amount and date of the first payment of interest thereon so that the same shall be consolidated and form a single Series with the outstanding Bonds.

14. GOVERNING LAW AND JURISDICTION

14.1 Governing law

These Conditions and the Bonds are governed by, and shall be construed in accordance with, the laws of Switzerland (i.e. without regard to principles of conflict of laws).

14.2 Jurisdiction

Any dispute that might arise based on these Conditions or the 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, the place of jurisdiction being Zurich 1.

Terms and Conditions for Short Term Notes

These Terms and Conditions (these **Conditions**) are completed by the final terms prepared in connection with the relevant Tranche of Short Term Notes (the applicable **Final Terms**).

1. AMOUNT, DENOMINATION AND FORM

1.1 General

The initial aggregate principal amount of the Short Term Notes is specified in the applicable Final Terms. All payments in relation to the Short Term Notes will be made in the same currency as the aggregate principal amount (the **Specified Currency**). The Short Term Notes are issued in the denominations specified in the applicable Final Terms.

1.2 Uncertificated Short Term Notes

The Short Term Notes will be issued in uncertificated form. Each Tranche of Short Term Notes will be entered into the main register (*Hauptregister*) of SIX SIS AG (**SIS**) or any other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange (SIS or any such other intermediary, the **Intermediary**) on or prior to the Issue Date. Once the uncertificated Short Term Notes are registered in the main register of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the uncertificated Short Term Notes will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (**Intermediated Securities**).

So long as the uncertificated Short Term Notes constitute Intermediated Securities, they will be transferable only in accordance with the rules and procedures for the time being of the Intermediary and may only be transferred by the entry of the transferred uncertificated Short Term Notes in a securities account of the transferee.

The records of the Intermediary will determine the number of Short Term Notes held through each participant in the Intermediary. In respect of Short Term Notes held in the form of Intermediated Securities, the holders of such Short Term Notes will be the persons holding the Short Term Notes in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Short Term Notes for their own account in a securities account (*Effektenkonto*) which is in their name (the **Holders**).

No individually certificated Short Term Notes (*Wertpapiere*) will be printed or delivered. None of the Issuer, the Holders or any third party will at any time have the right to effect or demand the conversion of the uncertificated Short Term Notes into, or the delivery of, a permanent global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

2. STATUS OF THE SHORT TERM NOTES

The Short Term Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer and without any preference among themselves, except for such preferences as are provided by any mandatory applicable provisions of law.

3. INTEREST

The applicable Final Terms will indicate whether the Short Term Notes pay coupons or not.

3.1 Short Term Notes without Coupons

This Condition 3.1 applies to Short Term Notes in respect to which the applicable Final Terms state that coupons are not payable.

No coupons are payable in respect to such Short Term Notes. A positive or negative yield (if any) results from the difference (if any) between the Issue Price and the Redemption Amount.

3.2 **Short Term Notes with Coupons**

This Condition 3.2 applies to Short Term Notes in respect to which the applicable Final Terms state that a coupon is payable.

The applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Fixed Coupon Amount, any applicable Broken Amount and the Day Count Fraction.

Each Fixed Rate Bond bears interest from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrear on each Interest Payment Date up to (and including) the Maturity Date (if any) subject as provided in Condition 4.2.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Interest shall be calculated, in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Bonds and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half of any such Sub-unit being rounded upwards.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 3.1:

(a) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(b) if "Actual/365" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365; or

(c) as otherwise specified in the applicable Final Terms.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

Sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency.

4. PAYMENTS

4.1 Method of payment

Subject to Condition 4.2 and as provided below:

(a) all payments required to be made under the Short Term Notes will be made available in good time in freely disposable funds in the Specified Currency, which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders;

(b) all payments required to be made under the Short Term Notes shall be made to the Holders in the Specified Currency without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality and the receipt by the Principal Paying Agent of the due and punctual payment of funds will release the Issuer from its obligations under the Short Term Notes to the extent of such payment.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction.

4.2 Payment Day

If the date for payment of any amount in respect of any Short Term Note is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

5. BUSINESS DAYS

In these Conditions, Business Day means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Zurich and any Additional Business Centre specified in the applicable Final Terms.

6. REDEMPTION AND PURCHASE

6.1 Redemption

Unless previously redeemed or purchased and cancelled as specified below, each Short Term Note will be redeemed by the Issuer at its Redemption Amount in the relevant Specified Currency on the Maturity Date all as specified in the applicable Final Terms.

6.2 Purchases

The Issuer and any of its Subsidiaries may at any time purchase Short Term Notes at any price in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including (without limitation) applicable stock exchange regulations.

Short Term Notes so purchased may be held, resold or surrendered to the Principal Paying Agent for cancellation.

7. TAXATION

All payments in respect of the Short Term Notes are subject to all applicable taxes and deductions, including the deduction of the Swiss Federal Withholding Tax (Verrechnungssteuer) on payments classified as interest payments under the Short Term

Notes for Swiss Federal Withholding Tax purposes (such as an issue discount or a repayment premium), currently levied at a rate of thirty-five (35) percent.

8. PRESCRIPTION

In accordance with Swiss law, claims for payment of principal and interest under the Short Term Notes will become time-barred unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the date on which such payment first became due and payable.

9. SUBSTITUTION

The Issuer may without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Short Term Notes with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that:

(a) in the opinion of the Holders' Representative, (i) the New Issuer is in a position to fulfil all payment obligations arising from or in connection with the Short Term Notes and (ii) the interest of the Holders are adequately protected;

(b) the Issuer and the New Issuer have entered into such documents as are necessary to give effect to such substitution and provided copies of these documents to the Holders' Representative; and

(c) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Short Term Notes in form and content satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Condition 11.

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

10. PAYING AGENTS

The Principal Paying Agent and, if applicable, further Paying Agents (together the **Paying Agents**) appointed in connection with any Series will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent, provided that so long as the Short Term Notes are listed on any stock exchange or admitted to trading 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 the relevant stock exchange or other relevant authority.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship with, any Holders.

11. NOTICES

All notices regarding the Short Term Notes shall be given (i) for so long as the Short Term Notes are listed on SIX Swiss Exchange on the internet site of SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/ search_en.html) or otherwise in accordance with the regulations of the SIX Swiss Exchange or (ii) in case the Short Term Notes are not or no longer listed on SIX Swiss Exchange in a daily newspaper with general circulation in Switzerland (which is expected to be the *Neue Zürcher Zeitung*).

12. GOVERNING LAW AND JURISDICTION

12.1 Governing law

These Conditions and the Short Term Notes are governed by, and shall be construed in accordance with, the laws of Switzerland (i.e. without regard to principles of conflict of laws).

12.2 Jurisdiction

Any dispute that might arise based on these Conditions or the Short Term Notes 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, the place of jurisdiction being Zurich 1.

Final Terms for Bonds

Set out below is the form of Final Terms which will be completed for each Tranche of Bonds issued under the Programme.

[*Date*]

Julius Baer Group Ltd.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Bonds]
under the
Debt Issuance Programme**

Part A—CONTRACTUAL TERMS

Terms used herein shall be defined as set out in the terms and conditions (the **Conditions**) set forth in the Prospectus dated [●] [, as supplemented by the Supplements thereto dated [*date*]] (the **Prospectus**). This document constitutes the Final Terms of the Bonds described herein and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available from the specified office of the Issuer.

(*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date*.)

Terms used herein shall be defined as set out in the terms and conditions (the **Conditions**) set forth in the Prospectus dated [●] (the **Original Prospectus**). This document constitutes the Final Terms of the Bonds described herein and must be read in conjunction with the Prospectus dated [●] [, as supplemented by the Supplements thereto dated [*date*]] (the **Prospectus**). Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of the Original Prospectus and the Prospectus and the Original Prospectus are available from the specified office of the Issuer[and from the specified office of the manager(s) / dealer set out in part B below].

[The Prospectus, together with the Final Terms, constitutes the listing prospectus with respect to the Bonds described herein for the purposes of the listing rules of the SIX Swiss Exchange.]

1.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	Date on which the Bonds will be consolidated and form a single Series:	[The Bonds will be consolidated and form a single Series with [*provide issue amount/maturity date/issue date of earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date [Not Applicable]
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount:		
	(a)	Series:	[●]
	(b)	Tranche:	[●]

4.	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	Specified Denominations:	[●]
6.	(a) Issue Date:	[●]
	(b) Interest Commencement Date:	[●/Issue Date/Not Applicable]
7.	Maturity Date:	[*Specify date*]
8.	Interest Basis:	[Fixed Rate] [Floating Rate] (further particulars specified below)
9.	Negative Pledge:	[Applicable/Not Applicable]
10.	[Date [Board] approval for issuance of Bonds obtained:	[●] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

11.	Fixed Rate Bond Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	[●] in each year up to and including the Maturity Date [●]
	(c) Fixed Coupon Amount(s):	[●] per Specified Denomination
	(d) Broken Amount(s):	[●] per Specified Denomination, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
	(e) Day Count Fraction:	[30/360] [Actual/365] [other]
12.	Floating Rate Bond Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Specified Interest Payment Dates:	[●]
	(b) First Interest Payment Date:	[●]
	(c) Additional Business Centre(s):	[●]/[Not Applicable]
	(d) Party responsible for calculating the Rate of Interest	[●] [Not Applicable]

		and Interest Amount (if not the Agent):	
	(e)	Screen Rate Determination:	
		• Reference Rate:	[●]
		• Interest Determination Date(s):	[●]
		• Specified Time	[●]
		• Relevant Screen Page:	[●]
	(f)	Margin(s):	[+/-] [●] per cent. per annum
	(g)	Minimum Rate of Interest:	[●] per cent. per annum
	(h)	Maximum Rate of Interest:	[●] per cent. per annum
	(i)	Day Count Fraction:	[Actual/Actual] [Actual/365] [Actual/360] [30/360] [30E/360] [other]

PROVISIONS RELATING TO REDEMPTION

13.	Maturity Date:	[●]
14.	Redemption Amount:	[●] per Specified Denomination

HOLDERS' REPRESENTATIVE

The Issuer has appointed [●] as Holders' Representative for the Bonds.

[REPRESENTATIVE

In accordance with article 43 of the Listing Rules of the SIX Swiss Exchange, the Issuer has appointed [●], as recognised representative to lodge the listing application with the SIX Swiss Exchange.

MATERIAL ADVERSE CHANGES

Save as disclosed in the Prospectus and herein, there have been no material changes in the assets and liabilities, financial position and profits and losses of the Issuer since [*insert date of latest annual or interim financial statements*].

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms and confirms that as of the date of these Final Terms the information is correct to the best of its knowledge and no material facts or circumstances have been omitted.

Signed on behalf of the Issuer:

By:

____

PART B—OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing and admission to trading:	[The first day of trading on the SIX Swiss Exchange will be [*date*]. Application for listing on the SIX Swiss Exchange will be made The last day of trading on the SIX Swiss Exchange will be [*date*].]] [Not applicable]
(ii)	Minimum trading size	[●] [Not Applicable]

2. **[RATINGS** — [The Bonds to be issued [[have been]/[are expected to be]] rated [●] by [*insert the legal name of the relevant credit rating agency entity(ies)]]* [Not Applicable]**]**

3. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i)	Use of proceeds	[●]
(ii)	Estimated net proceeds:	[●]

4. **OPERATIONAL INFORMATION**

(i)	Delivery:	Delivery [against/free of] payment
(ii)	Names and addresses of Principal Paying Agent and further Paying Agent(s) (if any):	[●]/[Not Applicable]
(iii)	Swiss Security Number:	[●]
(iv)	ISIN:	[●]
(v)	Other:	[●]/[Not Applicable]

5. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names and addresses of managers and underwriting commitments/quotas (material features):	[Not Applicable/*give names, addresses and underwriting commitments*]
(iii)	Date of Subscription Agreement:	[●]
(iv)	If non-syndicated, name and address of dealer:	[Not Applicable/*give name and address*]

6. **RECENT DEVELOPMENTS**

(i)	Recent developments since date of Prospectus:	[●]

[Not Applicable]

Final Terms for Short Term Notes

Set out below is the form of Final Terms which will be completed for each Tranche of Short Term Notes issued under the Programme.

[*Date*]

Julius Baer Group Ltd.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Short Term Notes]
under the
Debt Issuance Programme**

Part A—CONTRACTUAL TERMS

Terms used herein shall be defined as set out in the terms and conditions (the **Conditions**) set forth in the Prospectus dated [●] [, as supplemented by the Supplements thereto dated [*date*]] (the **Prospectus**). This document constitutes the Final Terms of the Short Term Notes described herein and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Short Term Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available from the specified office of the Issuer.

[The Prospectus, together with the Final Terms, constitutes the listing prospectus with respect to the Short Term Notes described herein for the purposes of the listing rules of the SIX Swiss Exchange.]

1.	Series Number:	[●]
2.	Specified Currency or Currencies:	[●]
3.	Aggregate Nominal Amount:	[●]
4.	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	Specified Denominations:	[●]
6.	Issue Date:	[●]
7.	Maturity Date:	[*Specify date*]
8.	[Date [Board] approval for issuance of Short Term Notes obtained:	[●] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

9.	Short Terms Notes without coupons	[Applicable/Not Applicable]
10.	Short Term Notes with coupons	[Applicable/Not Applicable]

		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
(b)	Interest Payment Date(s):	[●] in each year up to and including the Maturity Date [●]
(c)	Fixed Coupon Amount(s):	[●] per Specified Denomination
(d)	Broken Amount(s):	[●] per Specified Denomination, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
(e)	Day Count Fraction:	[30/360] [Actual/365] [other]

PROVISIONS RELATING TO REDEMPTION

11.	Maturity Date:	[●]
12.	Redemption Amount:	[●] per Specified Denomination

HOLDERS' REPRESENTATIVE

The Issuer has appointed ■ as Holders' Representative for the Short Term Notes.

[REPRESENTATIVE

In accordance with article 43 of the Listing Rules of the SIX Swiss Exchange, the Issuer has appointed [●], as recognised representative to lodge the listing application with the SIX Swiss Exchange.]

MATERIAL ADVERSE CHANGES

Save as disclosed in the Prospectus and herein, there have been no material changes in the assets and liabilities, financial position and profits and losses of the Issuer since [*insert date of latest annual or interim financial statements*].

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms and confirms that as of the date of these Final Terms the information is correct to the best of its knowledge and no material facts or circumstances have been omitted.

Signed on behalf of the Issuer:

By:

____

PART C—OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing and admission to trading:	[The first day of trading on the SIX Swiss Exchange will be [*date*]. Application for listing on the SIX Swiss Exchange will be made The last day of trading on the SIX Swiss Exchange will be [*date*].]] [Not applicable]
(ii)	Minimum trading size	[●] [Not Applicable]

2. **[RATINGS** — [The Short Term Notes to be issued [[have been]/[are expected to be]] rated [●] by [*insert the legal name of the relevant credit rating agency entity(ies)]]* [Not Applicable]**]**

3. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i)	Use of proceeds	[●]
(ii)	Estimated net proceeds:	[●]

4. **OPERATIONAL INFORMATION**

(i)	Delivery:	Delivery [against/free of] payment
(ii)	Names and addresses of Principal Paying Agent and further Paying Agent(s) (if any):	[●]/[Not Applicable]
(iii)	Swiss Security Number:	[●]
(iv)	ISIN:	[●]
(v)	Other:	[●]

5. **DISTRIBUTION**

(i)	Name and address of dealer:	[*give name and address*/Not Applicable]
(ii)	Other information:	*[insert information*/Not Applicable]

6. **RECENT DEVELOPMENTS**

Recent developments since date of Prospectus:	[●] [Not Applicable]

Information about Julius Baer Group Ltd.

History and Structure

The Julius Baer Group's principal operating entity's origins date back to 1890. Since that time, the Issuer ("**Julius Baer Group Ltd.**") 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 per cent. to 75 per cent. and 100 per cent., 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 meanwhile renamed GAM as well) the former Julius Baer Asset Management, the exclusive manager of Julius Baer-branded investment funds, which includes 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 the former Issuer's 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 end of August 2017 has the exclusive right to produce and manage Julius Baer branded investment fund products worldwide, including private label funds for customised and complex structures. The brand licence was terminated by the parties on 1 March 2017 with effect as of 31 August 2017, and with the private labeling fund service co-operation ending 2019 and a related fee floor agreement at the end of 2018.

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 per cent. 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 comprises the contribution by the Issuer to Kairos of Milan-based Julius Baer SIM and the acquisition of a 19.9 per cent. 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 trades under the name of WMPartners Vermögensverwaltungs 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 Group's total ownership of Kairos to 80%.

On 25 March 2014, the Issuer announced the acquisition of an additional 50 per cent. of São-Paulo-based GPS. This increased the Issuer's participation in GPS to 80 per cent from the 30 per cent. acquired in May 2011. This increase follows a highly successful cooperation and underscores 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 per cent. 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 complements the Group's existing independent wealth management business and strengthens the 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 Luxembourg 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 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 continues to operate under its brand.

On 1 April 2016, the Group exercised its call option to acquire the outstanding 40% interest in its Japanese-market-focused subsidiary Julius Bär 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 its plans 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.

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 employs a staff (FTE) of 6,205 worldwide (as of 30 June 2017).

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

Daniel J. Sauter(1)(4)	1957 Non-executive Chairman 2018
Ann Almeida (3)(4)	1956 Non-executive Director 2018
Gilbert Achermann(3)(4)	1964 Non-executive Director 2018
Andreas Amschwand(1)	1960 Non-executive Director 2018
Heinrich Baumann(2)(3)	1951 Non-executive Director 2018
Paul Man-Yiu Chow(2)	1946 Non-executive Director 2018
Ivo Furrer (1)	1957 Non-executive Director 2018
Claire Giraut(2)(4)	1956 Non-executive Director 2018
Gareth Penny(3)	1962 Non-executive Director 2018
Charles G.T. Stonehill(1)(2)(4)	1958 Non-executive Director 2018

Notes:

(1) Member of the Chairman's and Risk Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Member of the Nomination Committee.

Daniel J. Sauter (born 1957, Swiss citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. since 2009 and 2007, respectively. He was elected Chairman of the Board of Directors of both Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. in 2012. Daniel Sauter is currently Chairman of the Board of Directors of Trinsic AG, Zug, Tabulum AG, Zug, Hadimec AG, Maegenwil, member of the Board of Directors of Sika AG, Baar and ARAS Holding AG, Lenzburg and member of the Foundation Board of Avenir Suisse, Zurich, Switzerland. He is a Swiss-certified banking specialist with the Swiss Banking School.

Gilbert Achermann (born 1964, Swiss citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. since 2012. In addition to his appointment with Julius Baer Group Ltd., he is also Chairman of the Board of Directors of the Straumann Group, Basle. He has been Chairman of the Board of Directors of Vitra Holding AG (from 2012 to 2015), Chairman of the Board of Directors of Siegfried Holding AG, Zofingen (2010 to March 2014) member of the Board of Medical Cluster Schweiz, Bern (2012-2015), member of the Board of the ITI Association and ITI Foundation, Basle, Switzerland and Vorstandsmitglied at "Groove Now! Basel", Basle, Switzerland. Since 29 June 2017, he is also Chairman of the Board of Directors of Switzerland Innovation Park Basel Area AG, Allschwil, Switzerland. Mr. Achermann holds an Executive Masters in Business Administration from IMD, Lausanne.

Ann Almeida (born 1956, British and Irish citizen), has been a member of the Board of Directors of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. since 1 June 2016. She holds a Master of Arts in Economics from the Cambridge University, UK, and a Master of Business Administration from the Imperial College, UK. Mrs. Almeida has spent more than 20 years with HSBC, lastly as Group Managing Director of Human Resources & Corporate Sustainability and Member of the Executive Board (2010 – 2015). In addition to her mandates with Julius Baer, Mrs. Almeida is Advisor and Chairperson of the HR/Remuneration Committee of Fajr Capital, Dubai, UAE, Advisor and Chairperson of the Nomination & Remuneration Committee of Jadwa Investment, Riyadh, Kingdom of Saudi Arabia, as well as member of the Board of Trustees of 88 Foundation, London, UK. She was an independent Non-Executive Director of Axiata Group Berhad, Kuala Lumpur, Malaysia, until 2017.

Andreas Amschwand (born 1960, Swiss citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. since 2012. Prior to his appointment to the Board of Directors, he spent more than 20 years at UBS AG (formerly Swiss Bank Corporation), Zurich, where he served as Global Head of Investment Products and Services. He holds a B.Sc. in Business and Accounting from the School of Economics and Business. Mr. Amschwand is in addition Chairman of the Board of Directors, EMFA Holding AG, Kerns, Switzerland, Chairman of the Board of Directors of Alois Amschwand AG, Kerns, Switzerland, Chairman of the "Verein Standortpromotion Kanton Obwalden", Sarnen, Switzerland, and Administrator of a few family owned agriculture/farming companies in Romania.

Heinrich Baumann (born 1951, Swiss citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. since 2011. He is a self-employed management consultant, and previously served as Chairman of the Board of Directors of HSBC Guyerzeller Trust Issuer from 2006 to 2009. He holds a Ph.D. in Management, Technology and Economics from the Swiss Federal Institute of Technology (ETH), Zurich. Mr. Baumann in addition is Vice President of the Board of Directors of Atlis AG, Biberist, Switzerland, Vice President of the Board of Directors of Completo AG, Biberist, Switzerland and Member of the Foundation Board of the International Foundation for Research in Paraplegia, Chêne-Bourg, Switzerland.

Paul Man-Yiu Chow (born 1946, Chinese (Hong Kong SAR) citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. since 2015. He previously served as Chief Executive Officer and Executive Director at the Hong Kong Exchanges & Clearing Limited. Mr. Chow is Independent Non-Executive Director and Chairman of the Nomination Committee as well as member of the Audit Committee and the Remuneration Committee of China Mobile Limited, Hong Kong, and independent Non Executive Director of CITIC Limited, Hong Kong (since March 2016). Mr. Chow was a member of the Advisory Committee on Innovation and Technology, The Government of the Hong Kong Special Administration Region, until March 2017, as well as a member of the Asian Advisory Council of AustralianSuper, Melbourne, Australia, until February 2017. Mr Chow holds a Bachelor of Science in Mechanical Engineering, a Diploma in Management Studies, a Master of Business Administration (MBA) and a Diploma of Finance from the University of Hong Kong.

Ivo Furrer (born 1957, Swiss citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. since 2017. He previously served amongst others as CEO Switzerland and Member of the Corporate Executive Board at Swiss Life Group, CEO Life Switzerland and Member of the Global Life Executive Committee at Zurich Financial Services, Member of the Executive Committee e-Investment Services Europe at Credit Suisse Group and Chief Underwriting Officer Global Corporate at Winterthur Insurance. Mr Furrer holds a Ph.D. in law from the University of Zurich. In addition to his mandates with Julius Baer, Mr Furrer acts as Vice Chairman of Sanitas Krankenversicherung, member of the Board of Directors at the Financial Market Authority Liechtenstein, member of the Board of Directors of Sobrado AG, Chairman of the Steering Committee of Digital Switzerland, member of the Foundation Board of the Stiftung für Kinder in der Schweiz and as member of Swiss Economic Forum/Powerpreneurs. Since 2017, he is further a member of the Board of Directors of Helvetia Insurance, member of the Board of Directors of inventix and member of the Board of Directors of responsAbility Investments AG.

Claire Giraut (born 1956, French citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. since 2010. She previously served as Chief Financial Officer at Europcar Groupe, S.A. and Ipsen Pharma S.A. She was a member of the Board of Directors and of the Audit Committee of Heurtey-Petrochem S.A., Vincennes, France (until March 2016) and Chief Financial Officer at bioMérieux, France. Since June 2016 she is member of the Board of Directors of DBV Technologies, Montrouge, France. Mrs. Giratu holds a Master in Biotech Engineering from the Institut Nationale Agronomique, Paris.

Gareth Penny (born 1962, South African and Irish citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. since 2009 and 2007, respectively. He served as Executive Chairman of the Board of Directors of New World Resources, plc in London (from October 2012 – May 2016) and as deputy Chairman of the Botswana Advisory Council to the President, Gabarone, Republic of Botswana, until 2015.Currently, he serves as non-executive Chairman at Norilsk Nickel, Moscow (since April 2013), as non-executive Chairman of the Board of Directors of Pangolin Diamonds Corp., Toronto, Canada (since August 2016) and of Edcon, Johannesburg, South Africa, since February 2017. He holds an M.A. in Philosophy, Politics and Economics from Oxford University.

Charles G.T. Stonehill (born 1958, British and American citizen) has been a member of the Board of Directors of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. since 2009 and 2006, respectively. He is a member of the Advisory Board of Rubicon Technology Partners L.P., Menlo Park, CA, USA, and non-executive Board member of CommonBond Inc., New York, USA, Governor, Harrow School, Harrow on the Hill, London, UK, member of the Board of Directors of PlayMagnus, Oslo, Norvey, and member of the Foundation Board of the "Fondation Georg Solti Accademia", Geneva, Switzerland. Mr. Stonehill is Managing Partner at TGG Group, New York, co-founder and Partner of Green & Blue Advisors LLC, New York, USA and Governor, Harrow School, Harrow on the Hill, London, UK. Furthermore, Mr. Stonehill served as Trustee at International House, New York, USA, until 2015. He holds an M.A. in Modern History from Oxford University.

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. If 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

Boris F.J. Collardi	1974 Chief Executive Officer
Dieter A. Enkelmann	1959 Chief Financial Officer
Nic Dreckmann	1974 Chief Operating Officer
Bernhard Hodler	1960 Chief Risk Officer
Larissa Alghisi Rubner	1970, Chief Communications Officer
Christoph Hiestand	1969 General Counsel

Boris F.J. Collardi (born 1974, Swiss and Italian citizen) has been the Chief Executive Officer of Julius Baer Group Ltd. and a member of the Executive Board since October 2009. He is also currently the Chief Executive Officer of Bank Julius Baer & Co. Ltd., a position he has held since May 2009. Before joining Bank Julius Baer & Co. Ltd., Mr. Collardi spent more than ten years at Credit Suisse, where he served as Chief Operations Officer Europe, Middle East & North Africa and Head of Special Projects until 2006. Mr. Collardi is also a member of the Board and the Committee of the Governing Board of the Board of Directors of the Swiss Bankers Association, the Chairman of the Executive Committee of the Association of Swiss Commercial and Investment Banks, and a member of the Advisory Board of the Lee Kong Chian School of Business – Singapore Management University. Mr. Collardi is a graduate of the Executive Programme at IMD Lausanne and completed a Major in Accounting at Cessouest School, Nyon.

Dieter A. Enkelmann (born 1959, Swiss citizen) has been the Chief Financial Officer and a member of the Executive Board of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. since 2009. He previously served as Chief Financial Officer and was a member of the Executive Board of the former Julius Baer Holding Ltd. since 2006 and additionally served as the administrative and organizational manager of the Executive Board of the former Julius Baer Holding Ltd. from 2008 to 2009. Prior to his entry into the Julius Baer Group Ltd. in December 2006, Mr. Enkelmann has also served as Chief Financial Officer at Barry Callebaut and Chief Financial Officer of the business unit Financial Services at Swiss Re (where he also served as Head of Corporate Financial Management and Investor Relations). Currently, Mr. Enkelmann is also member of the Board of Directors of Cosmo Pharmaceuticals S.p.A., Lainate, Milan, including Head of the Audit Committee and member of the Nomination Committee. Mr. Enkelmann holds a degree in law from the University of Zurich.

Nic Dreckmann (born 1974, Swiss citizen), holds a master degree in Business Administration and Corporate Finance (lic.oec. publ.) from the University of Zurich. He spent 5 years as a global Business Project Manager with Accenture AG, Zurich, before joining Julius Baer in 2004, where he started in the Private Banking Product Management as well as in the Private Banking Business Development. He subsequently headed the Strategic Management & Regional Coordination and then became Chief of Staff for the CEO and COO of Bank Julius Baer. In 2012, he was given the over responsibility for the global integration of the International Wealth Management business from Bank of America Merrill Lynch and in 2015 had been mandated as Program Director of JB 2.0, a global program to define and implement the global operating model of the Bank. As a member of the Executive Board, Mr. Dreckmann has taken over the COO role on Bank level as at 1 August 2016 and became COO (and member of the Executive Board) of Julius Baer Group Ltd. as at 1 January 2017.

Bernhard Hodler (born 1960, Swiss citizen) has been the Chief Risk Officer of Julius Baer Group Ltd. and a member of its Executive Board since 2009 (from January to February 2013 he was Chief Operating Officer ad interim and Executive Board member). He began his career at Bank Julius Baer & Co. Ltd. as Head of Global Risk Management in 1998, and is currently its Chief Operating Officer and a member of the Executive Board of Bank Julius Baer & Co. Ltd., roles he has held since 2005. Mr. Hodler previously was a member of the Executive Board of the former Julius Baer Holding Ltd. from November 2007 to September 2009. Mr. Hodler is also a member of the Board of Directors of ifb International AG, Pfaeffikon. Mr. Hodler has a degree in Business Administration from the School of Economics and Business (HWV), Berne, and attended the Advanced Executive Programme of the Swiss Banking School between 1999 and 2000 and the Advanced Management Program of the Wharton School, University of Pennsylvania, in 2004. He is a chartered financial risk manager (GARP).

Christoph Hiestand (born 1969, Swiss citizen) has been the General Counsel of Julius Baer Group Ltd. and a member of the Executive Board of Julius Baer Group Ltd. since 2009. He joined Bank Julius Baer & Co. Ltd. in 2001 as Legal Counsel, and subsequently served as Deputy Group General Counsel at the former Julius Baer Holding Ltd. from 2006 to 2009. Mr. Hiestand holds a law degree from the University of St. Gallen and an LL.M. from Cornell Law School.

Larissa Alghisi Rubner (born 1970, Swiss and Italian citizen), has been Chief Communications Officer and member of the Executive Board of Julius Baer Group Ltd. since 1 July 2017. She holds a Master of Arts HSG of the University of St. Gallen, Switzerland. From 1996 to 1999, she had been with Andersen Consulting (Accenture), followed by UBS AG Zurich, where she had been in Media Relations, Stakeholder Reporting and finally (from 2008 – 2010) acted as Head Corporate Center Communications/Communications Management and Internal Communications. In 2010 Mrs. Alghisi joined GAM Holding AG, Zurich, as Group Head of Communication and became Member of the Management Board in July 2015 (until 2016).

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 Group's and the Issuer'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 entire Board of Directors. 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 Julius Baer Group adopted by the Board of Directors or other relevant supervisory or management 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 auditor on an annual basis. It reviews their reports about the rendering of the accounts and the management letter and provides a recommendation to the complete Board of Directors regarding election of the external auditor at the Annual General Meeting.

The members of the Audit Committee are independent. The Audit Committee has its own charter and performs an in-depth annual self-assessment with regard to its own performance. The Audit Committee convenes at least four times a year for about four hours on average. The members of the

Executive Board of Julius Baer Group Ltd. 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 Offering Circular, the Audit Committee consists of Heinrich Baumann (chairperson), Claire Giraut, Paul Man-Yiu Chow and Charles G.T. Stonehill.

Corporate Governance

The Issuer fully adheres to the principles set out in the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business federation economiesuisse, including its appendix stipulating recommendations on the process for setting compensation for the Board of Directors and the Executive Board.

The Issuer is subject to and fully adheres to the Directive on Information relating to Corporate Governance (revised effective 1 April 2016 of the SIX Swiss Exchange (the "Corporate Governance Directive") which applies to issuers whose equity securities are listed on the SIX Swiss Exchange and whose registered office is in Switzerland, 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 February 2016) and the Federal Council's "Ordinance against excessive compensation in listed companies" (in force effective 1 January 2014)

In April 2014, the annual shareholders meeting of the Issuer approved the adapted Articles of Incorporation and the relevant committees and procedures pursuant to the requirements of the Ordinance against excessive compensation in listed companies (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV).

For further information regarding Corporate Governance, refer to Chapter I — Corporate Governance in the Julius Baer Group Annual Report 2016 as attached hereto in Annex 1.

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 (prior to 2014 the Issuer's register number was CH-020.3.033.970-7). 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 subsidiaries listed in Note 26 of the Issuer's consolidated financial statements as at and for the year ended 31 December 2016.

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 Intermediary-Held 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 30 June 2017, companies within the Issuer held 6'735'160 registered shares equaling 3.0093 per cent. 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 Julius Baer Group maintains various share-based payment plans in the form of share or share option 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.

Share-based payment plans that are settled in own equity instruments (shares or options) result in a corresponding increase in equity and are not re-measured for subsequent changes in the fair value of the underlying equity instruments. Share-based payment plans that are settled by the payment of cash are recognised as a liability and are adjusted through the income statement for changes in fair value of the underlying equity instruments until final settlement.

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 total percentage in voting rights	Sale positions total percentage in voting rights	Publication date
MFS Investment Management	9.9834 %		04.01.2014
BlackRock Inc.	5.08 %	0.07 %	05.05.2017
Harris Associates L.P.	4.95 %		02.12.2016
Wellington Management Group LLP	4.94 %		12.07.2017
Invesco Ltd.	3.34		09.03.2017
Julius Baer Group Ltd.	3.0093 %		24.03.2017

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 2016, see Note 9 "Debt Issued" in the Julius Baer Group Half-Year Report 2017 as attached hereto in Annex 2.

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 2016 and the Issuer's consolidated financial statements as at and for the year ended 31 December 2015, and the Issuer's statutory financial statements as at and for the year ended 31 December 2016 and the Issuer's statutory financial statements as at and for the year ended 31 December 2015 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 30 June 2017, see Note 10 "Provisions" in the Julius Baer Group Half-Year Report 2017 as attached hereto in Annex 2.

Ratings

The Issuer was assigned a "A3 (stable)" Issuer Rating by Moody's Investors Service, inc. ("**Moody's**") on 5th 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 *(CHF in millions)*	Dividends per share *(CHF)*
2010	124(1)	0.60
2011	196(1)	1.00(2)
2012	130(1)	0.60
2013	133(1)	0.60
2014	224(1)	1.00
2015	246(1)	1.10
2016	269 (1)	1.20

Notes:

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

(2) Includes a dividend of CHF 0.60 per share and a special dividend of CHF 0.40 per share.

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.

Financial Statements

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

Annual General Meeting of 12 April 2017

The shareholders of Julius Baer Group Ltd. approved all of the proposals submitted by the Board of Directors at the Annual General Meeting of 12 April 2017. At the Annual General Meeting:

(i) The Financial Statements and Consolidated Financial Statements 2016 were approved.

(ii) The Remuneration Report 2016 was approved in a consultative vote.

(iii) The appropriation of the disposable profit, the dissolution and the distribution of CHF 268.6 million out of 'statutory capital reserve' were approved. The amount corresponds to a distribution of CHF 1.20 per registered share. The distribution will be paid free of expense from 20 April 2017.

(iv) The members of the Board of Directors and of the Executive Board were discharged for the 2016 financial year.

(v) The maximum aggregate amount of compensation of the Board of Directors for the coming term of office (AGM 2017 – AGM 2018) was approved. Additionally, the shareholders approved the Executive Board's aggregate amount of variable cash-based compensation elements for the completed financial year 2016, the aggregate amount of variable share-based compensation elements that are allocated in the financial year 2017 and the maximum aggregate amount of fixed compensation for the next financial year 2018.

(vi) The Board members Daniel J. Sauter, Gilbert Achermann, Ann Almeida, Andreas Amschwand, Heinrich Baumann, Paul Man-Yiu Chow, Claire Giraut, Gareth Penny and Charles G.T. Stonehill (Vice Chairman) were re-elected for a one-year term.

(vii) Ivo Furrer was elected as new member of the Board of Directors for a one-year term.

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

(ix) Ann Almeida, Gilbert Achermann, Heinrich Baumann and Gareth Penny were re-elected as members of the Compensation Committee for a one-year term.

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

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

Taxation in Switzerland

The following discussion is a summary of certain material Swiss tax considerations relating to (i) Notes issued by any of the Issuers where the Holder is tax resident in Switzerland or has a tax presence in Switzerland or (ii) Notes where the Paying Agent, custodian or securities dealer is located in Switzerland. The discussion bases on legislation as of the date of this Base Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Notes. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Notes (or options embedded therein) in light of their particular circumstances.

(a) Withholding tax

According to the present Swiss law and practice of the Swiss Federal Tax Administration, payments of interest on the Bonds and payments on the Bonds and the Short Term Notes which qualify as interest for Swiss withholding tax purposes (such as a potential issue discount or repayment premium), are subject to Swiss withholding tax *(Verrechnungssteuer)* at a rate of currently 35 per cent. If the respective requirements are met, the holder of a Bond or a Short Term Note residing in Switzerland is entitled to a full refund or tax credit for the Swiss withholding tax whereas a holder of a Note who is not resident in Switzerland may be entitled to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, concluded between Switzerland and the country of residence of such holder.

(b) Transfer Stamp Tax

There is no transfer stamp tax liability in Switzerland in connection with the issue and redemption of the Bonds or the Short Term Notes.

Bonds (but not Short Term Notes) which are sold through a Swiss or a Liechtenstein domestic bank or a Swiss or a Liechtenstein domestic securities dealer (as defined in the Swiss Federal Stamp Duty Law), are subject to the Swiss securities transfer stamp tax *(Umsatzabgabe)* of presently 0.15 per cent. with some exceptions as detailed in the Swiss Federal Stamp Duty Law.

(c) Income Tax

(i) Notes Held by Non-Swiss Holders

Under current Swiss law, a Holder of a Bond or a Short Term Note who is a non-resident of Switzerland and who, during the taxable year, has not engaged in trade or business through a permanent establishment or fixed place in Switzerland to which the Notes are attributable and who is not subject to taxation by Switzerland for any other reason will not be subject to Swiss Federal, Cantonal or Municipal income or other tax on gains on the sale of, or payment received under, any Bond or Short Term Note.

(ii) Notes Held as Private Assets by Swiss Holders

Bonds without a "predominant one-time interest payment": Holders of Bonds without a predominant onetime interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a one-time-interest-payment) who are individuals receive payments of interest on Bonds (either in the form of periodic interest payments or as a one-time-interest-payment such as an issue discount or a repayment premium) are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Bonds) for the relevant tax period.

Bonds and Short Term Notes with a "predominant one-time interest payment": In the case of Bonds or Short Term Notes with a "predominant one-time interest payment" (the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments), the positive difference (including any capital and foreign exchange gain) between the amount received upon sale or redemption and the issue price (if the Bonds or Short Term Notes were purchased thereafter) will be classified as a taxable interest payment, as opposed to a tax-free capital gain (differential taxation method). Losses realised on the sale of Bonds or Short Term Notes with a "predominant onetime interest payment" may be offset against gains realised within the same tax period on the sale of any Bonds or Short Term Notes with a "predominant one-time interest payment".

(iii) Notes Held as Swiss Business Assets

Swiss-resident, individual taxpayers who hold Bonds or Short Term Notes as part of Swiss business assets and Swiss resident corporate taxpayers and individual or corporate taxpayers resident abroad holding Bonds or Short Term Notes as part of a Swiss permanent establishment or a fixed place of business in Switzerland are required to recognise payment of the interests on the Bonds or Short Term Notes and capital gains on sale of a Bond or Short Term Note in their income statement for the respective tax period and are taxable on any net taxable earnings for such period.

(d) Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act (FATCA)

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA. The agreement ensures that the 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. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities.

(e) Automatic Exchange of Information in Tax Matters

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "MCAA"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of

Information (the "AEOI"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "AEOI Act") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Based on such multilateral or bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case may be, Notes, 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 a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

No Material Changes

Except as disclosed in this Prospectus, as of the date of this Prospectus there have been no material changes in the assets and liabilities, financial position and profits and losses of the Julius Baer Group Ltd. since 30. June 2017.

Responsibility Statement

The Julius Baer Group Ltd. accepts responsibility for all information contained in this Prospectus and confirms that as of the date of this Prospectus the information is correct to the best of its knowledge and no material facts or circumstances have been omitted.

Annex

1. Extract from the annual report 2017 of the Julius Baer Group

Corporate Governance (page 8 - 34)

Financial Statements (page 78 - 207)

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 Corporate Governance Directive of the SIX Swiss Exchange (revised effective 1 April 2016), 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.

The following information corresponds to the situation as at 31 December 2016 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

Operational Group structure of Julius Baer Group Ltd. as at 31 December 2016

Julius Baer Group Ltd.

Board of Directors
Daniel J. Sauter, Chairman

Chief Executive Officer
Boris F.J. Collardi

Chief Financial Officer	Chief Operating Officer	Chief Risk Officer	Chief Communications Officer	General Counsel	Business Representative
Dieter A. Enkelmann	Gregory F. Gatesman	Bernhard Hodler	Jan A. Bielinski	Christoph Hiestand	Giovanni M.S. Flury

Executive Board

The consolidated Group companies are disclosed in Note 26A.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2016[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]	4.51%	0.04%
Bank of America Corporation[7]	3.76%	
Wellington Management Group LLP[8]	3.06%	
Invesco Ltd.[9]	3.02%	

[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 has 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, and its subsidiaries (reported on 22 July 2016)

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

[8] Wellington Management Group LLP, Boston/USA (reported on 22 November 2016)

[9] Invesco Ltd., Hamilton/Bermuda (reported on 25 January 2016)

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 2016. It is fully paid up and divided into 223,809,448 registered shares (shares) with a par value of CHF 0.02 each. The shares (Swiss securities no. 10 248 496; ISIN CH 010 2484968) are listed on the SIX Swiss Exchange and are 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

	2016	2015
Number of shares with par value of CHF 0.02 as at 31 December	**223,809,448**	223,809,448
(dividend entitlement, see Note 19)		

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

PARTICIPATION CERTIFICATES

There are no participation certificates.

BONUS CERTIFICATES

There are no bonus certificates.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS (AS AT 31 DECEMBER 2016)

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

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

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

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

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

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

CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds.

BOARD OF DIRECTORS

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

MEMBERS OF THE BOARD OF DIRECTORS

Daniel J. Sauter (born 1957), Swiss citizen; Swiss Certified Banking Expert, 1983. Gewerbebank, Zurich, Trainee, 1976–1978; Bank Leu, Zurich, Foreign Exchange Trader, 1978–1981; Bank fuer Kredit und Aussenhandel, Zurich, Foreign Exchange and Money Market Trader, 1981–1983; Glencore International, Zug, 1983–1998: Treasurer and Risk Manager, 1983–1988; Chief Financial Officer, 1989–1998; Xstrata AG, Zug, 1994–2001: Development of Xstrata AG into a globally diversified mining group; Chief Executive Officer, 1995–2001; Trinsic AG, Zug, co-founder and Chairman of the Board of Directors, since 2001; Alpine Select AG, Zug, Chairman of the Board of Directors, 2001–2012. 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 Board of Directors of Julius Baer Group Ltd. since 2012 (term of office until 2017).

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 since 1998: Chief Financial Officer and Deputy CEO, 1998–2001; Chief Executive Officer, 2002–2010; Chairman of the Board of Directors since 2010; Board member of the ITI Association and ITI Foundation since 2002. 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 (2017).

Ann Almeida (born 1956), British and Irish citizen; Master of Arts in Economics, Cambridge University, UK, 1979; Master of Business Administration, Imperial College, London, UK, 1989. Price Waterhouse, London, Trainee Chartered Accountant, 1979–1982; Qubus, Consultant, technology multinationals, 1983–1988; Merrill Lynch Europe, Reward Manager, 1990–1992; HSBC Holdings, 1992–2015: James Capel, Head of Reward, 1992–1995; James Capel, Head of Human Resources, 1995–1996; Director Human Resources, Corporate, Investment Banking & Markets, Private Banking, Asset Management, Islamic Banking, Transaction Banking, 1996–2007; Group Head of Human Resources, 2007–2010; Group Managing Director of Human Resources & Corporate Sustainability and Member of the Group Executive Board, 2008–2015. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 June 2016 (2017).

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 (2017).

Heinrich Baumann (born 1951), Swiss citizen; PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: COO Singapore Branch and Deputy Branch Manager, 1985–1987; Chief of Staff International Division and Section Head Management Support, 1987–1990; member of the Regional Management Committee (New York), Chief Operating Officer Region North America, 1990–1994; Department Head Finance and Controlling on Group level, 1994–1998; independent Management Consultant, 1998–1999; HSBC Guyerzeller Bank Ltd., 1999–2009: Chief Operating Officer, 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 (2017).

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. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2015 (2017).

Claire Giraut (born 1956), French citizen; Master in Biotech Engineering, Institut National Agronomique, Paris, 1978. Sanders Group, Paris, various positions, 1978–1985; Serete Group, Paris, various positions in finance and accounting, 1985–1996; Association of French Lawyers, Financial Controller, 1996–1997; Coflexip Stena Offshore, Paris, Chief Financial Officer and Group Head of Communications, member of the Executive Committee, 1997–2001; Technip Group, Paris, Chief Financial Officer of the offshore division and member of the Executive Board, 2002; Ipsen Group, Paris, Chief Financial Officer and member of the Executive Committee, 2003–2011; Europcar Groupe S.A., Guyancourt, France, Chief Financial Officer, 2011–2012; bioMérieux, Marcy l'Etoile, France, Corporate Vice-President Purchasing and Information Systems since September 2013, Chief Financial Officer since January 2014. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010 (2017).

Gareth Penny (born 1962), dual South African and British 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, Canada, Non-executive Chairman of the Board of Directors since August 2016. 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 (2017).

Charles G. T. Stonehill (born 1958), dual British and American citizen; Master of Arts in Modern History, Oxford University, UK, 1978. J. P. Morgan & Co., Corporate and Investment Banking, 1978–1984; Morgan Stanley & Co., Managing Director and Head of Equity Division Europe, 1984–1997; Credit Suisse First Boston, Head of Investment Banking for the Americas and member of the Operating Committee, 1997–2002; Lazard Frères, Global Head of Capital Markets and member of the Executive Committee, 2002–2004; 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, USA, Chief Finance 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. 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 (2017).

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. Alpine Select AG, Zug, Chairman of the Board of Directors since April 2013. Honorary Chairman of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2012.

Elections and re-elections at the Annual General Meeting 2016/Changes in the Board of Directors
At the Annual General Meeting of Julius Baer Group Ltd. on 13 April 2016, Daniel J. Sauter, Gilbert Achermann, Andreas Amschwand, Heinrich Baumann, Paul Man Yiu Chow, Claire Giraut, Gareth Penny and Charles G. T. Stonehill were re-elected to the Board of Directors for another term of one year.

Ann Almeida was elected as new member of the Board of Directors for the term from 1 June 2016 until the Annual General Meeting 2017.

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. Ann Almeida was elected as new member of the Compensation Committee as of 1 June 2016.

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 Ltd, Baar, Switzerland.

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

Ann Almeida:
- Independent Non-executive Director, Axiata Group Berhad, Kuala Lumpur, Malaysia.

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

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.

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

Mandates in non-listed companies:

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

Ann Almeida:
- Adviser, Chairperson of the HR/Remuneration Committee, Fajr Capital Ltd., Dubai, United Arab Emirates;
- Adviser, Chairperson of the Nomination & Remuneration Committee, Jadwa Investment, Riyadh, Saudi Arabia.

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;
- Administrator of SC Agro Verd Cozmesti SRL, Razboieni, Romania;
- Administrator of SC Agro Verd SRL, Butea, Romania;
- Administrator of SC Vicsani 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.

Gareth Penny:
- Non-executive Chairman of the Board of Directors of Edcon Ltd., Johannesburg, South Africa (effective 7 February 2017).

Charles G. T. Stonehill:
- Member of the Advisory Board of Rubicon Technology Partners L.P., Menlo Park, CA, USA;
- Non-executive member of the Board of Directors of CommonBond, Inc., New York, USA;
- Member of the Board of Directors of PlayMagnus 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 Executive Committee of Groove Now! Basel, Basle, Switzerland.

Ann Almeida:
- Member of the Board of Trustees of 88 Foundation, London, UK.

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

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

Paul Man Yiu Chow:
- Member of the Advisory Committee on Innovation and Technology, The Government of the Hong Kong Special Administrative Region;
- Member of the Asian Advisory Council, AustralianSuper, Melbourne, Australia (until 28 February 2017).

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

INTERNAL ORGANISATIONAL STRUCTURE

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

In the case of a tie vote at meetings, the Chairman shall have the casting vote. For resolutions passed by the Board of Directors with regard to agenda items that have been subject to prior resolution by a Committee of the Board of Directors (pre-resolving Committee) and if the members of such pre-resolving Committee (taking into consideration the casting vote of the Chairman) would represent a majority of votes in the Board of Directors, the casting vote shall not be with the Chairman of the Board but with the Chairperson of the Audit Committee, unless the Chairperson of the Audit Committee is also a member of such pre-resolving Committee, in which case the casting vote shall be with the member of the Board of Directors who is not a member of such pre-resolving Committee and who has served the longest total term of office on the Board of Directors. The members of the Executive Board of Julius Baer Group Ltd. participate as guests in the meetings of the complete Board of Directors. These meetings generally take up at least half a day.

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

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

In 2016, the complete Board of Directors of Julius Baer Group Ltd. held eight meetings (of which two in the form of a conference call), including a two-day strategy seminar.

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

First half of 2016	January I	January II[1]	April	June
Daniel J. Sauter, Chairperson	x	x	x	x
Gilbert Achermann	x	x	x	x
Ann Almeida[2]	-	-	-	x
Andreas Amschwand	x	x	x	x
Heinrich Baumann	x	x	x	x
Paul Man Yiu Chow	x	x	x	x
Claire Giraut	x	x	x	x
Gareth Penny	x	x	x	x
Charles G. T. Stonehill	x	x	x	x

[1] Meeting by teleconference
[2] Joined the Board of Directors on 1 June 2016

Second half of 2016	September	October	November[1]	December
Daniel J. Sauter, Chairperson	E	x	x	x
Gilbert Achermann	x	x	x	x
Ann Almeida	x	x	x	x
Andreas Amschwand	x	x	x	x
Heinrich Baumann	x	x	x	x
Paul Man Yiu Chow	x	x	x	x
Claire Giraut	x	x	x	x
Gareth Penny	x	x	x	x
Charles G. T. Stonehill	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 carrying-out of its resolutions or the supervision of business transactions to committees or individual members. It must make sure its members are suitably informed.

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in the section 'Definition of areas of responsibility' below.

The responsibilities and composition of the currently existing committees of the Board of Directors
The members of the Board of Directors discuss specific topics in the Board's committees. Each of these committees is chaired by an independent director. Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues. In addition, the minutes of the committee meetings are made available to the complete Board of Directors.

Chairman's & Risk Committee
The Chairman's & Risk Committee consists of the Chairman of the Board of Directors and at least two other members who are specifically skilled and experienced in areas of finance, corporate governance and risk control. It is presided over by the Chairman of the Board of Directors. The Chairman's & Risk Committee is responsible for developing and upholding principles of corporate governance for the Julius Baer Group and for authorising market, credit and financial risks (as set out in the appendix of the Organisational and Management Regulations), including, in particular, loans granted to members of the Board of Directors and of the Executive Board and/or affiliated entities and related parties ('Organkredite') as defined by the relevant Swiss accounting standards. The Chairman's & Risk Committee monitors compliance with rules governing large concentrations of risk ('Klumpenrisiken') and is responsible for the standards and methodologies for risk control with regard to risks other than operational risk (including legal and regulatory risk), which are employed to comply with the principles and risk profile adopted by the Board of Directors or other relevant supervisory or managing bodies.

The Chairman's & Risk Committee determines, coordinates and reviews the risk limits in the context of the overall risk policy. It reviews the policies with regard to risks other than operational risk (including legal and regulatory risk) and determines the guidelines for financial reporting. The Chairman's & Risk Committee bases its risk-related work on the Risk Landscape, as approved by the Audit Committee of the Board of Directors at a joint meeting with the Chairman's & Risk Committee, once a year. The Chairman's & Risk Committee furthermore approves the issuance of guarantees, letters of comfort and similar items relative to Julius Baer Group Ltd. and the principal operating subsidiaries. It approves the entry into, the dissolution and the modification of joint ventures of strategic importance by the principal operating subsidiaries, and approves the issue and amendment of Organisational and Management Regulations of the principal operating subsidiaries, including the allocation of responsibilities. The Chairman's & Risk Committee furthermore approves the formation, the change in capital or ownership structure, the change of legal form or licences, and the liquidation or closure of all subsidiaries. The Chairman's & Risk Committee decides on requests from members of the Board of Directors and of the Executive Board to serve on outside boards of directors or advisory boards, boards of trustees or foundation boards and gives its consent to such members to serve in public office or government.

The Chairman's & Risk Committee generally convenes monthly. In 2016, the Committee met ten times for approximately four hours each. The Chief Executive Officer and the Chief Financial Officer are permanent guests and the other members of the Executive Board of the Company participate for specific reporting sessions in the meetings of the Chairman's & Risk Committee.

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

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

First half of 2016	January	February	April	May	June
Daniel J. Sauter, Chairperson	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x

Second half of 2016	August	September	October	November	December
Daniel J. Sauter, Chairperson	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x

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

The members of the Audit Committee are independent. The Audit Committee has its own charter and performs an in-depth annual self-assessment with regard to its own performance.

The Audit Committee convenes at least four times a year for about four hours on average. The members of the Executive Board of Julius Baer Group Ltd. participate as guests in the meetings of the Audit Committee. The Head of Group Internal Audit and representatives of the external auditor participate in every meeting. During the year under review, the Audit Committee held nine meetings including three conference calls.

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

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

First half of 2016	January	April	May[1]	June
Heinrich Baumann, Chairperson	x	x	x	x
Paul Man Yiu Chow	x	x	x	x
Claire Giraut	x	x	x	x
Charles G. T. Stonehill	x	x	x	x
Daniel J. Sauter	G	G	G	G
Andreas Amschwand	-	-	-	G

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

Second half of 2016	July[1]	September	October	November[1]	December
Heinrich Baumann, Chairperson	x	x	x	x	x
Paul Man Yiu Chow	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x
Daniel J. Sauter	G	-	G	G	G

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

Compensation Committee
The Compensation Committee shall carry out the Board's overall responsibility for drawing up the remuneration principles, remuneration strategy and policies covering the Chairman of the Board of Directors, the further non-executive members of the Board of Directors, the Chief Executive Officer (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 five meetings for three hours on average.

Members Gareth Penny (Chairperson), Gilbert Achermann, Ann Almeida and Heinrich Baumann

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

	January	April	June	September	November
Gareth Penny, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Ann Almeida[1]	-	-	x	x	x
Heinrich Baumann	x	x	x	x	x
Daniel J. Sauter	G	G	G	-	G
Charles G. T. Stonehill	-	-	-	G	-

[1] Joined the Committee on 1 June 2016
G = attended meeting as guest except portions of meetings where a conflict of interest might have arisen

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

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

a) establishment of profiles describing necessary and desirable competencies and skills of members of the Board of Directors and of the CEO;
b) search for and identification of suitably qualified candidates for appointment to the Board of Directors;
c) conduct of exploratory talks and application talks with possible candidates;
d) submission of proposals to the Board of Directors with regard to the election of members of the Board of Directors and nomination of the CEO;
e) establishment of a Board of Directors, 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. The Nomination Committee met four times in 2016 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 (ad hoc) at the respective meetings

	January	June	October	December
Charles G. T. Stonehill, Chairperson	x	x	x	x
Gilbert Achermann	x	x	x	x
Claire Giraut	x	x	x	x
Daniel J. Sauter	x	x	x	x
Ann Almeida	-	-	-	G

G = attended meeting as guest

DEFINITION OF AREAS OF RESPONSIBILITY

Julius Baer's strategic framework for long-term value creation
Since the launch of the new Julius Baer Group in 2009, the company has consistently executed the long-term strategy outlined at the time. At the core of this strategy is the focus on pure private banking and on realising profitable organic and inorganic growth by leveraging the Group's regional strengths and client-centric service model, with the aim to create long-term sustainable value for clients and investors.

Applying a client-centric business model
Julius Baer focuses on pure private banking, targeting private clients and family offices as well as external asset managers. The Group's unique position of strength as the leading Swiss private banking group is further reinforced by an unmatched focus on client-centric (as opposed to product-led) service excellence, supported by Julius Baer's open product platform, and a corresponding client-centric management culture, all of which are driven by a committed management team with deep experience in private banking.

Generating sustainable growth by leveraging Julius Baer's regional strengths and client-centric service model
Since 2009, Julius Baer's strategy has aimed at delivering profitable growth both organically as well as inorganically through acquisitions.

Organic growth is achieved by generating steady net new money throughout the business cycle through the continued focus on onboarding new clients, increasing the share of wallet of existing clients as well as carefully hiring experienced relationship managers. In this process, the Group's pure private banking focus, its distinctive corporate culture, its conservatively managed balance sheet and its comparatively low-risk business profile are all key elements in making Julius Baer the employer of choice for top private bankers and the bank of choice for its clients. Through careful and selective consideration of acquisitions to support the Group's growth strategy, Julius Baer aims to preserve these key advantages.

Julius Baer's balanced growth strategy is supported by a diversified global footprint, ensuring overall profitable and sustainable growth and making it possible to neutralise slower economic development in any one region. In the geographic allocation of its investments in growth, the Group has always aimed to strike an equilibrium over the cycle between investments into Julius Baer's original target markets of Switzerland and Europe (~50% of assets under management) and into its presence in the key wealth management growth markets around the world – Asia, Latin America, the Middle East, Israel and Africa, as well as Central and Eastern Europe, including Russia (~50% of assets under management).

Calibrating the strategy in a changing environment
In 2016, as in other years, Julius Baer's Board of Directors extensively reviewed the Group's long-term strategy with the Group's management, both in terms of its ongoing stand-alone validity and against potential alternative strategies. The two bodies jointly concluded that while the external environment (encompassing client needs, market conditions, regulatory requirements and competitive behaviour) will continue to change and evolve, the core elements of the Group's long-term strategy as outlined in 2009 remain valid.

Notwithstanding the continued commitment to the long-term core strategic focus, the Board and management reacted to the shorter-term market and competitive developments in 2016 and hence fine-tuned the Group's strategy for the medium term.

To lay the foundation for continued success, over the next few years the Group's strategy will focus particularly on delivering a best-in-class wealth management experience for clients, on strengthening the Group's position as employer of choice for top private banking professionals and as bank of choice for its clients, and on continuing to be among the most profitable businesses in the sector. This is to be achieved by concentrating on the following elements:

– Enhancing the Group's market focus and regionalisation while realigning the organisation to the evolving market-specific client needs.
– Strengthening the client-facing management structure and the client knowledge framework, encompassing all existing and anticipated future regulatory requirements.
– Enhancing Julius Baer's holistic *Your Wealth* offering through the further and wider roll-out of Julius Baer's advisory model and the strengthening of Julius Baer's investment management (discretionary mandates) capabilities.
– Increasing the productivity and efficiency through investing in the Group's technology platform and processes and strengthening the emphasis on its target clients.
– Further establishing Julius Baer as the global leader in private banking and building on the Group's attractive employee value proposition.

Creating shareholder value
Key elements of Julius Baer's strategic focus are reflected in its financial targets and driven by its aim to balance growth and profitability:

– 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 between 64% and 68% and an adjusted pre-tax margin[3] of over 30 basis points in the medium term.
– Strong balance sheet, comparatively low-risk business profile: The focus on maintaining these two key competitive advantages partly manifests itself in Julius Baer's aim to maintain its (phase-in) BIS total capital ratio above 15% and its (phase-in) 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 on the one hand maintaining a solid capital buffer and on the other hand 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 prolonged above-market return to shareholders. This aim is further supported by the Group's intent to grow its dividend pay-out ratio to approximately 40% of adjusted net profit.
– Pay for performance: The Group's focus on sustainable profitable growth and long-term shareholder value creation is reflected in the Executive Board's compensation structure, in particular via the cumulative economic profit and relative total shareholder return components of the equity performance plan.

[1] Adjusted results derived by 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.
[2] Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.
[3] Adjusted profit before taxes divided by average assets under management in basis points.

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 falls within the competence of the complete Board of Directors. Moreover, the complete Board of Directors appoints the Chief Executive Officer and the other members of the Executive Board and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Head of Group Internal Audit. Furthermore, the complete Board of Directors decides on the appointment and dismissal of the Chairman of the Board of Directors, of members of the Board of Directors and of advisory board members (if any) of the principal operating subsidiaries. The complete Board of Directors is responsible for determining the overall risk policy of the organisation as well as for the design of accounting, financial controlling and strategic financial planning. It also decides on capital market transactions involving shares of Julius Baer Group Ltd., on such resulting in the issue of bonds of the Company as well as on the issue of bonds by subsidiaries based on a graduated competence schedule regarding the capital and time commitment involved.

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

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

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

In addition, the Executive Board may form committees for specific tasks and regulate their activities. Their composition and areas of responsibility must be approved in advance by the Chairman's & 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 press contacts, press conferences and press releases and is responsible for investor relations and corporate identity (including corporate design and trademarks) of the Company. It also monitors and evaluates financial and other risks as well as compliance with rules governing equity capital, risk distribution and liquidity maintenance. Additionally, the Executive Board coordinates the contacts with the regulatory authorities. The Executive Board is empowered to issue binding instructions, which may be of general application or related to specific business matters, and may require the submission of reports or consultation with the Executive Board prior to making decisions.

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

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

In order to control the business activity of the Julius Baer Group, the Board of Directors has formed the committees listed in the section 'Internal organisational structure' above. Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues. In addition, the minutes of the committee meetings are made available to the complete Board of Directors.

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

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

The Executive Board or its individual members submit the following major reports to the Board of Directors and its committees:

- Written report by the CEO (quarterly to complete Board of Directors)
- Written or oral reporting by the CEO (usually monthly to Chairman's & Risk Committee)
- Written report by the General Counsel (quarterly to complete Board of Directors)
- Written or oral reporting by the members of the Executive Board (usually quarterly to complete Board of Directors and monthly to Chairman's & Risk Committee)
- Financial reporting by the CFO (Monthly Financial Report to complete Board of Directors and Chairman's & Risk Committee; enlarged written and oral reporting on a quarterly basis to complete Board of Directors; written and oral reporting monthly to Chairman's & Risk Committee)
- Financial statements by the CFO (half-year results as well as Interim Management Statements to Audit Committee, full-year results to Audit Committee and complete Board of Directors)
- Forecast by the CFO (quarterly to complete Board of Directors)
- Pension Fund update by the CFO (annually to complete Board of Directors)
- Treasury/Asset & Liability Management update by the CFO or the Head Treasury (annually to complete Board of Directors and usually oral information monthly to Chairman's & Risk Committee)
- Budget, Capital Management and Scenario Planning by the CEO/CFO (annually to complete Board of Directors)
- List of 'Organkredite' by the Chief Risk Officer (quarterly to Chairman's & Risk Committee)
- Regulatory reporting of 'Klumpenrisiken' by the Chief Risk Officer (quarterly to Chairman's & Risk Committee)
- Group Risk reporting by the Chief Risk Officer (quarterly to Chairman's & Risk Committee as well as to Audit Committee, annually to complete Board of Directors)
- Risk Landscape by the Chief Risk Officer (annually to Chairman's & Risk Committee and Audit Committee)

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

EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

Boris F.J. Collardi (born 1974), dual Swiss and Italian citizen; Executive Programme IMD Lausanne, 1999. Credit Suisse, 1993–2005: Career Starter Programme Credit Suisse, Geneva, 1993–1994; Front Office Support functions incl. Head of Front Office Support Asia-Pacific Credit Suisse Private Banking, Geneva, Zurich, Singapore, 1995–1999; Executive Assistant to the CEO Credit Suisse Private Banking, Zurich, 2000; Project Director 'Global Private Banking Center' Credit Suisse Private Banking, Singapore, 2000–2002; Head of Business Development, member of the Executive Committee Credit Suisse Private Banking Europe, Zurich, 2002–2003; Chief Financial Officer and Head of Corporate Center; member of the Executive Board Credit Suisse Private Banking, Zurich, 2003–2004; Chief Operating Officer; member of the Private Banking Europe Management Committee Credit Suisse Private Banking EMEA, Zurich, 2004–2005. Entry into Bank Julius Baer & Co. Ltd., 2006: Member of the Executive Board since 2006; Chief Operating Officer, 2006–2009, and in addition CEO Investment Solutions Group, 2008–2009 (part of the Bank's former Investment Products division). Chairman of the Julius Baer Foundation from 1 January 2015 to 31 December 2015. Chief Executive Officer of Bank Julius Baer & Co. Ltd. since 1 May 2009; member of the Executive Board and Chief Executive Officer of Julius Baer Group Ltd. since 1 October 2009.

Jan A. Bielinski (born 1954), Swiss citizen; PhD in Law, University of Zurich, 1983; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 1989. Entry into Bank Julius Baer & Co. Ltd., 1983: Development of PR/Marketing activities, 1983–1986; Head of Corporate and Marketing Communications, 1987–1995; Julius Baer Holding Ltd., 1996–2009: Chief Communications Officer and Head of Investor Relations from 1996 until 30 September 2009 (Head of Investor Relations until 2008); member of the Extended Group Executive Board from 2002 until December 2005; member of the Corporate Centre Management from December 2005 until November 2007; Bank Julius Baer & Co. Ltd. since 2010: member of the Extended Executive Board from 1 January 2010 until 29 February 2012; Chief Communications Officer since 1 January 2010; additionally Head Marketing from 1 November 2011 until 31 March 2015; member of the Executive Board and Chief Communications Officer of Julius Baer Group Ltd. since 1 October 2009.

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking in Switzerland and abroad, 1985–1997; Swiss Re 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. Entry into the Julius Baer Group 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 CFO since 15 November 2007; administrative and organisational manager of the Executive Board of Julius Baer Holding Ltd. from 1 September 2008 until 30 September 2009; member of the Executive Board and Chief Financial Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 October 2009.

Giovanni M.S. Flury (born 1953), Swiss citizen; Degree in Economics (lic. oec. HEC), University of Lausanne, 1978; Senior Executive Programme, Harvard Business School, Cambridge, Massachusetts, USA, 1999. École Professionelle Commerciale de Lausanne, Switzerland, Teacher of Economics and Law, 1978–1980; Nestlé Switzerland, Canada and Malaysia, Product Manager, 1981–1985; UBS AG, 1986–1998: Trainee Corporate Banking, Lugano, 1986; Branch Manager of Cassarate, 1987–1991; Head of Corporate Clients and Loans & Mortgages, Lugano, 1992–1995; Project Head Reengineering Corporate Banking Switzerland, Zurich, 1996; Head of Corporate Clients and Loans & Mortgages Ticino and Italy, Lugano, 1997–1998; Credit Suisse, Lugano, Head of Large Corporate Clients Ticino and Italy, 1998–1999; BDL Banco di Lugano, Lugano, Member of the Executive Board and Head of Private Banking, 2000–2005. Entry into the Julius Baer Group 2006: Banca Julius Baer (Lugano) SA, Member of the Executive Board and Head of Private

Banking, 2006–2007; Bank Julius Baer & Co. Ltd. from 2007 to 31 December 2015: Deputy Head Ticino and Italy, 2007–2009; CEO Ticino and Italy and Member of the Executive Board, 2010 until June 2011; CEO Italy and Member of the Executive Board, July 2011 until December 2012; Head Switzerland and Member of the Executive Board, January 2013 until September 2015; member of the Executive Board and Business Representative of Julius Baer Group Ltd. from 1 January 2016 until 31 December 2016.

Gregory F. Gatesman (born 1975), US citizen; The College of New Jersey, Trenton State College, Bachelor of Science in Business Administration, 1997; Financial executive education, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004; Executive MBA, Smeal School of Business, Pennsylvania State University, USA, 2004; Chartered Financial Analyst (CFA), 2007. Merrill Lynch, 1997–2009: different positions, 1997–2002; Vice-President Advisory Division Administration, 2002–2004; Director of Private Banking Platform, 2004–2005; Managing Director / Co-Head and COO Merrill Lynch Trust Company, 2005–2008; Managing Director / Chief Operating Officer US Wealth Management, 2008–2009; Bank of America Corporation, Managing Director / Transition Leadership Executive, 2009; Merrill Lynch Global Wealth Management, Managing Director / Chief Operating Officer International Wealth Management, 2010–2013. Member of the Executive Board and Chief Operating Officer of Bank Julius Baer & Co. Ltd. from 1 February 2013 until 1 August 2016; member of the Executive Board and Chief Operating Officer of Julius Baer Group Ltd. from 1 February 2013 until 31 December 2016.

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.

Bernhard Hodler (born 1960), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), Berne, 1987; Staff IT School SIB, Zurich, 1988–1989; Financial Risk Manager, GARP, 1997; Advanced Executive Program, Swiss Banking School, 1999–2000; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004. Head of Global Market & Credit Risk and Global Controlling Trading & Sales, Credit Suisse, 1994–1996; Head of European Risk Management, Credit Suisse First Boston, 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; Chief Risk Officer and Head of the Corporate Centre 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 since 1 February 2013. 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. since 1 October 2009.

Changes in the Executive Board

Giovanni M.S. Flury joined the Executive Board on 1 January 2016 as Business Representative of Julius Baer Group Ltd. and retired on grounds of age at the end of 2016.

Nic Dreckmann joined the Executive Board on 1 January 2017 as Chief Operating Officer of Julius Baer Group Ltd., replacing Gregory F. Gatesman who left the Group at the end of 2016.

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 S.p.A., Lainate, Italy, including Head of the Audit Committee and member of the Nomination Committee.

Mandates in non-listed companies:

Boris F.J. Collardi:
– Member of the Board of Directors of BlueOrchard Ltd., Geneva, Switzerland.

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

Other mandates:

Boris F.J. Collardi:
– Member of the Board and the Committee of the Governing Board of the Board of Directors of the Swiss Bankers Association, Basle, Switzerland;
– President of the Association of Swiss Asset and Wealth Management Banks, Zurich, Switzerland;
– Member of the Foundation Board of the Swiss Finance Institute, Zurich, Switzerland;
– Member of the Foundation Board of Fondation du Festival et Académie de Verbier, Verbier, Switzerland;
– Member of the Advisory Board of the Lee Kong Chian School of Business – Singapore Management University, Singapore;
– Member of the Foundation Board of IMD, International Institute for Management Development, Lausanne, Switzerland;
– Initial council, Masayoshi Son Foundations for Scholarship, Tokyo, Japan.

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.

SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2016)

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 where otherwise required by mandatory law and/or by article 8.14 of the Articles of Incorporation, all resolutions of the General Meetings of Shareholders are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

CONVOCATION OF THE GENERAL MEETINGS OF SHAREHOLDERS

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

AGENDA

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

REGISTRATIONS IN THE SHARE REGISTER

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

CHANGES OF CONTROL AND DEFENCE MEASURES

DUTY TO MAKE AN OFFER

The Articles of Incorporation do not deviate from the standards set by the law (no opting-out or opting-up rules).

CLAUSES ON CHANGES OF CONTROL

Executive Board members are not entitled to specific payments upon a change of control or upon termination of employment related to a change of control; however, they are eligible to receive such benefits (e.g. accrued holiday pay, death/disability/retirement benefits under the pension plan, etc.) 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, 8004 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 consulting-related services. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this guidance and as in prior years, all KPMG non-audit services provided in 2016 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.

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 64 to 73 of the accompanying remuneration report of Julius Baer Group Ltd. for the year ended 31 December 2016.

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 2016 of Julius Baer Group Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Philipp Rickert
Licensed Audit Expert
Auditor in Charge

Cataldo Castagna
Licensed Audit Expert

Zurich, 9 March 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2016

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2016** CHF m	2015 CHF m	Change %
Interest and dividend income		**1,043.9**	847.2	23.2
Interest expense		**166.8**	135.7	22.8
Net interest and dividend income	1	**877.1**	711.5	23.3
Commission and fee income		**1,771.1**	1,732.1	2.3
Commission expense		**206.2**	209.7	-1.7
Net commission and fee income	2	**1,564.9**	1,522.4	2.8
Net trading income	3	**332.5**	435.8	-23.7
Other ordinary results	4	**77.9**	24.7	215.1
Operating income		**2,852.4**	2,694.4	5.9
Personnel expenses	5	**1,335.9**	1,236.1	8.1
General expenses	6	**623.2**	1,100.2	-43.4
Depreciation of property and equipment	12	**37.6**	34.5	9.0
Amortisation of customer relationships	12	**68.5**	126.2	-45.7
Amortisation and impairment of other intangible assets	12	**34.6**	58.6	-41.0
Operating expenses		**2,099.8**	2,555.6	-17.8
Profit before taxes		**752.6**	138.8	442.2
Income taxes	7	**130.4**	16.3	701.4
Net profit		**622.1**	122.5	407.8

Attributable to:				
Shareholders of Julius Baer Group Ltd.		**619.4**	121.2	411.2
Non-controlling interests		**2.7**	1.4	101.5
		622.1	122.5	407.8

	Note	**2016** CHF	2015 CHF	Change %
Share information				
Basic earnings per share (EPS)	8	**2.85**	0.55	414.1
Diluted earnings per share (EPS)	8	**2.84**	0.55	413.2
Dividend proposal 2016 and dividend 2015		**1.20**	1.10	9.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 *CHF m*	2015 *CHF m*
Net profit recognised in the income statement	**622.1**	122.5
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on financial investments available-for-sale	**19.8**	-85.8
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	**7.8**	0.3
Translation differences	**22.8**	-79.6
Realised (gains)/losses on translation differences reclassified to the income statement	**-0.0**	0.2
Items that will not be reclassified to the income statement		
Remeasurement of defined benefit obligation	**18.9**	-98.4
Other comprehensive income	**69.2**	-263.2
Total comprehensive income	**691.3**	-140.7
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**685.7**	-139.3
Non-controlling interests	**5.6**	-1.4
	691.3	-140.7

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2016** *CHF m*	31.12.2015 *CHF m*
Assets			
Cash		**13,599.5**	9,185.7
Due from banks	9	**11,389.8**	6,901.1
Loans	9	**38,419.0**	36,380.9
Trading assets	10	**7,660.7**	8,984.0
Derivative financial instruments	24	**2,690.9**	2,189.1
Financial assets designated at fair value	25	**252.4**	197.0
Financial investments available-for-sale	11	**18,266.6**	16,572.5
Investments in associates	26	**29.4**	90.3
Property and equipment	12	**373.8**	373.2
Goodwill and other intangible assets	12	**2,834.3**	2,316.4
Accrued income and prepaid expenses		**327.2**	366.2
Deferred tax assets	17	**28.8**	23.8
Other assets		**335.0**	535.4
Total assets		**96,207.2**	84,115.5

	Note	**31.12.2016** CHF m	31.12.2015 CHF m
Liabilities and equity			
Due to banks		**10,076.8**	4,672.0
Due to customers		**67,495.2**	64,781.4
Trading liabilities	10	**159.0**	190.8
Derivative financial instruments	24	**2,285.3**	2,391.4
Financial liabilities designated at fair value	15	**8,444.4**	4,263.1
Debt issued	16	**1,213.5**	1,152.7
Accrued expenses and deferred income		**620.3**	530.1
Current tax liabilities		**123.0**	65.6
Deferred tax liabilities	17	**77.8**	41.6
Provisions	18	**23.0**	575.2
Other liabilities		**335.1**	509.7
Total liabilities		**90,853.4**	79,173.5
Share capital	19	**4.5**	4.5
Retained earnings		**5,840.4**	5,467.8
Other components of equity		**-251.6**	-317.9
Treasury shares		**-263.1**	-218.9
Equity attributable to shareholders of Julius Baer Group Ltd.		**5,330.2**	4,935.6
Non-controlling interests		**23.6**	6.4
Total equity		**5,353.9**	4,942.0
Total liabilities and equity		**96,207.2**	84,115.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*
At 1 January 2015	4.5	5,560.3
Net profit	-	121.2
Unrealised gains/(losses)	-	-
Realised (gains)/losses reclassified to the income statement	-	-
Changes	-	-
Total other comprehensive income	-	-
Total comprehensive income	-	121.2
Dividends	-	-223.8
Dividend income on own shares	-	4.8
Share-based payments expensed for the year	-	60.0
Share-based payments vested	-	-55.1
Changes in derivatives on own shares	-	14.2
Acquisitions of own shares	-	-
Disposals of own shares	-	-13.8
At 31 December 2015	4.5	5,467.8
At 1 January 2016	**4.5**	**5,467.8**
Net profit	**-**	**619.4**
Unrealised gains/(losses)	**-**	**-**
Realised (gains)/losses reclassified to the income statement	**-**	**-**
Changes	**-**	**-**
Total other comprehensive income	**-**	**-**
Total comprehensive income	**-**	**619.4**
Changes in non-controlling interests	**-**	**-23.4**[2]
Dividends	**-**	**-246.2**
Dividend income on own shares	**-**	**6.2**
Share-based payments expensed for the year	**-**	**70.8**
Share-based payments vested	**-**	**-49.4**
Changes in derivatives on own shares	**-**	**-0.2**
Acquisitions of own shares	**-**	**-**
Disposals of own shares	**-**	**-4.5**
At 31 December 2016	**4.5**	**5,840.4**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
[2] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A. and Julius Bär Wealth Management AG.
[3] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A., Julius Bär Wealth Management AG and Kairos Investment Management SpA.

Other components of equity						
Financial investments available-for-sale, net of taxes *CHF m*	Remeasurement of defined benefit obligation *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*
108.5	-123.0	-42.9	-178.7	5,328.7	9.1	5,337.8
-	-	-	-	121.2	1.4	122.5
-85.8	-	-76.9	-	-162.6	-2.7	-165.4
0.3	-	0.2	-	0.5	-	0.5
-	-98.4	-	-	-98.4	-	-98.4
-85.4	-98.4	-76.7	-	-260.5	-2.7	-263.2
-85.4	-98.4	-76.7	-	-139.3	-1.4	-140.7
-	-	-	-	-223.8	-1.3	-225.1
-	-	-	-	4.8	-	4.8
-	-	-	-	60.0	-	60.0
-	-	-	55.1	-	-	-
-	-	-	8.9	23.2	-	23.2
-	-	-	-232.0	-232.0	-	-232.0
-	-	-	127.9	114.1	-	114.1
23.1	-221.4	-119.6	-218.9	4,935.6	6.4	4,942.0
23.1	**-221.4**	**-119.6**	**-218.9**	**4,935.6**	**6.4**	**4,942.0**
-	**-**	**-**	**-**	**619.4**	**2.7**	**622.1**
19.8	**-**	**19.8**	**-**	**39.6**	**2.9**	**42.5**
7.8	**-**	**-0.0**	**-**	**7.8**	**-**	**7.8**
-	**19.0**	**-**	**-**	**19.0**	**-0.1**	**18.9**
27.5	**19.0**	**19.8**	**-**	**66.3**	**2.9**	**69.2**
27.5	**19.0**	**19.8**	**-**	**685.7**	**5.6**	**691.3**
-	**-**	**-**	**-**	**-23.4**	**13.7**[3]	**-9.7**
-	**-**	**-**	**-**	**-246.2**	**-2.1**	**-248.3**
-	**-**	**-**	**-**	**6.2**	**-**	**6.2**
-	**-**	**-**	**-**	**70.8**	**-**	**70.8**
-	**-**	**-**	**49.4**	**-**	**-**	**-**
-	**-**	**-**	**-3.5**	**-3.7**	**-**	**-3.7**
-	**-**	**-**	**-305.7**	**-305.7**	**-**	**-305.7**
-	**-**	**-**	**215.5**	**211.0**	**-**	**211.0**
50.6	**-202.4**	**-99.8**	**-263.1**	**5,330.2**	**23.6**	**5,353.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 *CHF m*	2015 *CHF m*
Net profit	**622.1**	122.5
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	**37.6**	34.5
- Amortisation and impairment of intangible assets	**103.1**	184.8
- Allowance for credit losses	**15.1**	35.9
- Income from investment in associates	**-48.7**	-5.9
- Deferred tax expense/(benefit)	**8.4**	-60.3
- Net loss/(gain) from investing activities	**80.2**	92.1
- Other non-cash income and expenses	**70.8**	60.0
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**5,131.4**	-981.6
- Trading portfolios and derivative financial instruments	**682.7**	-1,295.9
- Net loans/due to customers	**-245.4**	-529.3
- Accrued income, prepaid expenses and other assets	**335.4**	-400.0
- Accrued expenses, deferred income, other liabilities and provisions	**-653.7**	158.9
Adjustment for income tax expenses	**122.0**	76.5
Income taxes paid	**-78.3**	-125.3
Cash flow from operating activities	**6,182.9**	-2,633.1
Dividend of associates	**10.2**	4.4
Purchase of property and equipment and intangible assets	**-172.9**	-105.9
Disposal of property and equipment and intangible assets	**0.3**	0.7
Net (investment in)/divestment of financial investments available-for-sale	**-251.9**	-2,415.1
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**556.1**	967.7
Deferred payment of acquisition of subsidiaries and associates	**-11.2**	-28.9
Cash flow from investing activities	**130.7**	-1,577.1
Net money market instruments issued/(repaid)	**78.7**	-0.1
Net movements in treasury shares and own equity derivative activity	**-92.2**	-89.9
Dividend payments	**-246.2**	-223.8
Issuance and repayment of financial liabilities designated at fair value	**4,126.0**	-211.4
Issuance of perpetual tier 1 subordinated bond	**230.4**	319.3
Repayment of lower tier 2 bond	**-250.0**	-
Changes in non-controlling interests	**-9.6**	-
Dividend payment to non-controlling interests	**-2.1**	-1.3
Cash flow from financing activities	**3,835.0**	-207.3
Net (decrease)/increase in cash and cash equivalents	**10,148.6**	-4,417.6

	2016 *CHF m*	2015 *CHF m*
Cash and cash equivalents at the beginning of the year	**18,128.7**	22,293.4
Cash flow from operating activities	**6,182.9**	-2,633.1
Cash flow from investing activities	**130.7**	-1,577.1
Cash flow from financing activities	**3,835.0**	-207.3
Effects of exchange rate changes on cash and cash equivalents	**-6.4**	252.9
Cash and cash equivalents at the end of the year	**28,270.9**	18,128.7

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Cash and cash equivalents are structured as follows:		
Cash	**13,599.5**	9,185.7
Money market instruments	**3,785.0**	2,298.1
Due from banks (original maturity of less than three months)	**10,886.4**	6,645.0
Total	**28,270.9**	18,128.7

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Additional information		
Interest received	**895.4**	605.5
Interest paid	**-156.0**	-121.2
Dividends on equities received (including associates)	**209.4**	153.7

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 2016 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 31 January 2017. In addition, they are submitted for approval to the Annual General Meeting on 12 April 2017.

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

USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are discussed in the corresponding notes: determining fair values of financial instruments, uncertainties in measuring provisions and allowance for credit losses, pension assets and liabilities (measurement of defined benefit obligation), deferred tax assets (use of tax losses), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount) 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 the net assets of one or more businesses. The business combination is accounted for using the acquisition method. This involves recognising the identifiable assets, including previously unrecognised intangible assets, and liabilities of the acquired business, at acquisition-date fair value. Any excess of the consideration provided, such as assets or equity instruments issued and measured at acquisition-date fair value, over the identifiable net assets acquired, is recognised as goodwill. Transaction costs are expensed as incurred.

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

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

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

A complete list of these companies is provided in Note 26. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

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

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

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

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses. Unrealised exchange differences on equity securities available-for-sale are a component of the change in their entire fair value and are recognised in other comprehensive income.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2016	31.12.2015	**2016**	2015
USD/CHF	**1.0164**	1.0010	**0.9875**	0.9645
EUR/CHF	**1.0720**	1.0874	**1.0890**	1.0640
GBP/CHF	**1.2559**	1.4753	**1.3280**	1.4710

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

Income recognition
Income from services provided is either recognised at the time the service is performed, i.e. upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time. Income and income components that are based on performance are recognised at the time when all performance criteria are fulfilled.

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

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

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

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

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

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

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

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

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

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

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

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

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

Repurchase and reverse repurchase transactions
Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and are recorded at the value of the

cash provided or received. The transactions are generally conducted under standard agreements employed by the market participants; the counterparties are subject to the Group's normal credit risk process.

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

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

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

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

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

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

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

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

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

In addition, the Group reports assets and liabilities related to certain structured investments for which the client bears all the related risks and rewards from the investments, as designated at fair value through profit or loss.

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.

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

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

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

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

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. Installations are depreciated over a period not exceeding ten years, IT hardware over three years and other items of property and equipment over five years.

Leasehold improvements are investments made to customise buildings and offices occupied under operating lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a 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. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the

financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

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

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

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

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

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

Post-employment benefits
For defined benefit plans, the net defined benefit liability recognised in other liabilities in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. The Group applies the projected unit credit method to determine the present value of the defined benefit obligation and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

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

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

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

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

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

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

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

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

Contracts on shares of Julius Baer Group Ltd. that must be 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

In 2016, the following amendments have been applied in the Group:

Disclosure Initiative
The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments had no material impact on the presentation of the Group's financial statements.

Annual Improvements to IFRSs (2012–2014 Cycle)
A number of amendments to several standards are included in the IASB's Annual Improvement Projects. The amendments had no material impact on the Group's financial statements.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

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

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

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

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

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

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

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

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

Financial liabilities: Financial liabilities are measured at amortised cost or fair value. The new standard retains the fair value option for financial liabilities, but requires that the amount of change in fair value attributable to changes in the credit risk of the liability (own credit risk) be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement. If this approach creates or enlarges an accounting mismatch, the whole change in fair value may be recognised in the income statement.

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

The new standard will be effective 1 January 2018, with early application available for certain parts. However, the Group does not intend to early apply these parts of IFRS 9.

During 2016, the Group continued its assessment of the impact on the Group's financial statements and expects the following:

Recognition and measurement: Based on the analyses of the two classification criteria 'contractual cash flow characteristics' and 'business model', the Group determined that the financial instruments currently reported at amortised cost generally fulfil the criteria and therefore will be measured at amortised cost on an ongoing basis. The same applies to the vast majority of the debt financial instruments currently reported as available-for-sale and therefore measured at fair value through OCI, which will also be measured at fair value through OCI in the future. Certain equity instruments currently measured at fair value through OCI will be classified at fair value through profit or loss going forward. Therefore, the Group does not expect significant changes to the measurement basis arising from adopting the new classification and measurement model.

Expected credit losses: The Group is currently modelling the impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements. The models are generally based on the financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD), taking into account the respective interest rates. These models are tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the Treasury portfolio. The quantitative impact of the new expected credit loss model has not yet been assessed.

Financial liabilities: The Group will continue to apply its current measurement approach, including the use of the fair value option. No material changes are expected.

Hedge accounting: The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9.

IFRS 15 – Revenue Recognition
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 new standard also provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. In addition, enhanced disclosures about revenue are required.

The new standard will be effective 1 January 2018 with earlier application permitted. However, the Group does not intend to early apply IFRS 15. The impact of the new standard on the Group's financial statements is not expected to be material.

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 lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) 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.

The new standard will be effective 1 January 2019 with earlier application permitted. However, the Group does not intend to early apply IFRS 16. The impact of the new standard on the Group's financial statements has not yet been assessed.

COMMENT ON RISK AND CAPITAL MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND PROCESS

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

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

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

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

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

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

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

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

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

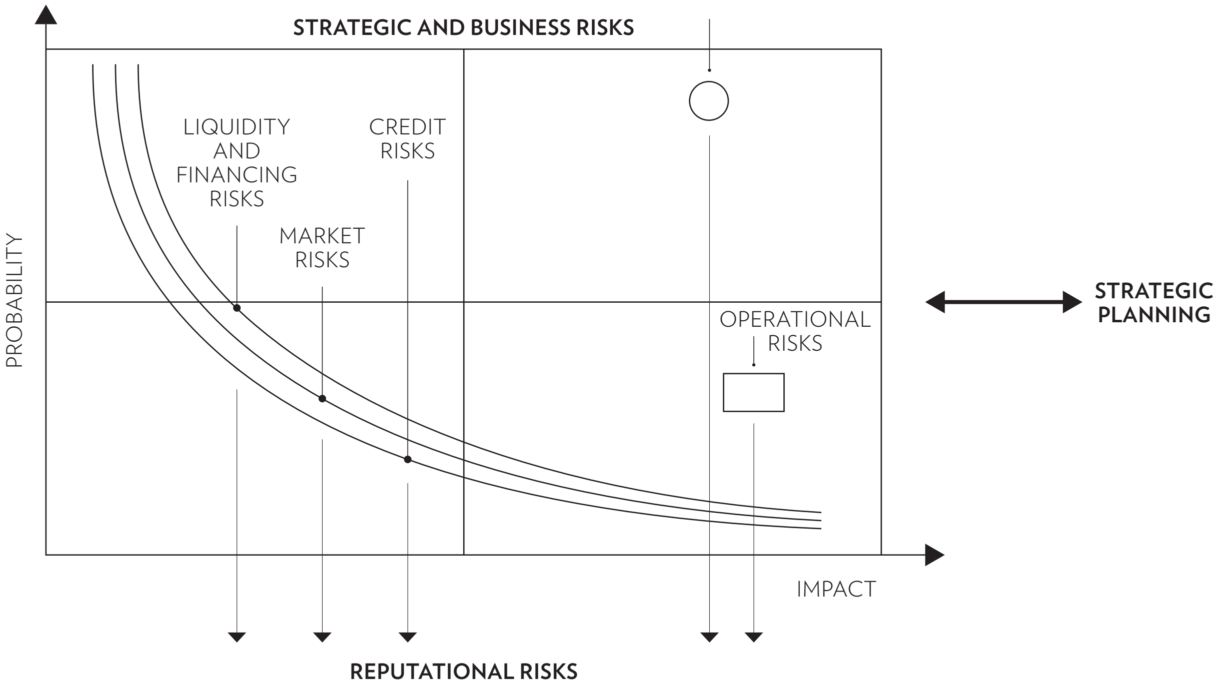
The Credit Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for measuring and supervising credit risk. In particular, it is responsible for:

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

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

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

Risk landscape: illustrative diagram



STRATEGIC AND BUSINESS RISK

Strategic and business risk comprises the danger of external or internal events or decisions resulting in strategic and day-to-day business objectives not being attained. Based on the principles of value- and risk-oriented management and controlling, an annual strategic check-up is carried out, and the results are consolidated in the 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.

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

In addition, the Group engages in transactions with banks, brokers and selected institutional clients on both a secured and unsecured basis. This involves individual risk limits and settlement limits being approved for each counterparty. The credit exposures arising from these transactions are monitored on a daily basis, and netting agreements and collateral agreements are also used to mitigate exposures further.

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

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

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

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*	**31.12.2016** **Total** *CHF m*
Due from banks	6,149	3,486	333	1,400	4	**11,372**
Loans	9,621	12,426	8,300	7,634	438	**38,419**
Financial assets designated at fair value	-	158	94	-	-	**252**
Financial investments available-for-sale	185	7,090	6,998	3,827	46	**18,146**
Investments in associates	-	-	29	-	-	**29**
Derivative financial instruments	2,122	810	467	241	4	**3,644**
Contingent liabilities	105	238	141	64	16	**564**
Irrevocable commitments	212	116	52	20	-	**400**
Securities lending and repo transactions	856	2,912	445	46	3	**4,262**
Total	19,250	27,236	16,859	13,232	511	**77,088**

	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	31.12.2015 Total *CHF m*
Due from banks	1,927	1,676	482	2,152	1	6,238
Loans	9,217	10,714	8,398	7,652	400	36,381
Financial assets designated at fair value	-	149	48	-	-	197
Financial investments available-for-sale	68	7,328	6,437	2,607	45	16,485
Investments in associates	-	61	29	-	-	90
Derivative financial instruments	1,383	586	382	245	7	2,603
Contingent liabilities	102	163	169	65	13	512
Irrevocable commitments	188	131	64	21	1	405
Securities lending and repo transactions	829	2,996	486	113	6	4,430
Total	13,714	23,804	16,495	12,855	473	67,341

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

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

Credit risk by sector

					31.12.2016
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	**Total** *CHF m*
Due from banks	-	11,372	-	-	**11,372**
Loans	630	5,254	25,393	7,142	**38,419**
Financial assets designated at fair value	-	252	-	-	**252**
Financial investments available-for-sale	6,530	7,262	-	4,354	**18,146**
Investments in associates	-	29	-	-	**29**
Derivative financial instruments	61	1,233	2,058	292	**3,644**
Contingent liabilities	8	53	381	122	**564**
Irrevocable commitments	44	110	208	38	**400**
Securities lending and repo transactions	700	3,075	51	436	**4,262**
Total	7,973	28,640	28,091	12,384	**77,088**

					31.12.2015
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	Total *CHF m*
Due from banks	-	6,238	-	-	6,238
Loans	486	4,536	24,369	6,990	36,381
Financial assets designated at fair value	-	197	-	-	197
Financial investments available-for-sale	5,975	6,102	-	4,408	16,485
Investments in associates	-	90	-	-	90
Derivative financial instruments	15	1,530	857	201	2,603
Contingent liabilities	8	56	364	84	512
Irrevocable commitments	35	118	185	67	405
Securities lending and repo transactions	675	2,914	46	795	4,430
Total	7,194	21,781	25,821	12,545	67,341

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

Credit risk secured/not secured

			31.12.2016
	Secured by recognised financial collaterals[1] *CHF m*	Not secured by recognised financial collaterals *CHF m*	**Total** *CHF m*
Due from banks	6,395	4,977	**11,372**
Loans	35,458	2,961	**38,419**
Financial assets designated at fair value	-	252	**252**
Financial investments available-for-sale	-	18,146	**18,146**
Investments in associates	-	29	**29**
Derivative financial instruments	1,647	1,997	**3,644**
Contingent liabilities	511	53	**564**
Irrevocable commitments	195	205	**400**
Securities lending and repo transactions	3,466	796	**4,262**
Total	47,672	29,416	**77,088**

			31.12.2015
	Secured by recognised financial collaterals[1] *CHF m*	Not secured by recognised financial collaterals *CHF m*	Total *CHF m*
Due from banks	2,426	3,812	6,238
Loans	33,764	2,617	36,381
Financial assets designated at fair value	-	197	197
Financial investments available-for-sale	-	16,485	16,485
Investments in associates	-	90	90
Derivative financial instruments	1,237	1,366	2,603
Contingent liabilities	473	39	512
Irrevocable commitments	195	210	405
Securities lending and repo transactions	3,658	772	4,430
Total	41,753	25,588	67,341

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

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

Credit risk by regulatory risk weightings

								31.12.2016
	0% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% or greater *CHF m*	**Total** *CHF m*
Due from banks	6,391	3,882	-	1,049	-	45	5	**11,372**
Loans	25,768	12	7,636	266	681	4,052	4	**38,419**
Financial assets designated at fair value	252	-	-	-	-	-	-	**252**
Financial investments available-for-sale	5,089	6,553	-	6,298	-	149	57	**18,146**
Investments in associates	-	-	-	-	-	-	29	**29**
Derivative financial instruments	1,646	1,475	-	342	2	179	-	**3,644**
Contingent liabilities	513	-	-	8	-	43	-	**564**
Irrevocable commitments	195	31	-	89	-	85	-	**400**
Securities lending and repo transactions	3,466	592	-	-	-	204	-	**4,262**
Total	43,320	12,545	7,636	8,052	683	4,757	95	**77,088**

								31.12.2015
	0% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% or greater *CHF m*	Total *CHF m*
Due from banks	2,440	3,132	-	643	-	19	4	6,238
Loans	24,943	42	6,677	320	631	3,764	4	36,381
Financial assets designated at fair value	197	-	-	-	-	-	-	197
Financial investments available-for-sale	4,954	5,552	-	5,647	-	315	17	16,485
Investments in associates	-	-	-	-	-	-	90	90
Derivative financial instruments	1,237	269	-	868	-	229	-	2,603
Contingent liabilities	472	-	-	8	-	32	-	512
Irrevocable commitments	195	30	-	81	-	99	-	405
Securities lending and repo transactions	3,658	593	-	-	-	179	-	4,430
Total	38,096	9,618	6,677	7,567	631	4,637	115	67,341

Reconciliation of credit risk totals

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

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

Reconciliation of credit risk totals with balance sheet positions

	Basel III BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	11,372.2	11,389.8	-17.6	reverse repurchase transactions of CHF 17.6 million deducted
Loans	38,419.0	38,419.0	-	
Financial assets designated at fair value	252.4	252.4	-	
Financial investments available-for-sale	18,145.6	18,266.6	-121.0	unrealised gains deducted under BIS approach (CHF 138.0 million); partly offset by transfer of securities from trading to banking book under BIS approach (CHF 17.0 million)
Investments in associates	29.4	29.4	-	
Derivative financial instruments	3,643.5	2,690.9	952.6	
of which security supplement (add-ons)			*1,616.9*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-664.3*	*impact of netting rules under BIS approach*
Total 31.12.2016	**71,862.1**	**71,048.1**	**814.0**	

Comments on off-balance sheet positions

	Basel III BIS approach *CHF m*	Off-balance sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	563.7	1,121.4[1]	-557.7	converted in credit equivalent
Irrevocable commitments	399.5	813.3[1]	-413.8	converted in credit equivalent
Securities lending and repo transactions	4,262.3	3,961.7	300.6	including risk premium
Total 31.12.2016	**5,225.5**			

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

Reconciliation of credit risk totals with balance sheet positions

	Basel III BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	6,237.8	6,901.1	-663.3	reverse repurchase transactions of CHF 663.3 million deducted
Loans	36,380.9	36,380.9	-	
Financial assets designated at fair value	197.0	197.0	-	
Financial investments available-for-sale	16,485.0	16,572.5	-87.5	unrealised gains deducted under BIS approach (CHF 108.2 million); partly offset by transfer of securities from trading to banking book under BIS approach (CHF 20.7 million)
Investments in associates	90.3	90.3	-	
Derivative financial instruments	2,603.1	2,189.1	414.0	
of which security supplement (add-ons)			*876.9*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-462.9*	*impact of netting rules under BIS approach*
Total 31.12.2015	61,994.1	62,330.9	-336.8	

Comments on off-balance sheet positions

	Basel III BIS approach *CHF m*	Off-balance sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	512.2	1,057.4[1]	-545.2	converted in credit equivalent
Irrevocable commitments	405.0	824.9[1]	-419.9	converted in credit equivalent
Securities lending and repo transactions	4,429.7	4,133.0	296.7	including risk premium
Total 31.12.2015	5,346.9			

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

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

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

For the purpose of this analysis, client cash balances across different accounts and Lombard sureties are netted against each other in accordance with the pledge agreements in place. Derivatives exposures across different products, accounts and counterparties are netted against each other provided an ISDA close-out netting master agreement has been signed.

Exposure to credit risk by credit quality

	31.12.2016 Collateralised *CHF m*	31.12.2015 Collateralised *CHF m*	**31.12.2016** Unsecured *CHF m*	31.12.2015 Unsecured *CHF m*
Neither past due nor impaired	**43,277.4**	40,843.4	**36,580.4**	31,165.7
Past due but not impaired	**9.4**	14.9	**-**	-
Impaired	**69.2**	65.0	**-**	-
Total	**43,356.0**	40,923.3	**36,580.4**	31,165.7
Neither past due nor impaired				
R1 to R3	**37,230.2**	34,658.6	**35,358.6**	29,758.8
R4 to R6 (including temporarily unrated)	**6,047.2**	6,184.8	**1,221.8**	1,406.9
Total	**43,277.4**	40,843.4	**36,580.4**	31,165.7
Collateral held or credit enhancement available	***173,841.5***	*164,035.7*	**-**	-
Past due but not impaired				
R7	**9.4**	14.9	**-**	-
Total	**9.4**	14.9	**-**	-
Collateral held or credit enhancement available	***9.3***	*12.4*	**-**	-
Impaired				
R8	**25.0**	28.6	**-**	-
R9 to R10	**44.2**	36.4	**-**	-
Total	**69.2**	65.0	**-**	-
Collateral held or credit enhancement available	***30.1***	*14.8*	**-**	-
Allowance for credit losses[1]				
Specific allowance for credit losses	**54.2**	65.8	**-**	-
Collective allowance for credit losses	**24.9**	24.3	**1.3**	2.3
Total	**79.1**	90.1	**1.3**	2.3

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

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

The following table shows the Group's theoretical maximum exposure to credit risk as of the balance sheet date, which represents the exposure in the event of other parties failing to perform their obligations, without taking account of any collateral held or other credit enhancements. For financial assets, these exposures are typically the carrying amount.

Maximum exposure to credit risk

	31.12.2016 Gross maximum exposure *CHF m*	31.12.2015 Gross maximum exposure *CHF m*
Cash (excluding cash on hand)	**13,572.5**	9,155.5
Due from banks	**11,389.8**	6,901.1
Loans	**38,419.0**	36,380.9
Trading assets	**1,415.0**	1,155.7
Derivative financial instruments	**2,690.9**	2,189.1
Financial assets designated at fair value	**252.4**	197.0
Financial investments available-for-sale	**18,101.1**	16,475.3
Accrued income	**282.8**	326.9
Total	**86,123.5**	72,781.5
Off-balance sheet		
Irrevocable commitments[1]	**813.3**	824.9
Total maximum exposure to credit risk	**86,936.8**	73,606.4

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

MARKET RISK (TRADING BOOK)

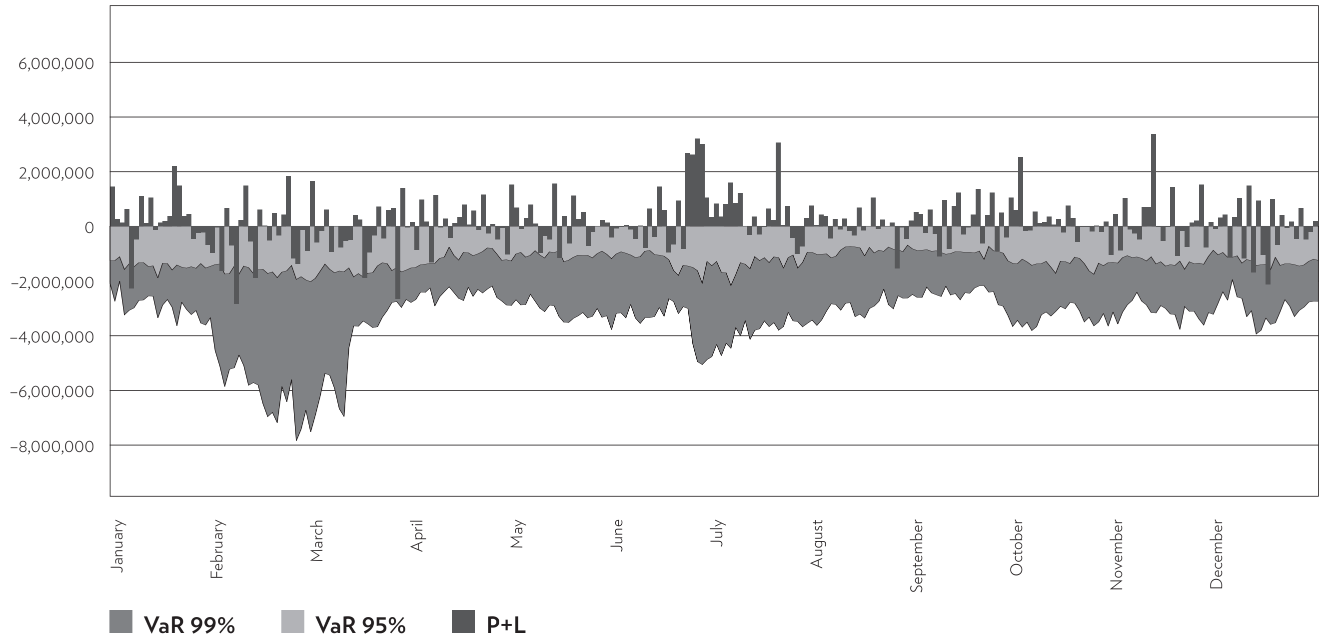
The following definitions are used to separate trading book and banking book activities: the *trading book* consists of proprietary positions in financial instruments that are held for resale or repurchase and that are usually taken on with the intention of benefiting from expected short-term differences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

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

Market risk measurement, market risk limitation, back testing and stress testing

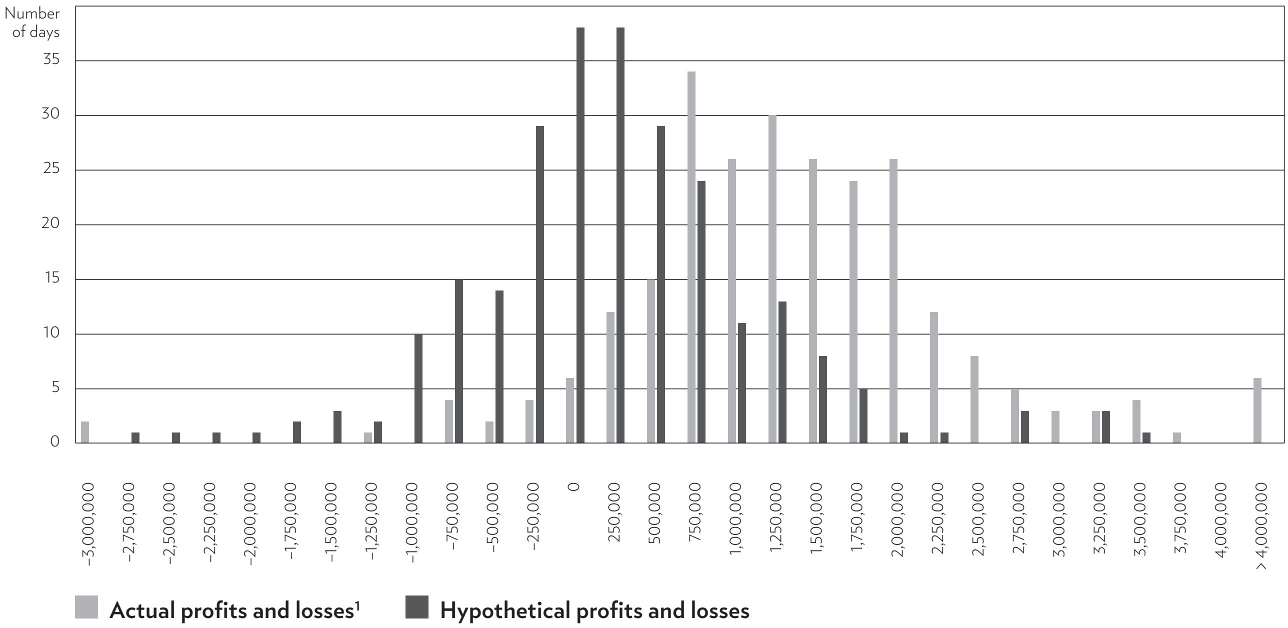
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 1.23 million on 31 December 2016 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2016 amounted to CHF 2.19 million; the minimum was CHF 0.70 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 2016 (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 2016 (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 profit-and-loss results.

Distribution of daily revenues from trading activities of Julius Baer Group for 2016 (CHF)



[1] Pure trading revenues excluding commissions and fees

Whereas VaR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings. Limits are set for both these risk metrics and their utilisation is monitored on a daily basis.

At the beginning of 2016, the preceding twelve months period contained six back-testing excessions. These were attributable to a variety of factors. The decision by the Swiss National Bank in January 2015 to abandon its exchange rate floor for the EUR against the CHF led to a marked downward correction in Swiss share prices and a substantial appreciation of the CHF. This resulted in two back-testing excessions on the USD position the Group continued to hold for the financing of its acquisition of parts of Merrill Lynch's International Wealth Management business. In May and June 2015, weakness in the USD and the Swiss Market Index led to two further back-testing excessions. In August 2015, markedly lower share prices in China caused international equity markets to falter, which again strengthened the CHF. This resulted in two additional back-testing excessions. Since these excessions were more numerous than the statistically permitted limit, the capital multiplier had to be increased.

No new back-testing excessions occurred during the course of 2016. As the above-mentioned back-testing excessions from 2015 were gradually eliminated from the trailing twelve months sample during 2016, there were no excessions to report in the 12 months to 31 December 2016. By January 2016, this had already resulted in a reduction in the capital multiplier applied to the Julius Baer Group.

All back-testing excessions are examined individually and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors and 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 2.05 million on 31 December 2016 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2016 amounted to CHF 3.00 million; the minimum was CHF 0.80 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 excession over and above the statistically based maximum permitted number of excessions results in an increase in the multiplier applied to the capital requirement for market risk. There were no back-testing excessions to report for the 12 months to 31 December 2016.

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*	**2016** Minimum *CHF m*
Equities	**-0.9**	**-0.8**	**-1.8**	**-0.1**
Interest rates	**-0.8**	**-0.8**	**-1.3**	**-0.2**
Foreign exchange/precious metals	**-0.4**	**-0.9**	**-1.7**	**-0.3**
Effects of correlation	**0.9**			
Total	**-1.2**	**-1.3**	**-2.2**	**-0.7**

	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	2015 Minimum *CHF m*
Equities	-0.4	-0.6	-1.6	-0.2
Interest rates	-0.2	-0.2	-0.4	-0.1
Foreign exchange/precious metals	-1.0	-1.0	-2.1	-0.1
Effects of correlation	0.4			
Total	-1.3	-1.2	-3.3	-0.5

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.

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 2016, the Group's LCR fluctuated between 157% and 199%, which puts it significantly above the minimum statutory requirement.

Additional quantitative information relating to the LCR will be published in a separate disclosure report. This report will be available on the www.juliusbaer.com website from the end of April 2017.

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.

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

2016. 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						
2016	**3.4**	**-4.9**	**34.3**	**61.7**	**-44.5**	**49.9**
2015	1.7	-5.3	28.3	52.2	-62.6	14.4
USD						
2016	**12.0**	**-3.6**	**-4.7**	**-136.3**	**-1.4**	**-134.0**
2015	14.4	-2.3	-3.2	-155.8	-4.7	-151.5
EUR						
2016	**7.9**	**-2.2**	**-12.5**	**55.5**	**-1.8**	**46.9**
2015	6.1	-2.3	-9.5	53.0	-3.6	43.7
Other						
2016	**2.8**	**-1.7**	**-6.7**	**29.5**	**0.3**	**24.2**
2015	2.4	-2.2	-0.8	22.7	0.1	22.1

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 -180.0 million at the end of 2016 (2015: CHF -128.9 million).

Hedging interest rate risks

The Group accepts deposits from clients at both floating and fixed rates and for various periods and either lends these funds on a collateralised basis or invests them in high-quality assets. By consolidating the short-term money deposited by clients and lending it out at longer maturities, an effort is made to increase the interest margin. At the same time, sufficient liquid assets are held in order to be always able to meet all maturing obligations. In managing the associated interest rate risks, the Group applies fair value hedges for hedging a portion of the interest rate exposure by employing interest rate swaps. The market value of these swaps on 31 December 2016 amounted to a net CHF -61.1 million (2015: CHF -72.5 million). The fair value gain on the hedged mortgages attributable to the hedged interest rate risk amounts to CHF 58.0 million (2015: CHF 70.2 million).

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

Remaining expected maturities of financial assets and liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial assets						
Cash	13,599.5	-	-	-	-	**13,599.5**
Due from banks	-	10,958.9	380.9	50.0	-	**11,389.8**
Loans	-	31,157.6	2,532.4	2,439.9	2,289.2	**38,419.0**
Trading assets	7,660.7	-	-	-	-	**7,660.7**
Derivative financial instruments	2,690.9	-	-	-	-	**2,690.9**
Financial assets designated at fair value	252.4	-	-	-	-	**252.4**
Financial investments available-for-sale	-	2,470.5	3,395.7	11,692.1	708.4	**18,266.6**
Accrued income	-	282.8	-	-	-	**282.8**
Total 31.12.2016	24,203.4	44,869.8	6,309.0	14,181.9	2,997.6	**92,561.6**
Total 31.12.2015	20,555.7	38,832.2	4,622.9	13,694.1	3,032.3	80,737.2
Financial liabilities						
Due to banks	-	10,076.8	-	-	-	**10,076.8**
Due to customers	-	67,351.5	143.7	-	-	**67,495.2**
Trading liabilities	159.0	-	-	-	-	**159.0**
Derivative financial instruments	2,285.3	-	-	-	-	**2,285.3**
Financial liabilities designated at fair value	871.1	3,960.5	2,078.5	1,163.5	370.9	**8,444.4**
Debt issued	0.2	78.6	-	-	1,134.7	**1,213.5**
Accrued expenses	-	187.7	-	-	-	**187.7**
Other liabilities[1]	-	-	21.3	19.9	-	**41.2**
Total 31.12.2016	3,315.6	81,655.1	2,243.5	1,183.4	1,505.6	**89,861.9**
Total 31.12.2015	3,342.9	70,486.9	1,426.7	929.9	1,443.8	77,605.8

[1] Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C., and GPS Investimentos Financeiros e Participações S.A., see Notes 26B and 27.

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	9,771.6	304.8	-	0.6	-	**10,076.9**
Due to customers	61,412.7	5,661.1	278.3	147.1	-	**67,499.1**
Trading liabilities	159.0	-	-	-	-	**159.0**
Derivative financial instruments	2,213.5	-	0.6	24.9	46.3	**2,285.3**
Financial liabilities designated at fair value	871.1	3,986.7	2,125.9	1,174.3	370.9	**8,528.9**
Debt issued	0.2	92.0	40.1	119.8	1,134.7	**1,386.8**
Accrued expenses	-	187.7	-	-	-	**187.7**
Other liabilities[1]	-	-	21.3	19.9	-	**41.2**
Total 31.12.2016	74,428.0	10,232.2	2,466.1	1,486.6	1,551.9	**90,164.9**
Due to banks	3,915.2	756.9	-	0.3	-	4,672.4
Due to customers	59,991.8	4,598.7	194.0	0.2	-	64,784.8
Trading liabilities	190.8	-	-	-	-	190.8
Derivative financial instruments	2,318.9	-	-	16.9	55.6	2,391.4
Financial liabilities designated at fair value	760.6	1,093.2	1,260.0	927.9	291.2	4,333.0
Debt issued	0.1	28.4	77.1	114.4	1,152.6	1,372.6
Accrued expenses	-	154.4	-	-	-	154.4
Other liabilities[2]	-	0.5	12.0	12.1	-	24.5
Total 31.12.2015	67,177.5	6,632.1	1,543.1	1,071.7	1,499.4	77,923.8
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[3]	788.8	14.2	2.7	7.5	-	**813.3**
Total 31.12.2016	788.8	14.2	2.7	7.5	-	**813.3**
Total 31.12.2015	754.9	22.2	43.5	3.2	1.0	824.9

1 Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C., and GPS Investimentos Financeiros e Participações S.A., see Notes 26B and 27.

2 Relates to the deferred purchase price of WMPartners Wealth Management Ltd., Fransad Gestion SA and NSC Asesores, S.C., see Notes 26B and 27.

3 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. 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 a series of directives, guidelines and manuals.
– Willingness to assume risk and levels of risk tolerance: operational risk appetite and the underlying level of operational risk tolerance is determined by the Board of Directors and the Executive Board as part of their annual review of the overall risk landscape. The processes for monitoring risk appetite and the level of risk tolerance include directives, limits and defined levels of authority, which are also reflected in the Group's business strategy and personnel policy.
– Control system: the control environment which has been established to manage operational risk requires that activities are carried out in accordance with defined directives and guidelines, so 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, which ensures that their specifications and effectiveness are assessed on a regular basis. In addition there are independent control functions in place that monitor certain specific operational risks.
– Register of operational risks: the individual legal entities maintain operational risk registers listing the operational risks which have been identified as inherent to their specific business activities and the measures which have been put in place to eliminate or reduce them. 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. Systematic 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 Chairman's & Risk Committee and the Audit Committee each year.
- Risk information consolidation process: the risk managers have unrestricted 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 (Key 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 formal risk reports are submitted to management and the Board of Directors. These reports incorporate the key insights and developments relating to 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 appetite.

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, Julius Baer 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 relatively inclement economic outlook and current demographic trends are all factors which can be expected to affect a number of different risk areas in the next few years. Maintaining departure risk at modest levels requires work-structure models for staff that are flexible with regard to both time and location. These need to be complemented by modular compensation concepts. The bottleneck risk resulting from current demographic trends 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 Julius Baer 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 potential 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 more than 125 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 2016, the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 26A provides an overview of the Group's consolidated companies.

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

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

The Basel III international standard approach requires CET1 equivalent to at least 4.5% of risk-weighted assets, plus a CET1 capital buffer of 2.5%, plus 1.5% of additional tier 1 (AT1) capital (or better-quality capital), plus 2% of supplementary tier 2 capital (or better-quality capital). In aggregate, this amounts to an overall capital requirement of at least 10.5% of risk-weighted assets. FINMA minimum capital requirements for the Group are 7.8% for CET1, 1.8% for AT1 and 2.4% for tier 2, which puts its overall minimum capital requirement at 12% of risk-weighted assets. At present, the Group is also required to hold an additional anti-cyclical CET1 capital buffer for mortgages on residential properties in Switzerland which adds a further 0.2% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2016 and at 31 December 2015 was sufficient to meet the relevant BIS and FINMA requirements.

Capital ratios

	31.12.2016 *Basel III phase-in*[1] *CHF m*	31.12.2015 *Basel III phase-in*[1] *CHF m*
Risk-weighted positions		
Credit risk	**14,902.8**	13,775.4
Non-counterparty-related risk	**506.7**	510.0
Market risk	**957.7**	776.5
Operational risk	**4,634.6**	4,232.9
Total	**21,001.8**	19,294.8
Eligible capital		
CET1 capital[2]	**3,444.2**	3,534.2
Tier 1 capital[2]	**3,597.0**	3,534.2
of which hybrid tier 1 capital instruments[3]	***1,134.7***	*908.0*
Tier 2 capital	**70.2**	214.2
of which lower tier 2 capital instruments	**-**	*171.4*[4]
Total capital	**3,667.2**	3,748.4
CET1 capital ratio	**16.4%**	18.3%
Tier 1 capital ratio	**17.1%**	18.3%
Total capital ratio	**17.5%**	19.4%

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. All listed capital instruments of Julius Baer are fully compliant with the Basel III guidelines as at the end of 2016.

2 During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increases proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreases respectively. As soon as the remaining amount of intangibles is lower than the additional tier 1 capital the CET1 capital will be lower than the tier 1 capital.

3 The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012, 2014, 2015 and 2016.

4 Julius Baer Group Ltd. exercised its call option for an early repayment in full at par value plus accrued interests on the reset date of 23 December 2016 and redeemed the 4.50% lower tier 2 subordinated bonds issued in 2011 with final maturity in 2021.

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

The principal adjustment to the Group's total equity under IFRS for the purpose of determining total eligible capital is the deduction of intangible assets. These and other capital components are shown in the following table. In addition to the table below, a separate Basel III pillar 3 report has been prepared which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 31 December 2016. This report, which is published in the Regulatory Disclosures section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure of the composition of eligible regulatory capital (information will be available at the end of April 2017).

Capital components

	31.12.2016 *Basel III phase-in CHF m*	31.12.2015 *Basel III phase-in CHF m*
Gross common equity tier 1 capital[1]	**5,339.7**	4,939.4
of which non-controlling interests	***9.4***	*3.8*
Effects of IAS19 revised relating to pension liabilities	**81.0**	132.8
Goodwill and other intangible assets	**-1,670.8**	-1,250.9
Other deductions	**-305.7**	-287.1
Common equity tier 1 capital	**3,444.2**	3,534.2
Tier 1 capital instruments	**1,134.7**	908.0
of which tier 1 bonds (Basel III-compliant capital instruments)	***1,134.7***	*908.0*
Goodwill and intangible assets, offset against tier 1 capital instruments	**-981.9**	-908.0
Additional tier 1 capital	**152.8**	-
Tier 1 capital	**3,597.0**	3,534.2
Tier 2 capital	**70.2**	214.2
of which lower tier 2 capital (phase-out capital instrument)	**-**	*171.4*
of which other tier 2 capital	***70.2***	*42.8*
Total capital	**3,667.2**	3,748.4

1 Phase-in of 40% of non-controlling interests of CHF 9.4 million (31.12.2015: phase-in of 60% of CHF 6.4 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 71% (2015: 71%) of the total required capital. Capital required for non-counterparty risk (2016: 2%; 2015: 3%) and market risk (2016: 5%; 2015: 4%) is of minor significance. The capital required to cover operational risk accounts for more than 22% of total required capital (2015: 22%).

Minimum capital requirement

	31.12.2016 *Basel III phase-in CHF m*	31.12.2015 *Basel III phase-in CHF m*
Credit risk	**1,192.2**	1,102.0
of which for equity securities in the banking book	***9.8***	*4.4*
Non-counterparty-related risk	**40.5**	40.8
Market risk	**76.6**	62.1
Operational risk	**370.8**	338.7
Total	**1,680.1**	1,543.6

Leverage ratio
In November 2014, FINMA published a new 'Leverage Ratio' circular, which sets out the rules for calculating the leverage ratio in Switzerland. In addition to the existing requirement for banks to hold eligible capital proportionate to their risk-weighted assets, the circular defines the leverage ratio as a new, 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 new 'Leverage Ratio' circular defines how these are to be calculated. The Basel Committee on Banking Supervision will define the requirements which it will place on the leverage ratio from 2018 after the conclusion of an observation period. That period will also be used to clarify a number of currently open questions regarding the calculation of total exposure. The indicative leverage ratio requirement, which is not yet binding at this stage, is three percent. This may however be subject to change once the observation period has concluded.

Basel III regulations also require publication of the leverage ratio from 2015 onwards. This requirement is contained in the revised version of the FINMA 'Disclosure – Banks' circular, which came into effect on 1 January 2015. Additional qualitative and quantitative information relating to the leverage ratio will be published in a separate disclosure report. This report will be available on the www.juliusbaer.com website from the end of April 2017.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	2016 CHF m	2015 CHF m	Change %
Interest income on amounts due from banks	**41.1**	38.3	7.2
Interest income on loans	**522.2**	444.5	17.5
Interest income on financial investments available-for-sale	**252.3**	191.4	31.8
Total interest income using the effective interest method	**815.6**	674.3	21.0
Dividend income on financial investments available-for-sale	**7.3**	10.3	-29.0
Interest income on trading portfolios	**29.1**	23.6	23.1
Dividend income on trading portfolios	**191.9**	139.1	38.0
Total interest and dividend income	**1,043.9**	847.2	23.2
Interest expense on amounts due to banks	**13.9**	8.7	59.9
Interest expense on amounts due to customers	**51.2**	49.5	3.5
Interest expense on debt issued	**64.8**	50.7	27.8
Interest expense on financial assets[1]	**36.8**	26.8	37.2
Total interest expense using the effective interest method	**166.8**	135.7	22.8
Total	**877.1**	711.5	23.3

[1] Interest expense on financial assets is related to negative effective interests on the respective financial instruments.

2 NET COMMISSION AND FEE INCOME

	2016 CHF m	2015 CHF m	Change %
Advisory and management commissions	**950.5**	857.8	10.8
Investment fund fees	**179.0**	227.3	-21.2
Fiduciary commissions	**8.0**	6.4	24.3
Total commission and fee income from asset management	**1,137.6**	1,091.5	4.2
Brokerage commissions and income from securities underwriting	**538.8**	551.6	-2.3
Commission income from credit-related activities	**7.7**	6.7	14.3
Commission and fee income on other services	**87.1**	82.3	5.8
Total commission and fee income	**1,771.1**	1,732.1	2.3
Commission expense	**206.2**	209.7	-1.7
Total	**1,564.9**	1,522.4	2.8

3 NET TRADING INCOME

	2016 CHF m	2015 CHF m	Change %
Debt instruments	**50.1**	30.0	67.1
Equity instruments	**-166.6**	-104.0	-60.2
Foreign exchange	**449.0**	509.8	-11.9
Total	**332.5**	435.8	-23.7

4 OTHER ORDINARY RESULTS

	2016 CHF m	2015 CHF m	Change %
Net gains/(losses) from disposal of financial investments available-for-sale	**4.0**	0.9	358.4
Impairment on financial investments available-for-sale	**-1.6**	-7.0	-
Income from investments in associates	**40.4**	5.9	584.0
Real estate income	**5.5**	5.3	4.1
Other ordinary income	**30.4**	20.2	50.7
Other ordinary expenses	**0.8**	0.5	63.5
Total	**77.9**	24.7	215.1

5 PERSONNEL EXPENSES

	2016 CHF m	2015 CHF m	Change %
Salaries and bonuses	**1,106.6**	988.8	11.9
Contributions to staff pension plans (defined benefits)	**13.2**[1]	69.6	-81.0
Contributions to staff pension plans (defined contributions)	**27.4**	27.0	1.5
Other social security contributions	**89.6**	76.1	17.7
Share-based payments	**70.8**	60.0	18.0
Other personnel expenses	**28.2**	42.6	-33.7
Reimbursement of personnel expenses	**-**	-27.9[2]	-
Total	**1,335.9**	1,236.1	8.1

1 Including the effect of a plan amendment in the amount of CHF 62.8 million, see Note 22.

2 Represents a reimbursement from Bank of America in the amount of CHF 27.9 million for certain payments related to retention plans in the acquisition of Merrill Lynch's International Wealth Management (IWM) business.

6 GENERAL EXPENSES

	2016 *CHF m*	2015 *CHF m*	Change *%*
Occupancy expense	**90.1**	83.8	7.5
IT and other equipment expense	**72.8**	64.6	12.6
Information, communication and advertising expense	**173.0**	162.2	6.7
Service expense, fees and taxes	**239.8**	207.7	15.5
Valuation allowances, provisions and losses	**40.4**	574.6[1]	-
Other general expenses	**7.1**	7.3	-2.8
Total	**623.2**	1,100.2	-43.4

[1] Including the provision in the amount of USD 547.25 million related to the agreement in principle with the US Attorney's Office for the Southern District of New York with respect to a resolution regarding Julius Baer's legacy US cross-border business (see Note 18).

7 INCOME TAXES

	2016 *CHF m*	2015 *CHF m*	Change *%*
Income tax on profit before taxes (expected tax expense)	**165.6**	30.5	442.2
Effect of tax rate differences in foreign jurisdictions	**-6.2**	-20.4	-
Effect of domestic tax rate differences	**24.2**	1.6	-
Income subject to a reduced tax rate	**-81.5**	-43.4	-
Effect of utilisation of prior-year losses	**-0.8**	-2.2	-
Effect from not capitalised losses	**16.3**	7.8	-
Adjustments related to prior years	**-0.2**	-8.3	-
Write-off of deferred tax assets	**-**	0.2	-
Non-deductible expenses	**12.9**	51.5	-
Other	**0.2**	-1.0	-
Actual income tax expense	**130.4**	16.3	-

The tax rate of Switzerland of 22% (2015: 22%) was applied as the basis for the above expected tax expenses. This tax rate reflects the Swiss weighted average rate from the operational companies excluding Julius Baer Group Ltd.

Unrecognised accumulated loss carryforwards in the amount of CHF 281.1 million (2015: CHF 242.9 million) exist in the Group that do not expire.

	2016 CHF m	2015 CHF m	Change %
Domestic income taxes	**108.1**	2.8	-
Foreign income taxes	**22.4**	13.5	65.5
Total	**130.4**	16.3	701.4

Current income taxes	**122.0**	76.5	59.4
Deferred income taxes	**8.4**	-60.3	-
Total	**130.4**	16.3	701.4

Tax effects relating to components of other comprehensive income

2016	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 financial investments available-for-sale	29.1	-9.3	19.8
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	8.1	-0.3	7.8
Translation differences	22.8	-	22.8
Realised (gains)/losses on translation differences reclassified to the income statement	-0.0	-	-0.0
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	25.0	-6.1	18.9
Other comprehensive income	**84.9**	**-15.8**	**69.2**

2015	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 financial investments available-for-sale	-97.4	11.6	-85.8
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	0.3	0.0	0.3
Translation differences	-79.6	-	-79.6
Realised (gains)/losses on translation differences reclassified to the income statement	0.2	-	0.2
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	-126.1	27.7	-98.4
Other comprehensive income	-302.6	39.4	-263.2

8 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2016	2015
Basic earnings per share		
Net profit (CHF m)	**619.4**	121.2
Weighted average number of shares outstanding	**217,404,899**	218,613,533
Basic earnings per share (CHF)	**2.85**	0.55
Diluted earnings per share		
Net profit (CHF m)	**619.4**	121.2
Less (profit)/loss on equity derivative contracts (CHF m)	**-1.5**	-0.1
Net profit for diluted earnings per share (CHF m)	**617.9**	121.1
Weighted average number of shares outstanding	**217,404,899**	218,613,533
Dilution effect	**-48,478**	-7,076
Weighted average number of shares outstanding for diluted earnings per share	**217,356,421**	218,606,457
Diluted earnings per share (CHF)	**2.84**	0.55

	31.12.2016	31.12.2015
Shares outstanding		
Total shares issued at the beginning of the year	**223,809,448**	223,809,448
Less treasury shares	**6,346,886**	5,269,422
Total	**217,462,562**	218,540,026

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

9A DUE FROM BANKS

	31.12.2016 *CHF m*	31.12.2015 *CHF m*	Change *CHF m*
Due from banks	**11,391.0**	6,903.4	4,487.7
Allowance for credit losses	**-1.3**	-2.3	1.0
Total	**11,389.8**	6,901.1	4,488.7

Due from banks by type of collateral:

Securities collateral	**387.8**	1,024.6	-636.8
Without collateral	**11,001.9**	5,876.5	5,125.4
Total	**11,389.8**	6,901.1	4,488.7

9B LOANS

	31.12.2016 *CHF m*	31.12.2015 *CHF m*	Change *CHF m*
Loans	**29,173.2**	27,913.7	1,259.6
Mortgages	**9,317.6**	8,549.9	767.7
Subtotal	**38,490.8**	36,463.5	2,027.3
Allowance for credit losses	**-71.8**	-82.6	10.8
Total	**38,419.0**	36,380.9	2,038.1

Loans by type of collateral:

Securities collateral	**22,964.8**	20,171.5	2,793.4
Mortgage collateral	**9,329.8**	8,640.2	689.6
Other collateral (mainly cash and fiduciary deposits)	**6,053.6**	7,450.7	-1,397.1
Without collateral	**70.8**	118.6	-47.8
Total	**38,419.0**	36,380.9	2,038.1

9C ALLOWANCE FOR CREDIT LOSSES

	2016 Specific CHF m	Collective CHF m	2015 Specific CHF m	Collective CHF m
Balance at the beginning of the year	**58.5**	**26.3**	29.0	22.8
Write-offs	**-27.3**	**-**	-2.5	-
Increase in allowance for credit losses	**15.6**	**3.9**	35.7	6.2
Decrease in allowance for credit losses	**-0.1**	**-4.4**	-3.6	-2.5
Translation differences and other adjustments	**0.4**	**-0.0**	-0.1	-0.1
Balance at the end of the year	**47.2**	**25.9**	58.5	26.3

9D IMPAIRED LOANS

	31.12.2016 CHF m	31.12.2015 CHF m	Change CHF m
Gross loans	**83.3**	72.2	11.1
Specific allowance for credit losses	**-47.2**	-58.5	11.3
Net loans	**36.2**	13.7	22.5

10 TRADING ASSETS AND LIABILITIES

	31.12.2016 *CHF m*	31.12.2015 *CHF m*	Change *CHF m*
Trading assets			
Debt instruments	**1,415.0**	1,155.7	259.3
of which quoted	***1,337.4***	*1,097.5*	*240.0*
of which unquoted	***77.5***	*58.2*	*19.3*
Equity instruments	**5,846.9**	5,802.0	44.9
of which quoted	***5,466.0***	*5,389.5*	*76.5*
of which unquoted	***380.8***	*412.5*	*-31.7*
Precious metals (physical)	**398.8**	2,026.3	-1,627.5
Total	**7,660.7**	8,984.0	-1,323.3

	31.12.2016 *CHF m*	31.12.2015 *CHF m*	Change *CHF m*
Trading liabilities			
Short positions – debt	**48.0**	117.2	-69.3
of which quoted	***44.7***	*116.2*	*-71.5*
of which unquoted	***3.2***	*1.0*	*2.3*
Short positions – equity	**111.0**	73.6	37.4
of which quoted	***96.0***	*54.0*	*41.9*
of which unquoted	***15.0***	*19.6*	*-4.5*
Total	**159.0**	190.8	-31.8

11A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31.12.2016 *CHF m*	31.12.2015 *CHF m*	Change *CHF m*
Money market instruments	**3,785.0**	2,298.1	1,487.0
Government and agency bonds	**3,477.0**	3,560.1	-83.1
Financial institution bonds	**6,295.5**	6,187.1	108.4
Corporate bonds	**4,500.0**	4,387.7	112.4
Other bonds	**43.5**	42.3	1.2
Debt instruments	**14,316.0**	14,177.2	138.8
of which quoted	***13,259.3***	*13,210.8*	*48.5*
of which unquoted	***1,056.8***	*966.4*	*90.3*
Equity instruments	**165.5**	97.2	68.3
of which quoted	***26.0***	*15.7*	*10.3*
of which unquoted	***139.5***	*81.5*	*58.0*
Total	**18,266.6**	16,572.5	1,694.1

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

			31.12.2016 *CHF m*	31.12.2015 *CHF m*	Change *CHF m*
Debt instruments by credit rating classes	**Fitch, S&P**	**Moody's**			
1–2	AAA – AA-	Aaa – Aa3	**9,491.3**	9,122.4	368.9
3	A+ – A-	A1 – A3	**4,458.7**	4,662.0	-203.3
4	BBB+ – BBB-	Baa1 – Baa3	**266.7**	286.6	-19.8
5–7	BB+ – CCC-	Ba1 – Caa3	**52.1**	42.9	9.3
8–9	CC – D	Ca – C	**-**	4.3	-4.3
Unrated			**47.2**	59.1	-12.0
Total			**14,316.0**	14,177.2	138.8

12 GOODWILL, INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*	Bank premises *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost							
Balance on 01.01.2015	1,680.3	1,287.7	479.0	3,446.9	403.2	193.2	596.4
Translation differences	-48.7	-20.0	-1.4	-70.1	-	-1.9	-1.9
Additions	-	-	81.4	81.4	4.1	20.4	24.5
Additions from business combinations	80.8	42.3	0.0	123.1	-	2.3	2.3
Disposals/transfers[1]	-	-	1.8	1.8	-	6.8	6.8
Balance on 31.12.2015	1,712.5	1,309.9	557.1	3,579.4	407.3	207.2	614.5
Translation differences	21.8	7.7	-0.0	29.5	-	-1.3	-1.3
Additions	-	-	139.1	139.1	4.2	29.6	33.8
Additions from business combinations	337.1	104.9	12.3	454.3	-	5.4	5.4
Disposals/transfers[1]	-	-	18.7	18.7	-	10.5	10.5
Balance on 31.12.2016	2,071.3	1,422.5	689.8	4,183.6	411.5	230.5	642.0
Depreciation, amortisation and impairment							
Balance on 01.01.2015	-	810.6	272.4	1,083.0	81.8	131.9	213.7
Translation differences	-	-2.7	-0.5	-3.1	-	-0.6	-0.6
Charge for the period	-	126.2	58.6[2]	184.8	9.5	25.0[2]	34.5
Disposals/transfers[1]	-	-	1.6	1.6	-	6.4	6.4
Balance on 31.12.2015	-	934.0	329.0	1,263.1	91.3	150.0	241.3
Translation differences	-	1.8	-0.1	1.7	-	-0.4	-0.4
Charge for the period	-	68.5	34.6[3]	103.1	11.5	26.1[3]	37.6
Disposals/transfers[1]	-	-	18.6	18.6	-	10.3	10.3
Balance on 31.12.2016	-	1,004.4	345.0	1,349.4	102.8	165.4	268.2
Carrying value							
Balance on 31.12.2015	1,712.5	375.9	228.0	2,316.4	316.0	57.2	373.2
Balance on 31.12.2016	**2,071.3**	**418.1**	**344.8**	**2,834.3**	**308.7**	**65.1**	**373.8**

[1] Includes also derecognition of fully depreciated and amortised assets
[2] Includes impairment of CHF 2.9 million related to software and other property and equipment not used anymore
[3] Includes impairment of CHF 2.5 million related to software and other property and equipment not used anymore
In 2016, the Group adjusted the useful life of software up to a maximum of ten years. This change in estimate reduced the amortisation of software accordingly.

Goodwill	Balance on 01.01.2016 *CHF m*	Additions *CHF m*	Disposals *CHF m*	Translation differences *CHF m*	**Balance on 31.12.2016** *CHF m*
Julius Baer Private Banking	1,614.6	19.8	-	-	**1,634.4**
GPS	97.8	-	-	21.8	**119.6**
Kairos	-	317.3	-	-	**317.3**
Total	1,712.5	337.1	-	21.8	**2,071.3**

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 20 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Group, except for GPS and Kairos, which are tested on a stand-alone basis. GPS and Kairos are each regarded a cash-generating unit as their cash inflows are generated independently from other assets.

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

The Group uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the cash-generating units based on its own 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 fixed and performance fees, commissions, trading income and net interest income);
– operating income and expenses; and
– tax rate applicable.

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. However, the Group expects in the medium and long term a favourable development of the private banking activities which is reflected in the respective growth of the key parameters, but the Group cannot exclude short-term market disruptions. The Group also takes 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 8.2% (2015: 8.9%) for Julius Baer Private Banking. For GPS, the pre-tax discount rate used is 21.6% (2015: 21.8%), for Kairos, the pre-tax discount rate used is 15.8%.

The Group's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned and/or started business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of the Group vis-à-vis its respective competitors and in its industry. The long-term growth rate beyond the planning horizon for assets under management is assumed at 1% for all cash-generating units. This growth rate is considerably below the actual average rate of the last five years.

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

Changes in key assumptions
Deviations of future actual results achieved vs. forecast/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or 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 would not result in the carrying amount exceeding the recoverable amount. Therefore, no impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market environment.

13 OPERATING LEASE COMMITMENTS

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Not later than one year	**67.0**	62.6
Later than one year and not later than five years	**180.6**	168.9
Later than five years	**119.4**	78.5
Subtotal	**366.9**	310.0
Less sublease rentals received under non-cancellable leases	**23.0**	23.3
Total	**343.9**	286.6

Expenses for operating leases in the gross amount of CHF 67.3 million are included in operating expenses for the 2016 financial year (2015: CHF 59.7 million).

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

		31.12.2016		31.12.2015
	Carrying value *CHF m*	Effective commitment *CHF m*	Carrying value *CHF m*	Effective commitment *CHF m*
Securities	**976.2**	**976.2**	1,477.4	1,465.8
Other	**16.3**	**7.5**	16.3	14.4
Total	**992.4**	**983.6**	1,493.7	1,480.1

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

	2017 *CHF m*	2018 *CHF m*	2019 *CHF m*	2020 *CHF m*	2021 *CHF m*	2022–2026 *CHF m*	un-assigned *CHF m*	**31.12.2016** *CHF m*	31.12.2015 *CHF m*
Fixed rate	4,913.1	130.4	5.4	39.7	-	-	-	**5,088.6**	1,766.9
Interest rates (ranges in %)	0.1–76.8	1.05–13.0	3.0–5.4	1.2–2.2		-	-	**-**	-
Floating rate	1,125.8	321.5	254.4	145.0	267.1	370.9	871.1	**3,355.8**	2,496.2
Total	**6,038.9**	**451.9**	**259.8**	**184.7**	**267.1**	**370.9**	**871.1**	**8,444.4**	4,263.1

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.1% up to 76.8%. 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

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Money market instruments	**78.8**	0.1
Bonds	**1,134.7**	1,152.6
Total	**1,213.5**	1,152.7

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	**31.12.2016** Total *CHF m*	31.12.2015 Total *CHF m*
Julius Baer Group Ltd.						
2011[1]	4.50	Lower tier 2 bond	CHF	250.0	**-**	244.6
Julius Baer Group Ltd.						
2012[2]	5.375	Perpetual tier 1 subordinated bond	CHF	250.0	**248.7**	249.3
Julius Baer Group Ltd.						
2014[3]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**346.7**	343.9
Julius Baer Group Ltd.						
2015[4]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**318.6**	314.7
Julius Baer Group Ltd.						
2016[5]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**220.6**	-
Total					**1,134.7**	1,152.6

1 Own bonds of CHF 2.9 million were offset with bonds outstanding in 2015.
The effective interest rate amounts to 4.89%.
2 Own bonds of CHF 1.0 million are offset with bonds outstanding (2015: none).
The effective interest rate amounts to 5.59%.
3 Own bonds of CHF 0.1 million are offset with bonds outstanding (2015: CHF 2.0 million).
The effective interest rate amounts to 4.41%.
4 No own bonds are offset with bonds outstanding (2015: none).
The effective interest rate amounts to 6.128%.
5 No own bonds are offset with bonds outstanding.
The effective interest rate amounts to 5.951%.

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

The lower tier 2 capital was repaid on 23 December 2016 at nominal value plus accrued interest.

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 six years after their issue date, and at 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 and 2016 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.

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.

17A DEFERRED TAX ASSETS

	31.12.2016 CHF m	31.12.2015 CHF m
Balance at the beginning of the year	**23.8**	15.3
Income statement – credit	**4.1**	8.7
Income statement – charge	**-3.6**	-1.0
Acquisition of subsidiaries	**5.2**	0.1
Recognised directly in OCI	**0.3**	1.1
Translation differences and other adjustments	**-1.1**	-0.3
Balance at the end of the year	**28.8**	23.8

The components of deferred tax assets are as follows:

Operating loss carryforwards	**21.6**	18.9
Employee compensation and benefits	**4.0**	4.4
Financial investments available-for-sale	**1.4**	-
Property and equipment	**0.3**	0.1
Valuation adjustments on loans	**1.5**	0.5
Total	**28.8**	23.8

17B DEFERRED TAX LIABILITIES

	31.12.2016 CHF m	31.12.2015 CHF m
Balance at the beginning of the year	**41.6**	137.9
Income statement – charge	**13.1**	1.5
Income statement – credit	**-4.1**	-54.1
Acquisition of subsidiaries	**9.1**	0.0
Recognised directly in OCI	**16.1**	-38.3
Translation differences and other adjustments	**2.1**	-5.4
Balance at the end of the year	**77.8**	41.6

The components of deferred tax liabilities[1] are as follows:

Provisions	**1.7**	1.4
Property and equipment	**15.0**	15.4
Financial investments available-for-sale	**24.9**	19.6
Intangible assets	**49.6**	47.7
Other	**14.1**	11.6
Deferred tax liability before set-off	**105.3**	95.7
Offset of pension liability taxes	**-27.5**	-54.1
Total	**77.8**	41.6

[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.

18 PROVISIONS

	Legal risks *CHF m*	Other *CHF m*	**2016** **Total** *CHF m*	2015 Total *CHF m*
Balance at the beginning of the year	**571.9**	**3.2**	**575.2**	89.5
Utilised during the year	**-563.6**	**-1.2**	**-564.8**	-65.6
Provisions made during the year	**19.3**	**0.9**	**20.1**	534.1[1]
Provisions reversed during the year	**-5.2**	**-0.1**	**-5.3**	-7.5
Acquisition of subsidiaries	**1.2**	**-**	**1.2**	0.4
Translation differences	**-3.4**	**-**	**-3.4**	24.2
Balance at the end of the year	**20.2**	**2.8**	**23.0**	575.2

[1] Including the provision in the amount of USD 547.25 million related to the agreement in principle with the US Attorney's Office for the Southern District of New York with respect to a resolution regarding Julius Baer's legacy US cross-border business.

Maturity of provisions				
Up to one year	**10.6**	**0.5**	**11.1**	553.7
Over one year	**9.5**	**2.3**	**11.8**	21.5

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 and censures on companies and employees. Regulators in certain markets may determine that industry practices, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Group's 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 2016. 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 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. Only a fraction of this amount is 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 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. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In addition, as the BVI Courts oversee the Fairfield Funds' liquidation proceedings, the Bank introduced an application challenging the Fairfield Liquidators' authority to pursue the US Litigation. The BVI trial court dismissed the application. The Bank and other defendants have appealed the dismissal and the argument is scheduled to be heard in 2017. Further, the Fairfield Liquidators sought, and ultimately obtained, sanction from the BVI Courts to proceed with the litigation in the United States. The Bank and other defendants are challenging this sanction decision as well. In view of this pending application in the BVI and as the Fairfield cases pending in the courts of New York remain in preliminary stages, a meaningful assessment of the potential outcome is not yet possible. Finally, it is also worth mentioning that in the proceedings initiated by the Trustee, the Bankruptcy Court in New York issued a ruling in November 2016, reconfirming the extraterritoriality principles set by the District Court for the Southern District of New York which stated that the US Bankruptcy Code does not apply extraterritorially to allow for the recovery of fund payments received by a foreign bank ('foreign transferee') from a foreign fund ('foreign transferor'). While this ruling is in favour of the Bank and the other defendants, it is expected that the Trustee will appeal the ruling.

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 the Court decision, the mandate structures to which the Court decision 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 in 2013 presented a draft complaint for an amount of EUR 12 million (plus accrued interest from 2009) and filed a payment order ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). In June 2014, the liquidator presented another amended draft complaint for an amount of EUR 290 million (plus accrued interest as of September 2009). The Bank has formally repelled the payment order and is contesting the claim whilst taking appropriate measures to defend its interests.

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. BvS has appealed such verdict. 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 ('mise en examen') into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014. In October 2014, as a precautionary measure, the Bank made the required security deposit in the amount of EUR 3.75 million with the competent French court. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

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 client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million. 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) S.A. 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 is claimed. The claimant argues that Bank of China (Suisse) S.A. 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.

In October 2015, Julius Baer International Ltd., UK, has been presented a complaint by three associated clients claiming failings with respect to the suitability of investments made on their behalf, obtaining appropriate instructions, the provision of appropriate information and the monitoring processes. As a consequence, the clients claimed a loss of approximately USD 37 million. In December 2016, the clients have provided Julius Baer International Limited and Bank Julius Baer & Co. Ltd. with a draft of their particulars of claim, specifying their claim to approximately USD 20.6 million. Julius Baer International Ltd. is handling and reporting this case in line with local rules and regulations.

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests 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. 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.

19 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF m*
Balance on 01.01.2015	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***
Balance on 31.12.2015	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***
Balance on 31.12.2016	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***

ADDITIONAL INFORMATION

20 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 as at 31 December 2016 is composed of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Communications Officer, General Counsel and Business Representative.

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. The acquired Merrill Lynch International Wealth Management business did not change the management structure, as it has been fully integrated into the existing structures of the Group. Although GPS 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

	31.12.2016	31.12.2015	**2016**	2015	**2016**	2015
	Total assets *CHF m*	*CHF m*	Operating income *CHF m*	*CHF m*	Investments *CHF m*	*CHF m*
Switzerland	**80,573**	69,605	**1,865**	1,814	**119**	113
Europe (excl. Switzerland)	**25,080**	17,595	**465**	406	**462**	5
Americas	**1,338**	1,565	**106**	142	**3**	13
Asia and other countries	**20,599**	19,385	**560**	532	**48**	101
Less consolidation items	**31,383**	24,034	**143**	200		
Total	**96,207**	84,116	**2,852**	2,694	**633**	231

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

21 RELATED PARTY TRANSACTIONS

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**16.4**	12.8
Post-employment benefits	**0.8**	0.6
Share-based payments	**6.8**	6.6
Total	**24.0**	20.0
Receivables from		
key management personnel	**19.9**	21.5
Total	**19.9**	21.5
Liabilities to		
key management personnel	**16.6**	7.9
own pension funds	**8.2**	7.2
Total	**24.8**	15.1
Credit guarantees to		
key management personnel	**0.4**	0.4
Total	**0.4**	0.4
Income from services provided to		
key management personnel	**0.6**	0.3
Total	**0.6**	0.3

[1] Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd.
The Executive Board of the Group company consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel, the Chief Risk Officer and the Business Representative in 2016.
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 in 2015.

For shareholdings of the Board of Directors and Executive Board, see section Financial Statements Julius Baer Group Ltd. 2016.

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

The interest rates of the Lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

22 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions under the Swiss pension law. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the 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.

	2016 *CHF m*	2015 *CHF m*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-2,597.9**	-2,417.7
Acquisitions	**-10.2**	-
Current service cost	**-68.4**	-63.3
Employees' contributions	**-39.0**	-34.6
Interest expense on defined benefit obligation	**-21.5**	-32.0
Past service cost, curtailments, settlements, plan amendments	**57.9**	-1.4
Benefits paid (including benefits paid directly by employer)	**40.4**	41.4
Transfer payments in/out	**-0.5**	-0.0
Experience gains/(losses) on defined benefit obligation	**-18.3**	-47.2
Actuarial gains/(losses) arising from change in demographic assumptions	**4.9**	75.9
Actuarial gains/(losses) arising from change in financial assumptions	**-47.9**	-124.4
Translation differences	**13.1**	5.5
Present value of defined benefit obligation at the end of the year	**-2,687.3**	-2,597.9
whereof due to active members	***-1,701.3***	*-1,689.2*
whereof due to deferred members	***-83.4***	*-71.7*
whereof due to pensioners	***-902.6***	*-836.9*
Fair value of plan assets at the beginning of the year	**2,346.6**	2,283.3
Acquisitions	**6.6**	-
Interest income on plan assets	**20.2**	30.9
Employees' contributions	**39.0**	34.6
Employer's contributions	**106.1**	78.7
Curtailments, settlements, plan amendments	**-0.6**	-2.9
Benefits paid by fund	**-40.4**	-41.4
Transfer payments in/out	**0.5**	0.0
Administration cost (excluding asset management cost)	**-0.9**	-0.9
Return on plan assets (excluding interest income)	**85.8**	-30.8
Translation differences	**-12.5**	-5.0
Fair value of plan assets at the end of the year	**2,550.4**	2,346.6

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
2. Balance sheet		
Fair value of plan assets	**2,550.4**	2,346.6
Present value of defined benefit obligation	**-2,683.9**	-2,597.9
Present value of unfunded benefit obligation	**-3.4**	-
Net defined benefit asset/(liability)	**-136.9**	-251.3

	2016 CHF m	2015 CHF m
3. Income statement		
Current service cost	**-68.4**	-63.3
Interest expense on defined benefit obligation	**-21.5**	-32.0
Past service cost, curtailments, settlements, plan amendments	**57.3**[1]	-4.3
Interest income on plan assets	**20.2**	30.9
Administration cost (excluding asset management cost)	**-0.9**	-0.9
Defined benefit cost recognised in the income statement	**-13.2**	-69.6
whereof service cost	***-12.0***	*-68.5*
whereof net interest on the net defined benefit/(liability) asset	***-1.3***	*-1.1*

[1] In 2016, the Group amended its defined benefit plans in Switzerland and therefore recalculated its defined benefit obligation (DBO). The amendments are related to a lower conversion rate, a higher pension age and higher savings contributions and resulted in a reduction of the defined benefit obligation by CHF 62.8 million, which was recognised in the income statement.

	2016	2015
4. Movements in defined benefit liability		
Net defined benefit asset/(liability) at the beginning of the year	**-251.3**	-134.4
Acquisitions	**-3.6**	-
Translation differences	**0.6**	0.4
Defined benefit cost recognised in the income statement	**-13.2**	-69.6
Benefits paid by employer	**0.0**	0.0
Employer's contributions	**106.1**	78.7
Remeasurements of the net defined benefit liability/(asset)	**24.5**	-126.6
Amount recognised in the balance sheet	**-136.9**	-251.3

	2016	2015
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	**-61.3**	-95.7
Return on plan assets (excluding interest income)	**85.8**	-30.8
Total recognised in other comprehensive income	**24.5**	-126.6

	2016	2015
5. Composition of plan assets		
Cash	**125.1**	44.7
Debt instruments	**776.6**	747.2
Equity instruments	**757.0**	775.1
Real estate	**408.0**	344.9
Alternative investments	**262.9**	230.1
Other	**220.6**	204.6
Total	**2,550.4**	2,346.6

6. Aggregation of plan assets – quoted market prices in active markets	**2016** *in %*	2015 *in %*
Cash	**4.9**	1.9
Debt instruments	**29.2**	30.5
Equity instruments	**29.7**	33.1
Real estate	**7.2**	7.5
Other	**13.5**	11.3
Total	**84.5**	84.3

7. Sensitivities	**2016** *CHF m*	2015 *CHF m*
Decrease of discount rate -0.25%		
Effect on defined benefit obligation	**-73.4**	-72.7
Effect on service cost	**-2.4**	-2.3
Increase of discount rate +0.25%		
Effect on defined benefit obligation	**69.4**	68.7
Effect on service cost	**2.2**	2.1
Decrease of salary increase -0.25%		
Effect on defined benefit obligation	**9.0**	5.5
Effect on service cost	**0.9**	0.5
Increase of salary increase +0.25%		
Effect on defined benefit obligation	**-9.2**	-5.4
Effect on service cost	**-0.9**	-0.6
Life expectancy		
Increase in longevity by one additional year	**53.3**	49.6

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2016. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 96% (2015: 96%) of all benefit obligations and plan assets:

	2016	2015
Discount rate	**0.55%**	0.75%
Average future salary increases	**0.50%**	1.00%
Future pension increases	**0.00%**	0.00%
Duration (years)	**14**	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 2017 financial year related to defined benefit plans are estimated at CHF 84.8 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 8.2 million (2015: CHF 7.2 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 27.4 million for the 2016 financial year (2015: CHF 27.0 million).

23 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2016 CHF m	31.12.2015 CHF m
Receivables		
Receivables from cash provided in securities borrowing transactions	**16.2**	17.3
of which recognised in due from banks	***16.2***	*17.3*
Receivables from cash provided in reverse repurchase transactions	**1.4**	866.2
of which recognised in due from banks	***1.4***	*646.0*
of which recognised in loans	**-**	*220.2*
Obligations		
Obligations to return cash received in securities lending transactions	**1,301.2**	1,028.4
of which recognised in due to banks	***1,301.2***	*1,028.4*
Obligations to return cash received in repurchase transactions	**248.3**	307.7
of which recognised in due to banks	***248.3***	*307.7*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**2,342.3**	2,026.5
of which securities the right to pledge or sell has been granted without restriction	***2,342.3***	*2,026.5*
of which recognised in trading assets	***1,543.2***	*1,580.1*
of which recognised in financial investments available-for-sale	***799.1***	*446.4*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**2,138.7**	2,841.8
of which repledged or resold securities	***2,032.3***	*1,432.3*

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 are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

24 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	68,917.7	804.2	720.0
Futures	97.6	0.1	0.1
Cross-currency swaps	267.9	-	5.0
Options (OTC)	39,215.9	460.7	362.9
Total foreign exchange derivatives 31.12.2016	**108,499.1**	**1,264.9**	**1,088.0**
Total foreign exchange derivatives 31.12.2015	105,942.6	1,011.4	800.1
Interest rate derivatives			
Swaps	8,797.4	108.8	103.4
Futures	791.9	1.4	1.7
Options (OTC)	261.8	13.1	6.9
Total interest rate derivatives 31.12.2016	**9,851.1**	**123.2**	**112.0**
Total interest rate derivatives 31.12.2015	9,767.1	112.0	111.0
Precious metals derivatives			
Forward contracts	1,687.4	18.9	61.7
Futures	180.4	1.3	0.0
Options (OTC)	2,788.7	191.0	37.4
Total precious metals derivatives 31.12.2016	**4,656.5**	**211.2**	**99.1**
Total precious metals derivatives 31.12.2015	2,940.9	159.6	36.9
Equity/indices derivatives			
Futures	1,812.3	48.5	43.0
Options (OTC)	10,303.4	176.2	181.3
Options (traded)	9,525.9	853.2	670.4
Total equity/indices derivatives 31.12.2016	**21,641.6**	**1,077.9**	**894.7**
Total equity/indices derivatives 31.12.2015	19,738.1	895.2	1,361.1
Other derivatives			
Futures	144.1	0.5	2.7
Total other derivatives 31.12.2016	**144.1**	**0.5**	**2.7**
Total other derivatives 31.12.2015	127.8	10.3	-

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	295.0	0.1	6.7
Total return swaps	66.5	2.3	0.2
Other credit derivatives	39.4	-	10.2
Total credit derivatives 31.12.2016	**401.0**	**2.4**	**17.1**
Total credit derivatives 31.12.2015	180.5	0.6	9.9
Total derivatives held for trading 31.12.2016	**145,193.5**	**2,680.1**	**2,213.5**
Total derivatives held for trading 31.12.2015	138,697.1	2,189.1	2,318.9

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as fair value hedges			
Interest rate swaps	2,171.1	10.8	71.9
Total derivatives held for hedging 31.12.2016	**2,171.1**	**10.8**	**71.9**
Total derivatives held for hedging 31.12.2015	1,442.5	-	72.5
Total derivative financial instruments 31.12.2016	**147,364.6**	**2,690.9**	**2,285.3**
Total derivative financial instruments 31.12.2015	140,139.6	2,189.1	2,391.4

25A FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	31.12.2016 Carrying value CHF m	 Fair value CHF m	31.12.2015 Carrying value CHF m	 Fair value CHF m
Cash, loans and receivables				
Cash	**13,599.5**	**13,599.5**	9,185.7	9,185.7
Due from banks	**11,389.8**	**11,395.5**	6,901.1	6,909.0
Loans	**38,419.0**	**38,873.2**	36,380.9	36,850.6
Accrued income	**282.8**	**282.8**	326.9	326.9
Total	**63,691.1**	**64,151.0**	52,794.7	53,272.2
Held for trading				
Trading assets	**7,261.8**	**7,261.8**	6,957.7	6,957.7
Derivative financial instruments	**2,680.1**	**2,680.1**	2,189.1	2,189.1
Total	**9,941.9**	**9,941.9**	9,146.8	9,146.8
Derivatives designated as hedging instruments				
Derivative financial instruments	**10.8**	**10.8**	-	-
Total	**10.8**	**10.8**	-	-
Designated at fair value				
Financial assets designated at fair value	**252.4**	**252.4**	197.0	197.0
Total	**252.4**	**252.4**	197.0	197.0
Available-for-sale				
Financial investments available-for-sale	**18,266.6**	**18,266.6**	16,572.5	16,572.5
Total	**18,266.6**	**18,266.6**	16,572.5	16,572.5
Total financial assets	**92,162.8**	**92,622.7**	78,710.9	79,188.4

Financial liabilities

	31.12.2016 Carrying value CHF m	31.12.2016 Fair value CHF m	31.12.2015 Carrying value CHF m	31.12.2015 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**10,076.8**	**10,076.9**	4,672.0	4,672.3
Due to customers	**67,495.2**	**67,496.9**	64,781.4	64,782.8
Debt issued	**1,213.5**	**1,254.0**	1,152.7	1,191.8
Accrued expenses	**187.7**	**187.7**	154.4	154.4
Total	**78,973.2**	**79,015.5**	70,760.4	70,801.3
Held for trading				
Trading liabilities	**159.0**	**159.0**	190.8	190.8
Derivative financial instruments	**2,213.5**	**2,213.5**	2,318.9	2,318.9
Total	**2,372.4**	**2,372.4**	2,509.7	2,509.7
Derivatives designated as hedging instruments				
Derivative financial instruments	**71.9**	**71.9**	72.5	72.5
Total	**71.9**	**71.9**	72.5	72.5
Designated at fair value				
Financial liabilities designated at fair value	**8,444.4**	**8,444.4**	4,263.1	4,263.1
Other liabilities	**41.2**[1]	**41.2**	24.5[2]	24.5
Total	**8,485.6**	**8,485.6**	4,287.6	4,287.6
Total financial liabilities	**89,903.1**	**89,945.5**	77,630.3	77,671.1

[1] Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C., and GPS Investimentos Financeiros e Participações S.A., see Notes 26B and 27.

[2] Relates to the deferred purchase price of WMPartners Wealth Management Ltd., Fransad Gestion SA and NSC Asesores, S.C., see Notes 26B and 27.

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

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

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

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

25B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

Level 1
For trading assets as well as for certain financial investments available-for-sale 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.

Financial investments available-for-sale: The Group holds certain equity instruments, which are required for the operation of the Group and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2016, dividends related to these investments in the amount of CHF 7.3 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:

	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	**31.12.2016** **Total** CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	1,368.3	46.7	-	1,415.0
Trading assets – equity instruments	5,465.6	381.3	-	5,846.9
Total trading assets	**6,833.9**	**428.0**	**-**	**7,261.8**
Foreign exchange derivatives	8.6	1,256.3	-	1,264.9
Interest rate derivatives	1.4	132.7	-	134.1
Precious metal derivatives	1.3	209.9	-	211.2
Equity/indices derivatives	48.5	1,029.4	-	1,077.9
Credit derivatives	-	2.4	-	2.4
Other derivatives	0.5	-	-	0.5
Total derivative financial instruments	**60.2**	**2,630.7**	**-**	**2,690.9**
Financial assets designated at fair value	**128.3**	**29.2**	**94.8**	**252.4**
Financial investments available-for-sale – money market instruments	596.4	3,188.7	-	3,785.0
Financial investments available-for-sale – debt instruments	13,402.1	914.0	-	14,316.0
Financial investments available-for-sale – equity instruments	26.0	18.8	120.7	165.5
Total financial investments available-for-sale	**14,024.5**	**4,121.4**	**120.7**	**18,266.6**
Total assets	**21,046.9**	**7,209.3**	**215.5**	**28,471.7**
Short positions – debt instruments	44.6	3.4	-	48.0
Short positions – equity instruments	96.0	15.0	-	111.0
Total trading liabilities	**140.5**	**18.4**	**-**	**159.0**
Foreign exchange derivatives	6.4	1,081.6	-	1,088.0
Interest rate derivatives	1.7	182.1	-	183.8
Precious metal derivatives	0.0	99.0	-	99.1
Equity/indices derivatives	43.0	851.7	-	894.7
Credit derivatives	-	17.1	-	17.1
Other derivatives	2.7	-	-	2.7
Total derivative financial instruments	**53.8**	**2,231.5**	**-**	**2,285.3**
Financial liabilities designated at fair value	**-**	**8,180.8**	**263.6**	**8,444.4**
Total liabilities	**194.4**	**10,430.7**	**263.6**	**10,888.7**

				31.12.2015
	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	Total *CHF m*
Assets and liabilities measured at fair value				
Trading assets – debt instruments	773.6	382.1	-	1,155.7
Trading assets – equity instruments	5,388.1	413.9	-	5,802.0
Total trading assets	6,161.7	795.9	-	6,957.7
Foreign exchange derivatives	5.0	1,006.4	-	1,011.4
Interest rate derivatives	2.2	109.8	-	112.0
Precious metal derivatives	1.0	158.6	-	159.6
Equity/indices derivatives	22.3	872.9	-	895.2
Credit derivatives	-	0.6	-	0.6
Other derivatives	10.3	-	-	10.3
Total derivative financial instruments	40.8	2,148.3	-	2,189.1
Financial assets designated at fair value	121.8	27.0	48.2	197.0
Financial investments available-for-sale – money market instruments	-	2,298.1	-	2,298.1
Financial investments available-for-sale – debt instruments	10,395.2	3,782.0	-	14,177.2
Financial investments available-for-sale – equity instruments	15.7	7.2	74.3	97.2
Total financial investments available-for-sale	10,410.9	6,087.3	74.3	16,572.5
Total assets	16,735.2	9,058.5	122.5	25,916.2
Short positions – debt instruments	81.2	36.0	-	117.2
Short positions – equity instruments	54.0	19.6	-	73.6
Total trading liabilities	135.2	55.6	-	190.8
Foreign exchange derivatives	4.8	795.2	-	800.1
Interest rate derivatives	3.4	180.0	-	183.5
Precious metal derivatives	0.0	36.9	-	36.9
Equity/indices derivatives	20.2	1,340.9	-	1,361.1
Credit derivatives	-	9.9	-	9.9
Other derivatives	0.0	-	-	0.0
Total derivative financial instruments	28.5	2,362.9	-	2,391.4
Financial liabilities designated at fair value	-	4,059.7	203.4	4,263.1
Total liabilities	163.7	6,478.2	203.4	6,845.3

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	**31.12.2016** **Total** CHF m
Assets and liabilities disclosed at fair value				
Cash	13,599.5	-	-	13,599.5
Due from banks	-	11,395.5	-	11,395.5
Loans	-	38,873.2	-	38,873.2
Accrued income	-	282.8	-	282.8
Total assets	**13,599.5**	**50,551.5**	**-**	**64,151.0**
Due to banks	-	10,076.9	-	10,076.9
Due to customers	-	67,496.9	-	67,496.9
Debt issued	1,254.0	-	-	1,254.0
Accrued expenses	-	187.7	-	187.7
Other liabilities	-	-	41.2	41.2
Total liabilities	**1,254.0**	**77,761.5**	**41.2**	**79,056.7**

	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	31.12.2015 Total CHF m
Assets and liabilities disclosed at fair value				
Cash	9,185.7	-	-	9,185.7
Due from banks	-	6,909.0	-	6,909.0
Loans	-	36,850.6	-	36,850.6
Accrued income	-	326.9	-	326.9
Total assets	9,185.7	44,086.5	-	53,272.2
Due to banks	-	4,672.3	-	4,672.3
Due to customers	-	64,782.8	-	64,782.8
Debt issued	1,191.8	-	-	1,191.8
Accrued expenses	-	154.4	-	154.4
Other liabilities	-	-	24.5	24.5
Total liabilities	1,191.8	69,609.5	24.5	70,825.8

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

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Transfers from level 1 to level 2		
Trading assets	1.3	121.7
Derivative financial instruments	-	106.2
Financial investments available-for-sale	-	2,187.0
Trading liabilities	-	4.7
Derivative financial instruments	-	313.0
Financial liabilities designated at fair value	-	321.5
Transfers from level 2 to level 1		
Trading assets	244.0	38.5
Financial investments available-for-sale	2,141.4	580.0
Trading liabilities	0.5	0.5

The transfers between level 1 and 2, and vice versa, occurred due to changes in the direct availability of quoted market prices. Transfers between the levels are deemed to have occurred at the end of the reporting period.

25D FINANCIAL INSTRUMENTS – OFFSETTING

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 17.6 million (2015: CHF 883.5 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 1,549.5 million (2015: CHF 1,336.1 million) as disclosed in Note 23 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 1,786.1 million (positive replacement values) and CHF 1,567.4 million (negative replacement values) are subject to an enforceable netting agreement. Transactions with other banks are generally collateralised with other financial instruments (derivatives) which are recognised on the Group's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet. Additionally, there are derivative financial instruments in the amount of CHF 664.3 million (2015: CHF 462.9 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.

26A COMPANIES CONSOLIDATED AS AT 31 DECEMBER 2016

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.2016 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.5	10,123

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

Unlisted operational companies which are consolidated

	Head Office	Currency	Share capital m	Equity interest %
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore, Sion,				
St. Gallen, St. Moritz, Verbier, Zug, Zurich				
Representative Offices in Abu Dhabi, Dubai, Istanbul,				
Moscow, Panama City, Santiago de Chile, Shanghai, Tel Aviv				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*
Arpese SA	*Lugano*	*CHF*	*0.400*	*100*
Bank Julius Bär Europe AG	Frankfurt	EUR	15.000	100
Branches in Duesseldorf, Hamburg, Kiel, Mannheim, Munich,				
Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer Luxembourg S.A.	Luxembourg	EUR	33.165	100
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	60.000	100
Fransad Gestion SA	Geneva	CHF	1.000	100
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Consultores S.A.	*Caracas*	*BSF*	*2.150*	*100*
Julius Baer Trust Company (Singapore) Ltd.	*Singapore*	*SGD*	*2.812*	*100*

	Head Office	Currency	Share capital m	Equity interest %
JB Participações Brasil Ltda.	São Paulo	BRL	394.016	100
including				
GPS Investimentos Financeiros e Participações S.A.	*São Paulo*	*BRL*	*0.280*	*100*
including				
GPS Planejamento Financeiro Ltda.	*São Paulo*	*BRL*	*0.207*	*100*
Branches in Rio de Janeiro, Belo Horizonte				
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 Capital (Guernsey) I Ltd. (in liquidation)	Guernsey	CHF	0.000	100
Julius Baer (Chile) SpA	Santiago de Chile	CLP	498.928	100
Julius Baer Consultores (Peru) S.A.C.	Lima	PEN	4.164	100
Julius Baer Family Office & Trust Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (New Zealand) Limited	*Auckland*	*CHF*	*0.105*	*100*
Julius Baer Fiduciaria S.p.A.	Milan	EUR	0.100	100
Julius Baer Financial Services (Channel Islands) Ltd.	Jersey	GBP	0.025	100
Julius Baer Financial Services (Israel) Ltd.	Tel Aviv	ILS	11.000	100
Julius Baer Gestión, SGIIC, S.A.U.	Madrid	EUR	2.100	100
Julius Baer International Advisory (Uruguay) S.A.	Montevideo	USD	1.600	100
Julius Baer International Limited	London	GBP	122.200	100
Branch in Dublin				
Julius Baer International Panama Inc.	Panama City	CHF	19.383	100
including				
Julius Baer Bank & Trust (Bahamas) Ltd.	*Nassau*	*CHF*	*20.000*	*100*
including				
Julius Baer Trust Company (Bahamas) Ltd. (in liquidation)	*Nassau*	*CHF*	*2.000*	*100*

	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 Investment Services S.à r.l.	Luxembourg	EUR	1.250	100
Julius Baer Investments S.A.S. (in liquidation)	Paris	EUR	3.811	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 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*
Julius Bär Wealth Management AG	Erlenbach	CHF	5.700	100
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
Julius Baer (Uruguay) S.A.	Montevideo	UYU	25.169	100
Kairos Investment Management S.p.A.	Milan	EUR	2.355	80
including				
KAIROS ASSET MANAGEMENT SA	*Lugano*	*EUR*	*0.600*	*100*
Kairos Investment Management B.V.	*Amsterdam*	*EUR*	*1.000*	*100*
– including Kairos Investment Management Limited	*London*	*GBP*	*5.884*	*100*
Kairos Julius Baer SIM S.p.A.	*Milan*	*EUR*	*10.000*	*100*
– Representative Offices in Rome, Turin				
Kairos Partners SGR S.p.A.	*Milan*	*EUR*	*5.084*	*100*

	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
URSA Company Ltd. (in liquidation)	Grand Cayman	CHF	0.500	100
WMPartners Wealth Management Ltd.	Zurich	CHF	1.000	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:
- Kairos Investment Management S.p.A., Milan, new
- GPS Investimentos Financeiros e Participações S.A., São Paulo, new 100%
- Commerzbank International S.A. Luxembourg, new and renamed into Bank Julius Baer Luxembourg S.A., Luxembourg

26B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
NSC Asesores, S.C., Asesor en Inversiones Independiente	Mexico City	MXN	1.884	40

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Balance at the beginning of the year	**90.3**	66.0
Additions	**-**	28.9
Disposals	**-99.8**[1]	-
Income	**48.7**[2]	5.9
Dividend paid	**-10.2**	-4.4
Translation differences	**0.4**	-6.1
Balance at the end of the year	**29.4**	90.3

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

The total comprehensive income of the associated companies amounts to CHF 3.6 million (2015: CHF 26.1 million for Kairos Investment Management SpA and NSC Asesores).

NSC Asesores
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 on 6 November 2016 (CHF 7.1 million performed as agreed) and 2017, respectively, for the outstanding purchase price. The Group also received two options to acquire additional interests of 30% per option in NSC Asesores at a predetermined relative price. The options will be exercisable in 2018 and 2021, respectively.

26C UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved in the set-up and operation of a limited number of structured entities such as segregated portfolio companies, private equity feeder funds, umbrella funds and similar vehicles in the legal form of limited partnerships (L.P.), which are invested in segregated portfolios or feeder funds. All the L.P. serve as investment vehicles for the Group's clients. The Group generally acts as investment manager and custodian bank and also holds the management shares of the L.P. These shares are equipped with voting rights, but do not provide any participating rights in the underlying investments. The Group receives a market-based fixed fee for its services and has no interests in the underlying segregated portfolios or feeder funds. Therefore, due to the missing exposure, or rights, to variable returns from its involvement with the segregated portfolios or feeder funds, the Group does not have control over the underlying investments, but only consolidates the limited partnerships.

27 ACQUISITIONS

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

Kairos (2016)
In November 2015, the Group agreed to exercise its option and to increase its stake in Kairos Investment Management S.p.A. by acquiring an additional 60.1% interest of the Milan-based company, following its initial purchase of 19.9% in 2013. The transaction was exercised on 1 April 2016. The Group paid the consideration for this additional interest in the amount of CHF 301.5 million in cash which was fully funded by existing excess capital of the Group. As part of the transaction, the Group realised a net gain in the amount of CHF 38.6 million on the revaluation to fair value of the 19.9% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice and fits into the Group's growth strategy. The Group and Kairos have agreed to pursue the listing of Kairos in a subsequent step through an offering of a minority percentage of Kairos' share capital. Kairos continues to operate under its brand.

For the 12 months ended 31 December 2016, Kairos recorded CHF 80.1 million operating income and CHF 22.7 million net profit. Since its acquisition on 1 April 2016, Kairos has contributed CHF 64.5 million operating income and CHF 18.8 million net profit to the Group's results.

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

	Fair value *CHF m*
Purchase price	
in cash	301.5
contribution of the 19.9% interest (at fair value)	99.8
Total	401.4
Due from banks	31.9
Deferred tax assets	5.2
All other assets	23.2
Assets acquired	60.3
Deferred tax liabilities	7.1
All other liabilities	37.3
Liabilities assumed	44.3
Goodwill and other intangible assets and non-controlling interests	
Goodwill	317.3
Customer relationships	89.4
Non-controlling interests	21.3
Total	385.4

Julius Bär Wealth Management AG (formerly named TFM Asset Management AG) (2016)

On 1 April 2016, the Group exercised its call option to acquire the outstanding 40% interest in its Japanese-market-focused subsidiary Julius Bär Wealth Management AG (JBWM), formerly named TFM Asset Management AG. The Group paid CHF 2.5 million in cash for this additional interest which was fully funded by existing excess capital of the Group. JBWM, a Switzerland-registered independent asset management company, specialises in discretionary asset management services for HNW Japanese and Swiss private clients and holds investment advisory and investment management licences granted by the Japanese FSA.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e., the difference of CHF 2.1 million between the amount of the former non-controlling interest 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.

Commerzbank International S.A. Luxembourg/ Bank Julius Baer Luxembourg S.A., Luxembourg (2016)

On 4 July 2016, the Group acquired Commerzbank International S.A. Luxembourg, a fully licensed private bank. This transaction will significantly strengthen the Group's presence in Luxembourg and in addition will provide the Group with further strategic flexibility for its European business, also due to the included booking platform. The purchase price of CHF 84.9 million was paid in cash and fully funded by existing excess capital of the Group. The acquired entity has been renamed into Bank Julius Baer Luxembourg S.A., Luxembourg.

For the 12 months ended 31 December 2016, Commerzbank International S.A. Luxembourg/Bank Julius Baer Luxembourg S.A. recorded CHF 94.5 million operating income and CHF 63.5 million net profit. Since its acquisition on 4 July 2016, the entity has contributed CHF 14.9 million operating income and CHF –6.9 million net profit to the Group's results.

The assets and liabilities of Commerzbank International SA Luxembourg/Bank Julius Baer Luxembourg were recorded provisionally as follows:

	Fair value *CHF m*
Purchase price	
in cash	84.9
Total	84.9
Cash	272.9
Due from banks	637.8
Loans[1]	344.6
Software	1.9
All other assets	78.7
Assets acquired	1,335.8
Due to banks	27.2
Due to customers	1,249.1
Provisions	1.2
Deferred tax liabilities	2.0
All other liabilities	15.9
Liabilities assumed	1,295.5
Goodwill and other intangible assets	
Goodwill	19.0
Customer relationships	15.2
Software	10.3
Total	44.6

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 344.6 million.

GPS Investimentos Financeiros e Participações S.A. (2016)
On 25 March 2014, the Group acquired an additional 50% interest in São-Paulo-based GPS Investimentos Financeiros e Participações S.A., which includes GPS Planejamento Financeiro Ltda. and CFO Administração de Recursos Ltda. ('GPS'). This transaction increased the Group's participation in GPS to 80% from the 30% acquired in May 2011. On 25 March 2014, the Group paid half of the consideration in the amount of CHF 55.8 million in cash for this additional interest which was fully funded by existing excess capital of the Group. In addition, the Group agreed on two additional payments on 25 March 2015 and 10 December 2015, which were performed. As part of the transaction, the Group realised a net gain in the amount of CHF 14.8 million on the revaluation to fair value of the 30% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2014.

On 1 March 2016, the Group exercised the forward contract to acquire the remaining 20% interest of its Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS). The purchase price of CHF 28.6 million will be payable in four tranches, whereof the first tranche has been paid at acquisition date and was fully funded by existing excess capital of the Group. The outstanding amounts of the future instalments are recognised as a liability.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e., the difference of CHF 21.5 million between the amount of the former non-controlling interest 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.

GPS is specialised in discretionary portfolio management and advisory services. The acquisition supports the Group's strategic intention to build its wealth management business in one of the most attractive and promising domestic wealth management markets. GPS continues to operate under its brand.

The assets and liabilities of GPS were recorded as follows (unchanged since 2014):

	Fair value *CHF m*
Purchase price	
in cash	55.8
contribution of the 30% interest (at fair value)	66.9
deferred purchase price (liabilities)	55.8
Total	178.5
Assets acquired	
Due from banks	4.7
All other assets	7.3
Total	12.0
Liabilities assumed	
Deferred tax liabilities	18.5
All other liabilities	13.2
Total	31.7
Goodwill and other intangible assets and non-controlling interests	
Goodwill	151.4
Customer relationships	54.4
Non-controlling interests	7.6
Total	198.2

Fransad Gestion SA (2015)
On 3 November 2015, the Group acquired the Swiss independent wealth manager Fransad Gestion SA which is based in Geneva. Fransad complements the Group's existing independent wealth management business and strengthens the Group's position in French-speaking Switzerland.

The purchase price of CHF 16.6 million, including the deferred portion due in March 2018, has been and will be paid in cash and is fully funded by existing excess capital of the Group.

The assets and liabilities of Fransad Gestion SA were recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	12.1
deferred purchase price (liabilities)	4.5
Total	16.6
Due from banks	3.9
All other assets	2.6
Assets acquired	6.5
All other liabilities	4.2
Liabilities assumed	4.2
Goodwill and other intangible assets	
Goodwill	5.9
Customer relationships	8.3
Total	14.3

28 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2016. 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 from the market on grant date through the LOTECO Foundation. Until vesting, the granted shares 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 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 deferred cash awards vest in equal one-third tranches over a three-year plan period subject to continued employment. Where share-based plans are not permissible under local legislation, employee annual awards are fully deferred through the DCP.

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 Julius Baer Group.

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer and total variable compensation. All members of the Executive Board, key employees, and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, contribution to Julius Baer, 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 executives subject to service and performance-based requirements. The EPP award reflects the value of the employee for the future success of the business and more closely links an individual's compensation to his or her contribution to the future performance of the Julius Baer Group.

The goal of the EPP is to incentivise participants in two ways:

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer 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 Julius Baer for three

years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

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 Julius Baer and move clients and assets to the Group. In 2015, new grants under the Integration Incentive Award were solely awarded in conjunction with the final transfer of the business in India.

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.

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

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

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

Long-Term Incentive Plan (LTI)
In certain specific situations 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. All grants made in 2015 and 2016 are free from restrictions upon vesting. In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

No LTI grants were awarded to members of the Executive Board in 2015 or 2016.

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 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:

	31.12.2016 Number of units Economic Profit	Number of units Total Shareholder Return	31.12.2015 Number of units Economic Profit	Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**554,532**	**554,532**	233,545	233,545
Granted during the year	**319,569**	**319,569**	322,455	322,455
Forfeited during the year	**-88,020**	**-88,020**	-1,468	-1,468
Unvested units outstanding, at the end of the year	**786,081**	**786,081**	554,532	554,532

	31.12.2016	31.12.2015
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**1,148,056**	830,261
Granted during the year	**746,934**	734,474
Vested during the year	**-440,697**	-353,645
Forfeited during the year	**-95,400**	-63,034
Unvested shares outstanding, at the end of the year	**1,358,893**	1,148,056
Weighted average fair value per share granted (CHF)	**39.28**	43.84
Fair value of outstanding shares at the end of the year (CHF 1,000)	**61,463**	55,864

	31.12.2016	31.12.2015
Incentive Share Plan		
Unvested shares outstanding, at the beginning of the year	**472,545**	671,118
Vested during the year	**-472,545**	-190,629
Forfeited during the year	-	-7,944
Unvested shares outstanding, at the end of the year	-	472,545
Fair value of outstanding shares at the end of the year (CHF 1,000)	-	22,994

Incentive Share Plan	31.12.2015 Number of units Economic Profit	31.12.2015 Number of units Relative Share Price
Unvested units outstanding, at the beginning of the year	125,781	125,781
Exercised during the year	-124,867	-124,867
Forfeited during the year	-914	-914
Unvested units outstanding, at the end of the year	-	-

Integration Incentive Award	**31.12.2016**	31.12.2015
Unvested shares outstanding, at the beginning of the year	**714,609**	751,893
Granted during the year	**-**	19,035
Forfeited during the year	**-46,346**	-56,319
Unvested shares outstanding, at the end of the year	**668,263**	714,609
Weighted average fair value per share granted (CHF)	**-**	46.79
Fair value of outstanding shares at the end of the year (CHF 1,000)	**30,226**	34,773

Long-Term Incentive Plan	**31.12.2016**	31.12.2015
Unvested shares outstanding, at the beginning of the year	**376,041**	390,647
Granted during the year	**456,459**	243,916
Vested during the year	**-177,397**	-197,535
Forfeited during the year	**-74,842**	-60,987
Unvested shares outstanding, at the end of the year	**580,261**	376,041
Weighted average fair value per share granted (CHF)	**41.05**	47.74
Fair value of outstanding shares at the end of the year (CHF 1,000)	**26,245**	18,298

Staff Participation Plan	**31.12.2016**	31.12.2015
Unvested shares outstanding, at the beginning of the year	**110,266**	113,384
Granted during the year	**47,918**	36,135
Vested during the year	**-39,075**	-36,099
Forfeited during the year	**-3,503**	-3,154
Unvested shares outstanding, at the end of the year	**115,606**	110,266
Weighted average fair value per share granted (CHF)	**42.74**	45.94
Fair value of outstanding shares at the end of the year (CHF 1,000)	**5,229**	5,366

Compensation expense recognised for the various participation plans are:

Compensation expense	**31.12.2016** *CHF m*	31.12.2015 *CHF m*
Equity Performance Plan	**22.6**	13.1
Premium Share Plan	**25.8**	23.3
Incentive Share Plan	**0.5**	6.5
Integration Incentive Award	**8.1**	8.5
Long-Term Incentive Plan	**12.0**	6.9
Staff Participation Plan	**1.8**	1.6
Total	**70.8**	60.0

29 ASSETS UNDER MANAGEMENT

Assets under management include all bankable assets managed by or deposited with the Group for investment purposes. Assets included are portfolios of wealth management clients for which the Group provides discretionary or advisory asset management services. Assets deposited with the Group held for transactional or safekeeping/custody purposes, and where the Group does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with discretionary mandate are defined as assets for which the investment decisions are made by the Group, and cover assets deposited with Group companies as well as assets deposited at third-party institutions. Other assets under management are defined as assets for which the investment decision is made by the client himself. Both assets with discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Group.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money flows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of a Group subsidiary or business are stated separately. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management which are managed by or deposited with associates of the Group are not considered assets managed by or deposited with the Group and are therefore not included in the respective numbers.

Assets under management are disclosed according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2016 CHF m	2015 CHF m	Change %
Assets with discretionary mandate	**54,904**	45,420	20.9
Other assets under management	**277,083**	253,589	9.3
Assets in collective investment schemes managed by the Group[1]	**4,174**	678	515.6
Total assets under management (including double counting)	**336,161**	299,687	12.2
of which double counting	***6,106***	*4,884*	*25.0*
Change through net new money	**11,865**	12,070	
Change through market and currency impacts	**13,395**	-10,413	
Change through acquisition	**11,267**[2]	8,017[3]	
Change through divestment	**-53**	-584[4]	
Client assets	**391,620**	363,781[5]	7.7

[1] Collective investment schemes in 2015 are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, in 2016 additionally to Kairos Investment Management S.p.A., Milan.
[2] In April 2016, the Group increased its participation in Kairos Investment Management S.p.A., Milan, to 80%.
In July 2016, the Group acquired Commerzbank International S.A. Luxembourg.
[3] In March 2015, the Group acquired the business of Leumi Private Bank Ltd.
On 21 September 2015, the Group acquired the business of Merrill Lynch's International Wealth Management (IWM) in India.
In November 2015, the Group acquired Fransad Gestion SA, Geneva.
[4] Relates to the asset outflow at Julius Baer Investments S.A.S., Paris, which was acquired as part of Merrill Lynch's International Wealth Management (IWM) business and that Group management decided to close.
[5] Excluding assets which were previously counted as assets under management and assets under custody.

Breakdown of assets under management

	2016 %	2015 %
By types of investment		
Equities	**27**	27
Bonds (including convertible bonds)	**19**	19
Investment funds	**24**	23
Money market instruments	**6**	4
Client deposits	**17**	21
Structured products	**5**	5
Other	**2**	1
Total	**100**	100
By currencies		
CHF	**11**	12
EUR	**22**	21
USD	**45**	46
GBP	**4**	4
SGD	**2**	2
HKD	**3**	3
RUB	**1**	-
CAD	**1**	1
Other	**11**	11
Total	**100**	100

Client assets are defined as all bankable assets managed by or deposited with the Group companies for investment purposes and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

30 ACQUISITION OF MERRILL LYNCH'S INTERNATIONAL WEALTH MANAGEMENT BUSINESS

Transaction summary
On 13 August 2012, the Group announced to acquire Merrill Lynch's International Wealth Management (IWM) business outside the US from Bank of America. The acquisition was structured as a combination of legal entity acquisitions and business transfers. Principal closing occurred on 1 February 2013. Since then, legal entity purchases and asset transfers have happened during the integration period which ended in the first quarter of 2015. However, the final transfers in India were completed in the second half of 2015.

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

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

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

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

Consideration was transferred as follows:

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

Final status as at 31 December 2015
As at 31 December 2015, AuM in the amount of CHF 58.6 billion (fair value as of the respective acquisition date) have been booked with the Group, whereof CHF 2.3 billion have been reclassified to assets under custody.

The transaction resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 813.2 million. This amount consists of the following components:

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

Therefore, the purchase price of CHF 982.1 million was paid for goodwill and intangible assets and net asset values of the acquired legal entities.

The legal entities as well as the business acquired have been fully integrated into the existing Group structure (including rebranding of the continued legal entities).

The assets and liabilities of the acquired IWM entities and businesses were recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	690.5
in shares of Julius Baer Group Ltd.	291.6
Total	982.1
Assets acquired	
Cash	271.5
Due from banks	8,298.0
Loans[1]	4,000.5
Deferred tax assets	0.1
All other assets	158.3
Total	12,728.4
Liabilities assumed	
Due to banks	3,589.5
Due to customers	8,726.5
Deferred tax liabilities	26.6
All other liabilities	217.0
Total	12,559.5
Goodwill and other intangible assets related to legal entity acquisitions and to business transfers	
Goodwill	481.0
Customer relationships	332.2
Total	813.2

[1] At the acquisition dates, the gross contractual amount of loans acquired was CHF 4,000.5 million.

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

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, 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 must be tested for impairment annually and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Swiss GAAP allows the application of IAS 19 for the accounting for defined benefit plans. However, the remeasurement of the net defined benefit liability is recognised in the income statement and comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost). Under IFRS, these components are recognised directly in equity.

32 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2016 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 2016 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 78 to 188) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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.

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Goodwill impairment testing

Key Audit Matter

As at 31 December 2016, the Group recognises goodwill of CHF 2,071.3m 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 response

Our procedures included the assessment of the Group's process and key controls for the testing of goodwill impairment, including the assumptions used.

We tested key assumptions forming the Group's value-in-use calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections 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 132 to 134.

Litigation and regulatory proceedings

Key Audit Matter

As at 31 December 2016, the Group recognizes provisions for legal risks of CHF 20.2m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

The Group is involved in a number of legal and regulatory matters which could have a material effect on the Group but do not qualify for the recognition of a provision. These matters are disclosed as contingent liabilities.

The recognition and measurement of provisions and the measurement and disclosure of contingent

Our response

Our procedures included the assessment of key controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters.

We paid particular attention to significant matters that experienced notable developments or that emerged during the period. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Group's internal and external legal counsels. We also critically

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liabilities in respect of legal and regulatory matters requires significant judgment.

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 141 to 144.

Valuation of financial instruments

Key Audit Matter

As at 31 December 2016, the Group reports financial assets of CHF 28,471.7m and financial liabilities of CHF 10,888.7m measured at fair value representing 29.6% and 12.0% 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 25B and 25C to the consolidated financial statements on pages 159 to 163.

Impairment of loans

Key Audit Matter

As at 31 December 2016, the Group reports loans of CHF 38,490.8m representing 40.0% of total assets and records allowances for credit losses of CHF 71.8m.

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

Our response

Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Group to assess the adequacy of impairment allowances for individually assessed loans.

For a sample of loans with specific allowances for credit losses we evaluated the Group's individual

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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.

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 notes 9B, 9C and 9D to the consolidated financial statements on pages 128 to 129.

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.

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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.

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
Licensed Audit Expert
Auditor in Charge

Cataldo Castagna
Licensed Audit Expert

Zurich, 31 January 2017

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IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2016

INCOME STATEMENT

	2016 *CHF m*	2015 *CHF m*
Interest income	**37.6**	21.4
Interest expense	**46.8**	49.4
Result from interest	**-9.2**	-28.0
Income from participations	**457.7**	115.4
Revaluation of participations	**12.9**	6.0
Depreciation of participations	**99.7**	131.3
Result from participations	**371.0**	-9.9
Other ordinary income	**101.3**	104.9
Other ordinary expense	**15.2**	-
Operating income	**447.9**	67.0
Personnel expenses	**16.0**	15.7
General expenses	**23.5**	25.1
Operating expenses	**39.5**	40.8
Gross profit	**408.3**	26.2
Extraordinary income	**0.0**	2.7
Taxes	**2.4**	6.6
Net profit	**406.0**	22.3

BALANCE SHEET

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Assets		
Due from banks	**772.1**	604.6
Other assets	**33.5**	27.9
Accrued income and prepaid expenses	**263.7**	123.7
Total current assets	**1,069.2**	756.3
Other financial investments	**480.3**	480.3
Participations	**4,132.4**	3,749.5
Total non-current assets	**4,612.7**	4,229.8
Total assets	**5,681.9**	4,986.0
Due from Group companies	**1,270.3**	1,085.5

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Liabilities and equity		
Interest-bearing liabilities	**564.0**	-
Accrued expenses and deferred income	**36.5**	35.6
Total short-term liabilities	**600.5**	35.6
Debt issued	**1,145.2**	1,167.5
Other liabilities	**15.0**	21.6
Total long-term liabilities	**1,160.2**	1,189.1
Total liabilities	**1,760.8**	1,224.7
Share capital	**4.5**	4.5
Statutory capital reserve	**1,851.9**	2,098.0
of which tax-exempt capital contribution reserve	***1,851.9***	*2,098.0*
Statutory retained earnings reserve	**271.1**	230.2
of which reserve for treasury shares	***270.2***	*229.4*
Voluntary retained earnings reserve	**1,386.1**	1,403.8
Profit carried forward	**1.7**	2.5
Net profit	**406.0**	22.3
Total equity	**3,921.1**	3,761.3
Total liabilities and equity	**5,681.9**	4,986.0
Due to Group companies	**564.0**	-

NOTES

	31.12.2016 *CHF m*	31.12.2015 *CHF m*
Contingent liabilities		
Surety and guarantee obligations and assets pledged in favour of third parties	**2,759.1**	2,455.1

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.

The financial statements 2015 were prepared for the first time according to the revised Swiss Code of Obligation.

PARTICIPATIONS

Refer to the consolidated financial statements, Note 26A, 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 2016 and 2015, different Group entities held 6,346,886 treasury shares in 2016 (2015: 5,269,422).

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

Refer to consolidated financial statements, Note 19.

FEES PAID TO AUDITOR

	2016 CHF m	2015 CHF m
Fees paid to auditor		
Audit services	**1.2**	1.3
Other services	**0.1**	0.3
Total	**1.3**	1.5

SHARE-BASED PAYMENTS

	2016 Number Equity securities	**2016** Value Equity securities CHF m	2015 Number Equity securities	2015 Value Equity securities CHF m
Equity plans				
Total granted during the year	**34,750**	**1.4**	27,052	1.4
of which members of executive bodies	***33,975***	***1.4***	*25,870*	*1.3*
of which employees	***775***	***0.0***	*1,182*	*0.1*

	2016 Number Units	**2016** Value Units CHF m	2015 Number Units	2015 Value Units CHF m
Plans based on units				
Total granted during the year	**45,806**	**1.7**	53,669	2.1
of which members of executive bodies	***40,131***	***1.5***	*48,249*	*1.9*
of which employees	***5,675***	***0.2***	*5,420*	*0.2*

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 2016 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 2016[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]	4.51%	0.0400%
Bank of America Corporation[7]	3.76%	
Wellington Management Group LLP[8]	3.06%	
Invesco Ltd.[9]	3.02%	

[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 has 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, and its subsidiaries (reported on 22 July 2016)

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

[8] Wellington Management Group LLP, Boston/USA (reported on 22 November 2016)

[9] Invesco Ltd., Hamilton/Bermuda (reported on 25 January 2016)

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	**2016**	**172,495**
	2015	155,128
Gilbert Achermann	**2016**	**9,705**
	2015	7,715
Ann Almeida (joined the Board in 2016)	**2016**	**-**
	2015	n.a.
Andreas Amschwand	**2016**	**9,705**
	2015	7,715
Heinrich Baumann	**2016**	**15,432**
	2015	13,442
Paul Man Yiu Chow (joined the Board in 2015)	**2016**	**1,990**
	2015	-
Claire Giraut	**2016**	**18,995**
	2015	17,005
Gareth Penny	**2016**	**20,105**
	2015	20,715
Charles G. T. Stonehill	**2016**	**20,365**
	2015	18,375
Total	**2016**	**268,792**
Total	2015	240,095

[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 2016 and 2015.

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 2014 (i.e. all Board members except for Paul Man Yiu Chow and Ann Almeida) are required to reach the targeted number of shares by year-end 2017. Paul Man Yiu Chow is required to reach the targeted number of shares by year-end 2018 and Ann Almeida by year-end 2019, respectively.

Shareholdings of the members of the Executive Board[1]		Number of shares
Boris F.J. Collardi, Chief Executive Officer	**2016**	**260,253**
	2015	205,882
Dieter A. Enkelmann, Chief Financial Officer	**2016**	**86,000**
	2015	87,719
Jan A. Bielinski, Chief Communications Officer	**2016**	**34,896**
	2015	33,511
Giovanni M.S. Flury, Business Representative (member of the Executive Board January–December 2016)	**2016**	**-**
	2015	n.a.
Gregory F. Gatesman, Chief Operating Officer (left the Executive Board at the end of 2016)	**2016**	**-**
	2015	6,000
Christoph Hiestand, General Counsel	**2016**	**14,100**
	2015	9,469
Bernhard Hodler, Chief Risk Officer	**2016**	**30,000**
	2015	43,632
Total	**2016**	**425,249**
Total	2015	386,213

[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 2016 and 2015.

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., the other members of the Executive Board the lower of 2.5 times the base salary or 30,000 shares.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years (and reached at year-end of the respective year) and maintained until the Executive Board member leaves his/her current position and/or the Julius Baer Group.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 12 APRIL 2017

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2016 financial year of CHF 407,660,882, consisting of net profit for the financial year in the amount of CHF 405,992,557 plus CHF 1,668,325 of profit carried forward, be distributed as follows:

- Allocation to voluntary retained earnings reserve: CHF 400,000,000
- Profit carried forward: CHF 7,660,882

- Dividend of CHF 1.20 per share at CHF 0.02 par value
- Total dividends on the 223,809,448 shares entitled to dividends: CHF 268,571,338
  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	1.20	-	1.20

The dividends will be paid from 18 April 2017.

On behalf of the Board of Directors

The Chairman

Daniel J. Sauter

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

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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 2016, 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 196 to 202) for the year ended 31 December 2016 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.

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2. Half year report 2017 of the Julius Baer Group

Julius Bär

HALF-YEAR REPORT 2017

JULIUS BAER GROUP LTD.

HALF-YEAR REPORT 2017
JULIUS BAER GROUP LTD.

This Half-year Report also appears in German. The English version is prevailing.

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2017** CHF m	H1 2016 CHF m	H2 2016 CHF m	*Change to H1 2016 in %*
Interest and dividend income		**651.9**	596.4	447.4	9.3
Interest expense		**85.6**	86.4	80.4	-0.9
Net interest and dividend income	1	**566.3**	510.0	367.1	11.0
Commission and fee income		**1,034.8**	835.8	935.3	23.8
Commission expense		**113.0**	96.5	109.6	17.1
Net commission and fee income	2	**921.8**	739.3	825.7	24.7
Net trading income	3	**90.0**	117.6	214.9	-23.4
Other ordinary results		**13.7**	57.7	20.2	-76.3
Operating income		**1,591.8**	1,424.6	1,427.8	11.7
Personnel expenses	4	**764.3**	632.1	703.8	20.9
General expenses	5	**311.4**	287.5	335.7	8.3
Depreciation of property and equipment		**19.7**	17.9	19.8	10.4
Amortisation of customer relationships		**36.3**	34.8	33.7	4.3
Amortisation and impairment of other intangible assets		**21.2**	12.4	22.2	70.8
Operating expenses		**1,153.0**	984.7	1,115.2	17.1
Profit before taxes		**438.9**	439.9	312.7	-0.2
Income taxes		**82.0**	77.7	52.7	5.5
Net profit		**356.8**	362.1	260.0	-1.5
Attributable to:					
Shareholders of Julius Baer Group Ltd.		**353.2**	361.8	257.5	-2.4
Non-controlling interests		**3.7**	0.3	2.4	-
		356.8	362.1	260.0	-1.5

	H1 2017 CHF	H1 2016 CHF	H2 2016 CHF	*Change to H1 2016 in %*
Share information				
Basic earnings per share (EPS)	**1.63**	1.66	1.18	-2.2
Diluted earnings per share (EPS)	**1.63**	1.66	1.18	-2.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	Change *to H1 2016 in %*
Net profit recognised in the income statement	**356.8**	362.1	260.0	-1.5
Other comprehensive income (net of taxes):				
Items that may be reclassified to the income statement				
Net unrealised gains/(losses) on financial investments available-for-sale	**37.6**	179.5	-159.7	
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	**2.9**	2.1	5.7	
Translation differences	**-10.0**	15.8	7.0	
Realised (gains)/losses on translation differences reclassified to the income statement	**-**	-0.0	-	
Items that will not be reclassified to the income statement				
Remeasurement of defined benefit obligation	**37.1**	-41.2	60.1	
Other comprehensive income	**67.6**	156.2	-87.0	
Total comprehensive income	**424.5**	518.3	173.0	
Attributable to:				
Shareholders of Julius Baer Group Ltd.	**420.7**	515.0	170.7	
Non-controlling interests	**3.8**	3.3	2.3	
	424.5	518.3	173.0	

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2017** *CHF m*	31.12.2016 *CHF m*	30.06.2016 *CHF m*
Assets				
Cash		**12,085.3**	13,599.5	11,956.7
Due from banks	6	**6,855.1**	11,389.8	8,180.1
Loans	6	**40,733.4**	38,419.0	36,723.3
Trading assets		**10,287.4**	7,660.7	7,309.3
Derivative financial instruments		**2,035.0**	2,690.9	2,128.1
Financial assets designated at fair value		**255.0**	252.4	197.5
Financial investments available-for-sale	7	**16,335.5**	18,266.6	17,396.8
Investments in associates		**29.4**	29.4	28.2
Property and equipment		**363.8**	373.8	369.3
Goodwill and other intangible assets		**2,846.1**	2,834.3	2,783.8
Accrued income and prepaid expenses		**337.2**	327.2	358.8
Deferred tax assets		**26.9**	28.8	27.1
Other assets		**960.8**	335.0	291.7
Total assets		**93,150.8**	96,207.2	87,750.7

	Note	**30.06.2017** CHF m	31.12.2016 CHF m	30.06.2016 CHF m
Liabilities and equity				
Due to banks		**6,089.5**	10,076.8	6,916.9
Due to customers		**65,763.3**	67,495.2	64,578.4
Trading liabilities		**195.3**	159.0	171.8
Derivative financial instruments		**2,223.4**	2,285.3	2,331.5
Financial liabilities designated at fair value		**11,201.7**	8,444.4	6,166.7
Debt issued	9	**1,253.6**	1,213.5	1,244.5
Accrued expenses and deferred income		**487.1**	620.3	431.2
Current tax liabilities		**109.8**	123.0	74.3
Deferred tax liabilities		**87.2**	77.8	86.6
Provisions	10	**23.0**	23.0	30.6
Other liabilities		**289.4**	335.1	546.7
Total liabilities		**87,723.3**	90,853.4	82,579.2
Share capital		**4.5**	4.5	4.5
Retained earnings		**5,906.6**	5,840.4	5,562.4
Other components of equity		**-184.1**	-251.6	-164.7
Treasury shares		**-320.9**	-263.1	-268.2
Equity attributable to shareholders of Julius Baer Group Ltd.		**5,406.1**	5,330.2	5,134.0
Non-controlling interests		**21.4**	23.6	37.6
Total equity		**5,427.5**	5,353.9	5,171.5
Total liabilities and equity		**93,150.8**	96,207.2	87,750.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF m	Retained earnings[1] CHF m
At 1 January 2016	4.5	5,467.8
Net profit	-	361.8
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	361.8
Changes in non-controlling interests	-	-23.4[2]
Dividends	-	-246.2
Dividend income on own shares	-	6.2
Share-based payments expensed	-	35.1
Share-based payments vested	-	-39.6
Changes in derivatives on own shares	-	-1.4
Acquisitions of own shares	-	-
Disposals of own shares	-	2.0
At 30 June 2016	4.5	5,562.4
At 1 July 2016	4.5	5,562.4
Net profit	-	257.5
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	257.5
Changes in non-controlling interests	-	-
Share-based payments expensed	-	35.7
Share-based payments vested	-	-9.8
Changes in derivatives on own shares	-	1.2
Acquisitions of own shares	-	-
Disposals of own shares	-	-6.5
At 31 December 2016	4.5	5,840.4
At 1 January 2017	**4.5**	**5,840.4**
Net profit	**-**	**353.2**
Items that may be reclassified to the income statement	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-**
Total comprehensive income	**-**	**353.2**
Dividends	**-**	**-268.6**
Dividend income on own shares	**-**	**7.0**
Share-based payments expensed	**-**	**44.5**
Share-based payments vested	**-**	**-69.8**
Changes in derivatives on own shares	**-**	**1.1**
Acquisitions of own shares	**-**	**-**
Disposals of own shares	**-**	**-1.2**
At 30 June 2017	**4.5**	**5,906.6**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
[2] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A. and Julius Bär Wealth Management AG.
[3] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A., Julius Bär Wealth Management AG and Kairos Investment Management SpA.
[4] Related to the acquisition of Kairos Investment Management SpA.

Other components of equity						
Financial investments available-for-sale, net of taxes *CHF m*	Remeasurement of defined benefit obligation *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*
23.1	-221.4	-119.6	-218.9	4,935.6	6.4	4,942.0
-	-	-	-	361.8	0.3	362.1
181.5	-	12.7	-	194.3	3.0	197.3
-	-41.2	-	-	-41.2	-	-41.2
181.5	-41.2	12.7	-	515.0	3.3	518.3
-	-	-	-	-23.4	29.9[3]	6.5
-	-	-	-	-246.2	-2.1	-248.3
-	-	-	-	6.2	-	6.2
-	-	-	-	35.1	-	35.1
-	-	-	39.6	-	-	-
-	-	-	-9.5	-10.8	-	-10.8
-	-	-	-182.0	-182.0	-	-182.0
-	-	-	102.5	104.5	-	104.5
204.6	-262.5	-106.9	-268.2	5,134.0	37.6	5,171.5
204.6	-262.5	-106.9	-268.2	5,134.0	37.6	5,171.5
-	-	-	-	257.5	2.4	260.0
-154.0	-	7.1	-	-147.0	-0.1	-147.0
-	60.1	-	-	60.1	-0.1	60.1
-154.0	60.1	7.1	-	170.7	2.3	173.0
-	-	-	-	-	-16.2[4]	-16.2
-	-	-	-	35.7	-	35.7
-	-	-	9.8	-	-	-
-	-	-	6.0	7.2	-	7.2
-	-	-	-123.8	-123.8	-	-123.8
-	-	-	113.0	106.5	-	106.5
50.6	-202.4	-99.8	-263.1	5,330.2	23.6	5,353.9
50.6	**-202.4**	**-99.8**	**-263.1**	**5,330.2**	**23.6**	**5,353.9**
-	**-**	**-**	**-**	**353.2**	**3.7**	**356.8**
40.5	**-**	**-10.1**	**-**	**30.5**	**0.1**	**30.6**
-	**37.0**	**-**	**-**	**37.0**	**0.0**	**37.1**
40.5	**37.0**	**-10.1**	**-**	**420.7**	**3.8**	**424.5**
-	**-**	**-**	**-**	**-268.6**	**-6.0**	**-274.6**
-	**-**	**-**	**-**	**7.0**	**-**	**7.0**
-	**-**	**-**	**-**	**44.5**	**-**	**44.5**
-	**-**	**-**	**69.8**	**-**	**-**	**-**
-	**-**	**-**	**4.7**	**5.7**	**-**	**5.7**
-	**-**	**-**	**-219.0**	**-219.0**	**-**	**-219.0**
-	**-**	**-**	**86.7**	**85.4**	**-**	**85.4**
91.2	**-165.4**	**-109.9**	**-320.9**	**5,406.1**	**21.4**	**5,427.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

	30.06.2017 *CHF m*	30.06.2016[1] *CHF m*
Net profit	**356.8**	362.1
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	**19.7**	17.9
– Amortisation and impairment of other intangible assets	**57.5**	47.2
– Allowance for credit losses	**4.3**	7.5
– Income from investment in associates	**-**	-48.0
– Deferred tax expense/(benefit)	**-7.8**	3.2
– Net loss/(gain) from investing activities	**33.0**	41.3
– Other non-cash income and expenses	**44.5**	35.1
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-3,768.7**	2,020.6
– Trading portfolios and derivative financial instruments	**-1,996.4**	1,656.7
– Net loans/due to customers	**-4,048.5**	-551.5
– Accrued income, prepaid expenses and other assets	**-635.4**	271.5
– Accrued expenses, deferred income, other liabilities and provisions	**-119.7**	-680.2
Adjustment for income tax expenses	**89.9**	74.5
Income taxes paid	**-103.4**	-72.9
Cash flow from operating activities	**-10,074.4**	3,185.1
Dividend of associates	**-**	9.5
Purchase of property and equipment and intangible assets	**-78.5**	-75.7
Disposal of property and equipment and intangible assets	**0.0**	0.0
Net (investment in)/divestment of financial investments available-for-sale	**649.0**	-551.1
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-3.8**	-279.3
Deferred payment of acquisition of subsidiaries and associates	**-9.7**	-4.1
Cash flow from investing activities	**557.0**	-900.6
Net money market instruments issued/(repaid)	**30.1**	68.8
Net movements in treasury shares and own equity derivative activity	**-120.8**	-82.1
Dividend payments	**-268.6**	-246.2
Issuance and repayment of financial liabilities designated at fair value	**2,754.6**	1,915.0
Changes in non-controlling interests	**-**	-9.6
Dividend payment to non-controlling interests	**-6.0**	-2.1
Cash flow from financing activities	**2,389.4**	1,643.9
Net (decrease)/increase in cash and cash equivalents	**-7,127.9**	3,928.4

[1] Half-year report 2016 included a condensed consolidated statement of cash flows only.

	30.06.2017 CHF m	30.06.2016 CHF m
Cash and cash equivalents at the beginning of the period	**28,270.9**	18,128.7
Cash flow from operating activities	**-10,074.4**	3,185.1
Cash flow from investing activities	**557.0**	-900.6
Cash flow from financing activities	**2,389.4**	1,643.9
Effects of exchange rate changes on cash and cash equivalents	**481.7**	322.8
Cash and cash equivalents at the end of the period	**21,624.6**	22,379.9

	30.06.2017 CHF m	30.06.2016 CHF m
Cash and cash equivalents are structured as follows:		
Cash	**12,085.3**	11,956.7
Money market instruments	**2,968.9**	2,723.0
Due from banks (original maturity of less than three months)	**6,570.5**	7,700.3
Total	**21,624.6**	22,379.9

	30.06.2017 CHF m	30.06.2016 CHF m
Additional information		
Interest received	**462.6**	397.5
Interest paid	**-99.4**	-100.6
Dividends on equities received (including associates)	**188.7**	195.8

CONDENSED ACCOUNTING POLICIES AND VALUATION PRINCIPLES

This unaudited interim report was produced in accordance with International Accounting Standard 34, Interim Financial Reporting.

The condensed consolidated half-year financial statements of the Group as at, and for the six months ended, 30 June 2017 comprise of Julius Baer Group Ltd. and its subsidiaries. They were prepared on the basis of the accounting policies and valuation principles of the consolidated financial statements of Julius Baer Group Ltd. as at 31 December 2016.

EVENTS AFTER THE BALANCE SHEET DATE

The Audit Committee of the Board of Directors, together with representatives of the Group Executive Board, approved the half-year condensed consolidated financial statements at its meeting on 21 July 2017. There were no significant events to report until this date.

	Exchange rates as at			Average exchange rates		
	30.06.2017	30.06.2016	31.12.2016	**H1 2017**	H1 2016	2016
USD/CHF	**0.9577**	0.9742	1.0164	**0.9850**	0.9840	0.9875
EUR/CHF	**1.0923**	1.0823	1.0720	**1.0780**	1.0950	1.0890
GBP/CHF	**1.2439**	1.3023	1.2559	**1.2530**	1.3950	1.3280

IFRS 9 – FINANCIAL INSTRUMENTS

The new standard, which will be applicable as of 1 January 2018, includes the following changes to current accounting for financial instruments:

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

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

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

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

Based on an analysis of the business model and the nature of the contractual cash flows, a financial asset is measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

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

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

Financial liabilities: Financial liabilities are measured at amortised cost or fair value. The new standard retains the fair value option for financial liabilities, but requires that the amount of change in fair value attributable to changes in the credit risk of the liability (own credit risk) be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement. If this approach creates or enlarges an accounting mismatch, the whole change in fair value may be recognised in the income statement.

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

During the first half of 2017, the Group continued its assessment of the impact of the new standard on the Group's financial statements and expects the following:

Recognition and measurement: Based on the analyses of the two classification criteria 'contractual cash flow characteristics' and 'business model', the Group determined that the financial instruments currently reported at amortised cost generally fulfil the criteria and therefore will be measured at amortised cost on an ongoing basis. The same applies to the vast majority of the debt financial instruments currently reported as available-for-sale and therefore measured at fair value through OCI, which will also be measured at fair value through OCI under the new standard. Certain equity instruments currently measured at fair value through OCI will be classified at fair value through profit or loss going forward. Therefore, the Group does not expect significant changes to the measurement basis arising from adopting the new classification and measurement model.

Expected credit losses: The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements. The models are generally based on the financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD), taking into account the respective effective interest rates. These models are tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the Treasury portfolio. Although the Group is currently testing its models based on the available data, it has not yet a reliable estimate of the impact of the new expected credit loss model on its financial statements.

Financial liabilities: The Group will continue to apply its current measurement approach, including the use of the fair value option. No material changes are expected.

Hedge accounting: The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9.

Transition: The Group will not restate prior periods.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Interest income on amounts due from banks	**22.6**	19.9	21.2	13.5
Interest income on loans	**301.6**	253.1	269.2	19.2
Interest income on financial investments available-for-sale	**129.0**	120.9	131.3	6.6
Total interest income using the effective interest method	**453.2**	394.0	421.7	15.0
Dividend income on financial investments available-for-sale	**7.6**	7.3	0.0	4.0
Interest income on trading portfolios	**9.9**	15.0	14.0	-33.9
Dividend income on trading portfolios	**181.2**	180.2	11.7	0.6
Total interest and dividend income	**651.9**	596.4	447.4	9.3
Interest expense on amounts due to banks	**8.8**	7.4	6.5	18.2
Interest expense on amounts due to customers	**32.8**	34.2	17.0	-4.1
Interest expense on debt issued	**31.3**	30.6	34.2	2.3
Interest expense on financial assets[1]	**12.7**	14.2	22.6	-10.4
Total interest expense using the effective interest method	**85.6**	86.4	80.4	-0.9
Total	**566.3**	510.0	367.1	11.0

[1] Interest expense on financial assets is related to negative effective interests on the respective financial instruments.

2 NET COMMISSION AND FEE INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Advisory and asset management fees	**663.9**	524.2	613.3	26.6
Brokerage commissions and income from securities underwriting	**332.8**	251.0	287.8	32.6
Commission income from credit-related activities	**3.1**	3.7	4.0	-15.0
Commission and fee income on other services	**35.1**	56.9	30.2	-38.3
Total commission and fee income	**1,034.8**	835.8	935.3	23.8
Commission expense	**113.0**	96.5	109.6	17.1
Total	**921.8**	739.3	825.7	24.7

3 NET TRADING INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Debt instruments	**38.1**	14.2	35.9	169.0
Equity instruments	**-155.4**	-126.4	-40.2	23.0
Foreign exchange	**207.3**	229.8	219.2	-9.8
Total	**90.0**	117.6	214.9	-23.4

4 PERSONNEL EXPENSES

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Salaries and bonuses	**592.3**	550.1	556.5	7.7
Contributions to staff pension plans (defined benefits)	**35.4**	-25.7[1]	39.0	-
Contributions to staff pension plans (defined contributions)	**19.8**	12.7	14.7	55.5
Other social security contributions	**51.7**	45.7	43.9	13.3
Share-based payments	**44.5**	35.1	35.7	26.8
Other personnel expenses	**20.6**	14.2	14.0	44.9
Total	**764.3**	632.1	703.8	20.9

[1] Including the effect of a plan amendment in the amount of CHF 62.8 million.

5 GENERAL EXPENSES

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Occupancy expense	**47.5**	42.7	47.4	11.4
IT and other equipment expense	**36.9**	32.9	39.8	12.0
Information, communication and advertising expense	**90.2**	81.4	91.6	10.8
Service expense, fees and taxes	**121.0**	109.6	130.3	10.5
Valuation allowances, provisions and losses	**7.9**	18.2	22.2	-56.8
Other general expenses	**8.0**	2.8	4.3	190.7
Total	**311.4**	287.5	335.7	8.3

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

6A DUE FROM BANKS

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change to 31.12.2016 in %*
Due from banks	**6,856.6**	8,183.0	11,391.0	-39.8
Allowance for credit losses	**-1.5**	-2.9	-1.3	-
Total	**6,855.1**	8,180.1	11,389.8	-39.8

6B LOANS

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change to 31.12.2016 in %*
Loans	**31,171.9**	28,038.2	29,173.2	6.9
Mortgages	**9,602.4**	8,767.9	9,317.6	3.1
Subtotal	**40,774.3**	36,806.1	38,490.8	5.9
Allowance for credit losses	**-41.0**	-82.8	-71.8	-
Total	**40,733.4**	36,723.3	38,419.0	6.0

6C ALLOWANCE FOR CREDIT LOSSES

		H1 2017		H1 2016		H2 2016
	Specific *CHF m*	Collective *CHF m*	Specific *CHF m*	Collective *CHF m*	Specific *CHF m*	Collective *CHF m*
Balance at the beginning of the period	**47.2**	**25.9**	58.5	26.3	58.0	27.6
Write-offs	**-33.1**	**-**	-5.9	-	-21.3	-
Increase in allowance for credit losses	**2.9**	**3.0**	6.3	2.8	9.3	1.1
Decrease in allowance for credit losses	**-0.3**	**-1.3**	-0.1	-1.6	-	-2.8
Translation differences and other adjustments	**-1.8**	**0.1**	-0.8	0.0	1.2	-0.0
Balance at the end of the period	**14.9**	**27.6**	58.0	27.6	47.2	25.9

6D IMPAIRED LOANS

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change to 31.12.2016 in %*
Gross loans	**43.4**	76.2	83.3	-48.0
Specific allowance for credit losses	**-14.9**	-58.0	-47.2	-
Net loans	**28.5**	18.1	36.2	-21.2

7A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change to 31.12.2016 in %*
Money market instruments	**2,968.9**	2,723.0	3,785.0	-21.6
Government and agency bonds	**2,508.6**	3,411.3	3,477.0	-27.9
Financial institution bonds	**6,155.4**	6,406.3	6,295.5	-2.2
Corporate bonds	**4,504.8**	4,649.4	4,500.0	0.1
Other bonds	**13.4**	51.0	43.5	-69.3
Debt instruments	**13,182.2**	14,518.0	14,316.0	-7.9
of which quoted	***12,283.1***	*13,532.5*	*13,259.3*	*-7.4*
of which unquoted	***899.1***	*985.5*	*1,056.8*	*-14.9*
Equity instruments	**184.5**	155.8	165.5	11.5
of which quoted	***35.0***	*16.1*	*26.0*	*34.6*
of which unquoted	***149.5***	*139.7*	*139.5*	*7.2*
Total	**16,335.5**	17,396.8	18,266.6	-10.6

7B FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE – CREDIT RATINGS

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	**30.06.2017** *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*
1–2	AAA – AA-	Aaa – Aa3	**8,646.5**	9,299.8	9,491.3
3	A+ – A-	A1 – A3	**4,296.6**	4,717.3	4,458.7
4	BBB+ – BBB-	Baa1 – Baa3	**176.4**	410.6	266.7
5	BB+ – BB-	Ba1 – Ba3	**19.2**	44.4	52.1
Unrated			**43.5**	45.8	47.2
Total			**13,182.2**	14,518.0	14,316.0

8 FAIR VALUE

Level 1
For trading assets as well as for certain financial investments available-for-sale 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.

Financial investments available-for-sale: The Group holds certain equity instruments, which are required for the operation of the Group and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2017, dividends related to these investments in the amount of CHF 2.7 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:

	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	30.06.2017 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	2,068.7	73.1	-	2,141.7
Trading assets – equity instruments	5,157.8	1,438.4	-	6,596.3
Total trading assets	**7,226.5**	**1,511.5**	**-**	**8,738.0**
Foreign exchange derivatives	11.9	1,063.4	-	1,075.4
Interest rate derivatives	1.6	129.6	-	131.2
Precious metal derivatives	0.5	156.7	-	157.2
Equity/indices derivatives	16.7	649.3	-	666.0
Credit derivatives	-	2.6	-	2.6
Other derivatives	2.7	-	-	2.7
Total derivative financial instruments	**33.3**	**2,001.6**	**-**	**2,035.0**
Financial assets designated at fair value	**31.9**	**109.8**	**113.3**	**255.0**
Financial investments available-for-sale – money market instruments	1,083.4	1,885.4	-	2,968.9
Financial investments available-for-sale – debt instruments	12,137.7	1,044.5	-	13,182.2
Financial investments available-for-sale – equity instruments	35.0	8.8	140.7	184.5
Total financial investments available-for-sale	**13,256.1**	**2,938.7**	**140.7**	**16,335.5**
Total assets	**20,547.9**	**6,561.7**	**254.0**	**27,363.6**
Short positions – debt instruments	43.1	4.1	-	47.2
Short positions – equity instruments	109.5	38.5	-	148.0
Total trading liabilities	**152.7**	**42.6**	**-**	**195.3**
Foreign exchange derivatives	11.0	1,015.0	-	1,026.0
Interest rate derivatives	1.8	149.4	-	151.3
Precious metal derivatives	0.1	60.4	-	60.5
Equity/indices derivatives	19.8	962.5	-	982.3
Credit derivatives	-	3.3	-	3.3
Total derivative financial instruments	**32.7**	**2,190.7**	**-**	**2,223.4**
Financial liabilities designated at fair value	**-**	**10,953.1**	**248.6**	**11,201.7**
Total liabilities	**185.4**	**13,186.4**	**248.6**	**13,620.4**

	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	31.12.2016 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	1,368.3	46.7	-	1,415.0
Trading assets – equity instruments	5,465.6	381.3	-	5,846.9
Total trading assets	6,833.9	428.0	-	7,261.8
Foreign exchange derivatives	8.6	1,256.3	-	1,264.9
Interest rate derivatives	1.4	132.7	-	134.1
Precious metal derivatives	1.3	209.9	-	211.2
Equity/indices derivatives	48.5	1,029.4	-	1,077.9
Credit derivatives	-	2.4	-	2.4
Other derivatives	0.5	-	-	0.5
Total derivative financial instruments	60.2	2,630.7	-	2,690.9
Financial assets designated at fair value	128.3	29.2	94.8	252.4
Financial investments available-for-sale – money market instruments	596.4	3,188.7	-	3,785.0
Financial investments available-for-sale – debt instruments	13,402.1	914.0	-	14,316.0
Financial investments available-for-sale – equity instruments	26.0	18.8	120.7	165.5
Total financial investments available-for-sale	14,024.5	4,121.4	120.7	18,266.6
Total assets	21,046.9	7,209.3	215.5	28,471.7
Short positions – debt instruments	44.6	3.4	-	48.0
Short positions – equity instruments	96.0	15.0	-	111.0
Total trading liabilities	140.5	18.4	-	159.0
Foreign exchange derivatives	6.4	1,081.6	-	1,088.0
Interest rate derivatives	1.7	182.1	-	183.8
Precious metal derivatives	0.0	99.0	-	99.1
Equity/indices derivatives	43.0	851.7	-	894.7
Credit derivatives	-	17.1	-	17.1
Other derivatives	2.7	-	-	2.7
Total derivative financial instruments	53.8	2,231.5	-	2,285.3
Financial liabilities designated at fair value	-	8,180.8	263.6	8,444.4
Total liabilities	194.4	10,430.7	263.6	10,888.7

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	30.06.2017		31.12.2016	
	Carrying value *CHF m*	Fair value *CHF m*	Carrying value *CHF m*	Fair value *CHF m*
Cash, loans and receivables				
Cash	**12,085.3**	**12,085.3**	13,599.5	13,599.5
Due from banks	**6,855.1**	**6,860.3**	11,389.8	11,395.5
Loans	**40,733.4**	**41,201.1**	38,419.0	38,873.2
Accrued income	**281.1**	**281.1**	282.8	282.8
Total	**59,954.8**	**60,427.7**	63,691.1	64,151.0
Held for trading				
Trading assets	**8,738.0**	**8,738.0**	7,261.8	7,261.8
Derivative financial instruments	**2,014.2**	**2,014.2**	2,680.1	2,680.1
Total	**10,752.2**	**10,752.2**	9,941.9	9,941.9
Derivatives designated as hedging instruments				
Derivative financial instruments	**20.8**	**20.8**	10.8	10.8
Total	**20.8**	**20.8**	10.8	10.8
Designated at fair value				
Financial assets designated at fair value	**255.0**	**255.0**	252.4	252.4
Total	**255.0**	**255.0**	252.4	252.4
Available-for-sale				
Financial investments available-for-sale	**16,335.5**	**16,335.5**	18,266.6	18,266.6
Total	**16,335.5**	**16,335.5**	18,266.6	18,266.6
Total financial assets	**87,318.3**	**87,791.3**	92,162.8	92,622.7

Financial liabilities

	30.06.2017 Carrying value CHF m	Fair value CHF m	31.12.2016 Carrying value CHF m	Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**6,089.5**	**6,089.5**	10,076.8	10,076.9
Due to customers	**65,763.3**	**65,765.3**	67,495.2	67,496.9
Debt issued	**1,253.6**	**1,292.9**	1,213.5	1,254.0
Accrued expenses	**163.5**	**163.5**	187.7	187.7
Total	**73,269.9**	**73,311.2**	78,973.2	79,015.5
Held for trading				
Trading liabilities	**195.3**	**195.3**	159.0	159.0
Derivative financial instruments	**2,169.5**	**2,169.5**	2,213.5	2,213.5
Total	**2,364.7**	**2,364.7**	2,372.4	2,372.4
Derivatives designated as hedging instruments				
Derivative financial instruments	**54.0**	**54.0**	71.9	71.9
Total	**54.0**	**54.0**	71.9	71.9
Designated at fair value				
Financial liabilities designated at fair value	**11,201.7**	**11,201.7**	8,444.4	8,444.4
Other liabilities	**39.0**[1]	**39.0**	41.2[2]	41.2
Total	**11,240.7**	**11,240.7**	8,485.6	8,485.6
Total financial liabilities	**86,929.3**	**86,970.6**	89,903.1	89,945.5

[1] Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C., GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs AG.

[2] Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C., and GPS Investimentos Financeiros e Participações S.A.

9 DEBT ISSUED

	30.06.2017 CHF m	31.12.2016 CHF m
Money market instruments	**108.9**	78.8
Bonds	**1,144.7**	1,134.7
Total	**1,253.6**	1,213.5

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	30.06.2017 Total CHF m	31.12.2016 Total CHF m
Julius Baer Group Ltd.						
2012[1]	5.375	Perpetual tier 1 subordinated bond	CHF	250.0	**249.8**	248.7
Julius Baer Group Ltd.						
2014[2]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**347.3**	346.7
Julius Baer Group Ltd.						
2015[3]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**321.7**	318.6
Julius Baer Group Ltd.						
2016[4]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**225.9**	220.6
Total					**1,144.7**	1,134.7

1 No own bonds are offset with bonds outstanding (2016: CHF 1.0 million). The effective interest rate amounts to 5.59%.
2 No own bonds are offset with bonds outstanding (2016: CHF 0.1 million). The effective interest rate amounts to 4.41%.
3 No own bonds are offset with bonds outstanding (2016: none). The effective interest rate amounts to 6.128%.
4 No own bonds are offset with bonds outstanding (2016: none). The effective interest rate amounts to 5.951%.

10 PROVISIONS

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 and censures on companies and employees. Regulators in certain markets may determine that industry practices, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations. Also, from time to time, the Group is confronted with inquiries from authorities with respect to certain topics. The Group principally is cooperating with such 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 30 June 2017. 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 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. Only a fraction of this amount is 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 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. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In addition, as the BVI Courts oversee the Fairfield Funds' liquidation proceedings, the Bank introduced an application challenging the Fairfield Liquidators' authority to pursue the US Litigation. The BVI trial court dismissed the application. The Bank and other defendants have appealed the dismissal. No decision has been issued yet in this regard. Further, in the Fairfield Liquidators' litigation in the United States, hundreds of defendants, including the Bank, filed a consolidated response, thereby seeking dismissal of the claims. It is expected that the proceedings last into 2018. In view of the pending application in the BVI and as the Fairfield cases pending in the courts of New York remain in preliminary stages, a meaningful assessment of the potential outcome is not yet possible. Finally, it is also worth mentioning that in the proceedings initiated by the Trustee, the Bankruptcy Court in New York issued a ruling in November 2016, reconfirming the extraterritoriality principles set by the District Court for the Southern District of New York and thereby dismissing the case against the Bank and other defendants. The Trustee has appealed this ruling.

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 the Court decision, the mandate structures to which the Court decision 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 filed a payment order ('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 Bank is contesting the claim whilst taking appropriate measures to defend its interests.

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. 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. BvS has appealed such verdict. 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 (not yet final) Court Order in March 2017. Proceedings, in addition, may be resumed by the prosecutor at any time. In October 2014, as a precautionary measure, the Bank made the required security deposit in the amount of EUR 3.75 million with the competent French court representing the maximal fine possible. 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') filed against the Bank in the amount of CHF 91.3 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) S.A. 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 44,565,434. The claimant argues that Bank of China (Suisse) S.A. 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) in Switzerland and the USA. These requests 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. 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.

CAPITAL RATIOS

	30.06.2017 Basel III phase-in[1] CHF m	30.06.2016 Basel III phase-in[1] CHF m	31.12.2016 Basel III phase-in[1] CHF m
Risk-weighted positions			
Credit risk	**14,072.5**	14,597.5	14,902.8
Non-counterparty-related risk	**442.2**	481.0	506.7
Market risk	**1,253.1**	876.9	957.7
Operational risk	**4,796.4**	4,451.6	4,634.6
Total	**20,564.2**	20,407.0	21,001.8
Eligible capital			
CET1 capital[2]	**3,060.3**	3,251.0	3,444.2
Tier 1 capital[2]	**3,720.0**	3,251.0	3,597.0
of which hybrid tier 1 capital instruments[3]	***1,144.7***	*927.9*	*1,134.7*
Tier 2 capital	**80.4**	272.9	70.2
of which lower tier 2 capital instruments	**-**	*150.1[4]*	-
Total capital	**3,800.4**	3,523.9	3,667.2
CET1 capital ratio	**14.9%**	15.9%	16.4%
Tier 1 capital ratio	**18.1%**	15.9%	17.1%
Total capital ratio	**18.5%**	17.3%	17.5%

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. All listed capital instruments of Julius Baer are fully compliant with the Basel III guidelines as at 30 June 2017.

2 During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increases proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreases respectively. As soon as the remaining amount of intangibles is lower than the additional tier 1 capital the CET1 capital will be lower than the tier 1 capital.

3 The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012, 2014, 2015 and 2016.

4 Julius Baer Group Ltd. exercised its call option for an early repayment in full at par value plus accrued interests on the reset date of 23 December 2016 and redeemed the 4.50% lower tier 2 subordinated bonds issued in 2011 with final maturity in 2021.

Further details regarding tier 1 capital instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com. Please also refer to Note 9 Debt issued.

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 30 June 2017. 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 obligations regarding capital adequacy and liquidity (information will be available at the end of August 2017).

ASSETS UNDER MANAGEMENT

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*
Assets with discretionary mandate	**57,294**	51,113	54,904
Other assets under management	**292,462**	256,322	277,083
Assets in collective investment schemes managed by the Group[1]	**4,949**	3,983	4,174
Total assets under management (including double counting)	**354,705**	311,418	336,161
of which double counting	**7,133**	*5,603*	*6,106*

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*
Change through net new money	**10,249**	5,498	6,367
Change through market and currency impacts	**7,966**	-2,361	15,756
Change through acquisition	**395**[2]	8,639[3]	2,628[4]
Change through divestment	**-66**[5]	-45[5]	-8[5]
Client assets	**416,480**	376,672[6]	391,620

1 Collective investment schemes are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, and to Kairos Investment Management SpA, Milan.
2 In February 2017, the Group acquired Wergen & Partner Vermögensverwaltungs AG, Zurich.
3 In April 2016, the Group increased its participation in Kairos Investment Management SpA, Milan, to 80%.
4 In July 2016, the Group acquired Commerzbank International S.A. Luxembourg.
5 Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries.
6 Excluding assets which were previously counted as assets under management and assets under custody.

METHOD OF CALCULATION

Assets under management are diclosed according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

ACQUISITIONS

The following transactions were executed:

Kairos (2016)
In November 2015, the Group agreed to exercise its option and to increase its stake in Kairos Investment Management S.p.A. by acquiring an additional 60.1% interest of the Milan-based company, following its initial purchase of 19.9% in 2013. The transaction was exercised on 1 April 2016. The Group paid the consideration in the amount of CHF 301.5 million in cash for this additional interest which was fully funded by existing excess capital of the Group. As part of the transaction, the Group realised a net gain in the amount of CHF 38.6 million on the revaluation to fair value of the 19.9% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice. The Group and Kairos have agreed to pursue the listing of Kairos in a subsequent step through an offering of a minority percentage of Kairos' share capital. Kairos continues to operate under its brand.

The assets and liabilities of Kairos were recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	301.5
contribution of the 19.9% interest (at fair value)	99.8
Total	401.4
Due from banks	31.9
Deferred tax assets	5.2
All other assets	23.2
Assets acquired	60.3
Deferred tax liabilities	7.1
All other liabilities	37.3
Liabilities assumed	44.3
Goodwill and other intangible assets and non-controlling interests	
Goodwill	317.3
Customer relationships	89.4
Non-controlling interests	21.3
Total	385.4

GPS Investimentos Financeiros e Participações S.A. (2016)
On 1 March 2016, the Group exercised the forward contract to acquire the remaining 20% interest of its Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS). The purchase price of CHF 28.6 million will be payable in four tranches, whereof the first tranche has been paid at acquisition date and was fully funded by existing excess capital of the Group. The outstanding amounts of the future instalments are recognised as a liability.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e., the difference of CHF 21.5 million between the amount of the former non-controlling interest 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 (former TFM Asset Management AG) (2016)
On 1 April 2016, the Group exercised its call option to acquire the outstanding 40% interest in its Japanese-market-focused subsidiary Julius Bär Wealth Management AG (JBWM), formerly called TFM Asset Management AG. The Group paid CHF 2.5 million in cash for this additional interest which was fully funded by existing excess capital of the Group. JBWM, a Swiss-registered independent asset management company, specialises in discretionary asset management services for HNW Japanese and Swiss private clients and holds investment advisory and investment management licences granted by the Japanese FSA.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e. the difference of CHF 2.1 million between the amount of the former non-controlling interest 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.

Commerzbank International S.A. Luxembourg/ Bank Julius Baer Luxembourg S.A., Luxembourg (2016)

On 4 July 2016, the Group acquired Commerzbank International S.A. Luxembourg, a fully licensed private bank. This transaction significantly strengthens the Group's presence in Luxembourg and in addition provides the Group with further strategic flexibility for its European business, also due to the included booking platform. The purchase price of CHF 84.9 million was paid in cash and fully funded by existing excess capital of the Group. The acquired entity has been renamed into Bank Julius Baer Luxembourg S.A., Luxembourg.

The assets and liabilities of Commerzbank International S.A. Luxembourg/Bank Julius Baer Luxembourg S.A. were recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	84.9
Total	84.9
Cash	272.9
Due from banks	637.8
Loans[1]	344.6
Software	1.9
All other assets	78.7
Assets acquired	1,335.8
Due to banks	27.2
Due to customers	1,249.1
Provisions	1.2
Deferred tax liabilities	2.0
All other liabilities	15.9
Liabilities assumed	1,295.5
Goodwill and other intangible assets	
Goodwill	19.0
Customer relationships	15.2
Software	10.3
Total	44.6

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 344.6 million.

Wergen & Partner Vermögensverwaltungs AG, Zurich (2017)
In February 2017, the Group acquired the Zurich-based Wergen & Partner Vermögensverwaltungs AG, which will strengthen the Group's independent wealth management business.

The purchase price, including the deferred portion 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 AG were recorded provisionally as follows:

	Fair value *CHF m*
Purchase price	
in cash	5.5
deferred purchase price (liabilities)	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

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