Julius Bär

ANNUAL REPORT 2013

JULIUS BAER GROUP LTD.

Front cover:

The Limmat River, flowing from the lake right through the heart of the historic old town, is a key attribute of Zurich. From its shores, many of the city's main attractions are in walking distance, including the Fraumuenster Church (pictured left) with its famous windows painted by Chagall and Giacometti, and St. Peter Church, with the largest clock face of any tower in Europe. Zurich is Switzerland's largest city and its unofficial economic capital and has been home to Julius Baer's head office since 1896.

Including integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestitures and in 2013 a CHF 29 million (net of taxes: CHF 22 million) provision in relation to the withholding tax treaty between Switzerland and the UK, the net profit achieved in 2013 amounted to CHF 188 million. Excluding these items, the adjusted net profit for 2013 amounted to CHF 480 million. Further information on this basis can be found in the presentation and the media release on the 2013 financial results and the Business Review 2013.

KEY FIGURES

	2013	2012	Change %
Return on equity (ROE)	3.9%	6.2%	-
Return on equity (ROE)[1]	13.4%	12.7%	-
Cost/income ratio[2]	84.7%	81.3%	-
Cost/income ratio[3]	71.3%	72.8%	-

	31.12.2013	31.12.2012	Change %
Consolidated balance sheet			
Total assets (CHF m)	72,522.1	54,820.7	32.3
Total equity (CHF m)	5,038.6	4,697.6	7.3
BIS tier 1 capital ratio	20.9%	29.3%	-
Client assets (CHF bn)			
Assets under management	254.4	189.3	34.4
Assets under custody	93.3	87.6	6.5
Total client assets	347.8	277.0	25.6
Personnel			
Number of employees (FTE)	5,390	3,721	44.9
of whom Switzerland	3,264	*2,770*	*17.8*
of whom abroad	2,126	*951*	*123.6*

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

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

Ticker symbols	
Bloomberg	BAER VX
Reuters	BAER.VX

	2013	2012	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	23.5	22.3	5.5
EPS	0.88	1.33	-34.0
Share price (as at 31.12.)	42.84	32.33	32.5
Market capitalisation (CHF m, as at 31.12.)	9,588	7,006	36.9
Moody's rating Bank Julius Baer & Co. Ltd.	A1	A1	-
Capital structure (as at 31.12.)			
Number of shares, par value CHF 0.02	223,809,448	216,707,041	3.3
Weighted average number of shares outstanding	214,241,756	201,938,401	-
Share capital (CHF m)	4.5	4.3	3.3

DEAR READER

On the whole, 2013 provided a fairly positive environment for the financial markets. Yet the spike in interest rates and the swift reversal of capital flows out of certain growth markets in early summer were an important reminder that many risks and unresolved issues persist – monetary and economic as well as geopolitical. The related uncertainty also showed in client activity, which, despite the continued strong performance especially of equities, was more subdued in the second half of 2013 after a relatively strong and active first six months. Against this demanding backdrop and supported by continued cost consciousness, our Group maintained very robust operational performance in 2013.

Following five months of intensive preparations, the integration of Merrill Lynch's International Wealth Management business (IWM) outside the US started on schedule at the beginning of February 2013. The acquisition of IWM complements the multi-year geographic diversification of our Group and is a unique opportunity for us to match the increasingly international requirements of our clientele with an equally global, multifaceted and comprehensive product and services offering. With CHF 53 billion of the targeted IWM assets already reported on the Julius Baer platform at the end of 2013, we launched the restructuring and rightsizing process as announced at the outset of the acquisition. It is an important step in unlocking the full potential of our significantly increased presence in many locations and markets worldwide.

New and existing clients entrusted us with net new money of CHF 7.6 billion, helping to increase assets under management (AuM) to CHF 254 billion. Total client assets, including assets under custody, amounted to CHF 348 billion at the end of 2013. This was achieved against a regulatory environment which continued to tighten, especially at the individual market level.

Julius Baer's capital position remained very strong in 2013, even allowing for the impact of the goodwill payments for the IWM assets transferred and booked with the Group and taking into account the IWM-related restructuring and integration costs incurred during the reporting period. With a BIS total capital ratio of 22.4% and a BIS tier 1 capital ratio of 20.9% at the end of 2013, the Group's capital base continues to be comfortably above the Group's targets as well as the required regulatory levels. The Board of Directors proposes to the Annual General Meeting on 9 April 2014 an unchanged dividend of CHF 0.60 per share. The total proposed dividend payout amounts to CHF 133 million.

We are convinced private wealth management will remain an attractive growth industry, with Switzerland continuing to rank among the leading global financial centres, offering good prospects for our enlarged Group. This confidence rests on Julius Baer's strong international standing both in key established and growth markets (with the latter expected to represent about half of our Group's post-integration AuM), on our very competitive and differentiating offering and most importantly on our esteemed employees. It is their strong commitment and creativity that ultimately make a difference for our clients, for Julius Baer as a preferred place to work and for sustainable long-term value creation for our shareholders. For this, our staff deserve our sincerest thanks. We also thank our clients and shareholders for their ongoing trust in us and we promise to do our utmost to continue earning their support.

Daniel J. Sauter
Chairman

Boris F.J. Collardi
Chief Executive Officer

Zurich, February 2014

I. CORPORATE GOVERNANCE

II. FINANCIAL STATEMENTS JULIUS BAER GROUP 2013

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

III. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2013

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

I. CORPORATE GOVERNANCE

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

The corporate governance information of the Company is presented in accordance with the Corporate Governance Directive of the SIX Swiss Exchange that entered into force on 1 July 2002 and was revised on 1 July 2009, with the guidelines and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business federation economiesuisse dated 25 March 2002 as well as with this best practice code's Appendix 1, 'Recommendation on compensation for board of directors and executive board', dated 6 September 2007, which takes into account the new articles 663b^{bis} and 663c, paragraph 3, of the Swiss Code of Obligations that entered into force on 1 January 2007 and which address transparency with respect to the compensation of the members of the Board of Directors and the Executive Board.

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

The following information corresponds to the situation as at 31 December 2013 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

Operational Group structure of Julius Baer Group Ltd.

Julius Baer Group Ltd.

Board of Directors
Daniel J. Sauter, Chairman

Chief Executive Officer
Boris F.J. Collardi

Private Banking Representative	**Chief Financial Officer**	**Chief Operating Officer**	**Chief Risk Officer**	**Chief Communications Officer**	**General Counsel**
Bernard Keller	Dieter A. Enkelmann	Gregory F. Gatesman[1]	Bernhard Hodler[2]	Jan A. Bielinski	Christoph Hiestand

Executive Board

1 Since February 2013
2 Chief Operating Officer a.i. from 1 to 31 January 2013

The consolidated Group companies are disclosed in Note 27A.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/participants held more than 3% of the voting rights in Julius Baer Group Ltd. as at 31 December 2013: [1]

Shareholder/participant[4]	Disclosure of purchase positions[2]	Disclosure of sale positions[3]
MFS Investment Management[5]	9.98%	
Davis Selected Advisers L.P.[6]	8.46%	
Harris Associates L.P.[7]	5.33%	
Thornburg Investment Management[8]	5.12%	
Wellington Management Company LLP[9]	5.03%	
BlackRock Inc.[10]	4.97%	0.0024%
Bank of America Corporation[11]	3.76%	
Norges Bank[12]	3.01%	

1 The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that the above figures are based on reports made before respectively after the following events: a) capital reduction executed by cancellation of 10,240,000 registered shares of Julius Baer Group Ltd. on 22 June 2012; b) capital increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; c) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

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

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

4 Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on www.six-exchange-regulation.com in the section Obligations > Disclosure of Shareholdings > Significant Shareholders

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

6 Davis Selected Advisers L.P., Tucson/USA, as investment advisor (reported on 6 October 2009)

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

8 Thornburg Investment Management, Santa Fe/USA, as investment manager on behalf of clients (reported on 1 May 2012)

9 Wellington Management Company LLP, Boston/USA (reported on 18 December 2013)

10 BlackRock, Inc., 40 East 52nd Street, New York, NY 10022/USA, and its subsidiaries (reported on 20 August, 2012)

11 Bank of America Corporation, 100 North Tyron Street, North Carolina, 28202/USA, and its directly and indirectly held subsidiaries (reported on 16 August 2012)

12 Norges Bank, Oslo/Norway (reported on 22 July 2013)

List of notifications received by Julius Baer Group Ltd. in 2013 according to article 20 of the Swiss Federal Stock Exchange Act

- With notification dated 11 January 2013, Julius Baer Group Ltd. was informed that on 10 January 2013 Wellington Management Company LLP's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed below the reporting threshold of 3% and amounted to 2.85% as at that day.
- With notification dated 11 February 2013, Julius Baer Group Ltd. was informed that on 8 February 2013 Wellington Management Company LLP's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 3% and amounted to 3.05% as at that day.
- With notification dated 22 July 2013, Julius Baer Group Ltd. was informed that on 19 July 2013 Norges Bank's holdings of purchase positions

(shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 3% and amounted to 3.01% as at that day.

- With notification dated 3 September 2013, Julius Baer Group Ltd. was informed that on 30 August 2013 Harris Associates L.P.'s holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 5% and amounted to 5.33% as at that day.
- With notification dated 3 September 2013, Julius Baer Group Ltd. was informed that on 2 September 2013 Wellington Management Company LLP's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 5% and amounted to 5.01% as at that day.
- With notification dated 31 October 2013, Julius Baer Group Ltd. was informed that on 29 October 2013 Wellington Management Company LLP's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed below the reporting threshold of 5% and amounted to 4.98% as at that day.
- With notification dated 2 December 2013, Julius Baer Group Ltd. was informed that on 27 November 2013 MFS Investment Management's holdings of purchase positions (shares) in Julius Baer Group Ltd. were below the reporting threshold of 10% and amounted to 9.9849%, while the holdings of purchase positions (financial instruments) amounted to 0.0274%, which led to a total holding of 10.0123% as at that day.
- With notification dated 13 December 2013, Julius Baer Group Ltd. was informed that on 9 December 2013 MFS Investment Management's holdings of purchase positions (shares and financial instruments) in Julius Baer Group Ltd. crossed below the reporting threshold of 10% and amounted to 9.9889% as at that day.
- With notification dated 16 December 2013, Julius Baer Group Ltd. was informed that on 10 December 2013 MFS Investment Management's holdings of purchase positions (shares and financial instruments) in Julius Baer Group Ltd. crossed above the reporting threshold of 10% and amounted to 10.0028% as at that day.
- With notification dated 16 December 2013, Julius Baer Group Ltd. was informed that on 11 December 2013 MFS Investment Management's holdings of purchase positions (shares and financial instruments) in Julius Baer Group Ltd. crossed below the reporting threshold of 10% and amounted to 9.9927% as at that day.
- With notification dated 18 December 2013, Julius Baer Group Ltd. was informed that on 16 December 2013 MFS Investment Management's holdings of purchase positions (shares and financial instruments) in Julius Baer Group Ltd. crossed above the reporting threshold of 10% and amounted to 10.0346% as at that day.
- With notification dated 18 December 2013, Julius Baer Group Ltd. was informed that on 17 December 2013 Wellington Management Company LLP's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 5% and amounted to 5.03% as at that day.
- With notification dated 30 December 2013, Julius Baer Group Ltd. was informed that on 27 December 2013 MFS Investment Management's holdings of purchase positions (shares and financial instruments) in Julius Baer Group Ltd. crossed below the reporting threshold of 10% and amounted to 9.9834% as at that day.

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 2013. It is fully paid up and divided into 223,809,448 registered shares (shares) with a par value of CHF 0.02 each. The shares (Swiss securities no. 10 248 496; ISIN CH 010 2484968) are listed on the SIX Swiss Exchange and are a component of the Swiss Market Index (SMI) and the Swiss Leader Index (SLI).

CONDITIONAL AND AUTHORISED CAPITAL IN PARTICULAR

Authorised capital
The Board of Directors is entitled, at any time until 19 September 2014, to increase the share capital up to a maximum aggregate nominal amount of CHF 193,674.30 through the issuance of a maximum of 9,683,715 shares, each fully paid up, with a par value of CHF 0.02 each. Partial increases shall be permissible. The newly issued shares are subject to the entry limitations as set forth in article 4.3ff. of the Articles of Incorporation. The respective amount of issuance, the date for entitlement for dividends and the type of contributions shall be determined by the Board of Directors. The pre-emptive subscription right of the existing shareholders remains directly or indirectly preserved. The authorised share capital must be used exclusively for the partial financing of the acquisition of the International Wealth Management business outside the US of Bank of America Merrill Lynch.

The Board of Directors is further entitled, at any time until 19 September 2014, to increase the share capital up to the aggregate maximum nominal amount of CHF 7,951.86 through the issuance of a maximum of 397,593 shares, each fully paid up, with a par value of CHF 0.02 each. Partial increases shall be permissible. The newly issued shares are subject to the entry limitations as set forth in article 4.3ff. of the Articles of Incorporation. The respective amount of issuance, the date for entitlement for dividends and the type of contributions (including the conversion of freely disposable equity) shall be determined by the Board of Directors. The new shares shall be created either (i) through the subscription by Merrill Lynch & Co., Inc. and/or any companies affiliated with it, or (ii) through subscription by the Company itself (within the limits of article 659ff. of the Swiss Code of Obligations), a company affiliated with it or a third person acting in a fiduciary capacity, and shall be used exclusively as consideration for the acquisition of the International Wealth Management business outside the US of Bank of America Merrill Lynch. The pre-emptive subscription right of the shareholders is excluded.

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 4.3ff. of the Articles of Incorporation.

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

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

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

CHANGES OF CAPITAL

The description of the changes of capital in the last two years is disclosed in the consolidated statement of changes in equity.

SHARES AND PARTICIPATION CERTIFICATES

Shares

	2013	2012
Number of shares as at 31 December		
Registered shares with par value of CHF 0.02	**223,809,448**	216,707,041
(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 2013)

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

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

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

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

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

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

CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds.

BOARD OF DIRECTORS

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

MEMBERS OF THE BOARD OF DIRECTORS

Daniel J. Sauter (born 1957), Swiss citizen; Swiss Certified Banking Expert, 1983. Gewerbebank, Zurich, Trainee, 1976–1978; Bank Leu, Zurich, Foreign Exchange Trader, 1978–1981; Bank fuer Kredit und Aussenhandel, Zurich, Foreign Exchange and Money Market Trader, 1981–1983; Glencore International, Zug, 1983–1998: Treasurer and Risk Manager, 1983–1988; Chief Financial Officer, 1989–1998; Xstrata AG, Zug, 1994–2001: Development of Xstrata AG into a globally diversified mining group; Chief Executive Officer, 1995–2001; Trinsic AG, Zug, co-founder and Chairman of the Board of Directors, since 2001; Alpine Select AG, Zug, Chairman of the Board of Directors, 2001–2012. Member of the Board of Directors of Julius Baer Holding Ltd., 2007–2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. since 2007 and its Chairman since 2012; member of the Board of Directors of Julius Baer Group Ltd. since 2009; Chairman of the Board of Directors of Julius Baer Group Ltd. since 2012 (term of office until 2014).

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

Andreas Amschwand (born 1960), Swiss citizen; Bachelor of Business Administration, School of Economics and Business, 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 (2014).

Heinrich Baumann (born 1951), Swiss citizen, PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: COO Singapore Branch and Deputy Branch Manager, 1985–1987; Chief of Staff International Division and Section Head Management Support, 1987–1990; Member of the Regional Management Committee (New York), Chief Operating Officer Region North America, 1990–1994; Department Head Finance and Controlling on Group level, 1994–1998; independent Management Consultant, 1998–1999; HSBC Guyerzeller Bank Ltd., 1999–2009: Chief Operating Officer and member of the Executive Committee, 1999–2002; Vice-President of the Executive Committee/Chief Operating Officer (incl. responsibility for Legal & Compliance, Human Resources and Risk), 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 (2014).

Leonhard H. Fischer (born 1963), German citizen; Master in Finance, University of Georgia, USA, 1987. J. P. Morgan Chase GmbH, 1987–1995: Managing Director and member of the Executive Board, 1992–1995; Dresdner Bank AG, 1995–2002: member of the Executive Board of Dresdner Bank AG and Chief Executive Officer of Dresdner Kleinwort Wasserstein, 1999–2002; Allianz Holding AG, member of the Executive Board, Head Corporates and Markets, 2001–2002; Credit Suisse Group, 2003–2007: Chief Executive Officer of Winterthur Group, 2003–2006; member of the Executive Board of Credit Suisse Group, 2003–2007; Chief Executive Officer EMEA, 2006–2007; RHJ International SA: Co-Chief Executive Officer and member of the Board of Directors, 2007–2009; Chief Executive Officer and member of the Board of Directors since 2009. Member of the Board of Directors of Julius Baer Holding Ltd. in 2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2009 (2014).

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

Gareth Penny (born 1962), dual South African and British citizen; Master of Arts in Philosophy, Politics and Economics, Oxford University (Rhodes Scholar), UK, 1985. Member of the Board of Directors of De Beers SA, Luxembourg, 2003–2010; Managing Director Diamond Trading Company De Beers, 2004–2006; Group Chief Executive Officer, 2006–2010; New World Resources Plc, London, member of the Board of Directors and Executive Chairman since October 2012; Norilsk Nickel, Moscow, Non-Executive Chairman of the Board of Directors since April 2013. Member of the Board of Directors of Julius Baer Holding Ltd., 2007–2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. since 2007; member of the Board of Directors of Julius Baer Group Ltd. since 2009 (2014).

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

HONORARY CHAIRMAN

Raymond J. Baer (born 1959), Swiss citizen; Law Degree, University of St. Gallen, 1984; Master of Law LL.M., Columbia Law School, New York, USA, 1985. Salomon Bros. Inc., New York and London, 1985–1988. Entry into Bank Julius Baer & Co. Ltd., Zurich, as Head of the Swiss Capital Market Group, 1988; Deputy Branch Manager of Bank Julius Baer & Co. Ltd., New York, 1990–1993; member of the Management Committee of Bank Julius Baer & Co. Ltd., Zurich, 1993–1996; member of the Group Executive Board of Julius Baer Holding Ltd. and Head of the Private Banking business line as of 1996; Vice President of the Group Executive Board of Julius Baer Holding Ltd. from 2001 until 13 May 2003; Co-Head of the Private Banking business line from January 2003 until 13 May 2003. Chairman of the Board of Directors of Julius Baer Holding Ltd., 2003–2009; Chairman of the Board of Directors of Bank Julius Baer & Co. Ltd., 2003–2012; Chairman of the Board of Directors of Julius Baer Group Ltd., 2009–2012; Alpine Select AG, Zug, Chairman of the Board of Directors since April 2013. Honorary Chairman of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2012.

Changes in the Board of Directors
At the Annual General Meeting of Julius Baer Group Ltd. on 10 April 2013, Daniel J. Sauter (Chairman), Andreas Amschwand, Gilbert Achermann, Leonhard H. Fischer, Claire Giraut and Gareth Penny were re-elected to the Board of Directors for another term of one year. In the 2013 financial year, the composition of the Board of Directors has therefore remained unchanged.

OTHER ACTIVITIES AND INTEREST TIES

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange, the Company fundamentally discloses mandates and interest ties with exchange-listed domestic and foreign companies as well as with domestic and foreign banks and finance companies outside of the Julius Baer Group. There are no further activities or interest ties within scope of this section of the corporate governance report than those listed as follows:

Daniel J. Sauter:
- Chairman of the Board of Directors of Trinsic AG, Zug;
- member of the Board of Directors of Sika Ltd, Baar.

Gilbert Achermann:
- Chairman of the Board of Directors of Straumann Group, Basle;
- Chairman of the Board of Directors of Siegfried Group, Zofingen.

Leonhard H. Fischer:
- Vice President of the Board of Directors of Arecon AG, Zurich;

- member of the Management Board of Gesellschaft zur Foerderung der Frankfurter Wertpapierboerse e.V., Frankfurt;
- independent non-executive member of the Board of Directors and Chairman of the Audit Committee of Glencore International Plc, Baar;
- member of the Board of Directors and CEO of Kleinwort Benson Group Ltd., London;
- Chairman of the Board of Directors of Kleinwort Benson Bank Ltd., London.

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

Gareth Penny:
- Non-executive Chairman of the Board of Directors of Norilsk Nickel, Moscow.

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. Based on the Articles of Incorporation valid in 2013, the Board of Directors constituted itself. As of 2014, i.e. reflecting the implementation of the executive ordinance on the popular initiative 'against excessive compensation in listed companies', the Chairman of the Board of Directors as well as the members of the Compensation Committee will have to be elected by the Annual General Meeting and the self-constitution of the Board will be limited going forward. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members who have reached their 69th year of age generally do not seek re-election at the end of their current term. However, in exceptional instances, the Board of Directors may propose the re-election of such a Board member to the Annual General Meeting. The term of office of a member of the Board of Directors ends automatically at the Annual General Meeting in the year in which he/she completes his/her 70th year of age.

INTERNAL ORGANISATIONAL STRUCTURE

The Board of Directors consists of three 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 of the Board of Directors may also be passed by way of written consent (letter, fax) or by way of an electronic data transfer provided that no member requests oral deliberation. In such cases, the text of written resolutions must be sent to all members and approved by all members of the Board of Directors to be valid.

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

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

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

In 2013, the complete Board of Directors of Julius Baer Group Ltd. held six meetings, including a two-day strategy seminar.

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

	January	February	April	June	September	December
Daniel J. Sauter	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Andreas Amschwand	x	E	x	x	x	x
Heinrich Baumann	x	x	x	x	x	x
Leonhard H. Fischer	x	x	x	x	x	x
Claire Giraut	x	x	x	x	x	x
Gareth Penny	x	x	x	E	x	x
Charles G. T. Stonehill	x	x	x	x	x	x

E = excused

From among its members, the Board of Directors elects a Chairman as well as the chairpersons and the members of the committees of the Board of Directors. The chairpersons of the committees are responsible for seeking advice from external specialists as well as from members of the Executive Board as needed. As of 2014, i.e. reflecting the implementation of the executive ordinance on the popular initiative ‘against excessive compensation in listed companies’, the Chairman of the Board of Directors as well as the members of the Compensation Committee will have to be elected by the Annual General Meeting.

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 Annual Report and to prepare the Annual General Meeting and implementation of its resolutions;
g) to inform the judge in the event of insolvency.

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

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

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

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

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

The Chairman's & Risk Committee generally convenes monthly. In 2013, the Committee met eleven times for approximately three hours each. The Chief Executive Officer and the Chief Financial Officer are permanent guests and the other members of the Executive Board of the Company generally participate for specific reporting sessions in the meetings of the Chairman's & Risk Committee.

Members Daniel J. Sauter (chairperson), Andreas Amschwand, Heinrich Baumann and Leonhard H. Fischer

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

First half of 2013	January	February	March	April	May	June
Daniel J. Sauter	x	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x	x
Leonhard H. Fischer	x	x	E	x	x	x

E = excused

Second half of 2013	August	September	October	November	December
Daniel J. Sauter	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x
Leonhard H. Fischer	x	x	x	x	x

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

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

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

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

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

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

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

First half of 2013	January	April	May[1]	June
Charles G. T. Stonehill	x	x	x	x
Gilbert Achermann	x	x	E	x
Heinrich Baumann	x	x	x	x
Claire Giraut	x	x	x	x

[1] Meeting by teleconference
E = excused

Second half of 2013	July	September	October	November[1]	December
Charles G. T. Stonehill	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x
Claire Giraut	x	x	x	x	x

[1] Meeting by teleconference

Compensation Committee
The Compensation Committee is responsible for approving any compensation principles and policies relating to the Julius Baer Group as a whole as well as any compensation policies within the Julius Baer Group which are linked to the shares of the Company. It annually reviews that the principles and policies are operated as intended and that any policies are compliant with national and international regulations and standards. Furthermore, it regularly reviews and ultimately determines the total compensation of the Chairman of the Board of Directors, and prepares and provides to the Board of Directors all compensation proposals relating to all other members of the Board of Directors. The Compensation Committee also regularly reviews and ultimately determines the compensation of the members of the Executive Board of the Company.

The Committee approves the appointment and dismissal of the members of the foundation boards of the pension funds (employer representatives only) of the Company and its principal operating subsidiaries. The Committee is also responsible for approving those staff members who have been identified in an annual process as so-called Key Risk Takers, who, due to their position, influence or the nature of their work, may expose the Group to significant risk. The chairperson of the Compensation Committee informs the Board of Directors at every meeting of the Board of Directors about the work of the Committee.

The Compensation Committee consists of at least three members, who are appointed by the Board of Directors. As of 2014, i.e. reflecting the implementation of the executive ordinance on the popular initiative ‘against excessive compensation in listed companies’, the members of the Compensation Committee will have to be elected by the Annual General Meeting. With respect to decisions of a specialised nature, the Compensation Committee may seek advice from additional members of the Board of Directors. The Compensation Committee convenes as often as required. During the year under review, the Compensation Committee held six meetings for two hours on average, including two conference calls.

Members Gareth Penny (chairperson), Heinrich Baumann and Leonhard H. Fischer

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

	January	April	June[1]	September	November[1]	December
Gareth Penny	x	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x	x
Leonhard H. Fischer	x	x	x	x	x	x

[1] Meeting by teleconference

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 at the level of the Chief Executive Officer (CEO) of the Company and in this function assesses potential candidates and prepares respective nominations for approval by the Board of Directors. In particular, the Nomination Committee has the following powers, duties and responsibilities:

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

The Nomination Committee convenes as needed and consists of a minimum of three members of the Board of Directors, who are appointed by the Board of Directors. The Nomination Committee met twice in 2013.

Members Claire Giraut (chairperson), Gilbert Achermann and Daniel J. Sauter

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

	June	December
Claire Giraut	x	x
Gilbert Achermann	x	x
Daniel J. Sauter	x	x

DEFINITION OF AREAS OF RESPONSIBILITY

Fundamentals

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

The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations.

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

Board of Directors

The Board of Directors is responsible for the ultimate direction, supervision and control of the Company, which it fulfils within the scope of the duties stipulated in article 716a of the Swiss Code of Obligations and through calling on its various committees. The complete Board of Directors is especially responsible for preparing all topics which fall within the competence of the Annual and Extraordinary (if any) General 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. Upon proposal by the Executive Board and respective approval by the Chairman's & Risk Committee, the complete Board of Directors approves the definition of further principal operating subsidiaries in addition to Bank Julius Baer & Co. Ltd. Moreover, the complete Board of Directors appoints the Chief Executive Officer and the other members of the Executive Board and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Head of Group Internal Audit. Furthermore, the complete Board of Directors decides on the appointment and dismissal of the Chairman of the Board of Directors, of members of the Board of Directors and of advisory board members (if any) of the principal operating subsidiaries. The complete Board of Directors is responsible for determining the overall risk policy of the organisation as well as for the design of accounting, financial controlling and strategic financial planning. It also decides on capital market transactions involving shares of Julius Baer Group Ltd., on such resulting in the issue of bonds of the Company as well as on the issue of bonds by subsidiaries based on a graduated competence schedule regarding the capital and time commitment involved.

Executive Board

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

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

The Executive Board has the right to issue binding policies to and require reporting or consultation from Group companies before a decision is taken. It proposes the formation, the change in capital or ownership structure, the change of legal form, and the liquidation or closure of principal operating companies and subsidiaries to the Chairman's & Risk Committee for final approval. It approves entry into, dissolution and modification of joint ventures of strategic importance by subsidiaries other than principal operating subsidiaries. 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, in government or to assume a higher rank in the military.

In addition, the Executive Board may form committees for specific tasks and regulate their activities. Their composition and areas of responsibility must be approved in advance by the Board of Directors.

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

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

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

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

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

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

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

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

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

EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

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

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

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

Gregory F. Gatesman (born 1975), US citizen; The College of New Jersey, Trenton State College, Bachelor of Science in Business Administration, 1997; Chartered Financial Analyst (CFA), 2000; Financial executive education, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004; Executive MBA, Smeal School of Business, Pennsylvania State University, USA, 2004. Entry into Merrill Lynch in 1997; different positions, 1997–2002; Vice-President Advisory Division Administration, 2002–2004; Director of Private Banking Platform, 2004–2005; Managing Director / Co-Head and COO Merrill Lynch Trust Company, 2005–2008; Managing Director / Chief Operating Officer US Wealth Management, 2008–2009; Bank of America Corporation, Managing Director / Transition Leadership Executive, 2009; Merrill Lynch Global Wealth Management, Managing Director / Chief Operating Officer International Wealth Management, 2010–2013. Member of the Executive Board and Chief Operating Officer of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 1 February 2013.

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

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

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

Changes in the Executive Board
Gregory F. Gatesman joined the Executive Board on 1 February 2013 as Chief Operating Officer. The number of members of the Executive Board thereby increased to seven compared to six at year-end 2012. All Executive Board members have a full-time employment relationship with the Group except for Bernard Keller (Private Banking Representative) whose workload in 2013 and in 2012 was on average slightly below 50%.

OTHER ACTIVITIES AND INTEREST TIES

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange, the Company discloses mandates and other formal relationships of such senior managers with exchange-listed domestic and foreign companies as well as with domestic and foreign banks and finance companies outside of the Julius Baer Group:

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;
- President of the Association of Swiss Commercial and Investment Banks;
- member of the Advisory Board of the Lee Kong Chian School of Business – Singapore Management University.

Dieter A. Enkelmann:
- member of the Board of Directors of GAM Holding Ltd. and chairperson of the Compensation Committee;
- 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.

Bernard Keller:
- member of the Foundation Board of the Swiss Finance Institute, Zurich.

MANAGEMENT CONTRACTS

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

CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND EQUITY-BASED INCENTIVES WITHIN THE GROUP (AS AT 31 DECEMBER 2013)

COMPENSATION GOVERNANCE

Julius Baer Group's compensation principles are aligned with the rules and recommendations issued by the Swiss Financial Market Supervisory Authority (FINMA) and other national financial regulators and authorities abroad. These principles govern the design, implementation and disclosure of remuneration by the Group and within the Group.

The changes to the Group's overall compensation landscape as of 2014 (which also have some influence on the compensation for the members of the Executive Board for 2013) are described in more detail in the Remuneration Report 2013.

Compensation Committee
The Committee is composed of at least three members of the Board of Directors.

Compensation Committee authority and responsibilities
The Committee oversees the compensation of the Executive Board members and all other employee compensation within the Group. This includes reviewing and approving Julius Baer's principles on total compensation and benefits and approving compensation policies relating to the Julius Baer Group as a whole as well as any compensation policies within the Julius Baer Group which are linked to the shares of the Company. The Committee also annually reviews that these principles and policies are adhered to as intended and that the policies are compliant with national and international regulations and standards.

The Committee regularly reviews and determines the compensation of the members of the Executive Board and the Chairman of the Board of Directors and prepares and provides to the Board of Directors all compensation proposals relating to all other members of the Board of Directors.

The Chairman of the Board, the CEO and other members of the Executive Board do not take part in those sessions of the Compensation Committee meetings that serve to discuss and decide on their remuneration.

External advice
In 2013, the Compensation Committee engaged PricewaterhouseCoopers AG (PwC) to provide independent advice and assistance around the design of the new compensation model (including assistance designing the key parameters of the compensation landscape, benchmarking for the Board of Directors and Executive Board compensation, etc.) and on general compensation-related issues. Hostettler, Kramarsch & Partner (hkp///) was engaged to provide assistance with shaping the strategic positioning of the Julius Baer compensation model including an assessment of the performance sensitivity and risk alignment of the new equity-based compensation scheme. During the year, Towers Watson and McLagan provided compensation survey data that were utilised internally by Julius Baer Group for benchmarking purposes. PwC, Linklaters LLP and Mercer LLC were also engaged to assist with various compensation- and/or benefits-related issues arising from the integration of the International Wealth Management business outside the US of Bank of America Merrill Lynch. Of the aforementioned advisors, PwC and Linklaters LLP have additional mandates within Julius Baer outside of the Compensation and Benefits department of Julius Baer Group.

Compensation recipient	Recommended by	Approved by
Chairman of the Board of Directors	Chairman of the Compensation Committee	Compensation Committee
Board of Directors members (excluding the Chairman)	Compensation Committee	Board of Directors
CEO	Chairman of the Board of Directors and Chairman of the Compensation Committee	Board of Directors
Executive Board (excluding the CEO)	CEO	Compensation Committee
Regulated Staff (e.g. Key Risk Takers)	Executive Board	Compensation Committee
High Income Earners	Executive Board	Compensation Committee

TOTAL COMPENSATION MODEL

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

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

The Group’s salary framework is based on a function model comprising ten function levels with increasing degree of job complexity. A salary band is assigned to each function level defining the target base salary range for jobs assigned to the respective function level. Individual salaries are then determined within these salary bands taking market benchmarks into account.

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

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

The overall variable compensation pool is linked directly to the profitability of Julius Baer. The Company maintains internal guidelines on funding of the variable compensation pool which is directly linked to the annual adjusted net profit before variable compensation and taxes generated by the Company (as measured by the Audit Committee). In the past five years, total variable compensation payments have not exceeded 30% of adjusted net profit before variable compensation and taxes; however, due to integration activities (of the International Wealth Management business outside the US of Bank of America Merrill Lynch) in 2013 Julius Baer has marginally exceeded the historical pay-out percentage. By using adjusted net operating profit as a baseline for total compensation, the Company directly aligns variable compensation with the overall performance of the Group.

The majority of permanent employees who are not under notice are considered eligible for variable compensation. The individual amount depends on the formal year-end assessment of performance against a range of quantitative and qualitative objectives (e.g., adherence to compliance and regulatory standards and to Julius Baer Group policies and procedures), competencies and behaviours.

Personal objectives for members of the Executive Board focus on areas such as contribution to the Group and business results, exceptional contributions to cross-business cooperation, strategic and operational leadership skills, outstanding professional behaviour and technical expertise, commitment to the Julius Baer Group, adherence to corporate values and principles, and active risk management.

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

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

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

VARIABLE COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2013. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The changes to the Group's overall compensation landscape as of 2014 (which also have some influence on the compensation for the members of Executive Board for 2013) are described in detail in the Remuneration Report 2013.

The shares of Julius Baer Group Ltd. required for the equity-based incentives are procured from the market. More information on the equity-based incentives is disclosed in Note 29.

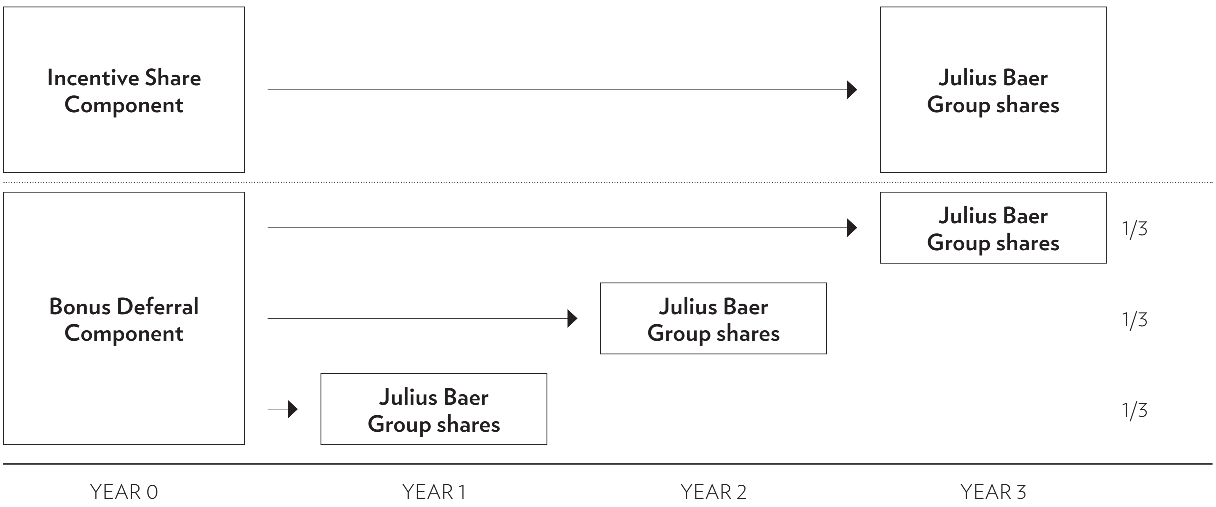
DEFERRED VARIABLE COMPENSATION PLANS UNTIL AND INCLUDING 2012

The Incentive Share Plan (ISP) was applied for the first time to the members of the Executive Board and selected key staff as part of the variable compensation for 2010 (for details, cf. Note 29). The following paragraphs describe the modified ISP applied to grants made as part of variable compensation for 2012. Grants under this plan were discontinued for performance year 2013 compensation and has been replaced by the new Equity Performance Plan (EPP).

Under the historical ISP rule, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or, as it may be, the local currency equivalent) of the executives' variable award was deferred to the ISP at the start of the plan period. The employee was 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.

As an additional award, participants in the ISP 2012 (granted in the first quarter of 2013) were granted a 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 was determined based on the number of shares from bonus deferral: members of the Executive Board were eligible for twice the number of additional shares in comparison to participants who are not members of the Executive Board.

ISP 2012 structure and pay-out schedule (applied as part of the variable compensation for 2012)



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

The Compensation Committee approved the list of ISP participants and the individual allocations as part of the variable compensation for 2012 on 22 January 2013.

No special dividends or capital increases were allocated in the fiscal year 2013.

DEFERRED VARIABLE COMPENSATION PLANS SINCE 2013

The year 2013 was unusual in that a complete overhaul of the compensation system was conducted. However, while a full change of the compensation system is expected to be a rare event, the Board of Directors annually conducts a review of the determination of compensation and share ownership programmes, based on an internal view as well as in light of feedback received by shareholders. This review ensures that the principles and policies are operated as intended and that all policies are compliant with national and international regulations and standards. Where needed, adjustments are and will be made.

The current and future Julius Baer compensation structure has been designed to be applied on an annual basis. The cash-based variable compensation (awarded under the new Deferred Bonus Plan [DBP]), which is designed to reward performance for the prior fiscal year, is awarded annually in the first quarter of each year following the relevant performance period. Similarly, the equity-based variable compensation (awarded under the new Equity Performance Plan [EPP]), which is designed to incentivise individuals for future performance through performance-based awards, is awarded on an annual basis in the first quarter of each year. Although occasional one-off compensation awards have been made throughout the year for newly on-boarded employees and (potentially) in other special compensation circumstances, Julius Baer's global policy revolves around one annual performance review of and variable compensation allocation to all employees (including Executive Board members).

Cash-based variable compensation
The majority of permanent employees at Julius Baer Group are eligible for cash-based variable compensation. Generally, permanent employees receive their variable compensation in a year-end bonus; however, Executive Board members (plus selected regulated staff and/or nominated employees) are required to participate in the new DBP described herein. The purpose of the DBP is to induce the individual to manage Julius Baer for sustainable long-term shareholder value creation and to more explicitly and transparently link pay to performance. As such, the amounts allocated to each individual are closely tied to variables that Julius Baer has identified to be value drivers for the Company (through the individual's scorecard).

In the context of the allocation of the DBP, Julius Baer rewards Executive Board members who contribute to enhancing value by employing investor capital efficiently while, at the same time, managing risks, adhering to regulatory requirements, and meeting Julius Baer corporate culture standards. Although Julius Baer's variable compensation scheme is discretionary, contributions are carefully measured through a mix of quantitative and qualitative objectives, in assessing an individual's performance and determining the amount delivered under the DBP. The most significant weight is allocated to quantitative objectives which support alignment of managerial actions with shareholder interests. The qualitative objectives, however, are also imposed to capture individual goals which may not be expressed in quantitative figures but that nonetheless contribute to the overall success of the Group.

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

The full amount of the DBP is determined and awarded in the first quarter following the close of the relevant fiscal year (i.e., the calendar year). The DBP is paid in cash; however, where the DBP awarded exceeds the entry barrier (CHF 125,000, or the local currency equivalent) a portion is subject to a five-year deferral (at increased deferral rates compared to prior years [total deferrals up to 50%]) depending on the amount of the total award.

More details on the specific components and mechanisms of the DBP can be found in the Remuneration Report 2013.

Equity-based variable compensation
The Equity Performance Plan (EPP) is an annual rolling equity grant that provides eligible executives with a grant of Performance Units each year which are subject to performance requirements. The EPP is an equity plan which seeks to create a retention element for key employees and to link executive compensation to performance of the entire Julius Baer Group (in contrast to the cash-based variable compensation which primarily measures achievements on the individual level). The goal of the EPP is to incentivise participants in two ways:

- First, by construction, the ultimate value of the award to the executives increases (or decreases) with the market value of the Julius Baer shares.
- Second, the Performance Units are subject to continued service and two Key Performance Indicators (KPIs), namely 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 (cliff-vesting). The performance of the two KPIs determines the level of the final shares delivered.

Eligibility for the EPP is based on various factors including 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 their role in the organisation are considered for the EPP based on their specific role. The size of the grant provided to each individual varies based on such items including, but not limited to, seniority, contributions to Julius Baer, and level of responsibility.

The EPP has a few key features which make it a performance-driven plan. The maximum uplift of the EPP is 50% of the number of Performance Units originally granted and is subject to full downside risk. The cap limits the EPP to avoid any unforeseen outcome of the final EPP multiplier leading to unintended high or excessive levels of compensation.

The determination of the final multiplier used in calculating the final share delivery is an average of the two multipliers (each individually capped at 200%) associated with the performance metrics (cEP and rTSR). The final multiplier, however, cannot exceed 150% , i.e. leading to a maximum uplift of 50%.

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

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

The Compensation Committee decided on 30 January 2014 on the participants of the equity-based EPP and on the individual allocations as part of the variable compensation for 2013.

OTHER COMPENSATION ARRANGEMENTS

In addition to the plans offered to the members of the Executive Board and as a means to foster the continued excellence of all employees, Julius Baer also offers equity-based plans and cash-based programmes to members of the global employee population. Participation in these plans depends on items such as staff class, overall variable compensation, and/or nomination for participation in the relevant plan on an annual basis.

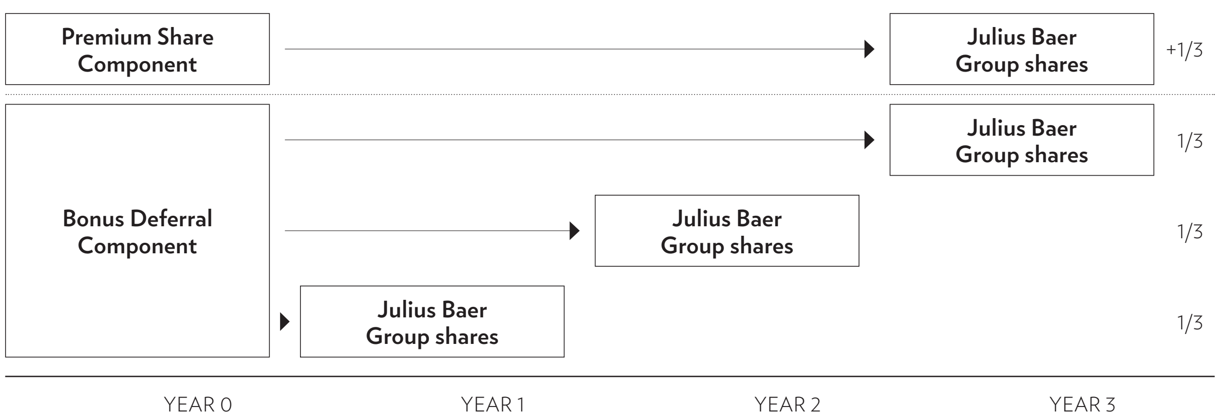
Until allocation to the plan participants, all equity underlying equity-based compensation plans are administered by the LOTECO Foundation.

Premium Share Plan
The Premium Share Plan (PSP) is a three-year deferred equity plan which applies to senior members of staff whose variable compensation amounts to CHF 150,000 or more (or a local currency equivalent). A PSP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis.

The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the Group through its share price.

At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or, as it may be, the local currency equivalent) of the employee's variable incentive is deferred to the PSP, and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one third of the number of shares granted to him/her at the beginning of the plan period. In the event local requirements or regulations do not permit share award grants, Julius Baer instead offers a cash-based award under the Deferred Cash Plan (DCP).

PSP structure and payout schedule



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

No special dividends or capital increases were allocated in the fiscal year 2013.

Integration Incentive Award (for former Merrill Lynch financial advisors only)
As part of the Bank of America Merrill Lynch acquisition, key financial advisors from Bank of America Merrill Lynch were offered participation in the Integration Incentive Award (IIA, a cash- and equity-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The IIA runs over a five-year plan period with cash being delivered 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/her at the beginning of the plan.

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

Cash-based Integration Programmes
As part of the integration of the International Wealth Management business outside the US of Bank of America Merrill Lynch, Julius Baer implemented two cash-based programmes. These

programmes were exclusively granted to financial advisors on-boarded in 2013 as part of the International Wealth Management integration.

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

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

Sign-on bonus

Although Julius Baer only offers performance-based compensation to its current staff, the Group may in the course of recruitment processes also offer incentives for specific new hires the Group wishes to on-board. A sign-on bonus is a one-time cash payment which is generally made to a participant after reaching the end of their probationary period (three months from the start date) and upon agreement that the individual will continue employment with Julius Baer. The grants also include a one-year claw-back from the employee's hire date in case the participant leaves the Group within twelve months from his/her start date. Actual parameters may vary by location, local regulations, and specific circumstances in the hiring process.

In anticipation with the pending legislation in Switzerland, there have been no sign-on bonuses awarded to members of the Board of Directors or the Executive Board in 2013.

Long-Term Incentive Plan

In some specific situations the Group may offer incentives outside the annual compensation round. Situations such as compensating new hires for deferred awards forfeited by their previous employer due to resignation and retention payments to key employees during extraordinary or critical circumstances may be addressed by granting individuals an equity-based long-term incentive (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, and (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 vesting, subject to continued employment and any other conditions set out in the plan rules. Shares granted in LTIs prior to September 2012 remain blocked from sale until the third anniversary of the grant; shares granted post September 2012 and in 2013 are free from restrictions upon vesting. In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

No special dividends or capital increases were allocated in the fiscal year 2013.

Staff Participation Plan

Through this plan, participants purchase Julius Baer shares at market price and for every three shares purchased they will receive one share free of charge. These free shares vest after three years, subject to continued employment. Purchase through the Staff Participation Plan (SPP) is possible once a year.

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

More information about the SPP 2013 can be found in Note 29.

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

Chairman of the Board of Directors
The Chairman has a mandate from the Company to act as the Chairman of the Board of Directors of the Julius Baer Group and of Bank Julius Baer & Co. Ltd.

The Chairman's compensation comprises a cash portion and a yearly share award. The cash portion is paid in quarterly installments whereas the share award is granted once a year beginning of May. The Chairman's compensation is ultimately determined by the Compensation Committee and is reviewed regularly based on the complexity of the function in relation to the overall Group structure.

Until and including 2013, in addition to the base compensation, the Chairman was annually awarded shares of Julius Baer Group Ltd. in a fixed amount. This component of compensation ensures that the Chairman's compensation is aligned with the long-term value creation of the Julius Baer Group. The shares are tied to a linear vesting schedule (annual instalments of one third over the course of three years) and forfeiture clauses (corresponding to the clauses of the LTI – see above). The Chairman is entitled to the shares only after the expiration of the vesting period, provided that all other conditions of the plan are met. No forfeiture is applied in case the Chairman resigns at the end of his term or in case he is not re-elected. In such cases, the departing Chairman can elect between (i) having all his unvested shares vest immediately with immediate release from blocking; and (ii) adhering to the original vesting schedule of three annual instalments. The Chairman is not entitled to participate in any performance-related cash or share programmes at Bank and/or Group level.

As of 2014, and as a consequence of the one-year term of the Chairman as required by the 'Ordinance against excessive compensation in listed companies' the annual award of Julius Baer Group Ltd. shares in a fixed amount (which remains unchanged to 2013) vests one year following grant date. All other features of the equity award to the Chairman remain unchanged. Share ownership is considered an additional factor to underline the commitment towards the Julius Baer Group. Starting in 2014, the Chairman of the Board of Directors will be required to build up his total vested shareholding. He will have a period of slightly more than three years starting from his re-election to the Board at the Annual General Meeting 2014 (i.e. until year-end 2017) to build up the required minimum holding of 25,000 Julius Baer Group Ltd. shares. At year-end 2013 the Chairman had already reached the required level of 25,000 Julius Baer Group Ltd. shares.

The Compensation Committee takes industry benchmarks or comparable data of other Swiss financial institutions of variable size (such as Bank Vontobel, UBS and Credit Suisse) and aggregated data of SMI companies into consideration in determining the overall compensation of the Chairman of the Board of Directors.

The Chairman does not maintain a contract with Julius Baer providing for benefits upon termination of the term of office on the Board of Directors.

Further information on the amended compensation structure for the Chairman of the Board of Directors as of the Annual General Meeting 2014 can be found in the Remuneration Report 2013.

Members of the Board of Directors, excluding the Chairman
The members of the Board of Directors are, similar to the Chairman, eligible for base compensation (covering the period from one Annual General Meeting to the next). The base compensation is made up of cash and, in order to align compensation with the interest of the Group's shareholders and the overall Company, a portion of the base compensation is paid in the form of share awards.

The share awards are granted following the Annual General Meetings and are subject to service-based vesting criteria. The value of the total base compensation delivered to each member of the Board of Directors is dependent on each member's function within this corporate body and his/her involvement in the various Board Committees.

Up until and including 2013, the Board members were annually awarded a fixed number of shares of Julius Baer Group Ltd. The allotment of such shares took place at the time of election and re-election, respectively, and was granted for the entire term (one-year term as of 2012). The shares allotted vest one year after the election and/or re-election of the respective Board member but were subject to an additional two-year post-vesting sale restriction period (i.e. shares cannot be sold until the third anniversary of the grant date). The number of shares to be granted to the members of the Board of Directors (excluding the Chairman) was historically fixed at 2,600 shares of the Company per year of term.

As of 2014, all equity-based grants made to members of the Board of Directors as part of their annual compensation will be based on a grant value (a fixed CHF value as opposed to a fixed number of shares as in previous years). The number of shares granted is calculated based on the fair market value of Julius Baer shares during the purchase period leading up to the grant. The members of the Board of Directors are only entitled to the granted shares provided that they fulfil the entire term for which they have been elected or re-elected (forfeiture clause).

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

The total compensation is regularly reviewed by the Compensation Committee, taking into account respective external benchmark analysis and aggregated data of SMI companies. As part of the redesign of the new compensation model in 2013, PwC provided benchmark data on Board compensation. Requests for amendments of the Board's compensation are forwarded for approval to the complete Board of Directors.

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

None of the Board members has any contract with Julius Baer providing for benefits upon termination of the term of office on the Board of Directors.

Share ownership is considered an additional factor to underline the commitment towards the Julius Baer Group. Starting in 2014, the members of the Board of Directors will be required building up their total vested shareholdings. They will have a period of slightly more than three years starting from their election to the Board (i.e. members elected or re-elected in 2014 will have to reach the required level by year-end 2017) to build up the required minimum holding of 7,500 Julius Baer shares.

Further information on the amended compensation structure for the members of the Board of Directors (excluding the Chairman) as of the Annual General Meeting 2014 can be found in the Remuneration Report 2013.

CEO and Executive Board

Total compensation of members of the Executive Board including the CEO consists of a base salary in cash, a cash-based variable compensation component (DBP), and an equity-based variable component (EPP) which is subject to performance conditions. Up until and including 2012, variable compensation (including a deferral component) was covered by the ISP. All three plans are described in preceding sections.

The Compensation Committee of the Board of Directors is responsible for determining the total compensation (and individual components thereof) of the members of the Executive Board.

The base salary represents a basic remuneration for the market value of the function and is paid in cash. The base salary is determined on an individual basis taking into consideration the role, tasks and responsibilities and the experience of each member of the Executive Board.

At an individual level, the CEO in agreement with the Compensation Committee determines the total compensation level and pay mix for the Executive Board members. The Compensation Committee and the Chairman of the Board of Directors directly determine the CEO's total compensation level and pay mix with final approval from the Board of Directors. When setting the level of individual compensation, the Chairman of the Board, the Compensation Committee and/or the CEO review the individual's current pay mix structure, the current market data, trends and regulatory requirements, and also take internal aspects into consideration (e.g. prior year's compensation, fulfilment of performance objectives based on individual scorecard, attaining growth objectives, etc.).

For 2013 specifically, the Compensation Committee performed an external review of the Executive Board compensation and pay mix. As a result of this review, a plan was devised to begin recalibrating the pay mix in future years. As part of the recalibration, the Compensation Committee adjusted the overall percentage of total compensation allocated to the variable compensation elements (Bonus/DBP and EPP) in 2013; however, base salary levels have largely remained unchanged.

Variable compensation remains an important component of the total compensation of the members of the Executive Board. It is based on Company performance and a clear individual performance review of each member of the Executive Board and his/her managed unit. Performance review criteria include KPIs such as revenues, net new money, costs, sound risk management, the realisation of strategic projects, leadership and people development achievements, as well as cross-business contributions to the Group. Although Julius Baer operates a discretionary variable compensation model, annual performance assessments via the use of an individual scorecard, are completed to ensure compensation is aligned with performance. The individual assessments lead to an overall pay mix that might differ amongst the Executive Board members on a yearly basis, due to individual, divisional and/or Group performance, and overall individual responsibilities.

Market benchmarks of other Swiss financial institutions such as Bank Vontobel, EFG International and the private banking divisions of UBS and Credit Suisse are taken into account when determining both the fixed base salary and the variable compensation.

Share ownership is considered an additional factor to underline the commitment towards the Julius Baer Group. Starting in 2014, the Executive Board members will be required to build up their total vested shareholdings. They will have a period of three full calendar years starting from the beginning of 2014 (or their appointment to the Executive Board) to build up the required minimum holding in Julius Baer shares, which is 100,000 shares in case of the CEO and 30,000 shares (or, if lower, 2.5 times of base compensation) for the other members of the Executive Board.

All changes to the Group's overall compensation landscape as of 2014 are described in detail in the Remuneration Report 2013.

Due to the variability of annual performance payments and awards from equity-based incentives, the ratio of base salary to total compensation can vary significantly from year to year. The average ratio of fixed to variable compensation for the members of the Executive Board amounted in 2013 (and 2012) are disclosed in the section 'Compensation, loans and share holdings of the Board and the Executive Board' of the Annual Report.

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

SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2013)

VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Shareholders may represent their shares themselves or have them represented by a third party at the Annual General Meeting.

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 Annual General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

CONVOCATION OF THE ANNUAL GENERAL MEETING

The convocation of the Annual General Meeting 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 Annual General Meeting. 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, 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

There are no clauses on changes of control benefiting the members of the Board of Directors and/or the Executive Board and/or other members of Management.

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. Daniel Senn served as the Lead Auditor from 2007 until 2013. Philipp Rickert took over as the Lead Auditor as of the Annual General Meeting 2013.

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

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, the policy that governs the cooperation with the External Auditors strives to ensure an appropriate degree of independence of the Group's External Auditors. The policy limits the scope of service that the External Auditors may provide to Julius Baer Group Ltd. or any of its subsidiaries in connection with its audit and stipulates certain permissible types and caps of additional audit-related and consulting-related services. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this guidance and as in prior years, all KPMG non-audit services provided in 2013 were pre-approved. KPMG is required to report to the Chief Financial Officer and the Audit Committee periodically the extent of services provided and the fees for the services performed to date.

Fees paid to External Auditors

	2013 *CHF m*	2012 *CHF m*
Audit fees[1]	**4.7**	3.3
Audit-related fees[2]	**1.1**	2.0
Other services fees[3]	**0.6**	0.4

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

GROUP INTERNAL AUDIT

With 34 professionals as at 31 December 2013, compared to 25 as at 31 December 2012, Group Internal Audit (GIA) performs the global internal audit function for the Julius Baer Group. GIA is an independent and objective function that provides assurance to the Board of Directors on safeguards taken by management (i) to protect the reputation of the Group, (ii) to protect its assets and (iii) to monitor its liabilities. GIA provides assurance by assessing the reliability of financial and operational information, as well as compliance with legal, regulatory and statutory requirements. All reports with key issues are provided to the Chief Executive Officer, the Executive Board members and other responsible members of management. In addition, the Chairman and the Audit Committee members are regularly informed about important issues. GIA further assures the closure and successful remediation of audit issues.

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

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

INFORMATION POLICY

Julius Baer Group Ltd. informs its shareholders and the public each year by means of the Annual and Half-year Reports. Together with the Annual Report, the Julius Baer Group publishes a Remuneration Report in the form of a separate brochure, which is a compilation of all compensation-related topics from the Annual Report. Julius Baer furthermore provides a summary account of the business performance for the first four months and the first ten months, respectively, in separate Interim Management Statements. It also publishes press releases, presentations and brochures as needed. The documents are generally available to the public in electronic form at www.juliusbaer.com as well as in printed form.

IMPORTANT DATES

3 March	2014	Publication of Annual Report 2013
9 April	2014	Annual General Meeting, Zurich
11 April	2014	Ex-dividend date
15 April	2014	Record date
16 April	2014	Dividend payment date

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

ADDRESS AND CONTACT

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II. FINANCIAL STATEMENTS JULIUS BAER GROUP 2013

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	2013 CHF 1,000	2012 CHF 1,000 restated[1]	Change %
Interest and dividend income		**642,122**	658,548	-2.5
Interest expense		**90,030**	100,017	-10.0
Net interest and dividend income	1	**552,092**	558,531	-1.2
Commission and fee income		**1,468,643**	1,171,987	25.3
Commission expense		**191,994**	191,489	0.3
Net commission and fee income	2	**1,276,649**	980,498	30.2
Net trading income	3	**314,926**	172,810	82.2
Other ordinary results	4	**51,066**	25,580	99.6
Operating income		**2,194,733**	1,737,419	26.3
Personnel expenses	5	**1,068,961**	841,091	27.1
General expenses	6	**678,746**	384,382	76.6
Depreciation of property and equipment	12	**28,765**	32,348	-11.1
Amortisation of customer relationships	12	**102,707**	91,104	12.7
Amortisation and impairment of other intangible assets	12	**60,957**	46,171	32.0
Operating expenses		**1,940,136**	1,395,096	39.1
Profit before taxes		**254,597**	342,323	-25.6
Income taxes	7	**66,801**	73,815	-9.5
Net profit		**187,796**	268,508	-30.1
Attributable to:				
Shareholders of Julius Baer Group Ltd.		**187,526**	267,957	-30.0
Non-controlling interests		**270**	551	-51.0
		187,796	268,508	-30.1

	Note	2013 CHF	2012 CHF restated[1]	Change %
Share information				
Basic earnings per share (EPS)	8	**0.88**	1.33	-34.0
Diluted earnings per share (EPS)	8	**0.86**	1.32	-34.7
Dividend proposal 2013 and dividend 2012		**0.60**	0.60	-

[1] Previous year's numbers have been restated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 *CHF 1,000*	2012 *CHF 1,000* *restated*[1]
Net profit recognised in the income statement	**187,796**	268,508
Other comprehensive income (net of taxes):		
Items that may be reclassified subsequently to the income statement		
Net unrealised gains/(losses) on financial investments available-for-sale	**-7,586**	120,211
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	**-12,574**	22,439
Hedging reserve for cash flow hedges	**10,124**	-4,874
Translation differences	**-9,314**	-6,671
Realised (gains)/losses reclassified to the income statement on translation differences	**1,714**	12,543
Items that will not be reclassified to the income statement	-	
Remeasurement of defined benefit obligation	**98,302**	-4,379
Other comprehensive income for the year recognised directly in equity	**80,666**	139,269
Total comprehensive income for the year recognised in the income statement and in equity	**268,462**	407,777
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**268,192**	407,226
Non-controlling interests	**270**	551
	268,462	407,777

[1] Previous year's numbers have been restated.

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2013** *CHF 1,000*	31.12.2012 *CHF 1,000* *restated*[1]	01.01.2012 *CHF 1,000* *restated*[1]
Assets				
Cash		**10,242,022**	9,582,223	4,241,500
Due from banks	9	**11,455,380**	6,023,816	10,048,079
Loans	9	**27,536,280**	19,783,282	16,408,410
Trading assets	10	**5,853,532**	4,122,886	4,920,161
Derivative financial instruments	24	**1,253,297**	1,205,698	2,113,956
Financial investments available-for-sale	11	**13,125,345**	11,775,350	12,168,015
Investments in associates	27	**102,647**	45,211	48,504
Property and equipment	12	**386,233**	359,592	366,103
Goodwill and other intangible assets	12	**2,126,944**	1,635,535	1,706,895
Accrued income and prepaid expenses		**272,161**	212,177	192,133
Deferred tax assets	17	**15,594**	15,091	12,395
Other assets		**152,687**	59,801	112,246
Assets held for sale		**-**	-	565,806
Total assets		**72,522,122**	54,820,662	52,904,203

	Note	**31.12.2013** CHF 1,000	31.12.2012 CHF 1,000 restated[1]	01.01.2012 CHF 1,000 restated[1]
Liabilities and equity				
Due to banks		**7,990,528**	4,289,803	5,670,182
Due to customers		**51,559,334**	39,103,787	34,841,168
Trading liabilities	10	**198,606**	804,665	814,077
Derivative financial instruments	24	**1,198,209**	1,125,848	2,116,046
Financial liabilities designated at fair value	15	**4,797,543**	3,154,738	3,494,592
Debt issued	16	**724,536**	746,304	475,829
Accrued expenses and deferred income		**451,895**	358,557	322,753
Current tax liabilities		**59,632**	21,884	19,656
Deferred tax liabilities	17	**142,776**	85,226	83,877
Provisions	18	**72,055**	31,384	54,051
Other liabilities		**288,456**	400,838	278,954
Liabilities held for sale		**-**	-	565,444
Total liabilities		**67,483,570**	50,123,034	48,736,629
Share capital	19	**4,476**	4,334	4,133
Retained earnings		**5,235,764**	4,932,105	4,717,195
Other components of equity		**-32,811**	-113,477	-252,746
Treasury shares		**-169,512**	-127,619	-302,948
Equity attributable to shareholders of Julius Baer Group Ltd.		**5,037,917**	4,695,343	4,165,634
Non-controlling interests		**635**	2,285	1,940
Total equity		**5,038,552**	4,697,628	4,167,574
Total liabilities and equity		**72,522,122**	54,820,662	52,904,203

[1] Previous year's numbers have been restated.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF 1,000	Retained earnings[1] CHF 1,000	Financial investments available-for-sale, net of taxes CHF 1,000
At 1 January 2012	4,133	4,717,195	-51,416
Restatement			
At 1 January 2012, restated	4,133	4,717,195	-51,416
Net profit	-	267,957	-
Unrealised gains/(losses)	-	-	120,211
Realised (gains)/losses reclassified to the income statement	-	-	22,439
Changes	-	-	-
Total other comprehensive income for the year recognised directly in equity	-	-	142,650
Total comprehensive income for the year recognised in the income statement and in equity	-	267,957	142,650
Capital reduction	-205	-352,079	-
Capital increase	406	470,903[2]	-
Dividends	-	-196,391	-
Dividend income on own shares	-	2,441	-
Share-based payments expensed for the year	-	32,539	-
Share-based payments vested	-	-12,188	-
Changes in derivatives on own shares	-	4,237	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	-2,509	-
At 31 December 2012, restated	4,334	4,932,105	91,234
At 1 January 2013	**4,334**	**4,932,105**	**91,234**
Net profit	**-**	**187,526**	**-**
Unrealised gains/(losses)	**-**	**-**	**-7,586**
Realised (gains)/losses reclassified to the income statement	**-**	**-**	**-12,574**
Changes	**-**	**-**	**-**
Total other comprehensive income for the year recognised directly in equity	**-**	**-**	**-20,160**
Total comprehensive income for the year recognised in the income statement and in equity	**-**	**187,526**	**-20,160**
Capital increase	**142**	**210,984**[2]	**-**
Changes in non-controlling interests	**-**	**-**	**-**
Dividends	**-**	**-130,024**	**-**
Dividend income on own shares	**-**	**1,969**	**-**
Share-based payments expensed for the year	**-**	**45,521**	**-**
Share-based payments vested	**-**	**-17,772**	**-**
Changes in derivatives on own shares	**-**	**1,524**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**3,931**	**-**
At 31 December 2013	**4,476**	**5,235,764**	**71,074**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the share premium reserve/capital contribution reserve of Julius Baer Group Ltd.
[2] Including incremental costs of CHF 1.1 million that are directly attributable to the 2012 issuance of new shares (2012: CHF 20.5 million).
[3] Purchase of non-controlling interests relating to Infidar Investment Advisory Ltd., offset by the new non-controlling interests relating to TFM Asset Management AG.

Other components of equity						
Hedging reserve for cash flow hedges, net of taxes *CHF 1,000*	Remeasurement of defined benefit obligation *CHF 1,000*	Translation differences *CHF 1,000*	Treasury shares *CHF 1,000*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF 1,000*	Non-controlling interests *CHF 1,000*	**Total equity** *CHF 1,000*
-5,250	-	-53,441	-302,948	4,308,273	1,940	4,310,213
	-139,304	-3,335		-142,639		-142,639
-5,250	-139,304	-56,776	-302,948	4,165,634	1,940	4,167,574
-	-	-	-	267,957	551	268,508
-4,874	-	-	-	115,337	-	115,337
-	-	12,543	-	34,982	-	34,982
-	-4,379	-6,671	-	-11,050	-	-11,050
-4,874	-4,379	5,872	-	139,269	-	139,269
-4,874	-4,379	5,872	-	407,226	551	407,777
-	-	-	352,284	-	-	-
-	-	-	-	471,309	-	471,309
-	-	-	-	-196,391	-206	-196,597
-	-	-	-	2,441	-	2,441
-	-	-	-	32,539	-	32,539
-	-	-	12,188	-	-	-
-	-	-	-39,839	-35,602	-	-35,602
-	-	-	-376,610	-376,610	-	-376,610
-	-	-	227,306	224,797	-	224,797
-10,124	-143,683	-50,904	-127,619	4,695,343	2,285	4,697,628
-10,124	**-143,683**	**-50,904**	**-127,619**	**4,695,343**	**2,285**	**4,697,628**
-	**-**	**-**	**-**	**187,526**	**270**	**187,796**
10,124	**-**	**-**	**-**	**2,538**	**-**	**2,538**
-	**-**	**1,714**	**-**	**-10,860**	**-**	**-10,860**
-	**98,302**	**-9,314**	**-**	**88,988**	**-**	**88,988**
10,124	**98,302**	**-7,600**	**-**	**80,666**	**-**	**80,666**
10,124	**98,302**	**-7,600**	**-**	**268,192**	**270**	**268,462**
-	**-**	**-**	**-**	**211,126**	**-**	**211,126**
-	**-**	**-**	**-**	**-**	**-1,590**[3]	**-1,590**
-	**-**	**-**	**-**	**-130,024**	**-330**	**-130,354**
-	**-**	**-**	**-**	**1,969**	**-**	**1,969**
-	**-**	**-**	**-**	**45,521**	**-**	**45,521**
-	**-**	**-**	**17,772**	**-**	**-**	**-**
-	**-**	**-**	**17,100**	**18,624**	**-**	**18,624**
-	**-**	**-**	**-298,396**	**-298,396**	**-**	**-298,396**
-	**-**	**-**	**221,631**	**225,562**	**-**	**225,562**
-	**-45,381**	**-58,504**	**-169,512**	**5,037,917**	**635**	**5,038,552**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2013 *CHF 1,000*	2012 *CHF 1,000 restated*
Net profit	**187,796**	268,508
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	**28,765**	32,348
- Amortisation and impairment of intangible assets	**163,664**	137,275
- Allowance for credit losses	**23,789**	-18,111
- Income from investment in associates	**-5,931**	-3,584
- Deferred tax expense/(benefit)	**2,328**	-1,854
- Net loss/(gain) from investing activities	**41,692**	20,052
- Other non-cash income and expenses	**40,424**	32,513
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**333,883**	-1,276,379
- Trading portfolios and derivative financial instruments	**-2,300,956**	701,049
- Net loans/due to customers	**693,469**	788,504
- Accrued income, prepaid expenses and other assets	**-103,316**	36,542
- Accrued expenses, deferred income, other liabilities and provisions	**35,814**	122,842
Adjustment for income tax expenses	**64,473**	75,669
Income taxes paid	**-39,410**	-73,407
Cash flow from operating activities after taxes	**-833,516**	841,967
Dividend of associates	**4,348**	1,530
Purchase of property and equipment and intangible assets	**-132,368**	-81,216
Disposal of property and equipment and intangible assets	**10**	84
Net (investment in)/divestment of financial investments available-for-sale	**368,552**	-2,274,899
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**6,495,092**	114,444
Acquisition of associates	**-53,149**	-
Cash flow from investing activities	**6,682,485**	-2,240,057
Net money market instruments issued/(repaid)	**-20,639**	20,708
Net movements in treasury shares and own equity derivative activity	**-52,100**	-184,973
Dividend payments	**-130,024**	-196,391
Capital increase	**-**	471,309
Issuance and repayment of financial liabilities designated at fair value	**1,642,805**	-339,854
Issuance of perpetual tier 1 subordinated bond	**-**	248,408
Change in non-controlling interests	**-2,878**	-
Dividend payment to non-controlling interests	**-330**	-206
Cash flow from financing activities	**1,436,834**	19,001
Total	**7,285,803**	-1,379,089

	2013 CHF 1,000	2012 CHF 1,000
Cash and cash equivalents at the beginning of the year	**15,968,272**	17,317,293
Cash flow from operating activities after taxes	**-833,516**	841,967
Cash flow from investing activities	**6,682,485**	-2,240,057
Cash flow from financing activities	**1,436,834**	19,001
Effects of exchange rate changes	**82,168**	30,068
Cash and cash equivalents at the end of the year	**23,336,243**	15,968,272

Cash and cash equivalents are structured as follows:

	31.12.2013 CHF 1,000	31.12.2012 CHF 1,000
Cash	**10,242,022**	9,582,223
Money market instruments	**2,494,451**	634,505
Due from banks (original maturity of less than three months)	**10,599,770**	5,751,544
Total	**23,336,243**	15,968,272

	31.12.2013 CHF 1,000	31.12.2012 CHF 1,000
Additional information		
Interest received	**539,892**	520,749
Interest paid	**-83,028**	-87,682
Dividends on equities received (including associates)	**48,600**	97,426

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Julius Baer Group Ltd. is a Swiss corporation which was established in 2009 as a result of the separation of the private banking and asset management businesses of the former Julius Baer Holding Ltd. The consolidated financial statements as at 31 December 2013 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 31 January 2014. In addition, they must be approved by the Annual General Meeting on 9 April 2014.

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).

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 expenses 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 27. 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	
	31.12.2013	31.12.2012	**2013**	2012
USD/CHF	**0.8894**	0.9153	**0.9240**	0.9325
EUR/CHF	**1.2255**	1.2068	**1.2285**	1.2040
GBP/CHF	**1.4729**	1.4878	**1.4465**	1.4850

Reporting of transactions
Foreign exchange and securities 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 liabilities designated at fair value
Financial 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.

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

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

- existence of documentation that specifies the underlying transaction (balance sheet item or cash flow), the hedging instrument as well as the hedging strategy/relationship;

- effective and reliably measurable elimination of the hedged risks through the hedging transaction during the entire reporting period;
- sustained high effectiveness of the hedging transaction. A hedge is regarded as highly effective if actual results are within a range of 80% to 125%; and
- high probability of the underlying forecast transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and reported as hedging reserve for cash flow hedges. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. If a hedge of a probable forecast transaction results in the recognition of a financial asset or financial liability, any gain or loss on the hedging instrument that was previously recognised in other components of equity is reclassified into the income statement in the same period in which the financial asset or liability affects income. If the hedged forecast transaction results in direct recognition through the income statement, any related cumulative gain or loss previously recognised in other components of equity is recognised in the income statement in the same period in which the hedged forecast transaction affects income.

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.

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

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

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

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

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

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

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

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

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

Leasing
Under operating leasing, leased assets are not recognised on the balance sheet, as the risks and rewards of ownership remain with the lessor. Lease payments for operating leases are recognised through the item general expenses in the income statement over the lease term on a straight-line basis.

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

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

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

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

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

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

Debt issued
Issued bonds are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs. They are subseq-uently 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 in the event of sale or termination of a line of business, closure or relocation of business locations, changes in management structure or another fundamental reorganisation are recognised if a constructive obligation is incurred and a detailed and formal restructuring plan exists. In addition, the implementation must have begun or the announcement of the main features to the employees affected must have taken place before the balance sheet date. Restructuring provisions include only necessary direct expenditures caused by the restructuring, not costs associated with the ongoing business activities.

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 other comprehensive income 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 the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. The Group applies the projected unit credit method to determine the present value of the defined benefit obligation and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

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

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

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

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

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

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

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

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

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

For physically settled written put option contracts the discounted strike price is deducted from equity and recorded as a liability at recognition. The liability is subsequently increased during the term of the contract up to the strike price using the effective interest method. Upon settlement of the contract the liability is derecognised.

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

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

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

Contingent liabilities and irrevocable commitments
Contingent liabilities and irrevocable commitments are not recognised in the balance sheet. However, if an outflow of resources becomes probable and is a

present obligation from a past event that can be reliably measured, a respective provision is recognised.

CHANGES IN ACCOUNTING POLICIES

The Group applied the following new and revised accounting standards for the first time in 2013:

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
The amendments require entities to present separately the items within other comprehensive income (OCI) that at some point may be reclassified to (recycled through) the income statement from those that would never be reclassified. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements, including or excluding related tax.

The amendments affected presentation only and had no impact on the Group's financial statements.

IAS 19 – Employee Benefits (amended 2011) and Defined Benefit Plans: Employee Contributions (Amendments to IAS 19R)
The revised standard eliminates the corridor method that has been previously applied by the Group. Under the amended standard, 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. Any movements in actuarial gains and losses are recognised through other comprehensive income.

In addition, the revised standard specifies the presentation of the changes in the net defined benefit liability. Service costs and net interest on the net defined benefit liability are recognised in the consolidated income statement, whereas the remeasurement of the net defined benefit liability is recognised in other comprehensive income. Previously, all recognisable changes, including the recognised part of the actuarial gains and losses under the corridor method, were recognised in the consolidated income statement.

Under the revised version of IAS 19, the defined benefit expenses recognised in the consolidated income statement consist of the service costs and the net interest cost based on the net defined benefit liability. The net interest costs are based on the discount rate used to discount the obligation.

The amendments to IAS 19R apply to contributions from employees or third parties that are linked to service. If the amount of the contribution is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contribution is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the plan's contribution formula or on a straight-line basis. The Group early applies this amendment as of 1 January 2013. As in the Swiss pension plans the employee contributions depend on the employee's age, the Group has chosen to account for these contributions as a direct reduction of the service cost in the period the related service is rendered.

The Group applied these changes in accounting policy retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, affecting both the net defined benefit liability in the consolidated balance sheet and the amount recognised in the consolidated income statement. The following amounts have been restated for previous accounting periods:

On 1 January 2012, a pension liability in the amount of CHF 151.5 million was recognised (previously: pension asset in the amount of CHF 24.5 million). On 31 December 2012, a pension liability in the amount of CHF 165.8 million was recognised (previously: pension asset in the amount of CHF 47.1 million). The total defined benefits expenses recognised in the income statement 2012 amounted to CHF 75.6 million (previously: contribution to staff pension plans of CHF 44.4 million), consisting of service costs of CHF 73.2 million and net interest costs of CHF 2.5 million. The net interest costs consist of interest cost on the obligation of CHF 41.1 million and interest income on plan assets of CHF 38.6 million, both calculated based on the discount rate used to discount the defined benefit obligation.

The negative impact (net of tax) of the amendment on basic and diluted net profit per registered share would have been CHF 0.13.

IAS 27 – Separate Financial Statements (2011)
The previous IAS 27 – Consolidated and Separate Financial Statements has been amended due to the release of IFRS 10 – Consolidated Financial Statements. IAS 27 carries forward the existing accounting for separate financial statements, with some minor clarifications. The amendment had no impact on the Group's financial statements.

IAS 28 – Investments in Associates and Joint Ventures (2011)
The previous IAS 28 – Investments in Associates has been amended due to the release of IFRS 11 – Joint Arrangements. Some minor clarifications have been added. The amendment had no impact on the Group's financial statements.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
The new disclosure requirements enable the users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The Group does not set off financial instruments in accordance with IAS 32. The impact of the relevant offsetting agreements is presented in a new disclosure.

Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36)
The amendment reverses an unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill has been allocated. Under the amendments, the recoverable amount is only required to be disclosed when an impairment loss has been recognised or reversed.

The Group early applied this amendment as of 1 January 2013. The application had no impact on the Group's financial statements.

IFRS 10 – Consolidated Financial Statements
IFRS 10 provides a single basis for consolidation based on control, irrespective of the nature of the investee. 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.

An investor must possess all three elements to conclude it controls an investee. The assessment is based on all facts and circumstances and is reassessed as facts and circumstances change.

Power exists when the investor has existing rights that give the current ability to direct the activities that significantly affect the investee's return. Power most commonly arises through voting rights, but can also arise through contractual arrangements. Rights to direct the relevant activities are based on the ability to direct the relevant activities, i.e. they do not need to be exercised to provide an investor power. When assessing if it controls the investee, an investor should consider potential voting rights, economic dependency and the size of its shareholding in comparison to other holdings, together with voting patterns at shareholder meetings.

The new standard introduces guidance on assessing whether an entity with decision-making rights is principal or agent. An agent has been engaged to act on behalf, and for the benefit, of another party (principal).

The application of the new standard had no material impact on the consolidation of investments held by the Group.

IFRS 11 – Joint Arrangements
The new standard focuses on the rights and obligations of joint arrangements rather than on the legal form. It distinguishes between joint operations (in which each operator recognises its own share

in the balance sheet and income statement) and joint ventures (which are to be accounted for under the equity method in the consolidated financial statements).

The new standard had no impact on the Group's financial statements.

IFRS 12 – Disclosure of Interests in Other Entities
This new standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate a) the nature of, and risks associated with, an entity's interests in other entities; and b) the effects of those interests on the entity's financial position, financial performance and cash flows. In addition, an entity should disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control or significant influence.

The new standard affected presentation only and had no material impact on the Group's financial statements.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
This amendment to IFRS 10, IFRS 11 and IFRS 12 clarifies the transition guidance related to the three standards. The amendment had no impact on the Group's financial statements.

IFRS 13 – Fair Value Measurement
The new standard a) defines fair value; b) sets out in a single IFRS a framework for measuring fair value; and c) requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements based on fair value or disclosures about those measurements, e.g. fair value less costs to sell).

The IFRS explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The application of the new standard had a positive impact on the Group's financial statements due to the elimination of certain bid-ask adjustments previously included in fair values, resulting in a market-based measurement. In addition, new disclosures were introduced.

Annual Improvements to IFRSs (2009–2011 Cycle)
A number of amendments to several standards are included in the IASB's Annual Improvement Project. 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:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
The amendment clarifies the existing standard in two areas. The first one states that, in addition to being legally enforceable in the normal course of business, a right of set-off must be enforceable for all counterparties in the event of default, insolvency or bankruptcy. The second clarification states that some gross settlement systems may be considered equivalent to net settlement.

The amended standard will be effective 1 January 2014. Early application is permitted. The impact of the new standard on the Group's financial statements has not yet been assessed.

Novation on Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

The amended standard will be effective 1 January 2014. Early application is permitted. The amendment will not have a material impact on the Group's financial statements.

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

- all recognised financial assets are measured at either amortised cost or fair value;
- only a debt instrument that (a) is held within a business model whose objective is to collect the contractual cash flows and (b) has contractual cash flows that are solely payments of principal and interest may be measured at amortised cost;
- if a debt instrument measured at amortised cost is derecognised prior to maturity, the gain or loss has to be presented separately in the income statement, with an analysis of that gain or loss and the reasons for the sale;
- for debt instruments, classification as trading (i.e. at fair value) and a fair value option are available;
- equity instruments are to be measured at fair value, with the default recognition of gains and losses recognised in the income statement;
- equity instruments designated as at fair value through other comprehensive income: only if an equity instrument is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income (equity), without any subsequent reclassification to the income statement (i.e. the current requirement to perform an assessment of impairment and to reclassify cumulative gains and losses on disposal no longer applies).

The new standard currently does not have an effective date as this will be determined once the other parts of IFRS 9 are closer to completion. However, the new standard is available for application. The impact of the new standard on the Group's financial statements has not yet been assessed.

IFRS 9 – Financial Instruments: Financial Liabilities
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.

The new standard currently does not have an effective date as this will be determined once the other parts of IFRS 9 are closer to completion. However, the new standard is available for application. The impact of the new standard on the Group's financial statements has not yet been assessed.

IFRS 9 – Financial Instruments: Hedge Accounting
The new standard puts in place a new 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 currently does not have an effective date as this will be determined once the other parts of IFRS 9 are closer to completion. However, the new standard is available for application. The impact of the new standard on the Group's financial statements has not yet been assessed.

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

Annual Improvements to IFRSs (2011–2013 Cycle)
A number of amendments to several standards are included in the IASB's Annual Improvement Project. The relevant amendments will be applicable for annual periods beginning on or after 1 July 2014. The amendments will not have a material impact on the Group's financial statements.

COMMENT ON RISK AND CAPITAL MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND PROCESS

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

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

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

Risk governance
The Board of Directors of Julius Baer Group Ltd. defines the Group's risk policies and regularly reviews their appropriateness. This ensures that risks are managed effectively at Group level and that suitable processes are in place. The risk categories and the risk management processes as well as a common risk terminology for the Group are laid down in the Group Risk Policy. Specific Group policies are defined for particular risk categories. Overall responsibility for the implementation of the Group's risk management lies with those members of the Executive Board of Julius Baer Group Ltd. with designated risk management duties – the Chief Risk Officer (CRO) and the General Counsel (GC).

The CRO is responsible for the management and control of credit risk, market risk (trading book and banking book), liquidity and financing risk (particularly with regard to the banking book) and of operational risk (excluding legal and compliance risk). He coordinates his activities with the GC, who is responsible for the management and control of legal and compliance risk. In addition, the CRO and the GC coordinate their activities with the Chief Financial Officer (CFO), who is responsible for balance sheet management and capital management, i.e. the maintenance of a sound ratio of eligible capital to risk-weighted positions.

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

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

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

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

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

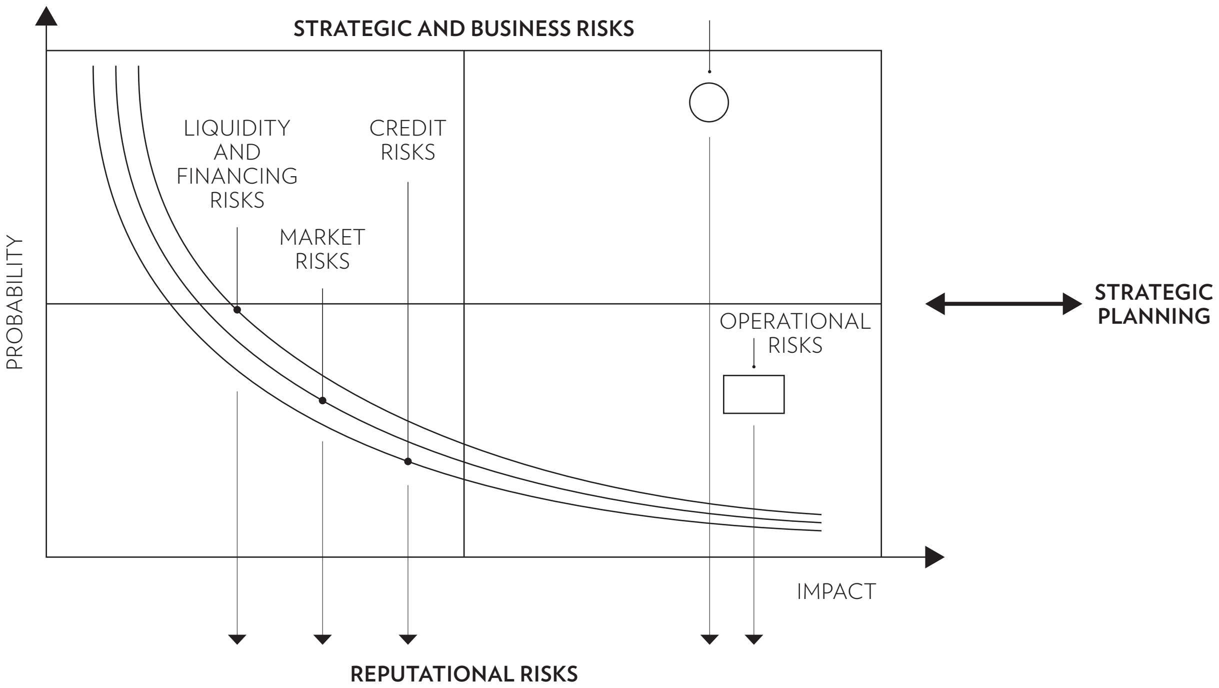
The Credit Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for measuring and supervising credit risk. In particular, it is responsible for:

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

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

Risk landscape: illustrative diagram



STRATEGIC AND BUSINESS RISK

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

CREDIT RISK

Credit or counterparty risk is the risk of a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Group or to an individual Group company. Such non-compliance may result in a financial loss to the Group.

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

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

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

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

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

The credit risk breakdown presented below is calculated before deduction of eligible collateral and in accordance with Swiss capital adequacy requirements, which are largely based on the international guidelines contained in the Bank for International Settlements' Basel III Accord (the 2012 figures are based on the Basel 2.5 standard approach). Differences between the total amounts and the corresponding balance sheet positions are explained in the 'Reconciliation of credit risk totals with balance sheet positions' section of this report (see pages 72ff.).

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

	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	31.12.2012 Total *CHF m*
Due from banks	292	4,353	119	1,013	-	5,777
Loans	5,981	5,778	4,177	3,623	240	19,799
Financial investments available-for-sale	569	8,035	1,637	1,398	-	11,639
Derivative financial instruments	494	442	246	151	3	1,336
Contingent liabilities	127	171	170	48	12	528
Irrevocable commitments	54	7	15	9	1	86
Securities lending and repo transactions	824	2,327	762	140	6	4,059
Total	8,341	21,113	7,126	6,382	262	43,224

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

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

					31.12.2012
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	Total *CHF m*
Due from banks	-	5,777	-	-	5,777
Loans	459	3,508	11,382	4,450	19,799
Financial investments available-for-sale	2,521	5,181	-	3,937	11,639
Derivative financial instruments	33	830	382	91	1,336
Contingent liabilities	20	58	316	134	528
Irrevocable commitments	19	12	46	9	86
Securities lending and repo transactions	713	2,208	69	1,069	4,059
Total	3,765	17,574	12,195	9,690	43,224

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 these collateral positions for 2013 are in accordance with current Swiss regulatory requirements, which are based on the Basel III BIS standard haircuts. The haircuts applied to the 2012 collateral positions are based on Basel 2.5 BIS standard haircuts.

Credit risk secured/not secured

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

			31.12.2012
	Secured by recognised financial collaterals[1] *CHF m*	Not secured by recognised financial collaterals *CHF m*	Total *CHF m*
Due from banks	3,372	2,405	5,777
Loans	19,049	750	19,799
Financial investments available-for-sale	-	11,639	11,639
Derivative financial instruments	715	621	1,336
Contingent liabilities	472	56	528
Irrevocable commitments	48	38	86
Securities lending and repo transactions	3,356	703	4,059
Total	27,012	16,212	43,224

[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 for 2013 are in accordance with current Swiss regulatory requirements, which are based on the Basel III BIS approach. The risk weightings for 2012 are based on the Basel 2.5 BIS approach. The allocation of the receivables to the risk weights depends on the type and current rating of the counterparty or the individual rating of the specific financial investment held. The collateralised portion of receivables (other than mortgages) is allocated to the 0% risk-weight column, since no regulatory capital is required in respect of these lending positions.

Credit risk by regulatory risk weightings

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

	0% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% *CHF m*	31.12.2012 Total *CHF m*
Due from banks	3,453	1,382	-	919	-	23	-	5,777
Loans	13,402	2	4,594	391	56	1,332	22	19,799
Financial investments available-for-sale	1,858	6,838	-	2,730	-	172	41	11,639
Derivative financial instruments	720	154	-	350	1	111	-	1,336
Contingent liabilities	472	-	-	3	2	51	-	528
Irrevocable commitments	47	18	-	-	3	18	-	86
Securities lending and repo transactions	3,357	327	-	-	-	372	3	4,059
Total	23,309	8,721	4,594	4,393	62	2,079	66	43,224

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. For 2013, these requirements are based on the Basel III BIS approach, while for 2012 they are based on the Basel 2.5 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 (for 2013), the Basel 2.5 BIS approach (for 2012) 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, whereas under the Basel III BIS approach (for 2013) and the Basel 2.5 BIS approach (for 2012) they are disclosed as off-balance sheet items under securities lending and repurchase positions. The credit risk tables have been adjusted to avoid double counting.
- The difference in the loans position is due to the fact that the collective allowance is not deducted from loans under the Basel III BIS approach (for 2013) or the Basel 2.5 BIS approach (for 2012).
- In the financial investments available-for-sale position the unrealised gains are deducted from the market value under the Basel III BIS approach (for 2013) and the Basel 2.5 BIS approach (for 2012).
- The total amount of exposure in derivative financial instruments under the Basel III BIS approach (for 2013) and the Basel 2.5 approach (for 2012) 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 (for 2013) and Basel 2.5 BIS (for 2012). 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 (for 2013) and the Basel 2.5 approach (for 2012), 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 (for 2013) and the Basel 2.5 approach (for 2012), 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	11,457.0	11,455.4	1.6	collective allowance not deducted
Loans	27,555.9	27,536.3	19.6	collective allowance not deducted
Financial investments available-for-sale	13,029.1	13,125.3	-96.2	unrealised gains deducted under BIS approach (CHF 112.4 million); partly offset by transfer of securities from trading to banking book under BIS approach (CHF 16.2 million)
Derivative financial instruments	1,563.3	1,253.3	310.0	
of which security supplement (add-ons)			*573.9*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-263.9*	*impact of netting rules under BIS approach*
Total 31.12.2013	**53,605.3**	**53,370.3**	**235.0**	

Comments on off-balance sheet positions

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

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

Reconciliation of credit-risk totals with balance sheet positions

	Basel 2.5 BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	5,776.9	6,023.8	-246.9	reverse repurchase transactions deducted; collective allowance of CHF 1.0 million not deducted
Loans	19,798.8	19,783.3	15.5	collective allowance not deducted
Financial investments available-for-sale	11,638.7	11,775.4	-136.7	unrealised gains deducted under BIS approach (CHF 141.8 million); partly offset by transfer of securities from trading to banking book under BIS approach (CHF 5.1 million)
Derivative financial instruments	1,335.8	1,205.7	130.1	
of which security supplement (add-ons)			*561.0*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-430.9*	*impact of netting rules under BIS approach*
Total 31.12.2012	38,550.2	38,788.2	-238.0	

Comments on off-balance sheet positions

	Basel 2.5 BIS approach *CHF m*	Off-balance sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	528.5	1,056.9[1]	-528.4	converted in credit equivalent
Irrevocable commitments	85.9	199.0[1]	-113.1	converted in credit equivalent
Securities lending and repo transactions	4,059.4	3,747.4	312.0	including risk premium under BIS approach
Total 31.12.2012	4,673.8			

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

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

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

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

Exposure to credit risk by credit quality

	31.12.2013 Collateralised *CHF m*	31.12.2012 Collateralised *CHF m*	**31.12.2013** Unsecured *CHF m*	31.12.2012 Unsecured *CHF m*
Neither past due nor impaired	**31,384.2**	23,386.2	**28,030.2**	23,522.0
Past due but not impaired	**7.3**	47.9	**-**	3.2
Impaired	**36.2**	62.5	**3.2**	3.9
Total	**31,427.7**	23,496.6	**28,033.4**	23,529.1
Neither past due nor impaired				
R1 to R3	**26,485.2**	19,524.3	**26,608.4**	22,916.7
R4 to R6 (including temporarily unrated)	**4,899.0**	3,861.9	**1,421.8**	605.3
Total	**31,384.2**	23,386.2	**28,030.2**	23,522.0
Collateral held or credit enhancement available	***141,652.2***	*126,322.0*	**-**	-
Past due but not impaired				
R7	**7.3**	47.9	**-**	3.2
Total	**7.3**	47.9	**-**	3.2
Collateral held or credit enhancement available	***12.3***	*57.1*	**-**	-
Impaired				
R8	**27.8**	10.3	**0.4**	0.4
R9 to R10	**8.4**	52.2	**2.8**	3.5
Total	**36.2**	62.5	**3.2**	3.9
Collateral held or credit enhancement available	***13.2***	*10.2*	**-**	-
Allowance for credit losses[1]				
Specific allowance for credit losses	**35.5**	66.4	**3.2**	3.9
Collective allowance for credit losses	**19.9**	16.7	**1.5**	1.1
Total	**55.4**	83.1	**4.7**	5.0

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

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

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

Maximum exposure to credit risk

	31.12.2013 Gross maximum exposure *CHF m*	31.12.2012 Gross maximum exposure *CHF m*
Cash (excluding cash on hand)	**10,208.5**	9,546.5
Due from banks	**11,455.4**	6,023.8
Loans	**27,536.3**	19,783.3
Trading assets	**1,203.9**	679.4
Derivative financial instruments	**1,253.3**	1,205.7
Financial investments available-for-sale	**13,043.0**	11,685.1
Accrued income	**235.9**	187.0
Other assets	**14.1**	10.9
Total	**64,950.4**	49,121.6
Off-balance sheet		
Irrevocable commitments[1]	**422.5**	203.0
Total maximum exposure to credit risk	**65,372.9**	49,324.6

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

MARKET RISK (TRADING BOOK)

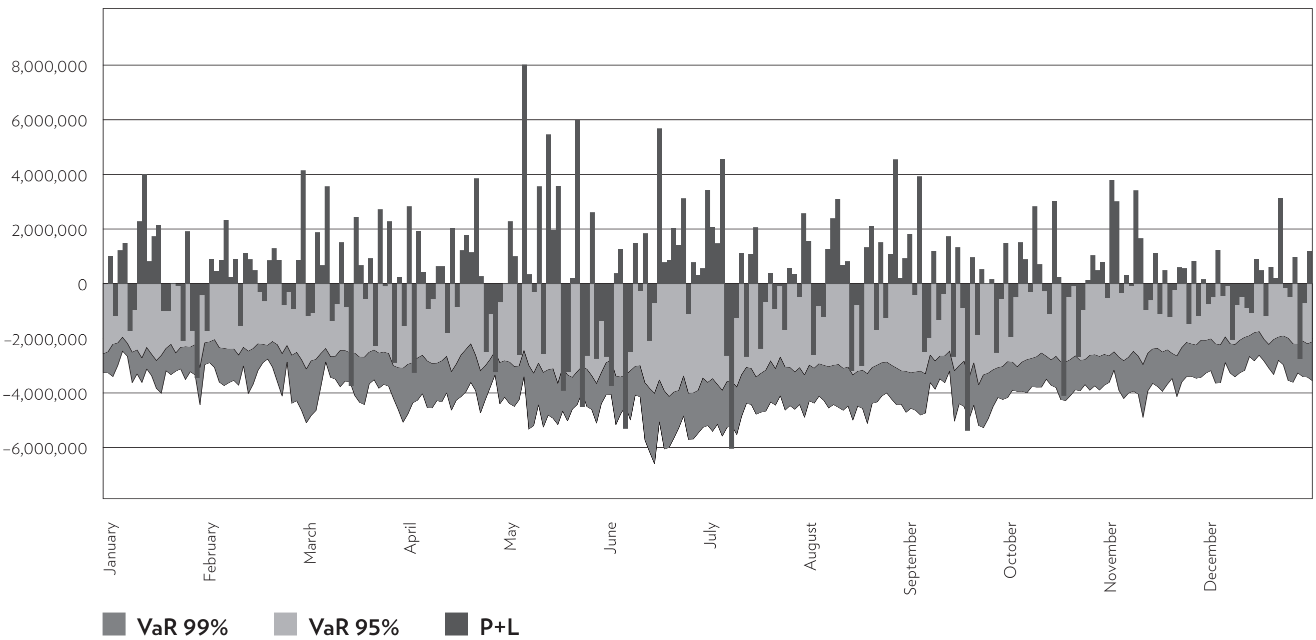
The following definitions are used to separate trading book and banking book activities: the *trading book* consists of proprietary positions in financial instruments that are held for resale or repurchase and that are usually taken on with the intention of benefiting from expected short-term differences 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

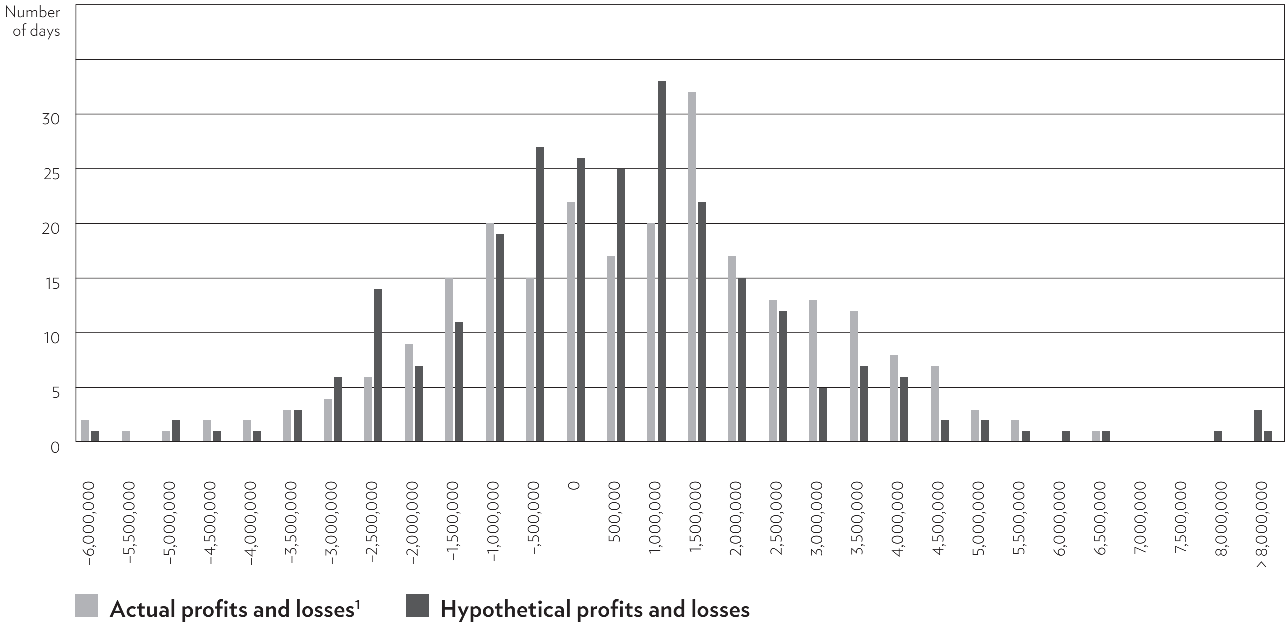
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the 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 2.01 million on 31 December 2013 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2013 amounted to CHF 4.15 million; the minimum was CHF 1.76 million. The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back testing. This involves the comparison of the daily gains and losses generated by the trading book with the VaR values calculated each day. The following chart shows the daily calculations of VaR in 2013 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with the hypothetical gains or losses which would have occurred if the positions had been left unchanged for one day. A back-testing excession occurs when the change in overall position value resulting from the back-testing simulation is negative and its absolute value is greater than the VaR (at a confidence interval of 99%) for the relevant day's closing positions.

Back testing of Julius Baer Group trading book positions in 2013 (CHF)



The following chart compares these hypothetical revenues with the actual profit and loss generated by the trading operations of the Group. To ensure comparability, pure commission income has been removed from these profit-and-loss results.

Distribution of daily revenues from trading activities of Julius Baer Group for 2013 (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.

A total of six back-testing excessions were recorded in 2013 (compared to zero such excessions in 2012), which was greater than the three such events which would have been anticipated on a statistical basis. All six back-testing excessions relate to a USD position established to finance the acquisition of Merrill Lynch's International Wealth Management business.

All back-testing excessions are examined individually and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors and FINMA.

VaR method and regulatory capital

For its VaR calculation, the Group uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the last 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the Group fulfil the relevant regulatory requirements and have been approved by the Swiss Financial Market

Supervisory Authority (FINMA) for use in determining the capital requirement for market risks in the trading book.

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period). The Group's stress-based VaR amounted to CHF 2.80 million on 31 December 2013 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2013 amounted to CHF 6.00 million; the minimum was CHF 2.12 million. Under the new FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

FINMA applies a multiplier to the capital requirement for market risk. Every back-testing excession over and above the statistically based maximum permitted number of excessions results in an increase in the multiplier applied to the capital requirement for market risk. Based on the above-mentioned back-testing excessions, FINMA temporarily raised the multiplier applicable to the Julius Baer Group. No other action was taken by FINMA in this matter.

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

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

				2012
	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	Minimum *CHF 1,000*
Equities	-774	-858	-1,939	-270
Interest rates	-214	-287	-549	-138
Foreign exchange/precious metals	-2,996	-1,693	-4,682	-22
Effects of correlation	1,409			
Total	-2,575	-1,810	-4,737	-453

LIQUIDITY, FINANCING AND INTEREST RATE RISKS IN THE BANKING BOOK

Financing risk is the risk of the Group being unable to finance its existing or planned activities on an ongoing basis at acceptable prices. Liquidity risk, conversely, is the risk of the Group being unable to meet its payment obligations when they fall due. The Treasury department of Bank Julius Baer & Co. Ltd. manages the Group's liquidity and financing risks on an integrated basis, with Bank Julius Baer & Co. Ltd. acting as the Group's central liquidity provider. Currently, the Group's activities are largely financed by client sight deposits. Given its active participation in the interbank market, the Group would, however, quickly be able to access additional sources of refinancing at any time. The liquidity position of Bank Julius Baer & Co. Ltd., in particular, as well as those of the other Group companies, are monitored and managed daily and exceed the regulatory minimum, as required by the Group's liquidity policy. In addition, payment-flow simulations are also run on a daily basis in order to analyse the liquidity of the balance sheet under extreme conditions.

Interest rate risk is defined as the impact of potential changes in interest rates on the market value of the assets and liabilities of the Group. One objective measure of this risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2013. Negative values under this scenario reflect a potential drop in fair value within the respective maturity band; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. As there are no material option structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of similar magnitude but with the opposite sign, though such outcomes are mitigated by the fact that the yield curves for the markets in which the Group carries out most of its activities are currently close to zero.

Interest-rate-sensitive positions

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total** *CHF 1,000*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2013	**5,847**	**781**	**35,251**	**-12,923**	**-46,243**	**-17,287**
2012	3,220	351	36,883	-13,323	-48,852	-21,721
USD						
2013	**474**	**5,404**	**13,574**	**-55,799**	**-1,372**	**-37,719**
2012	3,139	3,050	11,490	-22,100	-1,285	-5,706
EUR						
2013	**2,379**	**-202**	**2,408**	**-32,640**	**-4,991**	**-33,046**
2012	-560	-590	8,168	-47,985	-2,477	-43,444
Other						
2013	**623**	**-189**	**1,018**	**-3,273**	**-279**	**-2,100**
2012	994	-221	1,358	-3,104	-4,128	-5,101

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above, the effect on interest earnings was CHF -43.6 million at the end of 2013 (2012: CHF -46.4 million).

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

Hedging interest rate risks

The Group accepts deposits from clients at both floating and fixed rates and for various periods and either lends these funds on a collateralised basis or invests them in high-quality assets. By consolidating the short-term money deposited by clients and lending it out at longer maturities, an effort is made to increase the interest margin. At the same time, sufficient liquid assets are held in order to be always able to meet all maturing obligations. In managing the associated interest rate risks, the Group applies fair value hedges for hedging a portion of the interest rate exposure by employing interest rate swaps. The market value of these swaps on 31 December 2013 amounted to a net CHF 8.6 million (2012: CHF -13.1 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 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	10,242.0	-	-	-	-	**10,242.0**
Due from banks	-	10,590.2	735.6	107.0	22.6	**11,455.4**
Loans	-	21,946.5	2,279.4	1,901.9	1,408.5	**27,536.3**
Trading assets	5,853.5	-	-	-	-	**5,853.5**
Derivative financial instruments	1,253.3	-	-	-	-	**1,253.3**
Financial investments available-for-sale	-	1,941.9	3,220.6	7,814.9	148.0	**13,125.3**
Accrued income	-	235.9	-	-	-	**235.9**
Total 31.12.2013	17,348.9	34,714.5	6,235.7	9,823.8	1,579.0	**69,701.8**
Total 31.12.2012	14,910.8	21,730.7	4,677.3	10,079.2	1,282.2	52,680.3

Financial liabilities						
Due to banks	-	7,939.8	25.8	20.5	4.4	**7,990.5**
Due to customers	-	50,844.2	535.1	180.0	-	**51,559.3**
Trading liabilities	198.6	-	-	-	-	**198.6**
Derivative financial instruments	1,198.2	-	-	-	-	**1,198.2**
Financial liabilities designated at fair value	1,507.0	1,380.7	982.3	867.6	60.0	**4,797.5**
Debt issued	-	8.8	-	-	715.8	**724.5**
Accrued expenses	-	138.7	-	-	-	**138.7**
Total 31.12.2013	2,903.8	60,312.1	1,543.3	1,068.1	780.2	**66,607.5**
Total 31.12.2012	1,996.7	31,747.3	10,010.2	4,741.2	850.0	49,345.4

The following table shows an analysis of the Group's financial liabilities by remaining contractual maturities as of the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual undiscounted interest payments related to these financial liabilities. Liabilities without a stated maturity, i.e. that can be called for repayment at any time, are classified as on demand. All derivative financial instruments are classified as on demand, as there are no single derivatives or classes of derivatives for which the contractual maturities are relevant for the timing of the total cash flows of the Group.

Remaining contractual maturities of financial liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial liabilities recognised on balance sheet						
Due to banks	7,235.6	744.6	10.0	1.1	-	**7,991.2**
Due to customers	45,796.6	5,234.6	542.0	8.2	-	**51,581.3**
Trading liabilities	198.6	-	-	-	-	**198.6**
Derivative financial instruments	1,198.2	-	-	-	-	**1,198.2**
Financial liabilities designated at fair value	1,507.0	1,393.7	1,035.8	879.0	60.0	**4,875.5**
Debt issued	-	22.4	19.7	85.7	715.8	**843.5**
Accrued expenses	-	138.7	-	-	-	**138.7**
Total 31.12.2013	55,936.0	7,533.9	1,607.4	973.9	775.8	**66,827.0**
Due to banks	3,881.9	406.4	0.2	2.0	-	4,290.6
Due to customers	37,094.6	1,578.3	435.3	-	-	39,108.2
Trading liabilities	804.7	-	-	-	-	804.7
Derivative financial instruments	1,125.8	-	-	-	-	1,125.8
Financial liabilities designated at fair value	66.2	1,182.5	844.3	990.9	133.1	3,216.9
Debt issued	-	36.2	19.7	118.9	716.9	891.7
Accrued expenses	-	120.3	-	-	-	120.3
Total 31.12.2012	42,973.2	3,323.7	1,299.5	1,111.8	850.0	49,558.2
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[1]	360.7	5.2	38.3	18.3	-	**422.5**
Total 31.12.2013	360.7	5.2	38.3	18.3	-	**422.5**
Total 31.12.2012	126.1	41.5	11.0	24.4	-	203.0

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

OPERATIONAL RISK

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

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

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

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

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

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

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

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

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

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

As described in the Risk governance section of this report, the General Counsel is responsible for the management and control of legal and compliance risk. Legal and compliance risks are regularly reported to the Board of Directors. In line with the development of the legal and regulatory environment of the industry, the Group has consistently invested in personnel and technical resources to ensure adequate compliance coverage. A comprehensive framework of policies and regular specialised training sessions ensure that staff receive appropriate ongoing education and training in this area. Julius Baer has, for example, defined a set of standards governing the cross-border services it offers, as well as drawing up country-specific manuals for the major national markets it serves. A large-scale staff training and education concept is in place to ensure observance of the standards and compliance with the country manuals. These standards are kept under regular review and adapted in accordance with regulatory developments. In 2012, they were complemented by a Tax Compliance Framework, whose purpose is to prevent the acceptance of untaxed monies.

Personnel risk

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

Insurance

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

REPUTATIONAL RISK

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

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

In managing its capital, the Group considers a variety of requirements and expectations. Sufficient capital must be in place to support current and projected business activities, according to both the Group's own internal assessment and the requirements of its regulators, in particular its lead regulator, the Swiss Financial Market Supervisory Authority (FINMA). Capital is also managed in order to achieve sound capital ratios and to ensure a strong external credit rating.

Ensuring compliance with minimum regulatory capital requirements and targeted capital ratios is central to capital adequacy management. In this ongoing process, the Group manages its capital on the basis of target capital ratios for tier 1 capital and total capital. In the target setting process the Group takes into account the regulatory minimum capital requirements and regulatory expectations that the Group will hold additional capital above the minimum required for each capital category, the Group's internal assessment of aggregate risk exposure requiring equity capital provision, the views of rating agencies, and comparison to peer institutions based on the Group's business mix and market presence.

In 2013, the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 27 provides an overview of the Group's consolidated companies. The Group's equity stakes in its GPS and Kairos associate companies are directly deducted from eligible capital.

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

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

The Basel III international standard approach requires CET1 equivalent to at least 4.5% of risk-weighted assets, plus a CET1 capital buffer of 2.5%, plus 1.5% of additional tier 1 (AT1) capital (or better-quality capital), plus 2% of supplementary tier 2 capital (or better-quality capital). In aggregate, this amounts to an overall capital requirement of at least 10.5% of risk-weighted assets. FINMA minimum capital requirements for the Group are 7.8% for CET1, 1.8% for AT1 and 2.4% for tier 2, which puts its overall minimum capital requirement at 12% of risk-weighted assets. At present, the Group is also required to hold an additional anti-cyclical CET1 capital buffer for mortgages on residential properties in Switzerland which adds a further 0.1% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2013 and at 31 December 2012 was sufficient to meet the relevant BIS and FINMA requirements.

Capital ratios

	31.12.2013 Basel III phase-in[1] CHF m	31.12.2012 Basel 2.5 CHF m
Risk-weighted positions		
Credit risk	**10,664.3**	7,886.5
Non-counterparty-related risk	**588.4**	541.6
Market risk	**968.6**	1,098.4
Operational risk	**3,686.7**	2,924.6
Total	**15,908.0**	12,451.1
Eligible capital		
Tier 1 capital (= CET1 capital in 2013)[2]	**3,327.9**	3,645.0
of which hybrid tier 1 instruments[3]	***450.4***	*470.3*
Tier 2 capital	**232.6**	295.1
of which lower tier 2 instruments[4]	***217.7***	*245.6*
Total capital	**3,560.5**	3,940.1
Tier 1 capital ratio (= CET1 capital ratio in 2013)	**20.9%**	29.3%
Total capital ratio	**22.4%**	31.6%

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

[2] The BIS Basel III tier 1 capital at the end of 31 December 2013 was the same as the BIS Basel III CET1 (common equity tier 1) capital and includes additional tier 1 capital which offsets the required deductions for goodwill and other intangible assets. During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increases proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreases respectively. As soon as the remaining amount of intangibles is lower than the additional tier 1 capital the CET1 capital will be lower than the tier 1 capital and consequently disclosed on a separate line.

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

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

Further details regarding tier 1 and tier 2 instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com.

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 2013. This report, which is published in the Regulatory Disclosures section of www.juliusbaer.com, has been prepared in accordance with the new FINMA regulations governing the disclosure of the composition of eligible regulatory capital (information will be available at the end of April 2014).

Capital components

	31.12.2013 *Basel III phase-in CHF m*	31.12.2012 *Basel 2.5 CHF m*
Gross common equity tier 1 capital	**5,038.6**	4,697.6
of which non-controlling interests	***0.6***	*2.3*
Effects of IAS19 revised relating to pension liabilities	**45.4**	143.7
Goodwill and other intangible assets	**-1,474.4**	-983.2
Other deductions	**-281.7**	-213.1
Common equity tier 1 capital	**3,327.9**	3,645.0
Tier 1 capital instruments	**450.4**	470.3
of which preferred securities (phase-out capital instrument)	***202.5***	*225.0*
of which tier 1 bond (Basel III-compliant capital instrument)	***247.9***	*245.3*
Goodwill and intangible assets, offset against tier 1 capital instruments	**-450.4**	-470.3
Additional tier 1 capital	-	-
Tier 1 capital	**3,327.9**	3,645.0
Tier 2 capital	**232.6**	295.1
of which lower tier 2 capital (phase-out capital instrument)	***217.7***	*245.6*
of which other tier 2 capital	***14.9***	*49.5*
Total capital	**3,560.5**	3,940.1

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 67% (2012: 63%) of the total required capital. Capital required for non-counterparty risk (2013: 4%; 2012: 4%) and market risk (2013: 6%; 2012: 9%) is of minor significance. The capital required to cover operational risk accounts for more than 23% of total required capital (2012: 24%).

Minimum capital requirement

	31.12.2013 *Basel III phase-in CHF m*	31.12.2012 *Basel 2.5 CHF m*
Credit risk	**853.1**	630.9
of which for equity securities in the banking book	***1.3***	*3.1*
Non-counterparty-related risk	**47.1**	43.3
Market risk	**77.5**	87.9
Operational risk	**294.9**	234.0
Total	**1,272.6**	996.1

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	2013 CHF 1,000	2012 CHF 1,000	Change %
Interest income on amounts due from banks	**26,634**	27,515	-3.2
Interest income on loans	**340,387**	291,473	16.8
Interest income on money market instruments	**7,186**	14,823	-51.5
Interest income on financial investments available-for-sale	**144,105**	161,209	-10.6
Total interest income using the effective interest method	**518,312**	495,020	4.7
Dividend income on financial investments available-for-sale	**6,460**	2,842	-
Interest income on trading portfolios	**79,558**	67,632	17.6
Dividend income on trading portfolios	**37,792**	93,054	-59.4
Total interest and dividend income	**642,122**	658,548	-2.5
Interest expense on amounts due to banks	**1,076**	2,688	-60.0
Interest expense on amounts due to customers	**56,177**	74,338	-24.4
Interest expense on debt issued	**32,777**	22,991	42.6
Total interest expense using the effective interest method	**90,030**	100,017	-10.0
Total	**552,092**	558,531	-1.2

2 NET COMMISSION AND FEE INCOME

	2013 CHF 1,000	2012 CHF 1,000	Change %
Advisory and management commissions	**706,936**	634,056	11.5
Investment fund fees	**135,643**	108,672	24.8
Fiduciary commissions	**7,910**	11,763	-32.8
Total commission and fee income from asset management	**850,489**	754,491	12.7
Brokerage commissions and income from securities underwriting	**441,044**	359,409	22.7
Commission income from credit-related activities	**7,675**	5,798	32.4
Commission and fee income on other services	**169,435**[1]	52,289	224.0
Total commission and fee income	**1,468,643**	1,171,987	25.3
Commission expense	**191,994**	191,489	0.3
Total	**1,276,649**	980,498	30.2

[1] Including revenues related to AuM transferred from Merrill Lynch & Co., Inc. where the AuM have not yet been booked by the Group, see Note 31.

3 NET TRADING INCOME

	2013 CHF 1,000	2012 CHF 1,000	Change %
Debt instruments	**11,997**	13,827	-13.2
Equity instruments	**-41,520**	-96,248	56.9
Foreign exchange	**344,449**	255,231	35.0
Total	**314,926**	172,810	82.2

4 OTHER ORDINARY RESULTS

	2013 CHF 1,000	2012 CHF 1,000	Change %
Results from sale of subsidiaries	**5,097**	-	-
Net gains/(losses) from disposal of financial investments available-for-sale	**12,524**	14,548	-13.9
Income from investments in associates	**5,931**	3,584	65.5
Real estate income	**5,408**	4,327	25.0
Other ordinary income	**24,241**	15,971	51.8
Other ordinary expenses	**2,135**	12,850	-83.4
Total	**51,066**	25,580	99.6

5 PERSONNEL EXPENSES

	2013 CHF 1,000	2012 CHF 1,000 restated[1]	Change %
Salaries and bonuses	**839,837**	650,238	29.2
Contributions to staff pension plans (defined benefits)	**45,974**	75,647	-39.2
Contributions to staff pension plans (defined contributions)	**17,777**	14,435	23.2
Other social security contributions	**68,113**	53,175	28.1
Share-based payments	**45,521**	32,539	39.9
Other personnel expenses	**51,739**	15,057	-
Total	**1,068,961**	841,091	27.1

[1] Previous year's numbers have been restated.

6 GENERAL EXPENSES

	2013 *CHF 1,000*	2012 *CHF 1,000*	Change *%*
Occupancy expense	**83,260**	54,792	52.0
IT and other equipment expense	**81,738**	48,879	67.2
Information, communication and advertising expense	**146,507**	117,702	24.5
Service expense, fees and taxes	**274,816**	178,238	54.2
Valuation allowances, provisions and losses	**80,498**[1]	-17,042	-
Other general expenses	**11,927**	1,813	-
Total	**678,746**	384,382	76.6

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

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

7 INCOME TAXES

	2013 *CHF 1,000*	2012 *CHF 1,000* *restated*	Change *%*
Income tax on profit before taxes (expected tax expense)	**56,011**	80,304	-30.3
Effect of tax rate differences in foreign jurisdictions	**-16,464**	-17,090	-
Effect of domestic tax rate differences	**-3,379**	3,104	-
Income subject to a reduced tax rate	**-6,916**	-17,937	-
Effect of utilisation of prior-year losses	**-329**	-12,477	-
Effect from not capitalised losses	**29,277**	8,375	-
Adjustments related to prior years	**107**	-151	-
Non-deductible expenses	**9,628**	30,641	-
Other	**-1,134**	-954	-
Actual income tax expense	**66,801**	73,815	-9.5

The tax rate of Switzerland of 22% (2012: 22%) was applied as the basis for the above expected tax expenses.

Unrecognised accumulated loss carryforwards in the amount of CHF 151.9 million (2012: CHF 79.1 million) exist in the Group that do not expire.

	2013 CHF 1,000	2012 CHF 1,000 restated	Change %
Domestic income taxes	**56,974**	67,956	-16.2
Foreign income taxes	**9,827**	5,859	67.7
Total	**66,801**	73,815	-9.5

Current income taxes	**64,473**	75,669	-14.8
Deferred income taxes	**2,328**	-1,854	-
Total	**66,801**	73,815	-9.5

Tax effects relating to components of other comprehensive income

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

			2012
	Before-tax amount CHF 1,000	Tax (expense)/ benefit CHF 1,000 restated	Net-of-tax amount CHF 1,000
Items that may be reclassified subsequently to the income statement			
Net unrealised gains/(losses) on financial investments available-for-sale	132,522	-12,311	120,211
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	22,342	97	22,439
Hedging reserve for cash flow hedges	-6,262	1,388	-4,874
Translation differences	-6,671	-	-6,671
Realised (gains)/losses reclassified to the income statement on translation differences	12,543	-	12,543
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	-5,635	1,256	-4,379
Other comprehensive income for the year recognised directly in equity	148,839	-9,570	139,269

8 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2013	2012 *restated*
Basic earnings per share		
Net profit (CHF 1,000)	**187,526**	267,957
Weighted average number of shares outstanding	**214,241,756**	201,938,401
Basic earnings per share (CHF)	**0.88**	1.33

Diluted earnings per share		
Net profit (CHF 1,000)	**187,526**	267,957
Less (profit)/loss on equity derivative contracts (CHF 1,000)	**-2,911**	-959
Net profit for diluted earnings per share (CHF 1,000)	**184,615**	266,998
Weighted average number of shares outstanding	**214,241,756**	201,938,401
Dilution effect	**-4,531**	523,032
Weighted average number of shares outstanding for diluted earnings per share	**214,237,225**	202,461,433
Diluted earnings per share (CHF)	**0.86**	1.32

	31.12.2013	31.12.2012
Shares outstanding		
Total shares issued at the beginning of the year	**216,707,041**	206,630,756
Cancellation	**-**	10,240,000
Issuance	**7,102,407**	20,316,285
Less treasury shares	**5,640,118**	2,599,046
Total	**218,169,330**	214,107,995

The weighted average number of shares outstanding for basic and diluted earnings per share, which are used for the calculation of the basic and diluted net profit per share, have been adjusted for the financial year 2012 as outlined in Note 19.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

9A DUE FROM BANKS

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
Due from banks	**11,459,767**	6,028,357	5,431,410
Allowance for credit losses	**-4,387**	-4,541	154
Total	**11,455,380**	6,023,816	5,431,564

Due from banks by type of collateral:

Securities collateral	**182,165**	388,130	-205,965
Without collateral	**11,273,215**	5,635,686	5,637,529
Total	**11,455,380**	6,023,816	5,431,564

9B LOANS

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
Loans	**20,474,734**	14,232,210	6,242,524
Mortgages	**7,109,263**	5,619,424	1,489,839
Subtotal	**27,583,997**	19,851,634	7,732,363
Allowance for credit losses	**-47,717**	-68,352	20,635
Total	**27,536,280**	19,783,282	7,752,998

Loans by type of collateral:

Securities collateral	**14,864,532**	9,781,596	5,082,936
Mortgage collateral	**7,060,184**	5,590,997	1,469,187
Other collateral (mainly cash and fiduciary deposits)	**5,570,750**	4,395,726	1,175,024
Without collateral	**40,814**	14,963	25,851
Total	**27,536,280**	19,783,282	7,752,998

9C ALLOWANCE FOR CREDIT LOSSES

	2013 Specific CHF 1,000	**2013** Collective CHF 1,000	2012 Specific CHF 1,000	2012 Collective CHF 1,000
Balance at the beginning of the year	**56,414**	**16,479**	65,088	27,274
Write-offs	**-44,547**	**-**	-390	-
Increase in allowance for credit losses	**22,695**	**5,329**	3,746	909
Decrease in allowance for credit losses	**-3,609**	**-600**	-11,060	-11,706
Translation differences and other adjustments	**-71**	**14**	-970	2
Balance at the end of the year	**30,882**	**21,222**	56,414	16,479

9D IMPAIRED LOANS

	31.12.2013 CHF 1,000	31.12.2012 CHF 1,000	Change CHF 1,000
Gross loans	**32,719**	70,621	-37,902
Specific allowance for credit losses	**-30,882**	-56,414	25,532
Net loans	**1,837**	14,207	-12,370

10 TRADING ASSETS AND LIABILITIES

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
Trading assets			
Debt instruments	**1,203,878**	679,354	524,524
of which quoted	***1,087,648***	*549,595*	*538,053*
of which unquoted	***116,230***	*129,759*	*-13,529*
Equity instruments	**2,940,412**	1,876,366	1,064,046
of which quoted	***2,385,589***	*1,146,823*	*1,238,766*
of which unquoted	***554,823***	*729,543*	*-174,720*
Precious metals (physical)	**1,709,242**	1,567,166	142,076
Total	**5,853,532**	4,122,886	1,730,646

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
Trading liabilities			
Short positions – debt	**43,297**	127,856	-84,559
of which quoted	***39,791***	*8,889*	*30,902*
of which unquoted	***3,506***	*118,967*	*-115,461*
Short positions – equity	**155,309**	676,809	-521,500
of which quoted	***139,151***	*344,454*	*-205,303*
of which unquoted	***16,158***	*332,355*	*-316,197*
Total	**198,606**	804,665	-606,059

11A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
Money market instruments	**2,494,451**	634,505	1,859,946
Government and agency bonds	**2,059,502**	1,775,425	284,077
Financial institution bonds	**5,292,655**	5,202,748	89,907
Corporate bonds	**3,190,613**	4,072,464	-881,851
Other bonds	**5,824**	-	5,824
Debt instruments	**10,548,594**	11,050,637	-502,043
of which quoted	***9,605,866***	*10,038,603*	*-432,737*
of which unquoted	***942,728***	*1,012,034*	*-69,306*
Equity instruments	**82,300**	90,208	-7,908
of which quoted	***526***	*-*	*526*
of which unquoted	***81,774***	*90,208*	*-8,434*
Total	**13,125,345**	11,775,350	1,349,995

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

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	**31.12.2013** *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
1–2	AAA – AA-	Aaa – Aa3	**7,317,725**	8,259,424	-941,699
3	A+ – A-	A1 – A3	**2,818,572**	2,374,532	444,040
4	BBB+ – BBB-	Baa1 – Baa3	**286,816**	235,565	51,251
5–7	BB+ – CCC-	Ba1 – Caa3	**46,257**	92,936	-46,679
Unrated			**79,224**	88,180	-8,956
Total			**10,548,594**	11,050,637	-502,043

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 01.01.2012	1,117.0	915.7	354.8	2,387.5	384.0	148.0	532.1
Translation differences	-	-0.1	-0.0	-0.1	-	-0.2	-0.2
Additions	10.7	-	55.3	66.0	2.9	23.1	25.9
Disposals/transfers[1]	-	-	14.1	14.1	-	12.8	12.8
Balance on 31.12.2012	1,127.7	915.7	395.9	2,439.3	386.9	158.1	545.0
Translation differences	-	0.1	0.0	0.1	-	-0.1	-0.1
Additions	-	-	80.0	80.0	8.3	44.1	52.4
Additions from business combinations	328.4	246.7	0.0	575.1	-	3.4	3.4
Disposals/transfers[1]	9.1	-	8.4	17.5	-	20.1	20.1
Balance on 31.12.2013	1,446.9	1,162.5	467.6	3,076.9	395.2	185.4	580.6
Depreciation and amortisation							
Balance on 01.01.2012	-	490.7	189.9	680.6	59.6	106.3	165.9
Translation differences	-	-0.0	-0.0	-0.0	-	-0.1	-0.1
Charge for the period	9.1[2]	91.1	37.0[3]	137.3	7.4	25.0	32.3
Disposals/transfers[1]	-	-	14.1	14.1	-	12.8	12.8
Balance on 31.12.2012	9.1	581.8	212.8	803.7	67.0	118.4	185.4
Translation differences	-	0.1	0.0	0.1	-	-0.1	-0.1
Charge for the period	-	102.7	61.0[4]	163.7	7.4	21.4	28.8
Disposals/transfers[1]	9.1	-	8.3	17.5	-	19.7	19.7
Balance on 31.12.2013	-	684.5	265.5	950.0	74.4	120.0	194.4
Book value							
Balance on 31.12.2012	1,118.5	333.9	183.1	1,635.6	319.9	39.7	359.6
Balance on 31.12.2013	**1,446.9**	**477.9**	**202.1**	**2,126.9**	**320.9**	**65.4**	**386.2**

[1] Includes derecognition of fully depreciated and amortised assets
[2] The disposal of Julius Baer SIM S.p.A. in 2013 led to a reallocation of recognised goodwill. The contractually agreed selling price for the company was lower than the carrying amount of the operation including goodwill. Therefore the disposal caused an impairment in the amount of CHF 9.1 million in 2012 when the selling price was agreed on. This amount is included in amortisation of other intangible assets in the income statement.
[3] Includes additional charges of CHF 2.7 million related to adjusted useful lives of software
[4] Includes impairment of CHF 21.8 million related to software not used anymore

Goodwill – Impairment testing
To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable groups of assets that generate cash inflows independently from other assets) and is subsequently compared to the carrying amount of that unit. Within the Group, cash inflows are not attributable to either any dimension (e.g. geographical areas, booking centres, clients or products) or group of assets. In addition, management makes operating decisions based on information on the Group level (see also Note 20 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Group.

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

The Group uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the cash-generating unit based on its own financial planning, taking into account the following key parameters and their single components:

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

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. However, the Group expects in the medium and long term a favourable development of the private banking activities which is reflected in the respective growth of the key parameters, but the Group cannot exclude short-term market disruptions. The Group also takes the relative strengths of itself as a pure private banking competitor vis-à-vis its peers into consideration, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments which are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 10.5% (2012: 9.1%).

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%. This growth rate is considerably below the actual average rate of the last five years.

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

Changes in key assumptions
Deviations of future actual results achieved vs. forecast/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or the businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific driven personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions would not result in the carrying amount exceeding the recoverable amount. Therefore, no impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market environment.

13 OPERATING LEASE COMMITMENTS

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*
Not later than one year	**62,846**	46,465
Later than one year and not later than five years	**173,909**	117,881
Later than five years	**126,637**	83,014
Subtotal	**363,392**	247,360
Less sublease rentals received under non-cancellable leases	**29,864**	30,744
Total	**333,528**	216,616

Operating leases in the gross amount of CHF 64.6 million are included in operating expenses for the 2013 financial year (2012: CHF 42.4 million).

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

		31.12.2013		31.12.2012
	Book value *CHF 1,000*	Effective commitment *CHF 1,000*	Book value *CHF 1,000*	Effective commitment *CHF 1,000*
Securities	**714,340**	**695,012**	602,169	599,539
Other	**5,942**	**5,161**	5,708	5,329
Total	**720,282**	**700,173**	607,877	604,868

The assets are mainly pledged for Lombard limits at central banks and for stock exchange securities deposits.

15 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2014 CHF m	2015 CHF m	2016 CHF m	2017 CHF m	2018 CHF m	2019–2023 CHF m	un-assigned CHF m	**31.12.2013** CHF m	31.12.2012 CHF m
Fixed rate	1,935.4	94.3	55.0	12.0	-	-	-	**2,096.7**	1,926.2
Interest rates (ranges in %)	0.2–33.3	1.5–16.26	0.01–8.5	1.5		-	-	**-**	-
Floating rate	263.1	186.9	27.5	39.0	76.5	46.5	2,061.3	**2,700.8**	1,228.5
Total	**2,198.5**	**281.2**	**82.5**	**51.0**	**76.5**	**46.5**	**2,061.3**	**4,797.5**	3,154.7

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.01% up to 33.30%. 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

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*
Money market instruments	**8,763**	29,402
Bonds	**490,773**	491,902
Preferred securities	**225,000**	225,000
Total	**724,536**	746,304

Bonds and preferred securities

Issuer/Year of issue	Stated interest rate %		Notional amount CHF 1,000	**31.12.2013** Total CHF 1,000	31.12.2012 Total CHF 1,000
Julius Baer Capital (Guernsey) I Ltd.					
2005	3.63	Preferred securities	225,000	**225,000**	225,000
Julius Baer Group Ltd.					
2011[1]	4.50	Lower tier 2 bond	250,000	**242,118**	244,012
Julius Baer Group Ltd.					
2012[2]	5.375	Perpetual tier 1 subordinated bond	250,000	**248,655**	247,890
Total				**715,773**	716,902

[1] Own bonds of CHF 4.510 million are offset with bonds outstanding (2012: CHF 2.195 million).
The effective interest rate amounts to 4.89%.

[2] Own bonds of CHF 0.115 million are offset with bonds outstanding (2012: CHF 0.59 million).
The effective interest rate amounts to 5.59%.
The issuance of the debt is related to the acquisition of Merrill Lynch's International Wealth Management business.

Preferred securities

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

Lower tier 2 capital

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

Perpetual tier 1 subordinated bond

The maturity of the perpetual tier 1 subordinated bond, which was issued by Julius Baer Group Ltd. on 18 September 2012, is essentially perpetual. These bonds are unsecured, subordinate to all borrowings (with the exception of the remainder of the tier 1 capital), fully paid up, capable of sustaining losses and devoid of any voting rights. From 1 January 2013 onwards, the proportion of the issued preferred securities which may be allocated, in the form of tier 1 capital, towards meeting the Group's capital adequacy requirements are reduced by 10% each year. The tier 1 bonds can first be redeemed, at the Issuer's initiative, five and a half years after their issue date (i.e. 19 March 2018), and at yearly intervals thereafter, provided the regulator agrees to this. They may also be redeemed, at the Issuer's initiative, should Regulatory Events or Tax Events occur, as described in the prospectus. In the case of a Viability Event occurring, i.e. at a point in time where there is a threat of insolvency ('Point of non-viability' or 'PONV'), as described in Article 29 of the Capital Adequacy Ordinance (CAO), all monies due on the tier 1 bonds will automatically cease to be payable and they will be completely written off (i.e. their value will be written down to zero). Should a Trigger Event occur – i.e. should tier 1 common equity (under Basel III) fall below 5.125% – the value of the tier 1 bonds will be written down sufficiently to ensure that the Write-Down Threshold Ratio which originally triggered the event is restored to a level equal to or exceeding its trigger level. Here, too, in a worst-case scenario, all monies due on the tier 1 bonds will cease to be payable in their entirety. In the event of the monies payable on the tier 1 bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the tier 1 bonds is envisaged or permitted. From the issue date (18 September 2012) to the reset date (19 March 2018) the tier 1 bonds will pay interest at a fixed rate of 5.375% per annum. Thereafter, the annual interest payable on the tier 1 bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year mid-market CHF swap rate) and a margin of 4.98%. Interest on the tier 1 bonds is payable, in arrears on a 30/360 day basis, on 19 March 2013 and at annual intervals thereafter until the tier 1 bonds have either been redeemed or fully written off. Julius Baer Group Ltd. has the right, at its sole discretion and without stating its reasons, to suspend interest payments on the tier 1 bonds. Interest payments on the tier 1 bonds are prohibited in the event of this being ordered by the regulator (FINMA) or should there be insufficient retained earnings on the balance sheet of Julius Baer Group Ltd. to finance the payment of interest on tier 1 capital and to make any distributions already planned in respect of the previous financial year. Once suspended, any interest payments will permanently cease to be payable. Such interest payments are not cumulative, nor will they be paid at any future date. In the event of interest payments on the tier 1 bonds being suspended, the Board of Directors of Julius Baer Group Ltd. will not be permitted to recommend any dividend payments to the Annual General Meeting until such time as interest payments on the tier 1 bonds are resumed. Moreover, in the event of interest payments on the tier 1 bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

17A DEFERRED TAX ASSETS

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*
Balance at the beginning of the year	**15,091**	12,395
Income statement – credit	**2,590**	4,710
Income statement – charge	**-2,174**	-1,943
Acquisition of subsidiaries	**53**	-
Translation differences and other adjustments	**34**	-71
Balance at the end of the year	**15,594**	15,091

The components of deferred tax assets are as follows:

Operating loss carryforwards	**12,780**	13,618
Employee compensation and benefits	**2,108**	30
Property and equipment	**427**	197
Valuation adjustments on loans	**279**	1,246
Deferred tax assets	**15,594**	15,091

17B DEFERRED TAX LIABILITIES

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000* *restated*
Balance at the beginning of the year	**85,226**	83,877
Income statement – charge	**4,241**	3,074
Income statement – credit	**-1,497**	-2,161
Acquisition of subsidiaries	**24,934**	-9,119
Recognised directly in equity	**29,833**	9,570
Translation differences and other adjustments	**39**	-15
Balance at the end of the year	**142,776**	85,226

The components of deferred tax liabilities are as follows:

Provisions	**54,936**	54,659
Property and equipment	**15,549**	12,604
Financial investments available-for-sale	**22,723**	26,698
Intangible assets	**50,726**	23,324
Other	**9,136**	4,422
Deferred tax liability before set-off	**153,070**	121,707
Offset of pension liability taxes	**-10,294**	-36,481
Deferred tax liabilities	**142,776**	85,226

18 PROVISIONS

	Restructuring CHF 1,000	Legal risks CHF 1,000	Other CHF 1,000	**2013 Total** CHF 1,000	2012 Total CHF 1,000
Balance at the beginning of the year	**7,331**	**22,965**	**1,088**	**31,384**	54,051
Utilised during the year	**-3,767**	**-7,957**	**-100**	**-11,824**	-30,625
Recoveries	**-**	**750**	**-**	**750**	2,665
Provisions made during the year	**-**	**21,223**	**34,600**[1]	**55,823**	11,558
Provisions reversed during the year	**-2,329**	**-4,701**	**-**	**-7,030**	-7,750
Acquisition of subsidiaries	**-**	**2,933**	**-**	**2,933**	1,525
Translation differences	**-**	**19**	**-**	**19**	-40
Balance at the end of the year	**1,235**	**35,232**	**35,588**	**72,055**	31,384

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

Maturity of provisions					
Up to one year	**1,235**	**19,435**	**32,533**	**53,203**	12,409
Over one year	**-**	**15,797**	**3,055**	**18,852**	18,975

Details to restructuring provisions		
Balance at the beginning of the year	**7,331**	27,394
Provisions made during the year	**-**	1,352
Provisions used:		
– Personnel	**-2,754**	-15,476
– Occupancy expense	**-1,013**	-3,118
Provisions reversed during the year	**-2,329**	-2,821
Balance at the end of the year	**1,235**	7,331

Restructuring

As of 31 December 2012 the Group had CHF 7.3 million restructuring provisions. CHF 3.8 million of the provisions have been used as at 31 December 2013 and CHF 2.3 million were reversed.

Legal proceedings

The Group is involved in various legal, regulatory and arbitration proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Group – depending on the status of related proceedings – is difficult to assess. The Group establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss or if the dispute for economic reasons should be settled without acknowledgment of any wrongdoing on the part of the Group and if the amount of such obligation or loss can be reasonably estimated. The Group does not believe that it can estimate an amount of reasonably possible losses for certain of its proceedings because e.g. of the complexity of the proceedings, the early stage of the proceedings and limited amount of discovery that has occurred and/or other factors. Described below are certain proceedings that might have a material effect on the Group.

In a landmark decision on so-called retrocessions the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss law of mandate a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived to reclaim such fees. Bank Julius Baer & Co. Ltd. has been assessing the Court decision, mandate structures to which the Court decision might be applicable and documentation as well as the impact of respective waivers and communicated bandwidths having been introduced some years ago, and implemented appropriate measures to address the matter.

On 5 July 2013, the Swiss Bankers Association (SBA) provided an update on the progress of the withholding tax treaty between Switzerland and the UK. According to this announcement and as confirmed by the Swiss Federal Tax Administration in December 2013, it cannot be excluded that the Group's guarantee payment will not, or only to a very limited extent, be reimbursed. This is due to significantly lower than anticipated client regularisation payments under the treaty, as the amount of undeclared assets held by UK citizens and liable for the payment is substantially below the initial expectations. In accordance with the allocation key, the Group may face a maximum payment in the amount of CHF 28.6 million, which has been fully provisioned for as at 31 December 2013.

Contingent liabilities
In addition to the above-mentioned legal proceedings the Group is involved in further legal, regulatory and arbitration proceedings concerning matters arising within the course of normal business operations as described below that might have a material effect on the Group, for which, based on the current assessment, no provision has been recognised as of 31 December 2013.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against Bank Julius Baer & Co. Ltd., the liquidators of the Fairfield funds are seeking to recover a total amount of over USD 72.5 million, of which approximately USD 8.5 million is claimed in the courts of the British Virgin Islands and approximately USD 64 million is claimed in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with Bank Julius Baer & Co. Ltd. in 2010, and USD 26.5 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with Bank Julius Baer & Co. Ltd. in 2013, such claims being subject to acquisition-related representation and warranties provisions). In addition to the direct claims against Bank Julius Baer & Co. Ltd., the liquidators of the Fairfield funds have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against Bank Julius Baer & Co. Ltd. and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between Bank Julius Baer & Co. Ltd. and the other defendants cannot be made at this time. Finally, the trustee of Madoff's broker-dealer company seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with Bank Julius Baer & Co. Ltd. in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the liquidators of the Fairfield funds. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. Bank Julius Baer & Co. Ltd. is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests.

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

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

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). The Bank has formally repelled the payment order and is contesting the claim whilst taking appropriate measures to defend its interests.

A former private client of Bank Julius Baer & Co. Ltd. has been involved in a litigation with a business partner. The proceeds of the litigation should have been credited on the account of the former client opened shortly before the transfer with Bank Julius Baer & Co. Ltd. However, such proceeds were blocked by the local (foreign) authorities on the correspondent account of Bank Julius Baer & Co. Ltd. at the Bank's third-party correspondent bank. As a consequence, the Bank could therefore not make the proceeds available to the former client. Such former client now claim the amount of the proceeds of RUB 350 million (approximately CHF 9.5 million) including interests in front of the Commercial Court of Zurich, whereas the amount is still blocked on the correspondent account. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

A writ of summons (together with a statement of claim) (the 'Writ') filed in the High Court of Singapore naming Bank Julius Baer & Co Ltd. Singapore branch ('the Bank') and a former relationship manager as defendants respectively was served on the Bank by two former clients of the Bank (together, the 'Plaintiffs'), on 12 June 2013. The Plaintiffs' claim stems from a dispute over alleged damages/losses incurred by the Plaintiffs arising from share accumulator transactions in 2007 and 2008. The Plaintiffs claim they suffered damages/losses due to (i) alleged breach of fiduciary duties, (ii) alleged breach of duty of care and/or warranty, (iii) alleged breach of contractual and common law duties of skill and care and/or warranty and/or (iv) alleged misrepresentations (whether fraudulently or negligently made). Due to these alleged breaches and misrepresentations, the Plaintiffs are, among other things, claiming rescission or damages in lieu of rescission, damages/losses amounting to SGD 94 million and HKD 186 million (further or alternatively, damages to be assessed by the court) plus interests and costs. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

19 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF 1,000*
Balance on 01.01.2012	206,630,756	**4,133**
of which entitled to dividends	*199,037,802*	***3,981***
Decrease	-10,240,000	**-205**
Increase	20,316,285	**406**
Balance on 31.12.2012	216,707,041	**4,334**
of which entitled to dividends	*216,707,041*	***4,334***
Increase	7,102,407	**142**
Balance on 31.12.2013	223,809,448	**4,476**
of which entitled to dividends	*221,803,359*	***4,436***

The following movements apply to the financial years 2012 and 2013:

- capital decrease of 10,240,000 shares due to the share repurchase programme 2011 and the respective cancellation of these shares on 22 June 2012
- capital increase of 20,316,285 shares as of 22 October 2012 related to the rights offering in connection with the partial financing of the acquisition of Merrill Lynch's International Wealth Management
- capital increase of 7,102,407 shares as of 24 January 2013. These shares have been or will be used to partially finance the acquisition of Merrill Lynch's International Wealth Management business (the consideration shares, see Note 31) and are held by Julius Baer Group Ltd. until used as consideration.

Up to 31 December 2013, 5,096,318 out of the 7,102,407 shares have been used as consideration and therefore have been transferred to Merrill Lynch & Co., Inc. The remaining 2,006,089 shares must also be used exclusively for the financing of this acquisition, if necessary. They are recorded as treasury shares.

The consideration shares were transferred as follows:
224,609 on 27 May 2013
64,282 on 1 July 2013
1,228,825 on 12 July 2013
2,663 on 7 August 2013
1,189,548 on 6 September 2013
311,909 on 11 October 2013
23,053 on 25 October 2013
1,078,558 on 8 November 2013
965,303 on 6 December 2013
7,568 on 13 December 2013

As at 31 December 2012, in total 17,183,715 shares are authorised. 7,102,407 of these shares have been or will be used to partially finance the acquisition of Merrill Lynch's International Wealth Management business (the consideration shares, see Note 31). The remaining 10,081,308 shares are still authorised.

ADDITIONAL INFORMATION

20 REPORTING BY SEGMENT

Julius Baer Group engages exclusively in private banking activities primarily in Switzerland, Europe, Asia and South America. This focus on pure-play private banking includes certain internal supporting functions which serve entirely the core business activities. Revenues from private banking activities primarily encompass commissions charged for servicing and advising private clients as well as net interest income on financial instruments.

The Group's external segment reporting is based on the internal reporting to the chief operating decision maker, which is responsible for allocating resources and assesses the financial performance of the business. The Executive Board of the Group has been identified as the chief operating decision maker, as this board is responsible for the implementation of the overall strategy and the operational management of the whole Group. The Executive Board of the Group is composed of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Communications Officer, Private Banking Representative and General Counsel.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the Executive Board of the Group reviews and uses for its management decisions the consolidated financial reports on the level of the Group only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Group consists of the single reportable segment Private Banking. This is in line with the strategy and business model of Julius Baer Group and reflects the management structure and the use of information by management in making operating decisions. The acquired Merrill Lynch International Wealth Management business did not change the management structure, as it has been fully integrated into the existing structures of the Group.

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

Entity-wide disclosures

	31.12.2013	31.12.2012	**2013**	2012	**2013**	2012
	Total assets *CHF m*	*CHF m restated*	Operating income *CHF m*	*CHF m*	Investments *CHF 1,000*	*CHF 1,000*
Switzerland	**64,320**	49,277	**1,696**	1,370	**377,039**	82,592
Europe (excl. Switzerland)	**19,672**	13,754	**277**	194	**77,855**	1,462
Americas	**1,085**	828	**85**	42	**1,935**	273
Asia and other countries	**14,140**	7,880	**315**	205	**254,082**	7,597
Less consolidation items	**26,695**	16,918	**178**	74		
Total	**72,522**	54,821	**2,195**	1,737	**710,911**	91,924

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

	31.12.2013[1] *CHF 1,000*	31.12.2012[2] *CHF 1,000*
Key management personnel compensation		
Salaries and other short-term employee benefits	**10,220**	10,459
Post-employment benefits	**667**	619
Other long-term benefits	**10**	2
Share-based payments	**6,908**	5,705
Total	**17,805**	16,785
Receivables from		
key management personnel	**8,805**	19,901
own pension funds	**-**	837
Total	**8,805**	20,738
Liabilities to		
key management personnel	**17,709**	15,542
own pension funds	**6,000**	3,961
Total	**23,709**	19,503
Credit guarantees to		
key management personnel	**477**	18
Total	**477**	18
Income from services provided to		
key management personnel	**346**	288
Total	**346**	288

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

[2] 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 General Counsel, the Chief Risk Officer and the Private Banking Representative.

For compensation, loans and share holdings of the Board of Directors and Executive Board, see pages 158 to 167.

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

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

22 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions under the Swiss pension law. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the Company or retiring as well as in the event of death or invalidity. These benefits are the result of the conversion rate applied on the accumulated balance of the individual plan participant's pension account at the retirement date. The accumulated balance equals the sum of the regular employer's and employee's contribution that have been made during the employment period, including the accrued interest on these amounts. However, these plans do not fulfil all the criteria of a defined contribution pension plan according to IAS 19 and are therefore treated as defined benefit pension plans for the purpose of the Group's financial statements.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. In case the plans become significantly underfunded over an extended time period according to the Swiss pension law basis, the Group and the employees share the risk of additional payments into the pension fund. The pension funds are managed by a board of trustees consisting of representatives of the employees and the employer. Management of the pension funds includes the pursuit of a medium- and long-term consistency and sustainability between the pension plans' assets and liabilities, based on a diversified investment strategy correlating with the maturity of the pension obligations. The organisation, management, financing and investment strategy of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations.

	2013 *CHF 1,000*	2012 *CHF 1,000 restated*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-1,988,437**	-1,769,000
Acquisitions	**-113,955**	-6,939
Current service cost	**-50,180**	-50,590
Employees' contributions	**-32,167**	-29,430
Interest expense on defined benefit obligation	**-38,728**	-41,105
Past service cost, curtailments, settlements, plan amendments	**8,086**	-21,484
Benefits paid	**25,046**	42,976
Transfer payments in/out	**-3,817**	-
Experienced gains/(losses) on defined benefit obligation	**-565**	-20,125
Actuarial gains/(losses) arising from change in demographic assumptions	**-12,871**	-9,307
Actuarial gains/(losses) arising from change in financial assumptions	**67,133**	-82,081
Translation differences	**382**	-1,352
Present value of defined benefit obligation at the end of the year	**-2,140,073**	-1,988,437
whereof due to active members	***-1,442,045***	*-1,300,259*
whereof due to deferred members	***-59,966***	*-47,973*
whereof due to pensioners	***-638,062***	*-640,205*
Fair value of plan assets at the beginning of the year	**1,822,615**	1,617,480
Acquisitions	**80,555**	6,884
Interest income on plan assets	**36,236**	38,638
Employees' contributions	**32,167**	29,430
Employer's contributions	**71,083**	67,052
Curtailments, settlements, plan amendments	**-468**	-268
Benefits paid	**-25,046**	-42,976
Transfer payments in/out	**3,817**	-
Administration cost (excluding asset management cost)	**-920**	-838
Return on plan assets (excluding interest income)	**71,578**	106,016
Translation differences	**-242**	1,197
Fair value of plan assets at the end of the year	**2,091,375**	1,822,615

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000 restated*
2. Balance sheet		
Fair value of plan assets	**2,091,375**	1,822,615
Present value of defined benefit obligation	**-2,140,073**	-1,988,437
Net defined benefit asset/(liability)	**-48,698**	-165,822

	2013 CHF 1,000	2012 CHF 1,000 restated
3. Income statement		
Current service cost	**-50,180**	-50,590
Interest expense on defined benefit obligation	**-38,728**	-41,105
Past service cost, curtailments, settlements, plan amendments	**7,618**	-21,752
Interest income on plan assets	**36,236**	38,638
Administration cost (excluding asset management cost)	**-920**	-838
Defined benefit cost recognised in the income statement	**-45,974**	-75,647
whereof service cost	***-43,482***	*-73,180*
whereof net interest on the net defined benefit/(liability) asset	***-2,492***	*-2,467*

	2013 CHF 1,000	2012 CHF 1,000 restated
4. Movements in net assets		
Net defined benefit asset/(liability) at the beginning of the year	**-165,822**	24,453
Reclassification IAS19 revised	**-**	-175,973
Acquisitions	**-33,400**	-55
Translation differences	**140**	-155
Defined benefit cost recognised in the income statement	**-45,974**	-75,647
Employer's contributions	**71,083**	67,052
Remeasurements of the net defined benefit liability/(asset)	**125,275**	-5,497
Amount recognised in the balance sheet	**-48,698**	-165,822

	2013 CHF 1,000	2012 CHF 1,000 restated
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	**53,697**	-111,513
Return on plan assets (excluding interest income)	**71,578**	106,016
Total recognised in other comprehensive income	**125,275**	-5,497

	2013 CHF 1,000	2012 CHF 1,000 restated
5. Composition of plan assets		
Cash	**28,754**	31,375
Debt instruments	**757,650**	710,101
Equity instruments	**734,402**	529,451
Real estate	**250,982**	242,867
Other	**319,587**	308,821
Total	**2,091,375**	1,822,615

6. Aggregation of plan assets – quoted market prices in active markets	2013 in %	2012 in %
Cash	**1.37**	1.72
Debt instruments	**33.97**	37.00
Equity instruments	**35.12**	29.05
Real estate	**5.20**	6.75
Other	**11.00**	11.32
Total	**86.66**	85.84

7. Sensitivities	2013 CHF 1,000	2012 CHF 1,000
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	**-71,290**	-60,302
Effect on service cost	**-3,151**	-2,528
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	**67,088**	56,542
Effect on service cost	**2,959**	2,167
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	**4,410**	3,345
Effect on service cost	**499**	259
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	**-4,420**	-3,447
Effect on service cost	**-502**	-460

Actuarial calculation of pension assets and obligations

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

	2013	2012
Discount rate	**2.10%**	1.80%
Average future salary increases	**1.00%**	1.00%
Future pension increases	**0.00%**	0.00%

Investment in own shares

The pension plan assets are invested in accordance with local laws and do not include shares of Julius Baer Group Ltd.

Expected employer contributions

The expected employer contributions for the 2014 financial year related to defined benefit plans are estimated at CHF 71.0 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 6.0 million (2012: CHF 4.0 million).

Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 17.8 million for the 2013 financial year (2012: CHF 14.4 million).

23 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2013 *CHF m*	31.12.2012 *CHF m*
Receivables		
Receivables from cash provided in reverse repurchase transactions	**97.8**	100.7
of which recognised in loans	***97.8***	*100.7*
Obligations		
Obligations to return cash received in securities lending transactions	**312.5**	169.2
of which recognised in due to banks	***259.0***	*114.3*
of which recognised in due to customers	***53.5***	*54.9*
Obligations to return cash received in repurchase transactions	**110.3**	261.1
of which recognised in due to banks	***110.3***	*261.1*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1,104.4**	749.8
of which securities the right to pledge or sell has been granted without restriction	***1,104.4***	*749.8*
of which recognised in trading assets	***1,018.0***	*339.7*
of which recognised in financial investments available-for-sale	***86.4***	*410.1*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**2,327.3**	3,428.9
of which repledged or resold securities	***1,922.3***	*2,616.8*

The Group enters into collateralised securities borrowing and securities lending transactions and reverse repurchase and repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfill the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase Agreements). 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	47,852.0	456.1	468.1
Futures	117.1	0.3	-
Unmatured Spot Contracts	2.4	-	-
Options (OTC)	31,486.0	362.6	247.7
Options (traded)	10.0	-	0.1
Total foreign exchange derivatives 31.12.2013	**79,467.5**	**819.0**	**715.9**
Total foreign exchange derivatives 31.12.2012	110,459.4	849.9	773.2
Interest rate derivatives			
Swaps	3,930.5	44.9	32.7
Futures	2,724.1	5.3	6.7
Options (OTC)	1,203.1	7.0	1.6
Options (traded)	424.1	-	-
Total interest rate derivatives 31.12.2013	**8,281.8**	**57.2**	**41.0**
Total interest rate derivatives 31.12.2012	4,579.7	58.2	57.8
Precious metals derivatives			
Forward contracts	1,325.8	19.4	43.1
Futures	237.5	-	0.4
Options (OTC)	2,337.3	136.2	49.9
Total precious metals derivatives 31.12.2013	**3,900.6**	**155.6**	**93.4**
Total precious metals derivatives 31.12.2012	8,910.3	151.2	110.3
Equity/indices derivatives			
Futures	496.3	6.3	4.5
Options (OTC)	6,238.2	111.5	115.8
Options (traded)	3,613.6	83.1	221.5
Total equity/indices derivatives 31.12.2013	**10,348.1**	**200.9**	**341.8**
Total equity/indices derivatives 31.12.2012	6,597.2	145.2	171.3
Other derivatives			
Futures	158.4	0.9	0.3
Total other derivatives 31.12.2013	**158.4**	**0.9**	**0.3**
Total other derivatives 31.12.2012	546.8	1.1	0.1

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	23.9	-	0.6
Total credit derivatives 31.12.2013	**23.9**	**-**	**0.6**
Total credit derivatives 31.12.2012	5.6	0.1	0.1
Total derivatives held for trading 31.12.2013	**102,180.3**	**1,233.6**	**1,193.0**
Total derivatives held for trading 31.12.2012	131,099.0	1,205.6	1,112.7

Derivatives held for hedging

Derivatives designated as fair value hedges			
Interest rate swaps	814.7	19.7	5.2
Total derivatives held for hedging 31.12.2013	**814.7**	**19.7**	**5.2**
Total derivatives held for hedging 31.12.2012	473.2	0.1	13.1
Total derivative financial instruments 31.12.2013	**102,995.0**	**1,253.3**	**1,198.2**
Total derivative financial instruments 31.12.2012	131,572.2	1,205.7	1,125.8

25 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable netting arrangements and similar agreements

31.12.2013
CHF m

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	**Net amounts of financial assets presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Collateral, including cash collateral, received	**Net amount**
Derivative financial instruments[1]	497.1	-	**497.1**	386.6	110.5	-
Reverse repurchase transactions[2]	97.8	-	**97.8**	-	97.8	-
Total assets	594.9	-	**594.9**	386.6	208.3	-

[1] Out of CHF 1,253.3 million derivative financial instruments recognised as assets in the balance sheet, CHF 497.1 million are subject to an enforceable netting agreement.

[2] Receivables related to reverse repurchase agreements are recognised in due from banks and loans in the balance sheet.

Financial liabilities subject to offsetting, enforceable netting arrangements and similar agreements

31.12.2013
CHF m

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	**Net amounts of financial liabilities presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Collateral, including cash collateral, provided	**Net amount**
Derivative financial instruments[1]	528.6	-	**528.6**	386.4	142.2	-
Repurchase transactions[2]	110.3	-	**110.3**	-	110.3	-
Securities lending transactions[2]	312.5	-	**312.5**	-	312.5	-
Total liabilities	951.4	-	**951.4**	386.4	565.0	-

[1] Out of CHF 1,198.2 million derivative financial instruments recognised as liabilities in the balance sheet, CHF 528.6 million are subject to an enforceable netting agreement.

[1] Obligations related to repurchase transactions and securities lending transactions are recognised in due to banks and due to customers in the balance sheet.

Financial assets subject to offsetting, enforceable netting arrangements and similar agreements

31.12.2012
CHF m

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	**Net amounts of financial assets presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Collateral, including cash collateral, received	**Net amount**
Derivative financial instruments[1]	599.2	-	599.2	505.3	93.9	-
Reverse repurchase transactions[2]	100.7	-	100.7	-	100.7	-
Total assets	699.9	-	699.9	505.3	194.6	-

[1] Out of CHF 1,205.7 million derivative financial instruments recognised as assets in the balance sheet, CHF 599.2 million are subject to an enforceable netting agreement.
[2] Receivables related to reverse repurchase agreements are recognised in due from banks and loans in the balance sheet.

Financial liabilities subject to offsetting, enforceable netting arrangements and similar agreements

31.12.2012
CHF m

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	**Net amounts of financial liabilities presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Collateral, including cash collateral, provided	**Net amount**
Derivative financial instruments[1]	589.6	-	589.6	505.2	84.4	-
Repurchase transactions[2]	261.1	-	261.1	-	261.1	-
Securities lending transactions[2]	169.2	-	169.2		169.2	-
Total liabilities	1,019.9	-	1,019.9	505.2	514.7	-

[1] Out of CHF 1,125.8 million derivative financial instruments recognised as liabilities in the balance sheet, CHF 589.6 million are subject to an enforceable netting agreement.
[2] Obligations related to repurchase transactions and securities lending transactions are recognised in due to banks and due to customers in the balance sheet.

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 information provided in this Note does not reflect the Group's actual credit exposure related to these businesses, as the Group also applies other credit mitigation strategies. Refer to the Credit Risk section (page 67ff.) for a detailed analysis of the Group's credit risk exposure.

26A FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	31.12.2013 Book value CHF m	31.12.2013 Fair value CHF m	31.12.2012 Book value CHF m	31.12.2012 Fair value CHF m
Cash, loans and receivables				
Cash	**10,242.0**	**10,242.0**	9,582.2	9,582.2
Due from banks	**11,455.4**	**11,466.5**	6,023.8	6,036.7
Loans	**27,536.3**	**27,834.6**	19,783.3	20,106.1
Accrued income	**235.9**	**235.9**	187.0	187.0
Total	**49,469.6**	**49,779.0**	35,576.3	35,912.0
Held for trading				
Trading assets	**4,144.3**	**4,144.3**	2,555.7	2,555.7
Derivative financial instruments	**1,233.6**	**1,233.6**	1,205.6	1,205.6
Total	**5,377.9**	**5,377.9**	3,761.3	3,761.3
Derivatives designated as hedging instruments				
Derivative financial instruments	**19.7**	**19.7**	0.1	0.1
Total	**19.7**	**19.7**	0.1	0.1
Available-for-sale				
Financial investments available-for-sale	**13,125.3**	**13,125.3**	11,775.4	11,775.4
Total	**13,125.3**	**13,125.3**	11,775.4	11,775.4
Total financial assets	**67,992.5**	**68,301.9**	51,113.1	51,448.8

Financial liabilities

	Book value CHF m	31.12.2013 Fair value CHF m	Book value CHF m	31.12.2012 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**7,990.5**	**7,990.1**	4,289.8	4,290.5
Due to customers	**51,559.3**	**51,580.3**	39,103.8	39,107.8
Debt issued	**724.5**	**768.9**	746.3	807.1
Accrued expenses	**138.7**	**138.7**	120.3	120.3
Total	**60,413.0**	**60,478.0**	44,260.2	44,325.7
Held for trading				
Trading liabilities	**198.6**	**198.6**	804.7	804.7
Derivative financial instruments	**1,193.0**	**1,193.0**	1,112.7	1,112.7
Total	**1,391.6**	**1,391.6**	1,917.4	1,917.4
Derivatives designated as hedging instruments				
Derivative financial instruments	**5.2**	**5.2**	13.1	13.1
Total	**5.2**	**5.2**	13.1	13.1
Designated at fair value				
Financial liabilities designated at fair value	**4,797.5**	**4,797.5**	3,154.7	3,154.7
Other liabilities[1]	**10.2**	**10.2**	-	-
Total	**4,807.7**	**4,807.7**	3,154.7	3,154.7
Total financial liabilities	**66,617.5**	**66,682.5**	49,345.4	49,410.9

[1] Relates to the deferred purchase price of WMPartners Wealth Management Ltd., see Note 28

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

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

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

Trading assets and liabilities, financial investments available-for-sale, derivative financial instruments and financial liabilities designated at fair value
Refer to Note 26B for details regarding the valuation of these instruments.

26B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

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

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date (level 2). 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.

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 (level 3). In 2013, the Group recognised two such financial instruments in the financial investments available-for-sale, which were transferred from level 2 to level 3 in 2013. These investments are equity held in SIX Swiss Exchange AG and Euroclear in the amount of CHF 76.1 million (2012: CHF 68.3 million), which are required for the operation of the Group and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2013, dividends related to these investments in the amount of CHF 6.5 million have been recognised in the income statement.

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

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

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

26C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

	31.12.2013 CHF m
Transfers from level 1 to level 2	
Trading assets	11.2
Financial investments available-for-sale	190.4
Transfers from level 2 to level 1	
Trading assets	11.6
Financial investments available-for-sale	20.4
Trading liabilities	24.5

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

27A COMPANIES CONSOLIDATED AS AT 31 DECEMBER 2013

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.13 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.5	9,588

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

Unlisted operational companies which are consolidated

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Ascona, Basle, Berne, Crans-Montana,				
Dubai International Financial Centre (DIFC), Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano,				
Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zug				
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*
Julius Baer Wealth Management (Europe) SA (in liquidation)	*Luxembourg*	*CHF*	*0.200*	*100*
Bank Julius Bär Europe AG	Frankfurt	EUR	15.000	100
Branches in Duesseldorf, Hamburg, Kiel, Mannheim, Munich,				
Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	50.000	100

	Head Office	Currency	Share capital m	Equity interest %
Finance companies				
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Consultores S.A.	*Caracas*	*VEF*	*1.720*	*100*
Julius Baer Trust Company (Singapore) Ltd.	*Singapore*	*SGD*	*6.262*	*100*
Institución Financiera Externa Merrill Lynch Bank (Uruguay) S.A.	Montevideo	USD	1.600	100
JB Participações Brasil Ltda.	São Paulo	BRL	96.161	100
Julius Baer Advisory (Uruguay) S.A.	Montevideo	UYU	0.087	100
Julius Baer Advisory S.A.E.	Cairo	EGP	12.847	100
Julius Baer Agencia de Valores, S.A.U.	Madrid	EUR	0.902	100
Julius Baer (Bahrain) B.S.C. (c)	Manama	BHD	1.000	100
Julius Baer Consultores (Chile) SpA	Santiago de Chile	CLP	498.928	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 Financial Services (Channel Islands) Limited	Jersey	GBP	0.025	100
Infidar Investment Advisory Ltd.	Zurich	CHF	1.000	100
including				
Infidar (Liechtenstein) AG (in liquidation)	*Vaduz*	*CHF*	*0.100*	*100*
Julius Baer Gestión, SGIIC, S.A.U.	Madrid	EUR	2.100	100
Julius Baer (Hong Kong) Limited	Hong Kong	HKD	273.894	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Julius Baer (Uruguay) S.A.	Montevideo	UYU	25.169	100
Julius Baer Capital (Guernsey) I Ltd.	Guernsey	CHF	0.000	100
Julius Baer Consultores (Peru) S.A.C.	Lima	PEN	3.000	100
Julius Baer Fiduciaria S.r.l.	Milan	EUR	0.100	100
Julius Baer Financial Services (Israel) Ltd.	Tel Aviv	ILS	11.000	100
Julius Baer International Ltd.	London	GBP	48.300	100

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

Major changes in the companies consolidated:

- Merrill Lynch Bank (Suisse) S.A., Geneva, and its branches in Zurich and Dubai, new and merged into Bank Julius Baer & Co. Ltd.
- Merrill Lynch (Montevideo) S.A., Uruguay, new and renamed Julius Baer Advisory (Uruguay) S.A., Uruguay
- Institución Financiera Externa Merrill Lynch Bank (Uruguay) S.A., Uruguay, new and will be renamed IFE Julius Baer (Uruguay) SA, Uruguay
- Merrill Lynch (Chile) SpA, Chile, new and renamed Julius Baer Consultores (Chile) SpA, Chile
- Merrill Lynch (Luxembourg) S.à.r.l., Luxembourg, new and renamed Julius Baer Investment Services S.à r.l., Luxembourg
- Merrill Lynch S.A.M. Monaco, Monaco, new and merged into Julius Baer Wealth Management (Monaco) S.A.M., Monaco
- Merrill Lynch Portfolio Managers Limited, London, new and renamed Julius Baer Portfolio Managers Limited, London
- Merrill Lynch Gestión SGIIC, S.A.U., Spain, new and renamed Julius Baer Gestión, SGIIC, S.A.U., Spain
- Merrill Lynch Española Agencia de Valores S.A., Spain, new and renamed Julius Baer Agencia de Valores, S.A.U., Spain
- Merrill Lynch, Pierce, Fenner & Smith (Middle East) S.A.L., Lebanon, new and renamed Julius Baer (Lebanon) S.A.L., Lebanon
- TFM Asset Management AG, Erlenbach, new
- WMPartners Wealth Management Ltd., Zurich, new
- Julius Baer SIM S.p.A., Milano, sold

27B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
GPS – Global Portfolio Strategists	São Paulo	BRL	0.280	30
Kairos Investment Management SpA	Milan	EUR	2.355	20

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
Balance at the beginning of the year	**45,211**	48,504	-3,293
Additions	**63,717**	-	63,717
Income	**5,931**	3,584	2,347
Dividend paid	**-4,348**	-1,530	-2,818
Translation differences	**-7,864**	-5,347	-2,517
Balance at the end of the year	**102,647**	45,211	57,436

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

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

The total comprehensive income of the associated companies (GPS Investimentos e Participações S.A. and Kairos Investment Management SpA) amounts to CHF 40.0 million (2012: CHF 14.6 million).

27C UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved in the set-up of a Private Equity Real Estate Fund in the legal form of a limited partnership (L.P.). This L.P. invests in certain real estate funds. Group clients hold limited partnership stakes in the L.P., the General Partner is represented by a third party outside the Group. The Group takes the role of the designated investment manager and the paying agent. However, it acts as an agent only and is not able to control the L.P. The L.P. is therefore not included in the consolidated financial statements of the Group.

28 ACQUISITIONS

Apart from the acquisition of Merrill Lynch's International Wealth Management business (see Note 31 for details), the following transactions resulting in a business combination were executed:

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

WMPartners Wealth Management Ltd.
On 15 November 2013, the Group acquired Zurich-based WMPartners, a leading independent asset manager in Switzerland. The company is expected to be merged in the first quarter of 2014 with Zurich-based Infidar Investment Advisory Ltd., which is already part of the Group. The combined company will form one of Switzerland's largest independent asset managers. The purchase price was fully funded by existing excess capital of the Group.

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

	Fair value *CHF 1,000*
Assets acquired	28,189
Liabilities assumed	4,051
Equity including non-controlling interests	24,138

PINVESTAR AG
On 15 November 2013, the Group acquired PINVESTAR AG, a holding company with the main asset being the 27.5% interest in Infidar Investment Advisory Ltd., which was not owned by the Group yet (the non-controlling interest). Infidar is expected to be merged in the first quarter of 2014 with Zurich-based WMPartners which was acquired on 15 November 2013 as well. The purchase price was fully funded by existing excess capital of the Group.

PINVESTAR AG does not constitute a business; therefore, the transaction does not qualify as a business combination, but rather as a purchase of assets and liabilities of the holding company.

On 1 October 2012, Julius Baer Group entered into a strategic collaboration agreement with Bank of China whereby the parties will mutually cross-refer clients as well as undertake various joint marketing activities. As part of the agreement, the Group also acquired Bank of China (Suisse) SA, a fully owned subsidiary of Bank of China (UK) Limited. The Group paid a total consideration of CHF 95.7 million in cash. The purchase price was fully funded by existing excess capital of the Group. Bank of China (Suisse) SA, which was active in private banking business, has been fully integrated into Bank Julius Baer & Co. Ltd.

The transaction resulted in goodwill of CHF 10.7 million, which represents expected synergies from the strategic collaboration agreement with Bank of China.

The assets and liabilities of the acquired entity were recorded as follows:

	Fair value *CHF 1,000*
Assets	
Cash	132,881
Due from banks	77,293
Loans[1]	78,349
Financial investments available-for-sale	5,533
Goodwill	10,708
Deferred tax assets	9,119
All other assets	3,687
Total	317,570

Liabilities and equity	
Due to banks	18,620
Due to customers	195,343
All other liabilities	7,877
Total liabilities	221,840
Equity	95,730
Total	317,570

1 At the acquisition date, the gross contractual amount of loans acquired was CHF 85.1 million.

29 SHARE-BASED PAYMENTS

Equity-based plans
The programmes described below reflect the plan landscape as at 31 December 2013. All plans are reviewed annually to reflect any regulatory changes and/or market conditions.

Until vesting, the granted shares are administered by the Loteco Foundation. Loteco Foundation hedges its liabilities on grant date by purchasing the shares from the market.

Staff Participation Plan
Through this plan, participants purchase Julius Baer shares at market price and for every three shares purchased they will receive one share free of charge. These free shares vest after three years, subject to continued employment. Purchase through the Staff Participation Plan is possible once a year.

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

Deferred variable compensation plans until and including 2012
The premium share plan and the incentive share plan described below are granted annually and are mutually exclusive, i.e. an employee can only receive a grant from one of the plans in any given year.

Premium Share Plan
The Premium Share Plan (PSP) is a three-year deferred equity plan which applies to senior members of staff whose variable compensation amounts to CHF 150,000 or more (or the local currency equivalent). A PSP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis.

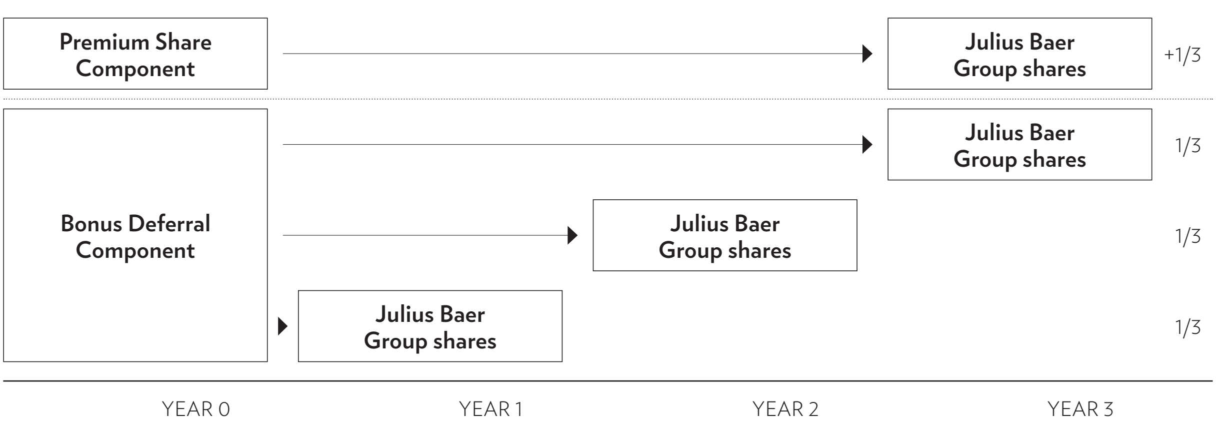
The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the Group through its share price.

At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or the local currency equivalent) of the employee's variable incentive is deferred to the PSP, and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one third of the number of shares granted to him/her at the beginning of the plan period.

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.

No special dividends or capital increases were allocated in the fiscal year 2013.

PSP structure and payout schedule



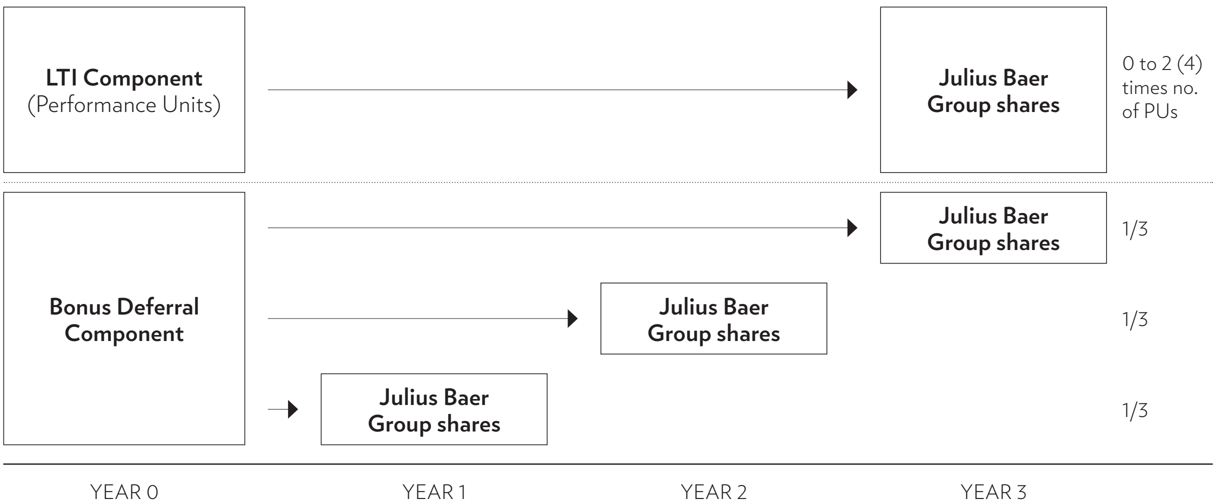
Incentive Share Plan
The Incentive Share Plan (ISP) was applied for the first time to the members of the Executive Board and selected key staff as part of the variable compensation for 2010. The following paragraphs describe the modified ISP applied to grants made as part of variable compensation for 2012 for the last time.

At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or the local currency equivalent) of the executive's variable incentive was deferred to the ISP and the employee was 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.

Also at the start of the plan period, the executives are granted one performance unit (PU) for each granted ISP share which, subject to the achievement of the predefined targets and continued employment, vest at the end of the three-year performance period and are settled in the form of Julius Baer Group shares. At settlement the number of these additional shares can be between zero and two times the number of PUs for plan participants other than members of the Senior Management and of the Executive Board of Bank Julius Baer and zero to four times the number of PUs for members of the Senior Management and of the Executive Board of Julius Baer. The final ratio between the granted PUs and the number of shares at settlement is determined by a final payout factor which is derived from the two KPIs which both carry equal weight in determining the final payout factor.

Until vested, the PUs/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.

ISP 2011 structure and payout schedule (applied as part of variable compensation for 2011)



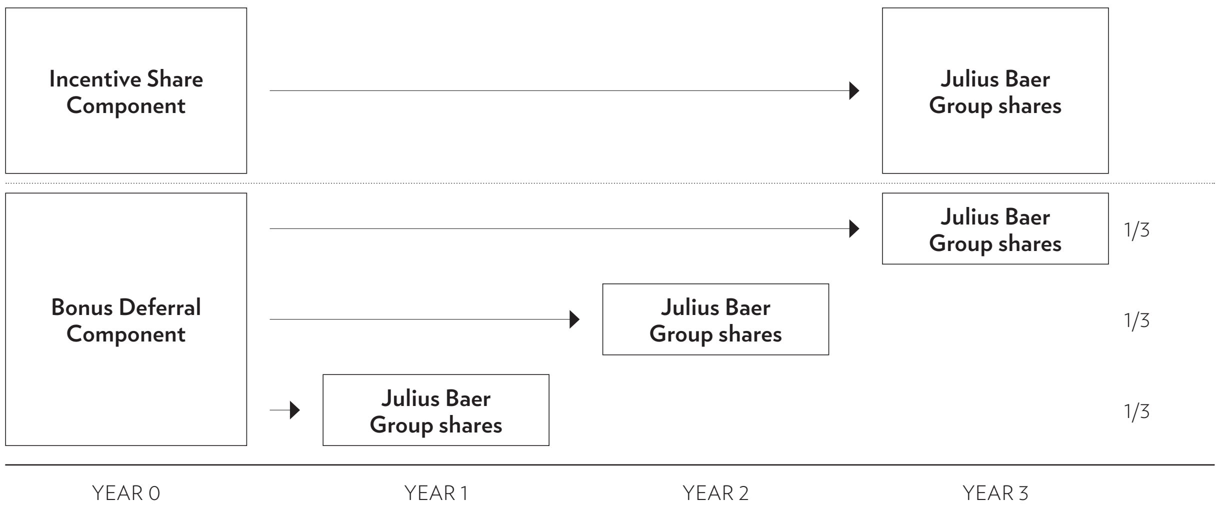
Deferred variable compensation plans since 2013
The premium share plan and the incentive share plan described below are granted annually and are mutually exclusive, i.e. an employee can only receive a grant from one of the plans in any given year. The premium share plan as applied in previous years did not change.

Incentive Share Plan (applied as part of the variable compensation for 2012)
In order to simplify the plan and to increase its transparency and considering the current market trends, the ISP applied to grants made as part of variable compensation for 2012 has been modified and is different from the one applied for 2010 and 2011.

As in previous years, at the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 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.

Instead of performance units which were granted as part of the ISP 2010 and 2011 as an additional incentive, participants in the ISP 2012 are granted a pre-fixed number of incentive shares, which cliff-vest at the end of the three-year plan period, subject to continued employment. The number of incentive shares granted is determined based on the number of shares from bonus deferral: members of the Executive Board were eligible for twice the number of additional shares in comparison to participants who are not members of the Executive Board.

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



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

No special dividends or capital increases were allocated in the fiscal year 2013.

The Compensation Committee approved the list of ISP participants and the individual allocations as part of the variable compensation for 2012 on 22 January 2013.

Integration Incentive Award (for former Merrill Lynch financial advisors only)
As part of the Bank of America Merrill Lynch acquisition, key financial advisors from Bank of America Merrill Lynch were offered participation in the Integration Incentive Award (IIA, a cash- and equity-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The IIA runs over a five-year plan period with cash being delivered 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/her at the beginning of the plan.

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

Long-Term Incentive Plan
In some specific situations the Group may offer incentives outside the annual compensation round. Situations such as compensating new hires for deferred awards forfeited by their previous employer due to resignation and retention payments to key employees during extraordinary or critical circumstances may be addressed by granting individuals an equity-based long-term incentive.

A Long-Term Incentive Plan (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, or (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 vesting, subject to continued employment and any other conditions set out in the plan rules. Shares granted in LTIs prior to September 2012 remain blocked from sale until the third anniversary of the grant, shares granted post September 2012 and in 2013 are free from restrictions upon vesting. In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

No special dividends or capital increases were allocated in the fiscal year 2013.

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

Staff Participation Plan	**31.12.2013**	31.12.2012
Unvested shares outstanding, at the beginning of the year	**34,228**	-
Granted during the year	**40,511**	34,313
Vested during the year	**-699**	-85
Forfeited during the year	**-1,483**	-
Unvested shares outstanding, at the end of the year	**72,557**	34,228
Weighted average fair value per share granted (CHF)	**36.43**	35.54
Fair value of outstanding shares at the end of the year (CHF 1,000)	**3,108**	1,107

Long-Term Incentive Plan	**31.12.2013**	31.12.2012
Unvested shares outstanding, at the beginning of the year	**436,635**	353,152
Granted during the year	**282,206**	266,032
Vested during the year	**-199,923**	-154,825
Forfeited during the year	**-10,042**	-27,724
Unvested shares outstanding, at the end of the year	**508,876**	436,635
Weighted average fair value per share granted (CHF)	**39.55**	35.07
Fair value of outstanding shares at the end of the year (CHF 1,000)	**21,800**	14,116

Premium Share Plan	**31.12.2013**	31.12.2012
Unvested shares outstanding, at the beginning of the year	**324,529**	-
Granted during the year	**358,828**	334,429
Vested during the year	**-88,627**	-
Forfeited during the year	**-38,717**	-9,900
Unvested shares outstanding, at the end of the year	**556,013**	324,529
Weighted average fair value per share granted (CHF)	**37.30**	37.47
Fair value of outstanding shares at the end of the year (CHF 1,000)	**23,820**	10,492

Incentive Share Plan	**31.12.2013**	31.12.2012
Unvested shares outstanding, at the beginning of the year	**450,899**	270,668
Granted during the year	**696,832**	274,266
Vested during the year	**-176,746**	-93,285
Forfeited during the year	**-4,213**	-750
Unvested shares outstanding, at the end of the year	**966,772**	450,899
Weighted average fair value per share granted (CHF)	**37.30**	37.47
Fair value of outstanding shares at the end of the year (CHF 1,000)	**41,417**	14,578

Integration Incentive Award	**31.12.2013**	31.12.2012
Unvested shares outstanding, at the beginning of the year	**-**	-
Granted during the year	**722,700**	-
Forfeited during the year	**-19,557**	-
Unvested shares outstanding, at the end of the year	**703,143**	-
Weighted average fair value per share granted (CHF)	**42.97**	-
Fair value of outstanding shares at the end of the year (CHF 1,000)	**30,123**	-

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

	31.12.2013		31.12.2012	
Incentive Share Plan	Number of units Economic Profit	Number of units Relative Share Price	Number of units Economic Profit	Number of units Relative Share Price
Unvested units outstanding, at the beginning of the year	**251,969**	**251,969**	123,527	123,527
Granted during the year	**-**	**-**	129,005	129,005
Forfeited during the year	**-3,143**	**-3,143**	-563	-563
Unvested units outstanding, at the end of the year	**248,826**	**248,826**	251,969	251,969

Compensation expense recognised for the various share plans are:

Compensation expense	**31.12.2013** *CHF m*	31.12.2012 *CHF m*
Staff Participation Plan	**0.8**	0.3
Long-Term Incentive Plan	**7.9**	7.4
Premium Share Plan	**10.0**	6.0
Incentive Share Plan	**24.6**	18.7
Integration Incentive Award	**2.2**	-
Total	**45.5**	32.5

30 ASSETS UNDER MANAGEMENT

Assets under management include all bankable assets managed by or deposited with the Group for investment purposes. Assets included are portfolios of wealth management clients for which the Group provides discretionary or advisory asset management services. Assets deposited with the Group held for transactional or safekeeping/custody purposes, and 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 stated according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2013 *CHF m*	2012 *CHF m*	Change *%*
Assets with discretionary mandate	**35,245**	27,626	27.6
Other assets under management	**219,169**	161,707	35.5
Total assets under management (including double counting)	**254,414**	189,333	34.4
of which double counting	***2,950***	*1,730*	*70.5*
Change through net new money	**7,575**	9,671	
Change through market and currency impacts	**3,995**	9,363	
Change through acquisition	**54,471**[1]	555[3]	
Change through divestment	**-960**[2]	-576[4]	
Client assets	**347,752**	276,977	25.6

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

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

[3] On 1 October 2012, the Group acquired Bank of China (Suisse) SA, Geneva.

[4] On 24 August 2012, the Group sold Julius Baer Life (Bahamas) Ltd.

Breakdown of assets under management

	2013 %	2012 %
By types of investment		
Equities	**27**	25
Bonds (including convertible bonds)	**20**	23
Investment funds	**22**	20
Money market instruments	**5**	7
Client deposits	**20**	18
Structured products	**5**	5
Other	**1**	2
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.

31 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. As at 30 June 2012, this business had USD 84 billion (CHF 81 billion) of assets under management (AuM) and approximately 2,100 employees, including approximately 525 financial advisors. The acquisition is structured as a combination of legal entity acquisitions and business transfers. Principal closing occured on 1 February 2013 following the general approval of the Swiss Financial Market Supervisory Authority (FINMA) and other regulators and involved the purchase of Merrill Lynch Bank (Suisse) S.A. in Geneva. Other legal entity purchases and asset transfers happened and will happen during the integration period which is expected to end in the first quarter of 2015. The Group anticipates that the acquisition will result in additional AuM at the lower end of the initially expected range of between CHF 57 billion and CHF 72 billion by the end of the integration. The actual amount of AuM transferred will depend on which of IWM's clients ultimately agree to join the Group, which in turn also depends on whether the respective client's financial advisors join the Group.

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

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

Financing of the transaction
The Group put the following funding in place at a level that is sufficient to support the acquisition of up to CHF 72 billion of AuM:

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

The consideration will be transferred as follows:

– first USD 150 million in cash;
– subsequent USD 500 million payable 50% in cash and 50% in shares; and
– remainder in cash.

Status as at 31 December 2013
As at 31 December 2013, AuM in the amount of CHF 52.8 billion have been transferred to the Group, whereof CHF 39.5 billion have been booked with the Group and therefore have been paid for.

The transaction so far resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 554.4 million. This amount consists of the following components:

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

Therefore, the actual purchase price of CHF 710.3 million was paid for goodwill and intangible assets and net asset values of the acquired legal entities.

The following legal entities have been acquired since principal closing:

– Merrill Lynch Bank (Suisse) S.A., Switzerland
– Merrill Lynch S.A.M. Monaco, Monaco
– Merrill Lynch (Chile) SpA, Chile
– Merrill Lynch (Montevideo) S.A., Uruguay
– Institución Financiera Externa Merrill Lynch Bank (Uruguay) S.A., Uruguay
– Merrill Lynch (Luxembourg) S.à.r.l., Luxembourg
– Merrill Lynch Portfolio Managers Limited, London
– Merrill Lynch Gestión SGIIC, S.A.U., Madrid
– Merrill Lynch Española Agencia de Valores S.A., Madrid
– Merrill Lynch, Pierce, Fenner & Smith (Middle East) S.A.L., Lebanon

In addition, the transfer of the IWM businesses in Hong Kong, Singapore, Switzerland, Guernsey, Monaco, Israel and Panama started and the respective asset migration process was initiated and in some cases also finalised. The legal entities as well as the business acquired have been fully integrated into the existing Group structure (including rebranding of the continued legal entities). Therefore the Group is not able to disclose any income statement impacts of the acquired business on the Group's financial statements.

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

	Fair value *CHF 1,000*
Purchase price	
in cash	498,097
in shares of Julius Baer Group Ltd.	212,158
Total	710,255
Assets acquired	
Cash	271,531
Due from banks	6,749,464
Loans[1]	3,403,549
Deferred tax assets	53
All other assets	60,742
Total	10,485,339
Liabilities assumed	
Due to banks	2,794,349
Due to customers	7,388,465
Deferred tax liabilities	24,934
All other liabilities	121,772
Total	10,329,520
Goodwill and other intangible assets related to legal entity acquisitions and to business transfers	
Goodwill	318,715
Customer relationships	235,721
Total	554,436

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 3,404 million.

32 REQUIREMENTS OF SWISS BANKING LAW

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Swiss-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is ruled by the principal provisions of the Banking Ordinance and the related Guidelines governing financial statement reporting.

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

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

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

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

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

33 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 2013 financial year.

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

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

Julius Baer Group Ltd., Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Julius Baer Group Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 44 to 150) for the year ended 31 December 2013.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

KPMG

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

Report on Other Legal Requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Philipp Rickert	Hans Stamm
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 3 February 2014

III. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2013

INCOME STATEMENT

	2013 CHF 1,000	2012 CHF 1,000	Change %
Income			
Interest income	**8,950**	8,920	0.3
Interest expense	**32,906**	24,017	37.0
Net interest income	**-23,956**	-15,097	58.7
Commission income on services	**1,377**	2,180	-36.8
Commission expense	**1,218**	756	61.1
Results from commission and service fee activities	**159**	1,424	-88.8
Income from participations	**191,254**	31,394	509.2
Other ordinary results	**80,376**	43,348	85.4
Operating income	**247,833**	61,069	305.8
Expenses			
Personnel expenses	**15,383**	13,997	9.9
General expenses	**40,241**	29,661	35.7
Operating expenses	**55,624**	43,658	27.4
Gross profit	**192,209**	17,411	1,004.0
Extraordinary expense	**6,217**	-	100.0
Taxes	**1,430**	1,439	-0.6
Net profit	**184,562**	15,972	1,055.5

BALANCE SHEET

	31.12.2013 *CHF 1,000*	31.12.2012 *CHF 1,000*	Change *CHF 1,000*
Assets			
Current assets			
Due from banks	**644,754**	990,402	-345,648
Other claims	**6,397**	5,994	403
Accrued income and prepaid expenses	**225,398**	22,429	202,969
Other assets	**3,346**	2,724	622
Non-current assets			
Participations	**3,498,100**	3,189,450	308,650
Other financial investments	**244,287**	180,587	63,700
Treasury shares	**40**	-	40
Total assets	**4,622,322**	4,391,586	230,736
Due from Group companies	**527,306**	1,171,257	-643,951
Liabilities and equity			
Liabilities			
Debt issued	**725,000**	725,000	-
Accrued expenses and deferred income	**20,645**	15,668	4,977
Other liabilities	**17,787**	12,290	5,497
Equity			
Share capital	**4,476**	4,334	142
Legal reserve	**2,392,440**	2,356,882	35,558
of which general reserve	***827***	*827*	-
of which share premium reserve/capital contribution reserve	***2,391,613***	*2,356,055*[1]	*35,558*
including reserve for treasury shares	***40***[2]	-	*40*
Other reserves	**1,273,218**	1,258,218	15,000
Disposable profit	**188,756**	19,194	169,562
of which retained earnings	***4,194***	*3,222*	*972*
of which net profit	***184,562***	*15,972*	*168,590*
Total liabilities and equity	**4,622,322**	4,391,586	230,736
Due to Group companies	**232,206**	228,254	3,952

[1] The Federal Tax Authority confirmed the amount as at 31 December 2012.
[2] Equals the consideration shares not yet transferred to Merrill Lynch & Co., Inc. (2,006,089 shares * CHF 0.02 par). Refer to Note 19 for details.

NOTES

	Share capital CHF 1,000	General reserve CHF 1,000	Share premium reserve CHF 1,000	Reserve for treasury shares CHF 1,000	Other reserves CHF 1,000	Disposable profit CHF 1,000	**Total** CHF 1,000
Changes in equity							
At 1 January 2012	4,133	827	2,179,903	253,719	1,058,218	203,222	3,700,022
Capital increase	406	-	470,904	-	-	-	471,310
Capital decrease	-205	-	-98,361	-	-	-	-98,566
Dividend paid	-	-	-196,391	-	-	-	-196,391
Net profit	-	-	-	-	-	15,972	15,972
Changes in treasury shares	-	-	-	-253,719	-	-	-253,719
Reclassifications	-	-	-	-	200,000	-200,000	-
At 31 December 2012	4,334	827	2,356,055	-	1,258,218	19,194	3,638,628
At 1 January 2013	**4,334**	**827**	**2,356,055**	**-**	**1,258,218**	**19,194**	**3,638,628**
Capital increase	**142**	**-**	**165,542**	**-**	**-**	**-**	**165,684**
Dividend paid	**-**	**-**	**-130,024**	**-**	**-**	**-**	**-130,024**
Net profit	**-**	**-**	**-**	**-**	**-**	**184,562**	**184,562**
Additions	**-**	**-**		**142**	**-**	**-**	**142**
Disposals	**-**	**-**		**-102**	**-**	**-**	**-102**
Reclassifications	**-**	**-**	**-**	**-**	**15,000**	**-15,000**	**-**
At 31 December 2013	**4,476**	**827**	**2,391,573**	**40**	**1,273,218**	**188,756**	**3,858,890**

	31.12.2013 CHF 1,000	31.12.2012 CHF 1,000	Change CHF 1,000
Contingent liabilities			
Surety and guarantee obligations and assets pledged in favour of third parties	**1,797,868**	1,499,268	298,600

PARTICIPATIONS

Please see consolidated financial statements, Note 27A. Participation income from subsidiaries is recorded based on an economic standpoint, i.e. at the same time that the corresponding income is recorded at the subsidiary.

TREASURY SHARES

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

Julius Baer Group Ltd. bought 2,647,046 shares for an average price of CHF 37.20 in 2012. All shares were extinguished in 2012.

In 2013, 7,102,407 shares were issued related to the acquisition of Merrill Lynch's International Wealth Management business. Refer to Notes 19 and 31 for details.

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

AUTHORISED CAPITAL

Refer to consolidated financial statements, Note 19.

RISK MANAGEMENT

Refer to consolidated financial statements, page 65ff.

DEBT ISSUED

Refer to consolidated financial statements, Note 16.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/participants held more than 3% of the voting rights in Julius Baer Group Ltd. as at 31 December 2013: [1]

Shareholder/participant[4]	Disclosure of purchase positions[2]	Disclosure of sale positions[3]
MFS Investment Management[5]	9.98%	
Davis Selected Advisers L.P.[6]	8.46%	
Harris Associates L.P.[7]	5.33%	
Thornburg Investment Management[8]	5.12%	
Wellington Management Company LLP[9]	5.03%	
BlackRock, Inc.[10]	4.97%	0.0024%
Bank of America Corporation[11]	3.76%	
Norges Bank[12]	3.01%	

[1] The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that the above figures are based on reports made before respectively after the following events: a) capital reduction executed by cancellation of 10,240,000 registered shares of Julius Baer Group Ltd. on 22 June 2012; b) capital increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; c) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

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

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

[4] Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on www.six-exchange-regulation.com in the section Obligations > Disclosure of Shareholdings > Significant Shareholders

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

[6] Davis Selected Advisers L.P., Tucson/USA, as investment advisor (reported on 6 October 2009)

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

[8] Thornburg Investment Management, Santa Fe/USA, as investment manager on behalf of clients (reported on 1 May 2012)

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

[10] BlackRock, Inc., 40 East 52nd Street, New York, NY 10022/USA, and its subsidiaries (reported on 20 August 2012)

[11] Bank of America Corporation, 100 North Tyron Street, North Carolina, 28202/USA, and its directly and indirectly held subsidiaries (reported on 16 August 2012)

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

COMPENSATION, LOANS AND SHARE HOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

		Base salary *CHF*	Share-based payments[3] *CHF*	Pension fund and social contribution and varia[4] *CHF*	**Total** *CHF*
Compensation of the members of the Board of Directors[1]					
Daniel J. Sauter – Chairman as of AGM 2012	**2013**	**400,000**	**599,992**	**63,104**	**1,063,096**
	2012	400,000	600,037	53,450	1,053,487
Raymond J. Baer – Chairman until AGM 2012[2]	**2013**	**-**	**-**	**-**	**-**
	2012	360,000	-	58,823	418,823
Gilbert Achermann	**2013**	**111,000**	**95,810**	**21,758**	**228,568**
	2012	108,000	92,014	14,952	214,966
Andreas Amschwand	**2013**	**145,500**	**95,810**	**26,219**	**267,529**
	2012	139,500	92,014	18,975	250,489
Heinrich Baumann	**2013**	**181,500**	**-**	**30,874**	**212,374**
	2012	177,000	-	28,903	205,903
Leonhard H. Fischer	**2013**	**153,000**	**95,810**	**27,189**	**275,999**
	2012	153,000	92,014	28,068	273,082
Claire Giraut	**2013**	**120,000**	**95,810**	**143,205**	**359,015**
	2012	111,000	92,014	21,052	224,066
Gareth Penny	**2013**	**135,000**	**95,810**	**36,502**	**267,312**
	2012	108,000	-	20,372	128,372
Charles G. T. Stonehill	**2013**	**138,000**	**-**	**15,163**	**153,163**
	2012	135,000	-	23,539	158,539
Total	**2013**	**1,384,000**	**1,079,042**	**364,014**	**2,827,056**
Total	2012	1,691,500	968,093	268,134	2,927,727
Compensation of the Honorary Chairman[2]					
Raymond J. Baer	**2013**	**250,000**	**-**	**67,394**	**317,394**
Raymond J. Baer (as of May 2012)	2012	166,667	-	91,797	258,464

[1] The members of the Board of Directors of Julius Baer Group Ltd. assume the similar director role in the Board of Directors of Bank Julius Baer & Co. Ltd.

In 2013 and 2012, Andreas Amschwand, Heinrich Baumann and Claire Giraut were engaged in additional ad hoc Board Committees on the Bank level. The remuneration for such Committee work is included in the disclosed base salary amounts.

For more information on the detailed compensation components of the Board of Directors please refer to the Corporate Governance section of the Annual Report 2013 and the Remuneration Report.

[2] Raymond J. Baer did not stand for re-election as member and Chairman of the Board of Directors at the Annual General Meeting in April 2012. Given the specific role of Raymond J. Baer besides acting as Honorary Chairman, i.e. assuming the role as Chairman of the Special Committee of the Board of Directors of Bank Julius Baer & Co. Ltd. and thereby coordinating the efforts of Bank Julius Baer & Co. Ltd. to resolve the issue with the United States, the Compensation Committee decided on a remuneration agreement effective as of 1 May 2012 in the form of a yearly base salary of CHF 250,000.

[3] Share-based payments to members of the Board of Directors are made in the year of election and/or re-election and for the entire term (one-year term for new elections and re-elections as of the AGM 2012).

In 2013, Daniel J. Sauter (Chairman), Gilbert Achermann, Andreas Amschwand, Leonhard H. Fischer, Claire Giraut and Gareth Penny have been re-elected to the Board of Directors for a one-year term.

The share-based payments are valued at fair value at the grant date (CHF 35.39 per share of Julius Baer Group Ltd. as at 2 May 2012; CHF 36.85 per share of Julius Baer Group Ltd. as at 2 May 2013).

[4] The disclosed amounts include the employer contributions to social securities (AHV/ALV) in the amount of CHF 202,956 for 2013 and CHF 128,794 for 2012.

The value of the share-based payments cannot be compared with Note 29 Share-based payments of the Financial Statements Group 2013 as the latter discloses the compensation expense for the shares that have been recognised during the reporting periods.

The members of the Board of Directors are only entitled to the granted shares provided that they fulfil the entire term for which they have been elected or re-elected (forfeiture clause).

The same forfeiture clause also applies to the share grant of the Chairman. No forfeiture, however, applies for unvested awards in the event of the Chairman not being re-elected to the Board of Directors or in the event of him not standing for re-election at the end of the term of office.

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

In 2013, no compensation has been granted to Board members that left the Board in 2012 or earlier.

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

		31.12.2013		31.12.2012
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Board of Directors				
Daniel J. Sauter – Chairman	**-**	**-**	8,267,841	-
Gilbert Achermann	**-**	**-**	-	-
Andreas Amschwand	**-**	**-**	-	-
Heinrich Baumann	**3,100,000**	**-**	1,600,000	-
Leonhard H. Fischer	**-**	**-**	-	-
Claire Giraut	**-**	**-**	-	-
Gareth Penny	**-**	**-**	-	-
Charles G. T. Stonehill	**-**	**-**	-	-
Total	**3,100,000**	**-**	9,867,841	-

The loans granted to members of the Board of Directors consist of Lombard loans on a secured basis (through pledging of securities portfolios or other marketable coverage), fixed rate mortgages (on a fixed rate basis) as well as Libor mortgages and floating rate mortgages (both on a variable rate basis).

The interest rates of the Lombard loans and the mortgage loans are in line with normal market rates at the time the loans were granted (no preferential conditions).

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

No loans to former members of the Board of Directors (and their related parties) are outstanding at year-end 2013 or have been granted in 2013 at conditions that were not at market rates.

Shareholdings of the members of the Board of Directors[1]		Number of shares
Daniel J. Sauter – Chairman	**2013**	**73,982**
	2012	40,521
Gilbert Achermann	**2013**	**2,660**
	2012	-
Andreas Amschwand	**2013**	**2,660**
	2012	-
Heinrich Baumann	**2013**	**8,327**
	2012	2,867
Leonhard H. Fischer	**2013**	**4,660**
	2012	4,800
Claire Giraut	**2013**	**11,950**
	2012	5,740
Gareth Penny	**2013**	**15,660**
	2012	13,000
Charles G. T. Stonehill	**2013**	**13,260**
	2012	10,600
Total	**2013**	**133,159**
Total	2012	77,528

[1] Including shareholdings of related parties

None of the Board members held any option positions in Julius Baer Group Ltd. shares as at year-end 2013 and 2012.

As of 2014 share ownership guidelines for the members of the Board of Directors and the members of the Executive Board will be introduced.

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

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

Board members who will be elected and/or re-elected in 2014 are required to reach the targeted number of shares by year-end 2017.

			Variable compensation					
				Deferred elements				
Compensation of the members of the Executive Board		Base salary[1] *CHF*	Cash *CHF*	Shares *CHF*	Cash *CHF*	Performance Units (2013) Incentive Shares (2012) *CHF*	Pension fund and social contribution and varia[2] *CHF*	**Total** *CHF*
Total compensation[3]	**2013**	**3,510,299**	**3,919,000**	**-**	**3,456,000**	**4,583,000**	**1,434,917**	**16,903,216**
Ordinary compensation	2012	2,807,634	3,992,835	2,401,172	-	2,988,042	1,086,643	13,276,326
‘Integration’ award[4]	2012	-	856,957	482,670	-	610,373	-	1,950,000
Total compensation[5]	2012	2,807,634	4,849,792	2,883,842	-	3,598,415	1,086,643	15,226,326

As at the end of 2013, the Executive Board consisted of seven members as opposed to six at the end of 2012 (see also separate information further down).

[1] In September 2011, the members of the Executive Boards of the Group and the Bank decided to voluntarily reduce their base salary for the period September 2011 to June 2012 (ten months) by 5–10%. The disclosed base salary 2012 of the members of the Executive Board includes such reduction for six months (i.e. January to June 2012). The disclosed amounts for 2013 include the lump-sum expense allowance of CHF 22,800 p.a. per member of the Executive Board and CHF 24,000 p.a. for the CEO (in total CHF 143,280).

[2] The disclosed amounts include the employer contributions to social securities (AHV/ALV) as well as the unemployment and additional accident insurances in the amount of CHF 666,293 for 2013 and CHF 498,241 for 2012.

[3] The variable compensation for the members of the Executive Board for the 2013 financial year was composed of a cash component and an equity-based component.

For the reporting period 2013, the members of the Executive Board received a substantial part of their variable compensation as deferred elements (for details on the deferral see Corporate Governance section ‘Cash-based variable compensation; Deferred Bonus Plan/DBP’ and ‘Equity-based variable compensation; Equity Performance Plan/EPP’ and the Remuneration Report). A minimum deferral of 20% on the DBP is applied starting from CHF 125,000 and the maximum deferral amounts to 50% at a DBP of CHF 1 million and above. 50% of the DBP award is paid out in cash up front, whereas the remaining 50% is deferred over a period of five years (disclosed under ‘deferred elements, cash’). In addition to the DBP, the members of the Executive Board were granted with an equity-based EPP award at fair value (CHF 38.79 per Performance Unit) with date of grant 15 February 2014 (disclosed under ‘Performance Units’). Such award cliff-vests in Julius Baer Group Ltd. shares after year three from grant date.

The fair value of the Performance Units was based on an equally weighted valuation of (i) the cumulative economic profit (cEP) component using a probabilistic model regarding potential deviation of the future Group results from its strategic three-year plan, and of (ii) the relative total shareholder return (rTSR) with the peer group being the STOXX Europe 600 Bank Index.

The final pay-out of this EPP is linked to these two Key Performance Indicators. Both KPIs have a pay-out range of 0–200% each, but the maximum uplift of the EPP is 50% of the number of Performance Units originally granted and is subject to full downside risk.

All deferred elements of the variable compensation of the members of the Executive Board are subject to claw-back provisions.

The Compensation Committee decided on 30 January 2014 on the participants of the equity-based EPP and on the individual allocations as part of the variable compensation for 2013.

Due to the variability of annual performance payments and awards from equity-based elements, the ratio of base salary to total compensation can vary significantly from year to year. In 2013, the average ratio of fixed to variable compensation for the members of the Executive Board amounted to 22.7% : 77.3%, compared to 19.9% : 80.1% in 2012.

67.2% of the variable compensation of the members of the Executive Board in the reporting period was deferred for a period of five years (DBP) and three years (EPP) respectively (57.2% in 2012).

With Gregory F. Gatesman joining the Executive Board on 1 February 2013, the number of members of the Executive Board increased to seven as opposed to six in 2012. All members of the Executive Board have a full-time employment relationship with the Group, except for Bernard Keller (Private Banking Representative), whose average pensum in 2013 as well as in 2012 was slightly below 50%.

[4] To reward members of the Executive Board and other function holders for the considerable efforts and achievements in 2012 in connection with the acquisition and preparation of the integration of Merrill Lynch's International Wealth Management business outside the US, the Compensation Committee decided on 5 December 2012 to allocate an additional amount of CHF 5 million into the total bonus pool 2012 of the Group.

Such award is split up into an unrestricted cash component and an equity-based incentive (a combination of Julius Baer Group Ltd. shares and Incentive Shares under the Incentive Share Plan [ISP 2013]), i.e. similar to the regular variable compensation according to footnote 5.

For 2012, the members of the Executive Board were awarded with a total 'integration' award in the amount of CHF 1,950,000. No such award was granted in 2013.

[5] The variable compensation for the members of the Executive Board for the 2012 financial year was composed of an unrestricted cash component and an equity-based incentive (a combination of Julius Baer Group Ltd. shares and Incentive Shares under the Incentive Share Plan [ISP 2013]). For the reporting period 2012, the members of the Executive Board received part of their variable compensation as a deferred element (for details on the deferral see Corporate Governance section 'Incentive Share Plan') in the form of Julius Baer Group Ltd. shares at a fair value, which at grant date was equal in value to the deferred amount shown under 'deferred shares', i.e. CHF 2.9 million (grant date 15 February 2013).

In addition to the deferred shares, the members of the Executive Board were granted with Incentive Shares (shown under 'Incentive Shares'), at a fair value and equaling 1.7 times the number of shares from bonus deferral (grant date 15 February 2013). The Compensation Committee decided on the factor of 1.7 times at its meeting on 5 December 2012 based on the development of the two underlying targets of the previous ISP. The Compensation Committee, however, may at its own discretion limit the number of Incentive Shares to any member of the Executive Board in the context of total compensation considerations. Subject to continued employment such Julius Baer Group Ltd. Incentive Shares cliff-vest at the end of a three-year period.

The above table is based on the accrual principle, which means that the amounts shown are compensation earned for the respective year. The actual payment date of the amounts for the performance-related components might partially, however, be at a later date. In particular, under the DBP, a portion of the cash-based variable compensation (as described in the 'Cash-based variable compensation' section) is paid in February with the remainder being deferred over a five year period (delivered in equal installments each February over the following five years).

In 2013, no compensation has been paid to former members of the Executive Board who left the Executive Board in 2012 or earlier that related to such members' prior function within the Executive Board.

No compensation has been granted to related parties of members of the Executive Board or former members of the Executive Board.

Neither sign-on payments nor severance payments to members of the Executive Board were made in 2013 and 2012.

Details of the compensation of the highest-paid member of the Executive Board or former Executive Board, Boris F.J. Collardi, CEO		Base salary[1] *CHF*	Variable compensation: Cash *CHF*	Deferred elements: Shares *CHF*	Deferred elements: Cash *CHF*	Deferred elements: Performance Units (2013) Incentive Shares (2012) *CHF*	Pension fund and social contribution and varia[2] *CHF*	**Total** *CHF*
Total compensation[3]	**2013**	**1,000,000**	**1,375,000**	**-**	**1,375,000**	**1,750,000**	**388,057**	**5,888,057**
Ordinary compensation	2012	927,200	2,000,000	1,333,333	-	1,289,067	326,696	5,876,296
'Integration' award[4]	2012	-	350,000	233,333	-	216,667	-	800,000
Total compensation[5]	2012	927,200	2,350,000	1,566,666	-	1,505,734	326,696	6,676,296

[1] In September 2011, the CEO decided to voluntarily reduce his base salary for the period September 2011 to June 2012 (ten months) by 10%. The disclosed base salary 2012 of the CEO includes such reduction for six months (i.e. January to June 2012). The disclosed amount for 2013 includes a lump-sum expense allowance of CHF 24,000 p.a. to the CEO.

[2] The disclosed amounts include the employer contributions to social securities (AHV/ALV) as well as the unemployment and additional accident insurances, in the amount of CHF 290,783 for 2013 and CHF 231,086 for 2012.

[3] Analogous to the other members of the Executive Board, the variable compensation for the CEO for the 2013 financial year was composed of a cash component and an equity-based component. For the reporting period 2013, the CEO received a substantial part of his variable compensation as deferred elements (for details on the deferral see Corporate Governance section 'Cash-based variable compensation; Deferred Bonus Plan/DBP' and 'Equity-based variable compensation; Equity Performance Plan/EPP' and the Remuneration Report). A minimum deferral of 20% on the DBP is applied starting from CHF 125,000 and the maximum deferral amounts to 50% at a DBP of CHF 1 million and above. 50% of the DBP award is paid out in cash up front, whereas the remaining 50% is deferred over a period of five years (disclosed under 'deferred elements, cash'). In addition to the DBP, the CEO was granted an equity-based EPP award at fair value (CHF 38.79 per Performance Unit) with date of grant 15 February 2014 (disclosed under 'Performance Units'). Such award cliff-vests in Julius Baer Group Ltd. shares after year three from grant date.

The fair value of the Performance Units was based on an equally weighted valuation of (i) the cumulative economic profit (cEP) component using a probabilistic model regarding potential deviation of the future Group results from its strategic three-year plan, and of (ii) the relative total shareholder return (rTSR) with the peer group being the STOXX Europe 600 Bank Index.

The final pay-out of this EPP is linked to these two Key Performance Indicators. Both KPIs have a pay-out range of 0–200% each, but the maximum uplift of the EPP is 50% of the number of Performance Units originally granted and is subject to full downside risk.

All deferred elements of the variable compensation of the CEO are subject to claw-back provisions.

The Compensation Committee decided on 30 January 2014 on the participants of the equity-based EPP and on the individual allocations to the CEO as part of the variable compensation for 2013.

Due to the variability of annual performance payments and awards from equity-based elements, the ratio of base salary to total compensation can vary significantly from year to year. In 2013, the ratio of fixed to variable compensation for the CEO amounted to 18.2% : 81.8%, compared to 14.6% : 85.4% in 2012.

69.4% of the variable compensation of the CEO in the reporting period was deferred for a period of five years (DBP) and three years (EPP) respectively (56.7% in 2012).

[4] To reward the CEO, the members of the Executive Board and other function holders for the considerable efforts and achievements in 2012 in connection with the acquisition and preparation of the integration of Merrill Lynch's International Wealth Management business outside the US, the Compensation Committee on 5 December 2012 decided to allocate an additional amount of CHF 5 million into the overall bonus pool of the Group.

Such award is split up into an unrestricted cash component and an equity-based incentive (a combination of Julius Baer Group Ltd. shares and Incentive Shares under the Incentive Share Plan [ISP 2013]), i.e. similar to the regular variable compensation according to footnote 5.

For 2012, the CEO was awarded with an 'integration' award in the amount of CHF 800,000. No such award was granted in 2013.

[5] Analogous to the other members of the Executive Board, the variable compensation for the CEO for the 2012 financial year was composed of an unrestricted cash component and an equity-based incentive (a combination of Julius Baer Group Ltd. shares and Incentive Shares under the Incentive Share Plan [ISP]). For the reporting period 2012, the CEO received part of his variable compensation as a deferred element (for details on the deferral see Corporate Governance section 'Incentive Share Plan') in the form of Julius Baer Group Ltd. shares at a fair value which at grant date was equal in value to the deferred amount shown under 'deferred shares', i.e. CHF 1,567 million (grant date 15 February 2013). In addition to the deferred shares, the CEO was granted with Incentive Shares (shown under 'Incentive Shares') at a fair value and equalling 0.96 times the number of shares from bonus deferral (grant date 15 February 2013). The Compensation Committee limited the number of Incentive Shares to the CEO in the context of total compensation considerations. Subject to continued employment,such Julius Baer Group Ltd. Incentive Shares cliff-vest at the end of a three-year period.

The above table is based on the accrual principle, which means that the amounts shown are compensation earned for the respective year. The actual payment date of the amounts for the performance-related components might partially, however, be at a later date. In particular, under the DBP, a portion of the cash-based variable compensation (as described in the 'Cash-based variable compensation' section) is paid in February with the remainder being deferred over a five year period (delivered in equal installments each February over the following five years).

	31.12.2013 Loans *CHF*	**31.12.2013** Loans to closely linked parties *CHF*	31.12.2012 Loans *CHF*	31.12.2012 Loans to closely linked parties *CHF*
Loans to the members of the Executive Board				
Total	**5,200,749**	**465,000**	8,209,396	465,592
of which the highest amount: Boris F.J. Collardi	***3,765,000***	**-**	*6,343,418*	-

The loans granted to the members of the Executive Board consist of Lombard loans on a secured basis (through pledging of securities portfolios or other marketable coverage), fixed rate mortgages (on a fixed rate basis) as well as Libor mortgages and floating rate mortgages (both on a variable rate basis).

The interest rates of the Lombard loans are in line with normal market rates at the time the loans were granted. Mortgage loans to employees and Executive Board members of the Group are granted at a discount of 1% for floating rate mortgage loans, whereas fixed rate mortgage loans are granted at a refinancing rate plus 0.25% and Libor mortgage loans at a refinancing rate plus 0.5%.

No loans to former members of the Executive Board (and their related parties) are outstanding at year-end 2013 or have been granted in 2013 at conditions that were not at market.

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

Shareholdings of the members of the Executive Board[1]		Number of shares
Boris F.J. Collardi, Chief Executive Officer	**2013**	**125,000**
	2012	105,299
Dieter A. Enkelmann, Chief Financial Officer	**2013**	**58,911**
	2012	59,483
Jan A. Bielinski, Chief Communications Officer	**2013**	**27,639**
	2012	31,961
Gregory F. Gatesman, Chief Operating Officer (joined in February 2013)	**2013**	**-**
	2012	n/a
Christoph Hiestand, General Counsel	**2013**	**4,807**
	2012	5,499
Bernhard Hodler, Chief Risk Officer	**2013**	**12,017**
	2012	20,428
Bernard Keller, Private Banking Representative	**2013**	**20,109**
	2012	18,563
Total	**2013**	**248,483**
Total	2012	241,233

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions in Julius Baer Group Ltd. shares as at year-end 2013 and 2012.

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

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

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

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 9 APRIL 2014

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2013 financial year of CHF 188,756,490, consisting of net profit for the financial year in the amount of CHF 184,562,172 plus CHF4,194,318 of retained earnings brought forward from the prior financial year, be distributed as follows:

- Allocation to other reserves:
  CHF 185,000,000
- Balance brought forward:
  CHF 3,756,490

- Dividend of CHF 0.60
  per share at CHF 0.02 par value
- Total dividends on the 221,803,359 shares
  entitled to dividends:
  CHF 133,082,015
  Total distribution, fully charged to share premium reserve/capital contribution reserve

DIVIDENDS

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
Dividend per share	0.60	-	0.60

The dividends will be paid from 16 April 2014.

On behalf of the Board of Directors

The Chairman

Daniel J. Sauter

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

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

Julius Baer Group Ltd., Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Julius Baer Group Ltd., which comprise the balance sheet, income statement and notes (pages 154 to 168) for the year ended 31 December 2013.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

KPMG

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

Report on Other Legal Requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Philipp Rickert
Licensed Audit Expert
Auditor in Charge

Hans Stamm
Licensed Audit Expert

Zurich, 3 February 2014

CONFIRMATION TO THE BOARD OF DIRECTORS RELATING TO THE AUTHORISED INCREASE OF SHARE CAPITAL

KPMG

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Confirmation to the Board of Directors relating to the Authorised Increase of Share Capital of

Julius Baer Group Ltd., Zurich

We have been engaged to audit the share capital increase report submitted by you dated 24 January 2013 in accordance with article 652f para. 1 CO.

This share capital increase report is the responsibility of the board of directors. Our responsibility is to express an opinion whether this share capital increase report is complete and accurate based on our audit. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the share capital increase report is free from material misstatement. We have performed the procedures deemed necessary under the circumstances and believe that our audit provides a reasonable basis for our opinion.

In our opinion, the share capital increase report is complete and accurate and is in line with the Board of Directors' decision as of 22 January 2013.

KPMG AG

Daniel Senn
Licensed Audit Expert

Hans Stamm
Licensed Audit Expert

Zurich, 24 January 2013

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The Julius Baer Group
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40 locations worldwide.
From Zurich (Head Office),
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Hong Kong, London,
Lugano, Monaco, Montevideo,
Moscow, Singapore to Tokyo.

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