Julius Bär

Annual Report **2012**
Julius Baer Group Ltd.

Including integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestitures and the one-off tax-related Germany payment announced in April 2011 as well as the impact of the cost reduction plan announced in November 2011, the net profit achieved in 2012 amounted to CHF 298 million. Excluding these items, the adjusted net profit for 2012 amounted to CHF 433 million. Further information on this basis can be found in the presentation and the media release on the 2012 financial results and the Business Review 2012.

Key figures

	2012	2011	Change %
Return on equity (ROE)	**6.7%**	5.9%	-
Return on equity (ROE)[1]	**12.9%**	12.2%	-
Cost/income ratio[2]	**79.5%**	76.8%	-
Cost/income ratio[3]	**71.0%**	68.0%	-

	31.12.2012	31.12.2011	Change %
Consolidated balance sheet			
Total assets (CHF m)	**54,867.7**	52,928.7	3.7
Total equity (CHF m)	**4,874.0**	4,310.2	13.1
BIS tier 1 ratio	**29.3%**	21.8%	-
Client assets (CHF bn)			
Assets under management	**189.3**	170.3	11.2
Assets under custody	**87.6**	87.8	-0.2
Total client assets	**277.0**	258.1	7.3
Personnel			
Number of employees (FTE)	**3,721**	3,643	2.1
of whom Switzerland	***2,770***	*2,747*	*0.8*
of whom abroad	***951***	*896*	*6.1*

Bank Julius Baer & Co. Ltd. enjoys a solid A1 rating from Moody's.

[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

Ticker symbols	
Bloomberg	BAER VX
Reuters	BAER.VX
Swiss securities number	10 248 496
Listing	Zurich, Switzerland
	SIX Swiss Exchange, part of the Swiss Market Index SMI and the Swiss Leader Index SLI

Key figures for shares

	2012	2011	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	**23.1**	21.9	5.4
EPS	**1.47**	1.24	18.5
Share price (as at 31.12.)	**32.33**	36.74	-
Market capitalisation (CHF m, as at 31.12.)	**7,006**	7,592	-
Capital structure (as at 31.12.)			
Number of shares, par value CHF 0.02	**216,707,041**	206,630,756	4.9
Weighted average number of shares outstanding	**201,938,401**	207,601,874	-
Share capital (CHF m)	**4.3**	4.1	4.9

Annual Report 2012
Julius Baer Group Ltd.

Dear Reader

2012 turned out to be an eventful year by any measure, with central bank liquidity playing a major role in stabilising financial markets and economies. But monetary instruments can only temporarily disguise the underlying structural problems, the ultimate solution of which requires continued strong political will and discipline. Against this backdrop of lower-for-longer levels of interest rates, economic growth and expected returns, we initiated Julius Baer's next phase of growth by acquiring Merrill Lynch's International Wealth Management (IWM) business outside the US from Bank of America.

This transaction represents a rare opportunity to acquire an international and focused wealth management business of significant size and will add substantial scale to our business. Post integration and on a pro forma basis, Julius Baer will be present in more than 25 countries and 50 locations, and the Group's exposure to growth markets will increase to more than half from about a third today. Following regulatory approvals in key IWM locations, the actual integration process started on 1 February 2013. It has been carefully prepared in the just over five months since the announcement.

We also remained well in favour with clients by closely supporting them in navigating the difficult markets by continuing to provide them with well-founded investment perspectives and solutions. This competence, in addition to our solid financial foundation and well-recognised brand around the world, also made Julius Baer a natural choice for new clients, as evidenced by the substantial inflow of net new money of CHF 9.7 billion or 5.7% in 2012. Assets under management amounted to CHF 189 billion at the end of 2012, up 11% from the end of 2011. Total client assets, including assets under custody, totalled CHF 277 billion at the end of 2012. All in all, this translated into solid financial results for the year.

We successfully financed the IWM transaction in autumn 2012 through the placement of CHF 250 million in additional non-core tier 1 capital and a CHF 492 million rights issue. This contributed to the Group's BIS total capital ratio to temporarily increase to 31.6% and its BIS tier 1 ratio to 29.3% at the end of 2012. Together with the pre-existing excess capital, the Group's capital position is sufficient to support the acquisition of the envisaged assets under management. It is expected that Julius Baer's total and tier 1 capital ratios will remain above the targeted levels of 15% and 12%, respectively, at all times throughout the integration process. Hence, the Board of Directors proposes to the Ordinary Annual General Meeting on 10 April 2013 an unchanged dividend of CHF 0.60 per share, resulting in an increased total dividend payout of CHF 130 million.

We would like to sincerely thank former Chairman Raymond J. Baer for his nine years at the helm of Julius Baer during which he initiated and oversaw the Group's profound transition from a traditional family business to today's truly public company. He remains connected with our Group as Honorary Chairman. Our thanks also go to Peter Kuepfer who was an indispensable sparring partner as Independent Lead Director during his 13 years on the Board. With Gilbert Achermann and Andreas Amschwand, we welcomed two new members who ideally complement the skillset of the Board.

In summary, 2012 marked the start of another transformational phase for Julius Baer. Our goal is to create a new reference in private banking for sophisticated private clients around the world. We are convinced that this transaction, resulting in a stronger, enlarged and even more international Julius Baer Group, is the right step to succeed in a fundamentally changing industry environment and will benefit all stakeholders. The key drivers behind this exciting undertaking are our employees who successfully coped with a heavy workload to make the timely start of the integration possible. For this, they deserve our sincerest thanks. We would also like to thank our clients and shareholders for the trust they placed in us and look forward to their continued support.

Daniel J. Sauter
Chairman

Boris F.J. Collardi
Chief Executive Officer

Zurich, February 2013

I. Corporate Governance

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III. Financial Statements Julius Baer Group Ltd. 2012

I. Corporate Governance

I. Corporate Governance

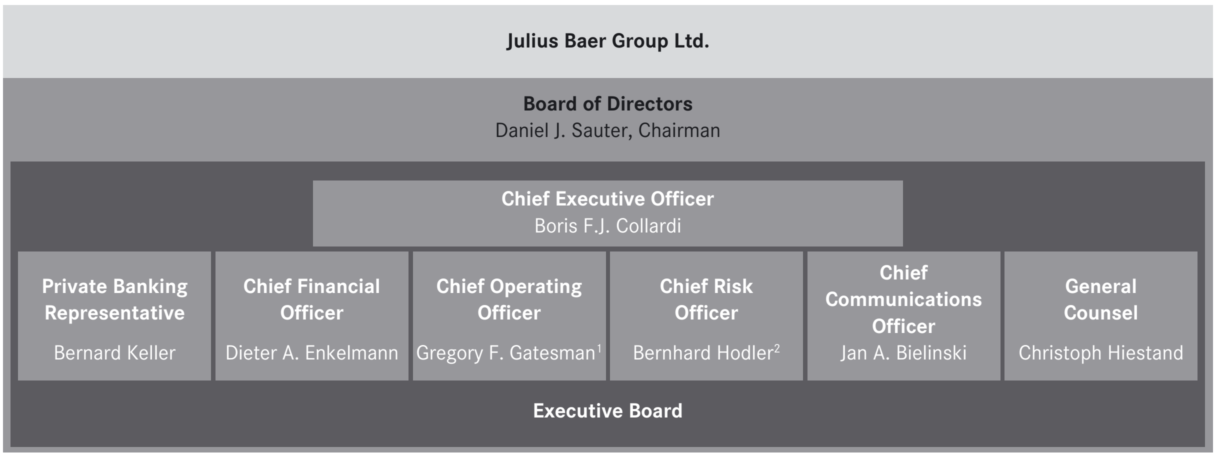
Corporate governance is a decisive factor in business management. Shareholders, clients and staff are usually considered the key stakeholder groups within the context of corporate governance. Moreover, the focus of Julius Baer Group Ltd. (the Company) on achieving sustained success and consistency in 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.

The following information corresponds to the situation as at 31 December 2012 unless indicated otherwise.

Group structure and shareholders

Operational Group structure of Julius Baer Group Ltd.



[1] As of 1 February 2013
[2] Chief Operating Officer a.i. from 1 to 31 January 2013

The consolidated Group companies are disclosed in Note 27.

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 2012: [1]

Shareholder/participant[4]	Disclosure of purchase positions [2]	Disclosure of sale positions [3]
MFS Investment Management[5]	10.02%	
Davis Selected Advisers L.P.[6]	8.46%	
Thornburg Investment Management[7]	5.12%	
BlackRock, Inc.[8]	4.97%	0.0024%
Harris Associates L.P.[9]	4.05%	
Bank of America Corporation[10]	3.76%	
Wellington Management Company LLP[11]	3.09%	

[1] The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that 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.

[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 2 February 2011)

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

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

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

[9] Harris Associates L.P., Chicago/USA (reported on 24 April 2012)

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

[11] Wellington Management Company LLP, Boston/USA (reported on 20 December 2012)

List of notifications received by Julius Baer Group Ltd. in 2012 according to article 20 of the Swiss Federal Stock Exchange Act

- With notification dated 1 February 2012 Julius Baer Group Ltd. was informed that on 1 February 2012 Julius Baer Group's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 5% and amounted to 5.02% as at that day, while Julius Baer Group's holdings in sale positions (CFD) amounted to 0.08% as at that day.
- With notification dated 19 April 2012 Julius Baer Group Ltd. was informed that on 19 April 2012 Harris Associates L.P.'s holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed below the reporting threshold of 5% and amounted to 4.05% as at that day.
- With notification dated 27 April 2012 Julius Baer Group Ltd. was informed that on 27 April 2012 Thornburg Investment Management's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 5% and amounted to 5.12% as at that day.

- With notification dated 22 June 2012 Julius Baer Group Ltd. was informed that on 22 June 2012 Julius Baer Group's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed below the reporting threshold of 3%.
- With notification dated 10 August 2012 Julius Baer Group Ltd. was informed that on 10 August 2012 Bank of America Corporation's holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed above the reporting threshold of 3% and amounted to 3.76% as at that day.
- With notification dated 14 August 2012 Julius Baer Group Ltd. was informed that on 14 August 2012 Black Rock, Inc.'s holdings of purchase positions (shares) in Julius Baer Group Ltd. crossed below the reporting threshold of 5% and amounted to 4.97% as at that day, while Black Rock, Inc.'s holdings of sale positions (CFD) amounted to 0.0024% as at that day.
- With notification dated 19 December 2012 Julius Baer Group Ltd. was informed that on 19 December 2012 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 3.09% 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 4,334,140.82 as at 31 December 2012. It is fully paid up and divided into 216,707,041 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 4.3 ff. 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 preemptive 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 150,000.00 through the issuance of a maximum of 7,500,000 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 4.3 ff. 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 659 ff. 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 preemptive 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 4.3 ff. 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

	2012	2011
Number of shares as at 31 December		
Registered shares with par value of CHF 0.02	**216,707,041**	206,630,756
(dividend entitlement, see Note 20)		

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

Participation certificates

There are no participation certificates.

Bonus certificates

There are no bonus certificates.

Limitations on transferability and nominee registrations (as at 31 December 2012)

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 the 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 is holding 0.5% or more of the share capital. Fiduciaries/nominees which are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or which 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. Information on employee options is disclosed in the section 'Content and method of determining the compensation and equity-based incentives within the Group' further below as well as in Note 29.

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 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 2013).

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; President and 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 (2013).

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 (2013).

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 (2013).

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. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010 (2013).

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 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 10/2012. 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; member of the Board of Directors of Julius Baer Group Ltd. since 2009 (2013).

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 and Head Financial Services Practice since January 2012. 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; Honorary Chairman of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2012.

Changes in the Board of Directors

At the Ordinary Annual General Meeting of Julius Baer Group Ltd. on 11 April 2012, Gilbert Achermann and Andreas Amschwand were elected to the Board of Directors for a one-year term. Leonhard H. Fischer and Claire Giraut were re-elected for another term of one year.

After serving on the Board of Directors for nine years, Raymond J. Baer decided not to seek re-election upon the expiry of his third term of office as Chairman in April 2012. After serving on the Board of Directors for 13 years, Peter Kuepfer decided not to seek re-election upon expiry of his fifth term of office.

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;
- member of the Board of Directors of Model Holding AG, Weinfelden.

Gilbert Achermann:
- Chairman of the Board of Directors of Straumann Group, Basle;
- Chairman of the Board of Directors and Chairman of the Strategy Committee of Siegfried Group, Zofingen;
- member of the Board of Directors of Medical Cluster Switzerland, Berne.

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.

Elections and terms of office

The members of the Board of Directors are elected on an individual basis by the Ordinary Annual General Meeting, normally for a one-year term as of 2012 in the case of re-elections or new elections. The period between two Ordinary Annual General Meetings is deemed to be one year. The term of office for each Director shall be fixed with his/her election.

Members whose term of office has expired are immediately eligible for re-election. The Board of Directors shall constitute itself. 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 Ordinary Annual General Meeting. The term of office of a member of the Board of Directors ends automatically at the Ordinary Annual General Meeting in the year in which he/she completes his/her 70th year of age.

The remaining term of office of each member is disclosed in the section 'Members of the Board of Directors' above.

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 2012, the complete Board of Directors of Julius Baer Group Ltd. held six meetings and four telephone conferences. The strategy seminar originally planned for 2012 had to be postponed to spring 2013 given the Board's focus on the transaction to acquire the International Wealth Management business outside the US of Bank of America Merrill Lynch.

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

First half of 2012

	February	March [1]	April	June	July
Raymond J. Baer[2]	x	x	–	–	–
Daniel J. Sauter	x	x	x	x	x
Gilbert Achermann[3]	–	–	x	x	x
Andreas Amschwand[3]	–	–	x	x	x
Heinrich Baumann	x	x	x	x	x
Leonhard H. Fischer	E	x	x	x	E
Claire Giraut	x	x	x	E	x
Peter Kuepfer[2]	x	x	–	–	–
Gareth Penny	E	x	x	x	x
Charles G. T. Stonehill	x	x	E	x	x

[1]Meeting by teleconference
[2]Left the Board of Directors at the Ordinary Annual General Meeting on 11 April 2012
[3]Elected at the Ordinary Annual General Meeting on 11 April 2012
E = excused

Second half of 2012

	August I [1]	August II [1]	September	October [1]	December
Daniel J. Sauter	x	x	x	x	x
Gilbert Achermann	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	E	E
Claire Giraut	x	x	E	x	x
Gareth Penny	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x

[1]Meeting by teleconference
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.

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

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

The Chairman's and Risk Committee generally convenes monthly. In 2012, the Committee met twelve times for approximately three hours each. The members of the Executive Board of the Company generally participate as guests in the meetings of the Chairman's and Risk Committee.

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

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 Ordinary 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 seven meetings and two conference calls.

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

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 and, if applicable, of the Vice 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 that 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. 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 four meetings for two hours on average.

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

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 Ordinary 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 did not meet in 2012.

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

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 Ordinary and Extraordinary (if any) Annual 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 Ordinary 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 and 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 and 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 and the full-time members of the Board of Directors) 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, government or 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) 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 (monthly to Chairman's and Risk Committee)
- Written report by the General Counsel (quarterly to complete Board of Directors)
- Written or oral reporting by the members of the Executive Board (quarterly to complete Board of Directors, usually monthly to Chairman's and Risk Committee)
- Financial reporting by the Chief Financial Officer (CFO) (in writing monthly to complete Board of Directors, and orally on a quarterly basis to complete Board of Directors; monthly to Chairman's and Risk Committee)
- Financial Statements by the CFO (half-year results as well as Interim Management Statements to Audit Committee, full-year results to Audit Committee and complete Board)
- Rolling Forecast by the CFO (quarterly to complete Board of Directors)
- Pension Fund Review by the CFO (annually to complete Board of Directors)
- 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 and Risk Committee)
- Regulatory reporting 'Klumpenrisiken' by the Chief Risk Officer (quarterly to Chairman's and Risk Committee)
- Group Risk reporting by the Chief Risk Officer (quarterly to Chairman's and 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 and Risk Committee and Audit Committee)

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

Senior Management

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, 2008–2009; Bank of America

Corporation, Managing Director / Transition Leadership Executive, 2009; Merrill Lynch Global Wealth Management, Managing Director / Chief Operating Officer, 2010–2013. Member of the Executive Board and Chief Operating Officer of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. as of 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. Attorney-at-law with Beiten Burkhardt Mittl & Wegener, 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, 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 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; Chief Operating Officer (COO) a.i. of Julius Baer Group Ltd. from 1 to 31 January 2013.

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; member of the Executive Board and Private Banking Representative of Julius Baer Group Ltd. since 1 January 2010.

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., including member of the Audit Committee 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.

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 2012)

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.

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 (and if applicable of the Vice 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 which serve to discuss and decide on their remuneration.

External advice

During the year, Towers Watson and McLagan provided Group Human Resources with compensation market data. Stern Stewart & Co. provided independent advice in the reconfirmation of the key parameters of the compensation landscape designed in 2010. No other mandates have been awarded to external consultancies.

Compensation Committee Competencies

Approval of all principles on total compensation and benefits
Approval of all Group compensation policies and policies linked to shares of Julius Baer Group Ltd.
Approval of annual variable compensation pool
Approval of appointment and dismissal of the members of foundation boards of pension funds (employer representatives only) of the Company and of key subsidiaries

Compensation Authority

Recipients	Recommendation by	Approved by
Chairman / Vice Chairman[1] of the Board of Directors	Chairman of the Compensation Committee	Compensation Committee
Members of the Board of Directors	Compensation Committee	Board of Directors
CEO	Chairman of the Board of Directors and Chairman of the Compensation Committee	Compensation Committee
Members of the Senior Management	CEO	Compensation Committee

[1] If applicable

Total compensation model

The Julius Baer Group follows a ‘pay for performance’ approach which is designed to ensure attracting and retaining 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.

Fixed base salary

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 (e.g. Towers Watson data) 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. For such individual adjustments, an overall salary increase allowance is defined annually for each country the Group operates in by the Executive Board and approved by the Compensation Committee.

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. The pool is determined based on the development of the net operating profit (before bonus and taxes) of the Group in the relevant year, the economic profit (before bonus) and the operating performance (criteria used for evaluation: net new money, cost/income ratio and profit margins) relative to a peer group of Swiss private banking institutions comprising Bank Sarasin, Bank Vontobel, EFG International and the private banking divisions of UBS and Credit Suisse.

Variable compensation payments may be made in immediate cash and/or long-term awards in the form of deferred equity or cash. The proportion of deferred equity/cash increases in line with the total compensation and takes into consideration employees' function-related risk profiles. All members of the Senior Management, employees defined as risk takers by their role in the organisation and high earners are subject to deferral.

In principle, all employees who are not under notice are considered 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 Senior Management 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 amount 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.

Equity-based plans

The programmes described below reflect the plan landscape as at 31 December 2012. All plans are reviewed annually to reflect any regulatory changes and/or market conditions.

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.

Staff Participation Plan
Through this all-employee plan, participants purchase Julius Baer shares at market price and for every three shares they purchase 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.

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided that the participants in the SPP 2012 would be allowed to benefit from the rights issue in October 2012. Rights attached to the unvested matching shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest together with the matching shares and are subject to the same forfeiture rules.

More information about the Staff Participation Plan 2012 can be found in Note 29.

Deferred variable compensation plans

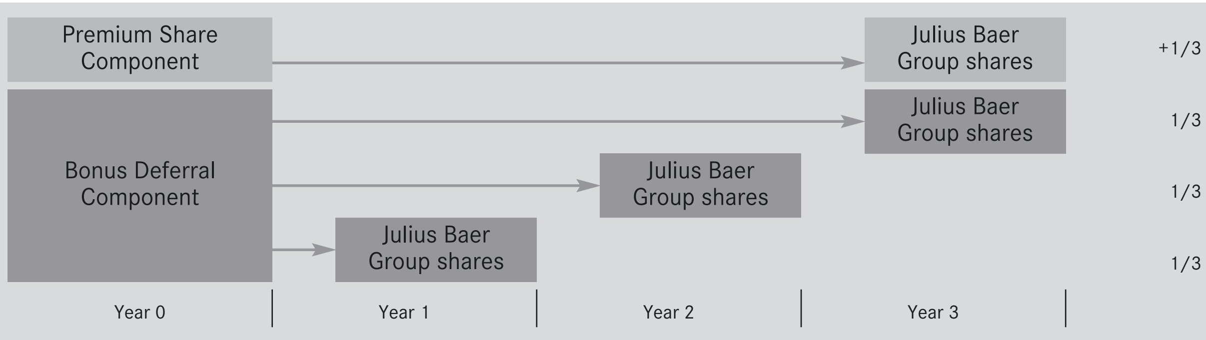
The two plans described below are granted annually and are mutually exclusive, i.e. an employee can only receive a grant from one of the plans described in any given year.

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 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 plan beginning.

PSP structure and payout schedule



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.

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided, within its rights based on the plan rules, that the participants in PSP 2012 would be allowed to benefit from a special dividend paid out in April 2012. A dividend of CHF 0.40 per share was allocated to each unvested share and reinvested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

Similarly, when a capital increase took place in October 2012, the Compensation Committee made a decision to allow plan participants to benefit from the rights issue. Rights attached to unvested shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

Incentive Share Plan (applied as part of the variable compensation for 2010 and 2011)

The Incentive Share Plan (ISP) applies to members of the Senior Management and some other key members of staff whose contributions are decisive for the long-term development of the Julius Baer Group and whose variable compensation amounts to CHF 150,000 or more (or a local currency equivalent). ISP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis.

The ISP is designed to link part of the variable compensation of the executive directly to the long-term performance of the Company as part of the payout depends on achievement against two key performance indicators (KPIs):

Economic Profit, which measures value creation of the Julius Baer Group against the strategic three-year plan of the Company over the three-year plan period. Due to the capital increase made in connection with the partial financing of the acquisition of the International Wealth Management business outside the US of Bank of America Merrill Lynch, and the impact of any subsequent integration on the shareholder value, the Compensation Committee decided to freeze the Economic Profit (EP) KPI at the level of 30 June 2012. The EP targets were based on the Group's three-year plan excluding acquisition activities, making the targets incomparable under the current circumstances.

Relative Share Price, which compares the performance of the Julius Baer Group share against the STOXX Europe 600 Banks Index.

The three-year performance period and the targets reflect the Group's underlying business cycle and its short- and long-term risk profile.

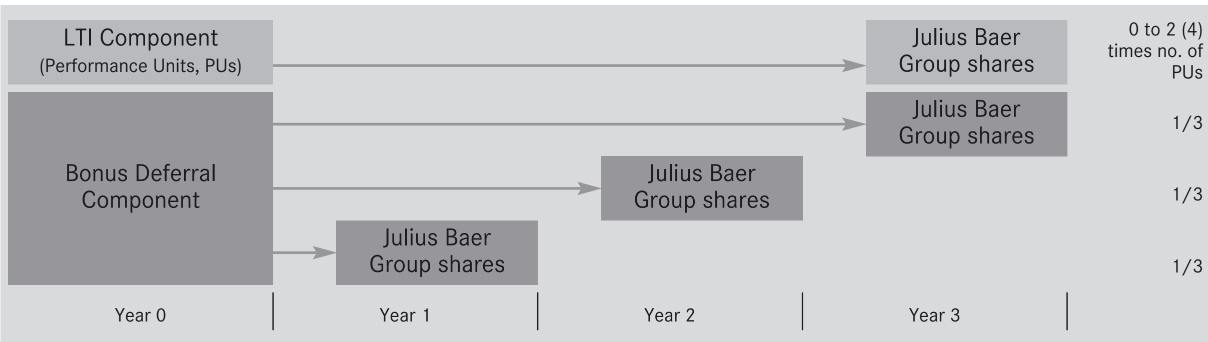
At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or, as it may be, the local currency equivalent) of the executive's variable incentive is deferred to the ISP and the employee is then granted a number of shares 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.

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 Bank 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.

The plan provides participants with a symmetric upside (capped at 2 or 4) and downside (limited to 0) potential.

Including the value development of the PUs the ISP can represent between 15% and 67% (77% for members of the Senior Management) of the total variable compensation of the executive.

ISP structure and payout schedule



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.

The ISP was applied for the first time to the members of the Senior Management and selected key staff as part of the variable compensation for 2010.

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided, within its rights based on the plan rules, that the participants in

ISP 2011 and 2012 would be allowed to benefit from a special dividend paid out in April 2012. A dividend of CHF 0.40 per share was allocated to each unvested share and reinvested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

Similarly, when a capital increase took place in October 2012, the Compensation Committee made a decision to allow plan participants to benefit from the rights issue. Rights attached to unvested shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

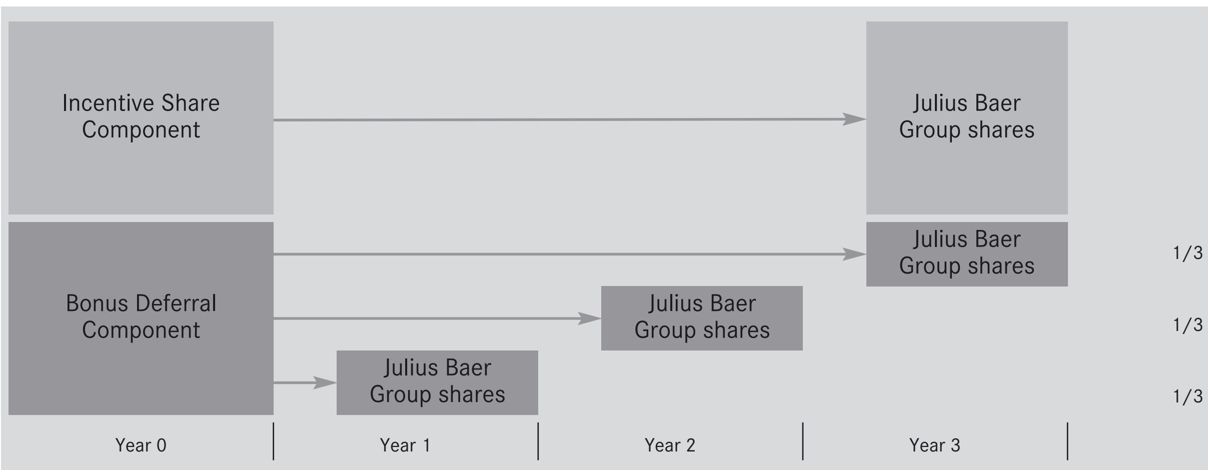
Incentive Share Plan (applied as part of the variable compensation for 2012)

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 in 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, as it may be, 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 Senior Management and of the Executive Board of Bank Julius Baer are eligible for twice the number of additional shares in comparison to participants who are not members of the Senior Management or the Executive Board.

ISP 2012 structure and payout schedule



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.

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.

Other variable compensation
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, (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 date(s), 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 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.

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

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided that participants with unvested awards from LTIs would be allowed to benefit from the rights issue related to the capital increase that took place in October 2012. Rights attached to unvested shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

Compensation for the Board of Directors, 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.

His base honorarium, which is paid in quarterly instalments, 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.

In addition to the base honorarium, the Chairman is 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. The shares are not permitted to be sold until the third anniversary of the grant date. 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/option programmes at Bank and/or Group level.

The Compensation Committee takes industry benchmarks or comparable data of other mainly Swiss financial institutions of variable size (such as Bank Vontobel, Bank Sarasin, 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.

Members of the Board of Directors, excluding the Chairman

The compensation of the members of the Board of Directors consists of a base honorarium (covering the period from one Ordinary Annual General Meeting to the next), dependent on each member's function within this corporate body and his/her involvement in the various Board Committees, and an allotment of Julius Baer Group Ltd. shares for each year of their term on the Board. The allotment of such shares takes place at the time of election and re-election, respectively, and is granted for the entire term. The shares allotted vest linearly over the term of the respective Board member. The number of shares to be granted to the members of the Board of Directors (excluding the Chairman) has been fixed at 2,600 shares of the Company per year of term. The shares cannot be disposed of until the third anniversary of the grant date and are subject to vesting and forfeiture clauses.

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

The base honorarium is regularly reviewed by the Compensation Committee, taking into account respective benchmark analysis (i.e. Swiss financial institutions such as Bank Vontobel and Bank Sarasin) and aggregated data of SMI companies. Respective requests for amendments 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 is 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 (including the Chairman) has any contract with Julius Baer providing for benefits upon termination of the term of office on the Board of Directors.

CEO and Executive Board

The compensation of members of the Executive Board including the CEO consists of a fixed base salary and a variable compensation payment determined annually (with the character of a one-time payment) based on performance and comprises a cash component and an equity-based incentive with a deferral component as described in the section 'Incentive Share Plan' above, and supplementary benefits.

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 fixed 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. Any adjustments are limited to significant changes in job responsibility. Individual performance payments are fundamentally contingent on a performance appraisal based on annually defined goals, guidelines and expectations.

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 key performance indicators (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.

Market benchmarks of other Swiss financial institutions such as Bank Sarasin, 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.

There are neither target bonus amounts nor fixed relationships between fixed base salary and performance-related payments. 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. In 2012, the average ratio of fixed to variable compensation for the members of the Senior Management amounted to 20 : 80%, compared to 25 : 75% in 2011.

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 Senior Management; they receive the same benefits as all other employees in the location and business where they work. The members of the Senior Management (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 2012)

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

Convocation of the Ordinary Annual General Meeting

The convocation of the Ordinary 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 Ordinary 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 Ordinary 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 auditor and Group Internal Audit closely coordinate their work. The Audit Committee and ultimately the Board of Directors supervise the adequacy of audit work.

Duration of mandate and term of office of Lead Auditor

In accordance with the Articles of Incorporation, the external auditor must be elected at each Ordinary Annual General Meeting for a term of office of one year. KPMG AG and other KPMG member firms affiliated with KPMG International Cooperative (KPMG) has been the statutory external auditor of Julius Baer Group Ltd. (and of the former Julius Baer Holding Ltd.) since the Ordinary Annual General Meeting of the former Julius Baer Holding Ltd. on 12 April 2006.

In accordance with the applicable governance regulations, Daniel Senn has served as the Lead Auditor since 2007.

The Lead Auditor responsible for the Julius Baer Group may hold this engagement for a maximum of seven consecutive years, but may resume the engagement after a break of three years.

External audit fees

The Julius Baer Group paid KPMG audit fees totalling CHF 3.3 million in the 2012 financial year. The previous year, the audit fees totalled CHF 3.5 million.

Additional fees

For *additional audit-related services* covering topics such as accounting and risk management as well as tax and project analysis, the Julius Baer Group paid KPMG fees totalling CHF 2.0 million during the 2012 financial year. The previous year, the additional audit-related fees totalled CHF 0.6 million.

For *additional consulting-related services* comprising legal, IT, compliance and other project-related counselling, the Julius Baer Group paid KPMG fees totalling CHF 0.4 million during the 2012 financial year. The previous year, the additional consulting-related fees totalled CHF 0.01 million.

Monitoring and control instruments vis-à-vis the external auditor

The external auditor attends the meetings of the Audit Committee but not the meetings of the complete Board of Directors. The chairperson of the Audit Committee is responsible for providing relevant information to the complete Board of Directors.

The Audit Committee of Julius Baer Group Ltd. issued an audit guideline that governs the cooperation with the external auditor and ensures adherence to the relevant provisions of the Swiss Code of Obligations, Swiss Banking Act, SIX Swiss Exchange, Swiss Institute of Certified Accountants and Tax Consultants and International Federation of Accountants (IFAC) with regard to the independence of the external auditor.

The external auditor is independent from the Julius Baer Group, its Board of Directors, its management and its shareholders, and in particular from any individual significant shareholders. The external auditor has direct access to the Audit Committee at all times.

The external auditor examines whether the accounting, the Group accounts and annual financial statements and the proposal for the appropriation of the net profit for the year comply with the law, the Articles of Incorporation and the relevant IFRS provisions. As a result, the external auditor submits a report to the Ordinary Annual General Meeting of Shareholders on conclusion of its audit and recommends the approval with or without qualification, or the rejection of the financial statements. In its capacity as banking law auditor, the external auditor also reviews adherence to the provisions of the Federal Act on Banks and Savings Banks, the SIX regulations, the Collective Investment Act and its implementing Ordinance for every company subject to supervision of FINMA and, as far as applicable with the consolidated monitoring, for the entire Julius Baer Group, and issues a long-form report for submission to the Board of Directors and FINMA.

Apart from the legally required reports to the supervisory authorities, the external auditor discusses the Group accounts and individual financial statements, the material risks, the results of the audit activities, the appropriateness and adequacy of the internal control systems of the Group, and other issues arising with regard to 'good practice' with the Audit Committee.

The Audit Committee has adopted the Guidelines on Independence of the Auditor of the Swiss Institute of Certified Accountants and Tax Consultants, the Code of Ethics of IFAC and the relevant provisions issued by FINMA with regard to the independence requirements for the external auditor. The external auditor may, within the scope of these guidelines, render additional services to the Julius Baer Group. To this end, the Audit Committee issued a list with approved audit services (Audit List). This list contains the maximum fees per calendar year (caps) and individual thresholds. Any other services the auditor might render are subject to approval by the Audit Committee. The caps apply to an individual type of service throughout the Julius Baer Group. The thresholds apply to every single mandate.

If a threshold is exceeded, the continuance of the mandate must be approved beforehand, or, during an ongoing mandate, be approved immediately by the chairperson of the Audit Committee. If a cap for a type of service as listed in the approved Audit List is exceeded, any additional mandate for the auditor in this category must, without exception, first be approved by the chairperson of the Audit Committee. Services rendered that are not contained in the Audit List must, without exception, be approved by the Audit Committee. The chairperson of the Audit Committee reports any exceeding of caps or thresholds to the Audit Committee at the following ordinary meeting of the Audit Committee.

Julius Baer Group companies may give mandates to the external auditor within the caps and thresholds contained in the Audit List; this, however, is subject to proper approval according to the internal procedures. The Group companies are to report any such mandate at once to the Chief Financial Officer (CFO).

The external auditor shall inform the CFO on a periodic basis about the volume of services rendered. The CFO informs the Audit Committee on a periodic basis (i.e. in its ordinary meetings) about the volume of services rendered by the external auditor.

The external auditor submits an annual report on its fees to the Audit Committee including:

- adherence to the independence requirements of the external auditor and its employees;
- duration of the mandate and term of office of the Lead Auditor;
- total sum of audit fees and fee budget for the following year;
- total sum of fees for additional services according to the Audit List.

The CFO discusses this report with the external auditor before it is presented to the Audit Committee on a yearly basis for review and final approval.

The external auditor is assessed yearly by the Audit Committee. The assessment includes a judgement of the external auditor's independence (based on the External Audit Guideline). In addition, the Audit Committee assesses the scope and quality of the reports and management letters submitted to Management and the Audit Committee and the cooperation with Group Internal Audit, Management and the Audit Committee based on respective feedback requested from the Head Group Internal Audit as well as representatives from the Senior Management (especially the Chief Executive Officer, the CFO, the Chief Risk Officer and the General Counsel). The chairperson of the Audit Committee informs the external auditor of the results of such assessment.

Group Internal Audit

The Group Internal Audit department comprised 25 individuals as at 31 December 2012 compared to 26 individuals as at 31 December 2011 and is headed by Peter Hanimann who succeeded Max Raemy on 1 April 2012. Group Internal Audit establishes a risk-based annual audit plan which is coordinated with internal risk monitoring functions as well as with the external auditor. The audit plan is approved by the Audit Committee.

To secure independence, Group Internal Audit reports directly to the Chairman of the Board of Directors and to the Audit Committee, respectively.

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

10 April 2013	Ordinary Annual General Meeting, Zurich
12 April 2013	Ex-dividend date
16 April 2013	Record date
17 April 2013	Dividend payment date
15 May 2013	Publication of Interim Management Statement I/2013
22 July 2013	Publication of 2013 half-year results, Zurich

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

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II. Financial Statements
Julius Baer Group 2012

II. Financial Statements Julius Baer Group 2012

Consolidated financial statements
Consolidated income statement

	Note	2012 CHF 1,000	2011 CHF 1,000	Change %
Interest and dividend income		**658,548**	636,640	3.4
Interest expense		**100,017**	104,014	-3.8
Net interest and dividend income	1	**558,531**	532,626	4.9
Commission and fee income		**1,171,987**	1,137,330	3.0
Commission expense		**191,489**	195,342	-2.0
Net commission and fee income	2	**980,498**	941,988	4.1
Net trading income	3	**172,810**	268,680	-35.7
Other ordinary results	4	**25,580**	9,393	172.3
Operating income		**1,737,419**	1,752,687	-0.9
Personnel expenses	5	**809,800**	811,919	-0.3
General expenses	6	**384,382**	444,248	-13.5
Depreciation of property and equipment	13	**32,348**	30,347	6.6
Amortisation of customer relationships	13	**91,104**	91,980	-1.0
Amortisation of other intangible assets	13	**46,171**	55,399	-16.7
Operating expenses		**1,363,805**	1,433,893	-4.9
Profit before taxes		**373,614**	318,794	17.2
Income taxes	7	**75,706**	60,657	24.8
Net profit		**297,908**	258,137	15.4

Attributable to:				
Shareholders of Julius Baer Group Ltd.		**297,357**	257,916	15.3
Non-controlling interests		**551**	221	149.3
		297,908	258,137	15.4

	Note	2012 CHF	2011 CHF	Change %
Share information				
Basic earnings per share (EPS)	8	**1.47**	1.24	18.5
Diluted earnings per share (EPS)	8	**1.46**	1.24	18.1
Dividend proposal 2012 and dividend 2011		**0.60**	0.60	-
Special dividend 2011		**-**	0.40	-

Consolidated statement of comprehensive income

	2012 CHF 1,000	2011 CHF 1,000
Net profit recognised in the income statement	**297,908**	258,137
Other comprehensive income (net of taxes):		
Financial investments available-for-sale		
Unrealised gains/(losses)	**120,211**	-36,072
Realised (gains)/losses reclassified to the income statement	**22,439**	19,008
Foreign currency translation		
Translation differences	**-6,671**	-6,101
Realised (gains)/losses reclassified to the income statement	**12,543**	-
Hedging reserve for cash flow hedges	**-4,874**	-5,164
Other comprehensive income for the year recognised directly in equity	**143,648**	-28,329
Total comprehensive income for the year recognised in the income statement and in equity	**441,556**	229,808
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**441,005**	229,587
Non-controlling interests	**551**	221
	441,556	229,808

Consolidated balance sheet

	Note	**31.12.2012** CHF 1,000	31.12.2011 CHF 1,000	Change CHF 1,000
Assets				
Cash		**9,582,223**	4,241,500	5,340,723
Due from banks	9	**6,023,816**	10,048,079	-4,024,263
Loans	9	**19,783,282**	16,408,410	3,374,872
Trading assets	10	**4,122,886**	4,920,161	-797,275
Derivative financial instruments	25	**1,205,698**	2,113,956	-908,258
Financial investments available-for-sale	11	**11,775,350**	12,168,015	-392,665
Investments in associates	12	**45,211**	48,504	-3,293
Property and equipment	13	**359,592**	366,103	-6,511
Goodwill and other intangible assets	13	**1,635,535**	1,706,895	-71,360
Accrued income and prepaid expenses		**212,177**	192,133	20,044
Deferred tax assets	18	**15,091**	12,395	2,696
Other assets		**106,878**	136,699	-29,821
Assets held for sale	28	**-**	565,806	-565,806
Total assets		**54,867,739**	52,928,656	1,939,083

	Note	**31.12.2012** *CHF 1,000*	31.12.2011 *CHF 1,000*	Change *CHF 1,000*
Liabilities and equity				
Due to banks		**4,289,803**	5,670,182	-1,380,379
Due to customers		**39,103,787**	34,841,168	4,262,619
Trading liabilities	10	**804,665**	814,077	-9,412
Derivative financial instruments	25	**1,125,848**	2,116,046	-990,198
Financial liabilities designated at fair value	16	**3,154,738**	3,494,592	-339,854
Debt issued	17	**746,304**	475,829	270,475
Accrued expenses and deferred income		**358,557**	322,753	35,804
Current tax liabilities		**21,884**	19,656	2,228
Deferred tax liabilities	18	**121,707**	117,211	4,496
Provisions	19	**31,384**	54,051	-22,667
Other liabilities		**235,016**	127,434	107,582
Liabilities held for sale	28	**-**	565,444	-565,444
Total liabilities		**49,993,693**	48,618,443	1,375,250
Share capital	20	**4,334**	4,133	201
Retained earnings		**4,961,505**	4,717,195	244,310
Other components of equity		**33,541**	-110,107	143,648
Treasury shares		**-127,619**	-302,948	175,329
Equity attributable to shareholders of Julius Baer Group Ltd.		**4,871,761**	4,308,273	563,488
Non-controlling interests		**2,285**	1,940	345
Total equity		**4,874,046**	4,310,213	563,833
Total liabilities and equity		**54,867,739**	52,928,656	1,939,083

Consolidated statement of changes in equity

	Share capital *CHF 1,000*	Retained earnings [1] *CHF 1,000*
At 1 January 2011	4,133	4,581,923
Net profit	-	257,916
Unrealised gains/(losses)	-	-
Realised (gains)/losses reclassified to the income statement	-	-
Changes	-	-
Total other comprehensive income for the year recognised directly in equity	-	-
Total comprehensive income for the year recognised in the income statement and in equity	-	257,916
Dividends	-	-123,978
Dividend income on own shares	-	856
Share-based payments expensed for the year	-	19,347
Share-based payments vested	-	-12,056
Changes in derivatives on own shares	-	-1,212
Acquisitions of own shares	-	-
Disposals of own shares	-	-5,601
At 31 December 2011	4,133	4,717,195
At 1 January 2012	**4,133**	**4,717,195**
Net profit	-	**297,357**
Unrealised gains/(losses)	-	-
Realised (gains)/losses reclassified to the income statement	-	-
Changes	-	-
Total other comprehensive income for the year recognised directly in equity	-	-
Total comprehensive income for the year recognised in the income statement and in equity	-	**297,357**
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	**4,334**	**4,961,505**

[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 20.5 million that are directly attributable to the issuance of the new shares

Other components of equity						
Financial investments available-for-sale, net of taxes *CHF 1,000*	Hedging reserve for cash flow hedges, net of taxes *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*
-34,352	-86	-47,340	-22,472	4,481,806	2,241	4,484,047
-	-	-	-	257,916	221	258,137
-36,072	-5,164	-	-	-41,236	-	-41,236
19,008	-	-	-	19,008	-	19,008
-	-	-6,101	-	-6,101	-	-6,101
-17,064	-5,164	-6,101	-	-28,329	-	-28,329
-17,064	-5,164	-6,101	-	229,587	221	229,808
-	-	-	-	-123,978	-523	-124,501
-	-	-	-	856	-	856
-	-	-	-	19,347	-	19,347
-	-	-	12,056	-	-	-
-	-	-	3,493	2,281	-	2,281
-	-	-	-468,837	-468,837	-	-468,837
-	-	-	172,812	167,211	-	167,211
-51,416	-5,250	-53,441	-302,948	4,308,273	1,940	4,310,213
-51,416	**-5,250**	**-53,441**	**-302,948**	**4,308,273**	**1,940**	**4,310,213**
-	**-**	**-**	**-**	**297,357**	**551**	**297,908**
120,211	**-4,874**	**-**	**-**	**115,337**	**-**	**115,337**
22,439	**-**	**12,543**	**-**	**34,982**	**-**	**34,982**
-	**-**	**-6,671**	**-**	**-6,671**	**-**	**-6,671**
142,650	**-4,874**	**5,872**	**-**	**143,648**	**-**	**143,648**
142,650	**-4,874**	**5,872**	**-**	**441,005**	**551**	**441,556**
-	**-**	**-**	**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**
91,234	**-10,124**	**-47,569**	**-127,619**	**4,871,761**	**2,285**	**4,874,046**

Consolidated statement of cash flows

	2012 CHF 1,000	2011 CHF 1,000
Net profit	**297,908**	258,137
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	**32,348**	30,347
- Amortisation of intangible assets	**137,275**	147,379
- Allowance for credit losses	**-18,111**	29,607
- Income from investment in associates	**-3,584**	-1,101
- Deferred tax expense/(benefit)	**37**	-1,681
- Net loss/(gain) from investing activities	**20,052**	41,130
- Other non-cash income and expenses	**32,513**	22,875
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**-1,276,379**	1,466,515
- Trading portfolios and derivative financial instruments	**701,049**	-1,217,331
- Net loans/due to customers	**788,504**	4,122,884
- Accrued income, prepaid expenses and other assets	**13,918**	143,031
- Accrued expenses, deferred income, other liabilities and provisions	**114,175**	-58,861
Adjustment for income tax expenses	**75,669**	62,338
Income taxes paid	**-73,407**	-87,530
Cash flow from operating activities after taxes	**841,967**	4,957,739
Dividend of associates	**1,530**	-
Purchase of property and equipment and intangible assets	**-81,216**	-88,373
Disposal of property and equipment and intangible assets	**84**	7,567
Net (investment in)/divestment of financial investments available-for-sale	**-2,274,899**	-993,456
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**114,444**	-
Acquisition of associates	**-**	-52,235
Cash flow from investing activities	**-2,240,057**	-1,126,497
Net money market instruments issued/(repaid)	**20,708**	-6,516
Net movements in treasury shares and own equity derivative activity	**-184,973**	-302,022
Dividend payments	**-196,391**	-123,978
Capital increase	**471,309**	-
Issuance and repayment of financial liabilities designated at fair value	**-339,854**	340,167
Issuance of lower tier 2 bond	**-**	242,135
Issuance of perpetual tier 1 subordinated bond	**248,408**	-
Dividend payment to non-controlling interests	**-206**	-523
Cash flow from financing activities	**19,001**	149,263
Total	**-1,379,089**	3,980,505

Cash and cash equivalents at the beginning of the year	**17,317,293**	13,263,110
Cash flow from operating activities after taxes	**841,967**	4,957,739
Cash flow from investing activities	**-2,240,057**	-1,126,497
Cash flow from financing activities	**19,001**	149,263
Effects of exchange rate changes	**30,068**	73,678
Cash and cash equivalents at the end of the year	**15,968,272**	17,317,293

Cash and cash equivalents are structured as follows:

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*
Cash	**9,582,223**	4,241,500
Money market instruments	**634,505**	3,421,289
Due from banks (original maturity of less than three months)	**5,751,544**	9,654,504
Total	**15,968,272**	17,317,293

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*
Additional information		
Interest received	**520,749**	482,413
Interest paid	**-87,682**	-107,592
Dividends on equities received (including associates)	**97,426**	103,428

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 2012 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 1 February 2013. In addition, they must be approved by the Ordinary Annual General Meeting on 10 April 2013.

Amounts in the annual financial statements are stated in Swiss francs. The consolidated financial statements are prepared in accordance with the 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.

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 (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 changes in accounting policies.

Subsidiaries and associates

Subsidiaries in which Julius Baer Group Ltd. directly or indirectly owns a majority of the voting shares or in which it exercises control in some other way are fully consolidated. 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. holds between 20% and 50% of the voting shares and/or in which it has the ability to exercise significant influence 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 increased or decreased to recognise the Group's share of the associate's profits or losses.

The effects of all intercompany transactions and balances are eliminated on consolidation.

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	
	31.12.2012	31.12.2011	**2012**	2011
USD/CHF	**0.9153**	0.9351	**0.9325**	0.8805
EUR/CHF	**1.2068**	1.2139	**1.2040**	1.2310
GBP/CHF	**1.4878**	1.4533	**1.4850**	1.4170

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) and 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.

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.

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 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.

If securities are transferred in a securities lending or borrowing transaction, cash collateral received is recognised as an obligation, and cash collateral provided is recognised as a receivable.

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 collateral provided or received.

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.

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 financial instruments, i.e. its 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 settlement 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. They 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 recognised 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 plus the recognised amount of any non-controlling interests in the acquiree, 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 are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the intangible assets is fully recoverable, and an impairment loss is recognised if the carrying amount exceeds the recoverable amount.

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

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

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

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

Restructuring provisions 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 equity if the taxes refer to items that are credited or charged directly to other components of equity.

Post-employment 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 but do not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plans are treated as defined benefit pension plans.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. The pension funds are managed by a board of trustees consisting of representatives of the employees and the employer. The organisation, management and financing of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations. 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 financed through employer and employee contributions.

In the case of defined benefit pension plans, the pension expenses and obligations are valued according to the projected unit credit method. The corresponding calculations are carried out by independent qualified actuaries.

Defined benefit assets are only recognised in the balance sheet if they are available to the Group as refunds or future reductions in contributions.

The pension expenses recognised in the income statement for the defined benefit pension plans correspond to the actuarially determined pension cost minus the employee contributions and are recorded in personnel expenses.

A portion of actuarial gains and losses are recognised if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period are in excess of 10% of the greater of the present value of the plan obligation or the fair value of plan assets. This portion is systematically amortised through the income statement over the expected average remaining service lives of employees participating in the plan.

In the case of 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 (e.g. 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 retained earnings. Upon settlement of such contracts, the proceeds received (net of costs and any taxes) are also 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 2012:

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)
The new disclosure requirements enable the users to a) understand the relationship between transferred financial assets (e.g. securitisations) that are not derecognised in their entirety and the associated liability; and b) evaluate the nature of, and the risks associated with, the entity's continuing involvement in derecognised financial assets. The amendment does not change the existing derecognition requirements.

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:

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 amended standard will be effective 1 January 2013.

IAS 19 – Employee Benefits (amended 2011)
The revised standard eliminates the corridor method that is currently applied by the Group. In the future, all changes in the present value of the defined benefit obligation and in the fair value of the plan assets will be recognised in the financial statements immediately in the period they occur. Any movements in actuarial gains and losses will be 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. Currently, all recognisable changes, including the recognised part of the actuarial gains and losses under the corridor method, are recognised in the consolidated income statement.

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

The Group will apply this change 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.

Had IAS 19 revised been applied for the business year 2012, a pension liability in the amount of CHF 131.6 million would have been recognised (actual 2012: pension asset in the amount of CHF 47.1 million). The total defined benefits expenses recognised in the income statement would amount to CHF 79.4 million (actual 2012: contribution to staff pension plans of CHF 44.4 million), consisting of service costs of CHF 77.5 million and net interest costs of CHF 1.9 million. The net interest costs consist of interest cost on the obligation of CHF 40.5 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 revised standard will be effective 1 January 2013.

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 amended standard will be effective 1 January 2013.

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 amended standard will be effective 1 January 2013.

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.

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 amended standard will be effective 1 January 2013.

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 will be effective 1 January 2015. Early application is permitted. 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 will be effective 1 January 2015. Early application is permitted. The impact of the new standard on the Group's financial statements has not yet been assessed.

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 new standard will be effective 1 January 2013. The application of the new standard will not have a material impact on the Group's financial statements.

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 will be effective 1 January 2013. The application of the new standard will not have a material 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 will be effective 1 January 2013.

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 will be effective 1 January 2013.

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 new standard will be effective 1 January 2013. The application of the new standard will not have a material impact on the Group's financial statements.

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 will be applicable as of 1 January 2013. 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 the extent to which its occurrence could potentially result in an adverse 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 banking activities. Accordingly, its principal tasks are:

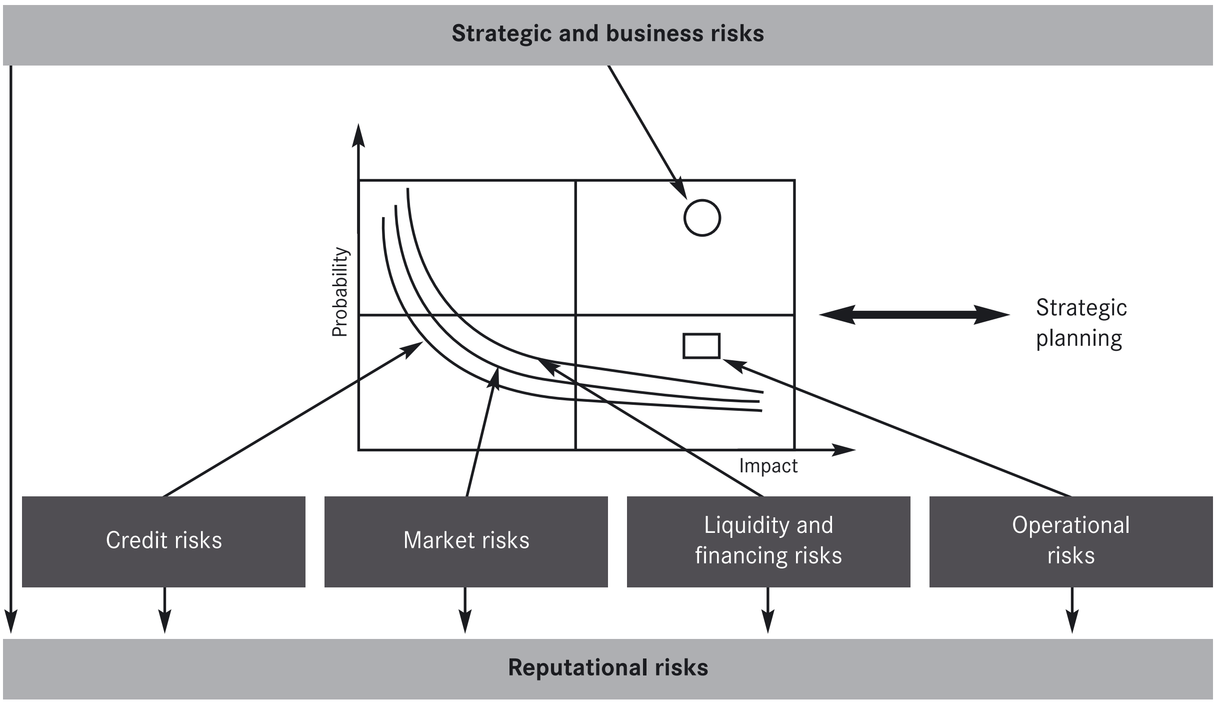
- to formulate policies governing market, liquidity, financing and operational risk in the Group's banking business;
- to allocate risk limits in accordance with those policies;
- to receive and review reports relating to those risks.

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 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 non-compliance with an obligation which a client or a counterparty owes 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 in the following tables 'Credit risk by region', 'Credit risk by sector', 'Credit risk secured/not secured' and 'Credit risk by regulatory weightings' is calculated before deduction of eligible collateral and according to the Basel II BIS (Bank for International Settlements) 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 74 ff.).

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*	**31.12.2012** **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**

	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	31.12.2011 Total *CHF m*
Due from banks	831	6,123	213	1,214	1	8,382
Loans	5,039	4,626	3,781	2,876	111	16,433
Financial investments available-for-sale	495	9,613	1,079	881	11	12,079
Derivative financial instruments	627	726	280	188	3	1,824
Contingent liabilities	138	142	168	38	6	492
Irrevocable commitments	48	9	13	9	-	79
Securities lending and repo transactions	1,187	4,839	739	214	3	6,982
Total	8,365	26,078	6,273	5,420	135	46,271

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

					31.12.2012
	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**

					31.12.2011
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	Total *CHF m*
Due from banks	-	8,382	-	-	8,382
Loans	646	3,061	9,216	3,510	16,433
Financial investments available-for-sale	2,436	7,223	-	2,420	12,079
Derivative financial instruments	64	1,173	464	123	1,824
Contingent liabilities	9	96	256	131	492
Irrevocable commitments	27	14	28	10	79
Securities lending and repo transactions	1,271	4,184	134	1,393	6,982
Total	4,453	24,133	10,098	7,587	46,271

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 are based on the regulatory standard haircuts set out in Basel II.

Credit risk secured/not secured

	Secured by recognised financial collaterals [1] CHF m	Not secured by recognised financial collaterals CHF m	**31.12.2012** **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**

	Secured by recognised financial collaterals [1] CHF m	Not secured by recognised financial collaterals CHF m	31.12.2011 Total CHF m
Due from banks	4,072	4,310	8,382
Loans	15,717	716	16,433
Financial investments available-for-sale	-	12,079	12,079
Derivative financial instruments	878	946	1,824
Contingent liabilities	445	47	492
Irrevocable commitments	46	33	79
Securities lending and repo transactions	6,118	864	6,982
Total	27,276	18,995	46,271

[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 as defined under Basel II. 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	**31.12.2012 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**

	0% CHF m	20% CHF m	35% CHF m	50% CHF m	75% CHF m	100% CHF m	150% CHF m	31.12.2011 Total CHF m
Due from banks	4,502	3,048	-	778	-	54	-	8,382
Loans	11,012	5	3,787	342	49	1,217	21	16,433
Financial investments available-for-sale	1,952	4,932	-	5,071	-	98	26	12,079
Derivative financial instruments	885	224	-	509	1	205	-	1,824
Contingent liabilities	445	-	-	-	2	45	-	492
Irrevocable commitments	46	27	-	-	2	4	-	79
Securities lending and repo transactions	6,118	321	-	1	-	541	1	6,982
Total	24,960	8,557	3,787	6,701	54	2,164	48	46,271

Reconciliation of credit risk totals

The values shown in the tables above are based on the requirements of the standard approach set out in the capital adequacy rules of the Basel Committee on Banking Supervision (Basel II 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 II BIS approach and the corresponding balance sheet and off-balance-sheet positions.

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

Reconciliation of credit risk totals with balance sheet positions

	Basel II 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
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 II 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.

Reconciliation of credit risk totals with balance sheet positions

	Basel II BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	8,381.8	10,048.1	-1,666.3	reverse repurchase transactions deducted; collective allowance of CHF 2.3 million not deducted
Loans	16,433.3	16,408.4	24.9	collective allowance not deducted
Financial investments available-for-sale	12,078.9	12,168.0	-89.1	unrealised gains deducted
Derivative financial instruments	1,824.3	2,114.0	-289.7	
of which security supplement (add-ons)			*573.9*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-863.6*	*impact of netting rules under BIS approach*
Total 31.12.2011	38,718.3	40,738.5	-2,020.2	

Comments on off-balance-sheet positions

	Basel II BIS approach *CHF m*	Off-balance-sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	491.7	984.3 [1]	-492.6	converted in credit equivalent
Irrevocable commitments	79.5	166.5 [1]	-87.0	converted in credit equivalent
Securities lending and repo transactions	6,981.9	6,515.9	466.0	including risk premium under BIS approach
Total 31.12.2011	7,553.1			

[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 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

	31.12.2012 Collateralised *CHF m*	31.12.2011 Collateralised *CHF m*	**31.12.2012** Unsecured *CHF m*	31.12.2011 Unsecured *CHF m*
Neither past due nor impaired	**23,386.2**	19,613.9	**23,522.0**	19,140.7
Past due but not impaired	**47.9**	62.5	**3.2**	-
Impaired	**62.5**	105.7	**3.9**	4.0
Total	**23,496.6**	19,782.1	**23,529.1**	19,144.7
Neither past due nor impaired				
R1 to R3	**19,524.3**	16,080.1	**22,916.7**	18,236.9
R4 to R6 (including temporarily unrated)	**3,861.9**	3,533.8	**605.3**	903.8
Total	**23,386.2**	19,613.9	**23,522.0**	19,140.7
Collateral held or credit enhancement available	***126,322.0***	*110,936.2*	**-**	-
Past due but not impaired				
R7	**47.9**	62.5	**3.2**	-
Total	**47.9**	62.5	**3.2**	-
Collateral held or credit enhancement available	***57.1***	*70.9*	**-**	-
Impaired				
R8	**10.3**	61.1	**0.4**	0.5
R9 to R10	**52.2**	44.6	**3.5**	3.5
Total	**62.5**	105.7	**3.9**	4.0
Collateral held or credit enhancement available	***10.2***	*55.6*	**-**	-
Allowance for credit losses				
Specific allowance for credit losses	**66.4**	79.5	**3.9**	4.0
Collective allowance for credit losses	**16.7**	26.4	**1.1**	2.3
Total	**83.1**	105.9	**5.0**	6.3

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 being 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

	31.12.2012 Gross maximum exposure *CHF m*	31.12.2011 Gross maximum exposure *CHF m*
Cash (excluding cash on hand)	**9,546.5**	4,205.7
Due from banks	**6,023.8**	10,048.1
Loans	**19,783.3**	16,408.4
Trading assets	**679.4**	613.3
Derivative financial instruments	**1,205.7**	2,114.0
Financial investments available-for-sale	**11,685.1**	12,093.5
Accrued income	**187.0**	172.1
Other assets	**10.9**	9.8
Total	49,121.6	45,664.9
Off-balance sheet		
Irrevocable commitments[1]	**203.0**	166.5
Total maximum exposure to credit risk	**49,324.6**	45,831.4

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

Market risk (trading book)

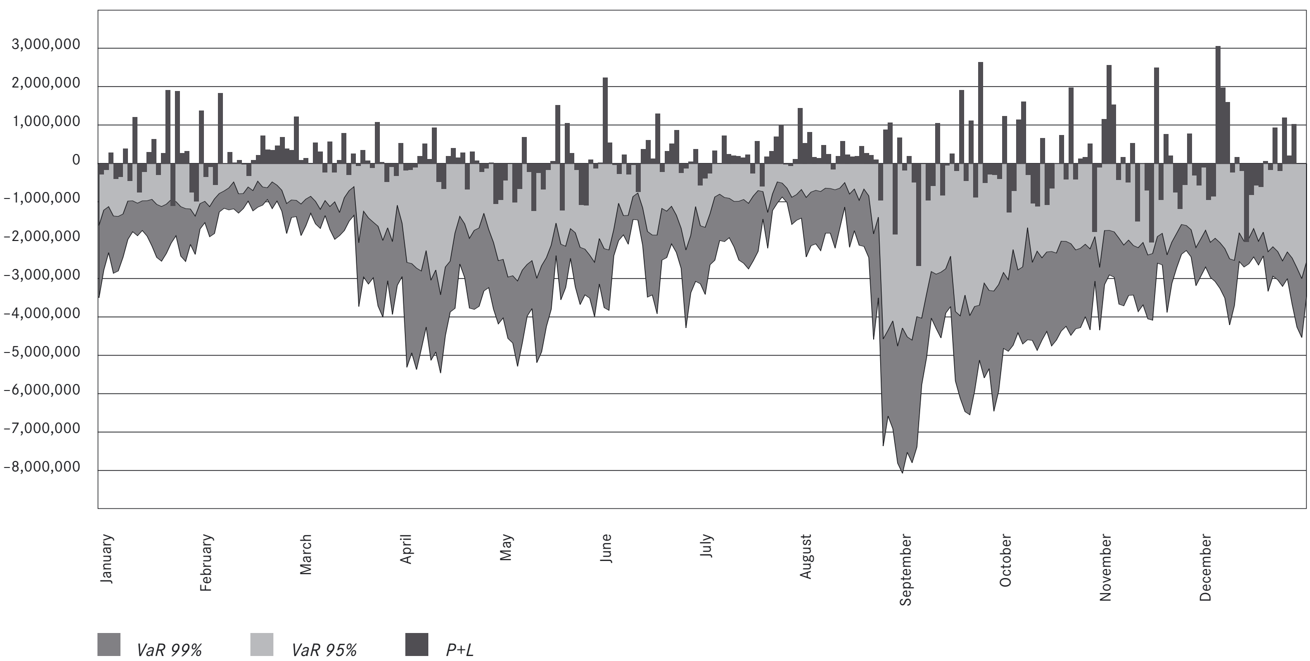
The following definitions are used to separate trading book and banking book activities: the *trading book* consists of proprietary positions in financial instruments that are held for resale or repurchase and that are usually taken on with the intention of benefiting from expected short-term differences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

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

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

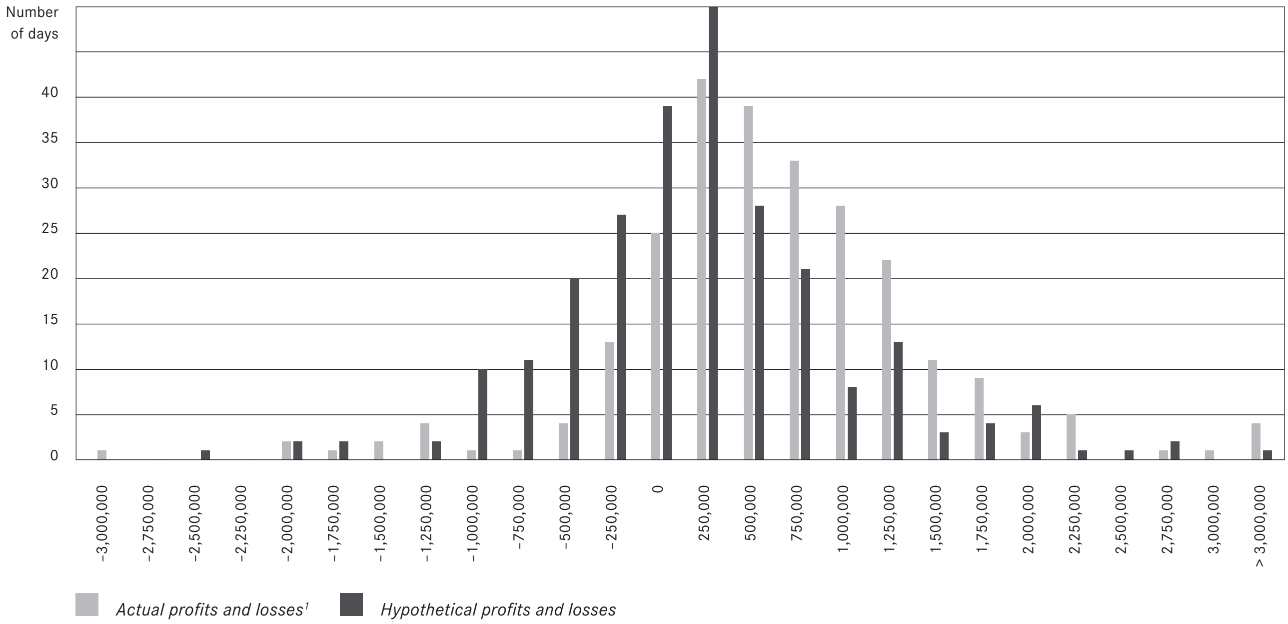
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 2.57 million on 31 December 2012 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2012 amounted to CHF 4.74 million; the minimum was CHF 0.45 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 2012 (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.

Back testing of Julius Baer Group trading book positions in 2012 (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 2012 (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.

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 4.27

million on 31 December 2012 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2012 amounted to CHF 5.48 million; the minimum was CHF 0.51 million. Under the new FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

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

				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**

				2011
	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	Minimum *CHF 1,000*
Equities	-361	-1,018	-3,436	-206
Interest rates	-442	-448	-1,072	-204
Foreign exchange/precious metals	-1,708	-728	-3,287	-18
Effects of correlation	921			
Total	-1,590	-1,341	-3,216	-318

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 2012. 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						
2012	**3,220**	**351**	**36,883**	**-13,323**	**-48,852**	**-21,721**
2011	3,418	377	25,581	-19,461	-49,183	-39,268
USD						
2012	**3,139**	**3,050**	**11,490**	**-22,100**	**-1,285**	**-5,706**
2011	38	2,062	5,917	-358	821	8,480
EUR						
2012	**-560**	**-590**	**8,168**	**-47,985**	**-2,477**	**-43,444**
2011	359	-650	3,754	-10,377	-1,991	-8,905
Other						
2012	**994**	**-221**	**1,358**	**-3,104**	**-4,128**	**-5,101**
2011	130	-465	2,399	1,119	-4,222	-1,039

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 -46.4 million at the end of 2012 (2011: CHF -5.2 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 customers 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 hedges a portion of the interest rate risk associated with cash flows resulting from term deposits or term loans by employing interest rate swaps. The market value of these swaps on 31 December 2012 amounted to a net CHF -13.1 million (2011: CHF -8.1 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	9,582.2	-	-	-	-	**9,582.2**
Due from banks	-	5,654.8	267.2	76.7	25.1	**6,023.8**
Loans	-	14,389.0	2,291.5	1,980.1	1,122.6	**19,783.3**
Trading assets	4,122.9	-	-	-	-	**4,122.9**
Derivative financial instruments	1,205.7	-	-	-	-	**1,205.7**
Financial investments available-for-sale	-	1,499.9	2,118.5	8,022.4	134.5	**11,775.4**
Accrued income	-	187.0	-	-	-	**187.0**
Total 31.12.2012	14,910.8	21,730.7	4,677.3	10,079.2	1,282.2	**52,680.3**
Total 31.12.2011	11,275.6	24,136.2	5,984.8	7,035.0	1,640.6	50,072.2
Financial liabilities						
Due to banks	-	4,287.2	0.7	1.8	-	**4,289.8**
Due to customers	-	26,146.9	9,202.0	3,754.9	-	**39,103.8**
Trading liabilities	804.7	-	-	-	-	**804.7**
Derivative financial instruments	1,125.8	-	-	-	-	**1,125.8**
Financial liabilities designated at fair value	66.2	1,163.5	807.4	984.5	133.1	**3,154.7**
Debt issued	-	29.4	-	-	716.9	**746.3**
Accrued expenses	-	120.3	-	-	-	**120.3**
Total 31.12.2012	1,996.7	31,747.3	10,010.2	4,741.2	850.0	**49,345.4**
Total 31.12.2011	3,095.0	31,057.8	8,449.6	4,225.0	681.4	47,508.8

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	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**
Due to banks	4,533.6	932.9	203.1	2.7	-	5,672.3
Due to customers	30,691.7	3,966.5	187.3	-	-	34,845.5
Trading liabilities	814.1	-	-	-	-	814.1
Derivative financial instruments	2,116.0	-	-	-	-	2,116.0
Financial liabilities designated at fair value	164.9	1,239.1	887.2	1,038.2	214.2	3,543.6
Debt issued	-	8.1	20.6	71.5	467.1	567.3
Accrued expenses	-	96.9	-	-	-	96.9
Total 31.12.2011	38,320.3	6,243.5	1,298.2	1,112.4	681.4	47,655.8
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[1]	126.1	41.5	11.0	24.4	-	203.0
Total 31.12.2012	126.1	41.5	11.0	24.4	-	**203.0**
Total 31.12.2011	130.5	6.6	17.8	11.6		166.5

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

Operational risk

Operational risk – definition and objectives

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

The qualitative and quantitative standards defined by the Basel Committee for Banking Supervision 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 in the event of infrastructure breakdowns and catastrophes (Business Continuity Management);
- to ensure that all risk-related issues are assessed before new services or products are offered;
- to ensure that 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 and their potential effects on business activities and to put in place an appropriate crisis organisation structure to ensure that the Group is able to function in the event of such threats becoming reality. BCM includes analysis and planning activities that are designed to ensure that in the event of a catastrophe or a crisis which puts business in jeopardy, the continuity of essential business processes is re-established. The business continuity risks associated with a process are evaluated according to the assumed extent and duration of any disturbance or interruption to which it might be subjected.

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, and that such failure results in injury to the third party concerned.

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

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 being 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 strong external credit ratings.

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 ratios for core (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, 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 2012, 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.

In contrast to the calculations carried out for its financial reporting, for which the Group calculates risk-weighted assets according to BIS guidelines, the calculation of the Group's regulatory capital requirement is based on FINMA legal requirements. For its regulatory reporting, the Group applies the Swiss standardised approach (SA-CH). This results in higher risk-weighted assets and, consequently, higher capital requirements than would be required by BIS guidelines.

BIS guidelines require a tier 1 ratio of at least 4% of risk-weighted assets and total eligible capital equal to at least 8% of risk-weighted assets. According to a new FINMA guideline which came into effect on 1 July 2011 an additional capital buffer of 4% has to be held, based on the categorisation of our institution. As at 31 December 2012 and as at 31 December 2011, the Group was adequately capitalised under the respective FINMA and BIS guidelines.

Capital ratios

	31.12.2012 *CHF m*	31.12.2011 *CHF m*
Risk-weighted positions		
Credit risk	**7,886.5**	8,716.6
Non-counterparty-related risk	**541.6**	529.9
Market risk[1]	**1,098.4**	671.5
Operational risk[1]	**2,924.6**	2,892.5
Total	**12,451.1**	12,810.5
Eligible capital		
Eligible tier 1 capital	**3,645.0**	2,788.5
of which tier 1 capital	***470.3***	*225.0*
Eligible total capital	**3,940.1**	3,067.3
of which lower tier 2 capital	***245.6***	*242.1*
BIS tier 1 ratio	**29.3%**	21.8%
BIS total capital ratio	**31.6%**	23.9%

[1]Risk-weighted figure calculated by taking 12.5 times the capital adequacy requirement according to the applied approach

Hybrid tier 1 capital

Hybrid tier 1 capital represents 12.9% of the total tier 1 capital. The hybrid tier 1 capital consists of CHF 225 million of preferred securities ('preferred securities') issued by Julius Baer Capital (Guernsey) I Limited and CHF 250 million of perpetual non-cumulative additional tier 1 bonds issued by Julius Baer Group Ltd. in September 2012 ('tier 1 bonds').

The hybrid equity created by the issuance of the tier 1 bonds is entirely allocated to the Group's core capital for the purpose of ensuring that the Group's consolidated capital adequacy requirements are met. From 1 January 2013 onwards, the proportion of preferred securities allocated to core capital for the purpose of meeting the Group's consolidated capital adequacy requirements will be reduced by 10% each year.

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 below, the above-mentioned 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.

Tier 1 bonds

The maturity of the perpetual tier 1 subordinated bond is essentially perpetual. These bonds are unsecured, subordinate to all borrowings (with the exception of the remainder of the tier 1 capital), fully paid up, capable of sustaining losses and devoid of any voting rights. The tier 1 bonds can first be redeemed, at the Issuer's initiative, five and a half years after their issue date (i.e. 19 March 2018), and at yearly intervals thereafter, provided the regulator agrees to this. They may also be redeemed, at the Issuer's initiative, should Regulatory Events or Tax Events occur, as described in the prospectus. In the case of a Viability Event occurring, i.e. at a point in time where there is a threat of insolvency ('Point of non-viability' or 'PONV'), as described in Article 29 of the Capital Adequacy Ordinance (CAO), all monies due on the tier 1 bonds will automatically cease to be payable and they will be completely written off (i.e. their value will be written down to zero). Should a Trigger Event occur – i.e. should core tier 1 capital adequacy (under Basel 2.5) fall below 5.125% or 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 but excluding the issue date (18 September 2012) to and including 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 will first be 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 shareholders' 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.

Lower tier 2 capital

Lower tier 2 capital represents 6.2% of the Group's total capital and 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 will be 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 (and excluding) the issue date (23 December 2011) to (but including) 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 (and excluding) the reset date and ending on (but including) 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 will be payable annually, in arrears and on a 30/360 day basis, on 23 December (the 'interest payment date'). Julius Baer Group Ltd. may redeem the bonds on the reset date (23 December 2016) and upon the occurrence of a capital event or a tax event as defined in the prospectus in whole but not in part at the par value per bond plus accrued but unpaid interest thereon, upon giving not less than 30 days' notice to the holders of the bonds.

The main adjustment to total equity 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.

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 63% (2011: 68%) of the total required capital. Capital required for non-counterparty risk (2012: 4%; 2011: 4%) and market risk (2012: 9%; 2011: 5%) is of minor significance. The capital required to cover operational risk accounts for more than 24% of total required capital (2011: more than 23%).

For further details of the Group's capital adequacy under Swiss law, please refer to www.juliusbaer.com (information will be available at the end of April 2013).

Capital components

	31.12.2012 *CHF m*	31.12.2011 *CHF m*
Gross tier 1 capital after deduction of treasury shares	**5,233.0**	4,427.3
of which non-controlling interests	***2.3***	*1.9*
of which preferred securities	***225.0***	*225.0*
of which tier 1 bonds	***245.3***	-
Goodwill and other intangible assets	**-1,453.5**	-1,543.1
Other deductions	**-134.5**	-95.7
Eligible tier 1 capital	**3,645.0**	2,788.5
Tier 2 capital	**295.1**	278.8
of which lower tier 2 capital	***245.6***	*242.1*
Eligible tier 1 and tier 2 capital	**3,940.1**	3,067.3

Minimum capital requirement

	31.12.2012 *CHF m*	31.12.2011 *CHF m*
Credit risk	**630.9**	697.3
of which for equity securities in the banking book	***3.1***	*1.7*
Non-counterparty-related risk	**43.3**	42.4
Market risk	**87.9**	53.7
Operational risk	**234.0**	231.4
Total	**996.1**	1,024.8

Information on the consolidated income statement

1 Net interest and dividend income

	2012 CHF 1,000	2011 CHF 1,000	Change %
Interest income on amounts due from banks	**27,515**	39,100	-29.6
Interest income on loans	**291,473**	276,057	5.6
Interest income on money market instruments	**14,823**	38,656	-61.7
Interest income on financial investments available-for-sale	**161,209**	134,202	20.1
Total interest income using the effective interest method	**495,020**	488,015	1.4
Dividend income on financial investments available-for-sale	**2,842**	2,171	30.9
Interest income on trading portfolios	**67,632**	45,197	49.6
Dividend income on trading portfolios	**93,054**	101,257	-8.1
Total interest and dividend income	**658,548**	636,640	3.4
Interest expense on amounts due to banks	**2,688**	8,838	-69.6
Interest expense on amounts due to customers	**74,338**	86,794	-14.4
Interest expense on debt issued	**22,991**	8,382	174.3
Total interest expense using the effective interest method	**100,017**	104,014	-3.8
Total	**558,531**	532,626	4.9

2 Net commission and fee income

	2012 CHF 1,000	2011 CHF 1,000	Change %
Advisory and management commissions	**634,056**	604,860	4.8
Investment fund fees	**108,672**	108,299	0.3
Fiduciary commissions	**11,763**	19,088	-38.4
Total commission and fee income from asset management	**754,491**	732,247	3.0
Brokerage commissions and income from securities underwriting	**359,409**	354,012	1.5
Commission income from credit-related activities	**5,798**	4,625	25.4
Commission and fee income on other services	**52,289**	46,446	12.6
Total commission and fee income	**1,171,987**	1,137,330	3.0
Commission expense	**191,489**	195,342	-2.0
Total	**980,498**	941,988	4.1

3 Net trading income

	2012 CHF 1,000	2011 CHF 1,000	Change %
Debt instruments	**13,827**	15,939	-13.3
Equity instruments	**-96,248**	-96,792	0.6
Foreign exchange	**255,231**	349,533	-27.0
Total	**172,810**	268,680	-35.7

4 Other ordinary results

	2012 CHF 1,000	2011 CHF 1,000	Change %
Net gains/(losses) from disposal of financial investments available-for-sale	**14,548**	-16,780	186.7
Income from investments in associates	**3,584**	1,101	225.5
Real estate income	**4,327**	5,102	-15.2
Other ordinary income	**15,971**	22,146	-27.9
Other ordinary expenses	**12,850**	2,176	-
Total	**25,580**	9,393	172.3

5 Personnel expenses

	2012 CHF 1,000	2011 CHF 1,000	Change %
Salaries and bonuses	**650,238**	648,965	0.2
Contributions to staff pension plans (defined benefits)	**44,356**	36,790	20.6
Contributions to staff pension plans (defined contributions)	**14,435**	16,180	-10.8
Other social security contributions	**53,175**	51,604	3.0
Share-based payments	**32,539**	22,875 [1]	42.2
Other personnel expenses	**15,057**	35,505	-57.6
Total	**809,800**	811,919	-0.3

[1]Including Staff Participation Plan, see Note 29

6 General expenses

	2012 CHF 1,000	2011 CHF 1,000	Change %
Occupancy expense	**54,792**	52,860	3.7
IT and other equipment expense	**48,879**	49,954	-2.2
Information, communication and advertising expense	**117,702**	111,057	6.0
Service expense, fees and taxes	**178,238**	126,192	41.2
Valuation allowances, provisions and losses	**-17,042**	88,445 [1]	-
Other general expenses	**1,813**	15,740	-88.5
Total	**384,382**	444,248	-13.5

[1] On 14 April 2011, it was announced that German authorities and Julius Baer had agreed on a one-off payment by the latter of EUR 50 million to end the investigations against Julius Baer and unknown employees regarding tax matters in Germany.

7 Income taxes

	2012 CHF 1,000	2011 CHF 1,000	Change %
Income tax on profit before taxes (expected tax expense)	**82,195**	70,135	17.2
Tax rate difference on income of components subject to foreign taxation	**-17,090**	-10,062	-69.8
Tax rate difference from local differences in domestic tax rates	**3,104**	-6,313	149.2
Lower taxed income	**-17,937**	-35,199	49.0
Effect of utilisation of prior-year losses	**-12,477**	-1,238	-
Effect from not capitalised losses	**8,375**	8,059	3.9
Adjustments related to prior years	**-151**	-1,440	89.5
Write-off of deferred tax assets	**-**	574	-100.0
Non-deductible expenses	**30,641**	37,356	-18.0
Other	**-954**	-1,215	21.5
Actual income tax expense	**75,706**	60,657	24.8

A tax rate of 22% (2011: 22%) was applied in the calculation of income tax in Switzerland. Unrecognised accumulated loss carryforwards in the amount of CHF 79.1 million (2011: CHF 58.1 million) exist in the Group that do not expire.

	2012 CHF 1,000	2011 CHF 1,000	Change %
Domestic income taxes	**69,847**	55,301	26.3
Foreign income taxes	**5,859**	5,356	9.4
Total	**75,706**	60,657	24.8

Current income taxes	**75,669**	62,338	21.4
Deferred income taxes	**37**	-1,681	-
Total	**75,706**	60,657	24.8

Tax effects relating to components of other comprehensive income

2012	Before-tax amount CHF 1,000	Tax (expense)/ benefit CHF 1,000	Net-of-tax amount CHF 1,000
Financial investments available-for-sale			
Unrealised gains/(losses)	132,522	-12,311	120,211
Realised (gains)/losses reclassified to the income statement	22,342	97	22,439
Foreign currency translation			
Translation differences	-6,671	-	-6,671
Realised (gains)/losses reclassified to the income statement	12,543	-	12,543
Hedging reserve for cash flow hedges	**-6,262**	**1,388**	**-4,874**
Other comprehensive income for the year recognised directly in equity	**154,474**	**-10,826**	**143,648**

2011	Before-tax amount CHF 1,000	Tax (expense)/ benefit CHF 1,000	Net-of-tax amount CHF 1,000
Financial investments available-for-sale			
Unrealised gains/(losses)	-41,535	5,463	-36,072
Realised (gains)/losses reclassified to the income statement	20,465	-1,457	19,008
Foreign currency translation			
Translation differences	-6,101	-	-6,101
Realised (gains)/losses reclassified to the income statement	-	-	-
Hedging reserve for cash flow hedges	-6,607	1,443	-5,164
Other comprehensive income for the year recognised directly in equity	-33,778	5,449	-28,329

8 Earnings per share and shares outstanding

	2012	2011
Basic earnings per share		
Net profit (CHF 1,000)	**297,357**	257,916
Weighted average number of shares outstanding	**201,938,401**	202,586,951
Basic earnings per share (CHF)	**1.47**	1.27
Weighted average number of shares outstanding restated	-	207,601,874
Basic earnings per share (CHF) restated	-	1.24
Diluted earnings per share		
Net profit (CHF 1,000)	**297,357**	257,916
Less (profit)/loss on equity derivative contracts (CHF 1,000)	**-959**	-313
Net profit for diluted earnings per share (CHF 1,000)	**296,398**	257,603
Weighted average number of shares outstanding	**201,938,401**	202,586,951
Weighted average number of shares outstanding restated	-	207,601,874
Dilution effect	**523,032**	243,658
Weighted average number of shares outstanding for diluted earnings per share	**202,461,433**	207,845,532
Diluted earnings per share (CHF)	**1.46**	1.24

	31.12.2012	31.12.2011
Shares outstanding		
Total shares issued	**206,630,756**	206,630,756
Cancellation	**10,240,000**	-
Issuance	**20,316,285**	-
Share buyback programme	-	7,592,954
Treasury shares	**2,599,046**	1,345,321
Total	**214,107,995**	197,692,481

The weighted average number of shares outstanding and the weighted average number of shares outstanding for 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 years 2011 and 2012 due to the following movements:

- 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 (refer to Note 31 for details regarding this acquisition).

Information on the consolidated balance sheet

9a Due from banks

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change CHF 1,000
Due from banks	**6,028,357**	10,053,949	-4,025,592
Allowance for credit losses	**-4,541**	-5,870	1,329
Total	**6,023,816**	10,048,079	-4,024,263

Due from banks by type of collateral:

Securities collateral	**388,130**	1,876,347	-1,488,217
Without collateral	**5,635,686**	8,171,732	-2,536,046
Total	**6,023,816**	10,048,079	-4,024,263

9b Loans

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change CHF 1,000
Loans	**14,232,210**	11,915,863	2,316,347
Mortgages	**5,619,424**	4,579,039	1,040,385
Subtotal	**19,851,634**	16,494,902	3,356,732
Allowance for credit losses	**-68,352**	-86,492	18,140
Total	**19,783,282**	16,408,410	3,374,872

Loans by type of collateral:

Securities collateral	**9,781,596**	8,447,969	1,333,627
Mortgage collateral	**5,590,997**	4,539,898	1,051,099
Other collateral (mainly cash and fiduciary deposits)	**4,395,726**	3,405,096	990,630
Without collateral	**14,963**	15,447	-484
Total	**19,783,282**	16,408,410	3,374,872

9c Allowance for credit losses

	2012		2011	
	Specific *CHF 1,000*	Collective *CHF 1,000*	Specific *CHF 1,000*	Collective *CHF 1,000*
Balance at the beginning of the year	**65,088**	**27,274**	37,163	25,462
Write-offs	**-390**	**-**	-	-
Increase in allowance for credit losses	**3,746**	**909**	28,306	1,812
Decrease in allowance for credit losses	**-11,060**	**-11,706**	-511	-
Translation differences and other adjustments	**-970**	**2**	130	-
Balance at the end of the year	**56,414**	**16,479**	65,088	27,274

9d Impaired loans

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*	Change *CHF 1,000*
Gross loans	**70,621**	103,052	-32,431
Specific allowance for credit losses	**-56,414**	-65,088	8,674
Net loans	**14,207**	37,964	-23,757

10 Trading assets and liabilities

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*	Change *CHF 1,000*
Trading assets			
Debt instruments	**679,354**	613,342	66,012
of which quoted	***549,595***	*592,330*	*-42,735*
of which unquoted	***129,759***	*21,012*	*108,747*
Equity instruments	**1,876,366**	3,468,629	-1,592,263
of which quoted	***1,146,823***	*2,708,389*	*-1,561,566*
of which unquoted	***729,543***	*760,240*	*-30,697*
Precious metals (physical)	**1,567,166**	838,190	728,976
Total	**4,122,886**	4,920,161	-797,275

Trading liabilities			
Short positions – debt	**127,856**	14,108	113,748
of which quoted	***8,889***	*10,582*	*-1,693*
of which unquoted	***118,967***	*3,526*	*115,441*
Short positions – equity	**676,809**	799,969	-123,160
of which quoted	***344,454***	*369,449*	*-24,995*
of which unquoted	***332,355***	*430,520*	*-98,165*
Total	**804,665**	814,077	-9,412

11a Financial investments available-for-sale

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*	Change *CHF 1,000*
Money market instruments	**634,505**	3,421,289	-2,786,784
Government and agency bonds	**1,775,425**	1,732,649	42,776
Financial institution bonds	**5,202,748**	4,430,254	772,494
Corporate bonds	**4,072,464**	2,509,356	1,563,108
Debt instruments	**11,050,637**	8,672,259	2,378,378
of which quoted	***10,038,603***	*7,994,562*	*2,044,041*
of which unquoted	***1,012,034***	*677,697*	*334,337*
Equity instruments	**90,208**	74,467	15,741
of which quoted	-	*63*	*-63*
of which unquoted	***90,208***	*74,404*	*15,804*
Total	**11,775,350**	12,168,015	-392,665

11b Financial investments available-for-sale – Credit ratings

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	**31.12.2012** *CHF 1,000*	31.12.2011 *CHF 1,000*	Change *CHF 1,000*
1–2	AAA – AA-	Aaa – Aa3	**8,259,424**	6,419,972	1,839,452
3	A+ – A-	A1 – A3	**2,374,532**	2,000,636	373,896
4	BBB+ – BBB-	Baa1 – Baa3	**235,565**	139,072	96,493
5–7	BB+ – CCC-	Ba1 – Caa3	**92,936**	56,091	36,845
Unrated			**88,180**	56,488	31,692
Total			**11,050,637**	8,672,259	2,378,378

12 Investments in associates

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*	Change *CHF 1,000*
Balance at the beginning of the year	**48,504**	-	48,504
Additions	**-**	52,235	-52,235
Income	**3,584**	1,101	2,483
Dividend paid	**-1,530**	-	-1,530
Translation differences	**-5,347**	-4,832	-515
Balance at the end of the year	**45,211**	48,504	-3,293

Refer to Note 28a for details regarding the acquisition of 30% of São Paulo-based GPS Investimentos e Participações S.A. in 2011.

The associated company had the following balance sheet and income statement totals on an aggregated basis not adjusted for the Group's proportionate interest.

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*
Assets	**18,418**	13,809
Liabilities	**11,145**	8,443
Operating income	**26,731**	22,510
Net profit	**14,633**	12,911

13 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 01.01.2011	1,117.0	916.2	305.9	2,339.1	384.7	133.0	517.6
Translation differences	-	-0.4	-0.1	-0.5	-	-0.1	-0.1
Additions	-	-	56.9	56.9	6.2	25.3	31.5
Disposals/transfers[1]	-	-	8.0	8.0	6.8	10.1	16.9
Balance on 31.12.2011	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
Depreciation and amortisation							
Balance on 01.01.2011	-	398.7	142.5	541.3	52.6	93.2	145.8
Translation differences	-	-0.1	-	-0.1	-	-	-
Charge for the period	-	92.0	55.4 [2]	147.4	7.2	23.2	30.3
Disposals/transfers[1]	-	-	8.0	8.0	0.1	10.1	10.2
Balance on 31.12.2011	-	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 [3]	91.1	37.0 [2]	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
Book value							
Balance on 31.12.2011	1,117.0	425.1	164.8	1,706.8	324.4	41.8	366.2
Balance on 31.12.2012	**1,118.5**	**333.9**	**183.1**	**1,635.6**	**319.9**	**39.7**	**359.6**

[1] Includes derecognition of fully depreciated and amortised assets

[2] Includes additional charges of CHF 2.7 million (2011: CHF 21.0 million) related to adjusted useful lives of software

[3] The expected disposal of Julius Baer SIM S.p.A. in 2013 leads to a reallocation of recognised goodwill. The contractually agreed selling price for the company is lower than the carrying amount of the operation including goodwill. Therefore the disposal causes an impairment in the amount of CHF 9.1 million in 2012. This amount is included in amortisation of other intangible assets in the income statement.

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.

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 four-year 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. The Group assumes that markets will remain more volatile than they used to be and that short-term disruptions cannot be excluded. 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. 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. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.1% (2011: 9.3%).

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 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 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. forecasted/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 four-year forecast period. 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.

14 Operating lease commitments

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*
Not later than one year	**46,465**	41,550
Later than one year and not later than five years	**117,881**	132,459
Later than five years	**83,014**	94,164
Subtotal	**247,360**	268,173
Less sublease rentals received under non-cancellable leases	**30,744**	13,749
Total	**216,616**	254,424

Operating leases in the gross amount of CHF 42.4 million are included in operating expenses for the 2012 financial year (2011: CHF 47.0 million).

15 Assets pledged or ceded to secure own commitments and assets subject to retention of title

		31.12.2012		31.12.2011
	Book value *CHF 1,000*	Effective commitment *CHF 1,000*	Book value *CHF 1,000*	Effective commitment *CHF 1,000*
Securities	**602,169**	**599,539**	676,683	676,683
Other	**5,708**	**5,329**	11,656	10,013
Total	**607,877**	**604,868**	688,339	686,696

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

16 Financial liabilities designated at fair value

	2013 *CHF m*	2014 *CHF m*	2015 *CHF m*	2016 *CHF m*	2017 *CHF m*	2018–2022 *CHF m*	**31.12.2012** *CHF m*	31.12.2011 *CHF m*
Senior debt								
Fixed rate	1,809.5	73.2	12.3	19.2	12.2	-	**1,926.2**	1,999.8
Interest rates (ranges in %)	1.0–51.81	3.07–14.0	3.9–6.0	0.01–4.8	1.5	-	**-**	-
Floating rate	1,012.0	47.5	7.5	16.0	16.3	129.2	**1,228.5**	1,494.8
Total	**2,821.5**	**120.7**	**19.7**	**35.2**	**28.4**	**129.2**	**3,154.7**	3,494.6

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 51.81%. 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.

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.

17 Debt issued

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000
Money market instruments	**29,402**	8,694
Bonds	**491,902**	242,135
Preferred securities	**225,000**	225,000
Total	**746,304**	475,829

Bonds and preferred securities

Issuer/Year of issue	Stated interest rate %		Notional amount CHF 1,000	**31.12.2012** Total CHF 1,000	31.12.2011 Total CHF 1,000
Julius Baer Group Ltd.					
2011[1]	4.50	Lower tier 2 bond	250,000	**244,012**	242,135
Julius Baer Group Ltd.					
2012[2]	5.375	Perpetual tier 1 subordinated bond	250,000	**247,890**	-
Julius Baer Capital (Guernsey) I Ltd.					
2005[3]	3.63	Preferred securities	225,000	**225,000**	225,000
Total				**716,902**	467,135

[1]Own bonds of CHF 2.195 million are offset with bonds outstanding (2011: CHF 3.65 million).
The effective interest rate amounts to 4.89%.
See details regarding lower tier 2 bond on page 92
[2]Own bonds of CHF 0.59 million are offset with bonds outstanding.
The effective interest rate amounts to 5.59%.
The issuance of the new debt is related to the acquisition of Merrill Lynch's International Wealth Management.
See details regarding perpetual tier 1 subordinated bond on page 91
[3]See details regarding preferred securities on page 90

18a Deferred tax assets

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000
Balance at the beginning of the year	**12,395**	10,074
Income statement – credit	**4,710**	4,978
Income statement – charge	**-1,943**	-2,445
Recognised directly in equity	**-**	-9
Translation differences and other adjustments	**-71**	-203
Balance at the end of the year	**15,091**	12,395

The components of deferred tax assets are as follows:

Operating loss carryforwards	**13,618**	10,254
Employee compensation and benefits	**30**	-
Property and equipment	**197**	148
Valuation adjustments on loans	**1,246**	1,993
Total deferred tax assets	**15,091**	12,395

18b Deferred tax liabilities

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000
Balance at the beginning of the year	**117,211**	121,893
Income statement – charge	**3,074**	1,128
Income statement – credit	**-270**	-276
Acquisition of subsidiaries	**-9,119**	-
Recognised directly in equity	**10,826**	-5,458
Translation differences and other adjustments	**-15**	-76
Balance at the end of the year	**121,707**	117,211

The components of deferred tax liabilities are as follows:

Provisions	**54,659**	54,401
Property and equipment	**12,604**	12,679
Financial investments available-for-sale	**26,698**	21,435
Intangible assets	**23,324**	26,647
Other	**4,422**	2,049
Total deferred tax liabilities	**121,707**	117,211

19 Provisions

	Restructuring CHF 1,000	Legal risks CHF 1,000	Other CHF 1,000	**2012** **Total** CHF 1,000	2011 Total CHF 1,000
Balance at the beginning of the year	**27,394**	**25,093**	**1,564**	**54,051**	32,196
Utilised during the year	**-18,594**	**-11,555**	**-476**	**-30,625**	-74,825
Recoveries	**-**	**2,665**	**-**	**2,665**	14,573
Provisions made during the year	**1,352**	**10,206**	**-**	**11,558**	97,612
Provisions reversed during the year	**-2,821**	**-4,929**	**-**	**-7,750**	-15,438
Acquisition of subsidiaries	**-**	**1,525**	**-**	**1,525**	-
Translation differences	**-**	**-40**	**-**	**-40**	-67
Balance at the end of the year	**7,331**	**22,965**	**1,088**	**31,384**	54,051
Maturity of provisions					
Up to one year	**5,268**	**7,141**	**-**	**12,409**	33,000
Over one year	**2,063**	**15,824**	**1,088**	**18,975**	21,051

Details to restructuring provisions		
Balance at the beginning of the year	**27,394**	7,314
Provisions made during the year	**1,352**	25,728
Provisions used:		
– Personnel	**-15,476**	-5,497
– Occupancy expense	**-3,118**	-132
Provisions reversed during the year	**-2,821**	-19
Balance at the end of the year	**7,331**	27,394

Restructuring

The Group announced a cost reduction plan in November 2011 in response to the continued challenging general business environment. The cost reduction efforts structurally curb general as well as personnel expenses. A restructuring provision in the amount of CHF 25.7 million has been made in order to account for related expenses in the following years. CHF 18.6 million of the provision have been used as at 31 December 2012.

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 connection with certain private banking client accounts managed by an independent asset manager and previously held with the former New York branch of Bank Julius Baer & Co. Ltd., as custodian and lender, there are civil legal proceedings pending before New York State Court against Bank Julius Baer & Co. Ltd. alleging breach of contract, breach of fiduciary duty, negligence, conversion, unjust enrichment and/or fraud, and unauthorised pledging of client assets arising from and before 2001 when an independent asset manager sent forged statements to certain clients and moved funds from certain clients' accounts, and pledged assets in certain clients' accounts, to cover losses in others. Proceedings before a New York arbitration panel in the same matter involving some of the same claimants were closed in 2010 largely in favour of Bank Julius Baer & Co. Ltd., among others. The arbitration award clearly rejected any allegations of fraud, conspiracy and similar claims. The disputed claims, without interest and unquantifiable claims for punitive damages and counterclaims, initially amounted to approximately USD 105 million. Related proceedings in state court were also largely resolved in favour of Bank Julius Baer & Co. Ltd. Nevertheless, the affected claimants have continued with their proceedings, which include challenging the arbitration award in federal court. Bank Julius Baer & Co. Ltd. is opposing these claims and has taken appropriate steps and measures to defend its interest and settle the matter.

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. is 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 in order to take appropriate steps vis-à-vis clients and business partners.

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 2012.

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 46 million, of which approximately USD 5 million is claimed in the courts of the British Virgin Islands and approximately USD 41 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). 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 37 million in the courts of New York, 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, Bank Julius Baer & Co. Ltd. was informed by Swiss authorities that US authorities had named it as one of several Swiss banks being investigated in connection with their cross-border private banking services provided to US private clients. Bank Julius Baer & Co. Ltd. is in ongoing, constructive dialogue with US authorities and has cooperated with the US authorities within the confines of applicable law with the aim of reaching a resolution of the US investigation. In parallel, Swiss authorities are in negotiations with US authorities as regards a resolution for the ongoing dispute on tax matters between US authorities and the Swiss financial industry, including as to provision of US taxpayer information by Swiss authorities to US authorities. The Bank, whilst also cooperating with its home regulator FINMA in this matter, is supporting such efforts of the Swiss authorities. In the context of its cooperation, Bank Julius Baer & Co. Ltd. has provided the US authorities data pertaining to its historical US business. Based on the current stage of such negotiations and co-operation, however, the potential outcome (likelihood and potential content of a resolution) and the financial (any potential settlement amount and other costs) and business impacts are uncertain and currently not reliably assessable.

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.

20 Share capital

	Registered shares (CHF 0.02 par)	
	Number	*CHF 1,000*
Balance on 01.01.2011	206,630,756	**4,133**
of which entitled to dividends	*206,630,756*	***4,133***
Changes	-	**-**
Balance on 31.12.2011	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*

The following movements apply to the financial years 2011 and 2012:

- 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 (refer to Note 31 for details regarding this acquisition).

As at 31 December 2012, in total 17,183,715 shares are authorised. 7,102,407 of these shares will be used to partially finance the acquisition of Merrill Lynch's International Wealth Management (the consideration shares, see Note 31). These shares have been issued on 24 January 2013 and are held by Julius Baer Group Ltd. until used as consideration. The remaining shares must also be used exclusively for the partial financing of this acquisition, if necessary, with partial increases permissible.

Additional information
21 Reporting by segment

Julius Baer Group engages exclusively in private banking activities primarily in Switzerland, Europe and Asia. 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, who is responsible for allocating resources and assesses the financial performance of the business. The CEO has been identified as the chief operating decision-maker, as he is responsible for the operational management of the whole Group.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the CEO reviews and uses for his management decisions the aggregated financial information 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.

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

	31.12.2012	31.12.2011	**2012**	2011	**2012**	2011
	Total assets		Operating income		Investments	
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF 1,000*	*CHF 1,000*
Switzerland	**49,324**	45,523	**1,370**	1,460	**82,592**	70,939
Europe (excl. Switzerland)	**13,754**	14,807	**194**	128	**1,462**	3,350
Americas	**828**	1,265	**42**	50	**273**	211
Asia and other countries	**7,880**	6,329	**205**	191	**7,597**	13,873
Less consolidation items	**16,918**	14,995	**74**	76		
Total	**54,868**	52,929	**1,737**	1,753	**91,924**	88,373

The information about geographical areas is based on the domicile of the reporting entity. This geographical information is provided to comply with IFRS and does not reflect the way the Group is managed.

22 Related party transactions

	31.12.2012 *CHF 1,000*	31.12.2011 *CHF 1,000*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**10,459**	11,177
Post-employment benefits	**619**	659
Other long-term benefits	**2**	4
Share-based payments	**5,705**	6,105
Total	**16,785**	17,945
Receivables from		
key management personnel	**19,901**	22,241
own pension funds	**837**	-
Total	**20,738**	22,241
Liabilities to		
key management personnel	**15,542**	14,821
own pension funds	**3,961**	3,104
Total	**19,503**	17,925
Credit guarantees to		
key management personnel	**18**	1,024
Total	**18**	1,024
Income from services provided to		
key management personnel	**288**	522
Total	**288**	522

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

For compensation, loans and share holdings of the Board of Directors and Senior Management, see pages 152 to 161.

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.

23 Pension plans and other employee benefits

	2012 CHF 1,000	2011 CHF 1,000
1. Development of pension obligations and assets		
Present value of funded obligation at the beginning of the year	**-1,769,000**	-1,690,951
Acquisitions	**-6,939**	-
Service cost	**-80,859**	-74,466
Past service cost	**-17,888**	-21,322
Interest cost	**-41,131**	-45,023
Settlements	**-3,596**	12,075
Benefits paid	**43,814**	47,849
Actuarial gain/(loss)	**-111,485**	2,371
Translation differences	**-1,353**	467
Present value of funded obligation at the end of the year	**-1,988,437**	-1,769,000
Fair value of plan assets at the beginning of the year	**1,617,480**	1,604,911
Acquisitions	**6,884**	-
Expected return on plan assets	**58,266**	62,686
Employer's contributions	**67,052**	60,401
Employees' contributions	**29,430**	27,218
Settlements	**-268**	-13,019
Benefits paid	**-43,814**	-47,849
Actuarial gain/(loss)	**86,386**	-76,376
Translation differences	**1,199**	-492
Fair value of plan assets at the end of the year	**1,822,615**	1,617,480

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000
2. Balance sheet		
Fair value of plan assets	**1,822,615**	1,617,480
Present value of funded obligation	**-1,988,437**	-1,769,000
(Unfunded)/funded status	**-165,822**	-151,520
Unrecognised past service cost	**27,641**	15,802
Unrecognised net actuarial (gain)/loss	**186,531**	161,581
Translation differences	**-1,273**	-1,410
(Accrued)/prepaid pension cost	**47,077**	24,453

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

	2012 CHF 1,000	2011 CHF 1,000
3. Income statement		
Service cost	**-80,859**	-74,466
Interest cost	**-41,131**	-45,023
Expected net return on plan assets	**58,266**	62,686
Amortisation of actuarial gain/(loss)	**-149**	-130
Past service cost	**-6,049**	-5,520
Settlements	**-3,864**	-1,555
Net periodic pension cost	**-73,786**	-64,008
Employees' contributions	**29,430**	27,218
Expense recognised in the income statement	**-44,356**	-36,790

	2012 CHF 1,000	2011 CHF 1,000
4. Movement in the net asset/(liability)		
(Accrued)/prepaid pension cost at the beginning of the year	**24,453**	887
Acquisitions	**-55**	-
Translation differences	**-17**	-45
Expense recognised in the income statement	**-44,356**	-36,790
Employer's contributions	**67,052**	60,401
Amount recognised in the balance sheet	**47,077**	24,453
Prepaid pension cost	**48,669**	26,072
Accrued pension liability	**-1,592**	-1,619
(Accrued)/prepaid pension cost	**47,077**	24,453
Actual return on plan assets	**144,652**	-13,690

	2012 %	2011 %
5. Asset allocation		
Cash	**1.76**	4.96
Debt instruments	**39.01**	39.79
Equity instruments	**28.92**	23.63
Real estate	**13.26**	13.86
Other	**17.05**	17.76
Total	**100.00**	100.00

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	31.12.2010 CHF 1,000	31.12.2009 CHF 1,000	31.12.2008 CHF 1,000
6. Defined benefit pension plans					
Fair value of plan assets	**1,822,615**	1,617,480	1,604,911	1,375,805	1,213,546
Present value of funded obligation	**-1,988,437**	-1,769,000	-1,690,951	-1,368,939	-1,356,481
(Unfunded)/funded status	**-165,822**	-151,520	-86,040	6,866	-142,935
Experience adjustment on plan liabilities	**-20,125**	7,875	-38,674	71,267	-3,064
Change in assumptions adjustment on plan liabilities	**-91,360**	-5,504	-84,044	-6,985	37,660
Experience adjustment on plan assets	**86,386**	-76,376	18,734	46,451	-238,520
Total actuarial gain/(loss)	**-25,099**	-74,005	-103,984	110,733	-203,924

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 14.4 million for the 2012 financial year (2011: CHF 16.2 million).

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2012. 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:

	2012	2011
Discount rate	**1.80%**	2.25%
Expected net return on plan assets	**3.50%**	3.50%
Average future salary increases	**1.00%**	1.00%
Future pension increases	**0.00%**	0.00%

The expected return on funded pension plan assets is based on long-term historical performance of the asset categories as well as expectations for future market performance.

The expected employer contributions for the 2013 financial year are estimated at CHF 63.1 million.

The Group had outstanding liabilities to various pension plans in the amount of CHF 4.0 million (2011: CHF 3.1 million).

24 Securities transactions

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2012 *CHF m*	31.12.2011 *CHF m*
Receivables		
Receivables from cash collateral provided in securities borrowing transactions	**-**	1,593.1
of which recognised in due from banks	***-***	*1,593.1*
Receivables from cash collateral provided in reverse repurchase transactions	**100.7**	102.9
of which recognised in loans	***100.7***	*102.9*
Obligations		
Obligations to return cash collateral received in securities lending transactions	**169.2**	56.1
of which recognised in due to banks	***114.3***	*-*
of which recognised in due to customers	***54.9***	*56.1*
Obligations to return cash collateral received in repurchase transactions	**261.1**	523.5
of which recognised in due to banks	***261.1***	*523.5*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**749.8**	1,757.8
of which securities the right to pledge or sell has been granted without restriction	***749.8***	*1,757.8*
of which recognised in trading assets	***339.7***	*1,102.0*
of which recognised in financial investments available-for-sale	***410.1***	*655.8*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**3,428.9**	6,169.2
of which repledged or resold securities	***2,616.8***	*3,702.3*

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. The transactions are mostly carried out under standard agreements employed by market participants. The related credit risk exposures are controlled by daily monitoring and 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.

25 Derivative financial instruments

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	55,622.3	473.2	481.6
Futures	59.2	0.4	-
Options (OTC)	54,777.9	376.3	291.6
Total foreign exchange derivatives 31.12.2012	**110,459.4**	**849.9**	**773.2**
Total foreign exchange derivatives 31.12.2011	115,188.5	1,463.0	1,372.8
Interest rate derivatives			
Swaps	3,700.9	54.0	52.8
Futures	360.6	0.4	0.8
Options (OTC)	518.2	3.8	4.2
Total interest rate derivatives 31.12.2012	**4,579.7**	**58.2**	**57.8**
Total interest rate derivatives 31.12.2011	6,106.6	60.7	66.5
Precious metals derivatives			
Forward contracts	3,711.3	59.1	70.8
Futures	450.8	8.5	-
Options (OTC)	4,748.2	83.6	39.5
Total precious metals derivatives 31.12.2012	**8,910.3**	**151.2**	**110.3**
Total precious metals derivatives 31.12.2011	12,108.9	311.1	301.3
Equity/indices derivatives			
Futures	512.1	1.6	2.3
Options (OTC)	4,165.9	54.8	72.2
Options traded	1,919.2	88.8	96.8
Total equity/indices derivatives 31.12.2012	**6,597.2**	**145.2**	**171.3**
Total equity/indices derivatives 31.12.2011	8,095.0	272.8	361.8
Other derivatives			
Futures	546.8	1.1	0.1
Total other derivatives 31.12.2012	**546.8**	**1.1**	**0.1**
Total other derivatives 31.12.2011	219.1	6.0	0.2

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Credit derivatives			
Credit default swaps	5.6	0.1	0.1
Total credit derivatives 31.12.2012	**5.6**	**0.1**	**0.1**
Total credit derivatives 31.12.2011	-	-	-
Total derivatives held for trading 31.12.2012	**131,099.0**	**1,205.6**	**1,112.7**
Total derivatives held for trading 31.12.2011	141,718.1	2,113.6	2,102.6

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as cash flow hedges			
Interest rate swaps	473.2	0.1	13.1
Total derivatives held for hedging 31.12.2012	**473.2**	**0.1**	**13.1**
Total derivatives held for hedging 31.12.2011	104.9	0.4	13.4
Total derivative financial instruments 31.12.2012	**131,572.2**	**1,205.7**	**1,125.8**
Total derivative financial instruments 31.12.2011	141,823.0	2,114.0	2,116.0

26a Financial instruments by category

Financial assets

	31.12.2012 Book value CHF m	Fair value CHF m	31.12.2011 Book value CHF m	Fair value CHF m
Cash, loans and receivables				
Cash	**9,582.2**	**9,582.2**	4,241.5	4,241.5
Due from banks	**6,023.8**	**6,036.7**	10,048.1	10,061.8
Loans	**19,783.3**	**20,106.1**	16,408.4	16,710.3
Accrued income	**187.0**	**187.0**	172.1	172.1
Total	**35,576.3**	**35,912.0**	30,870.1	31,185.7
Held for trading				
Trading assets	**2,555.7**	**2,555.7**	4,082.0	4,082.0
Derivative financial instruments	**1,205.6**	**1,205.6**	2,113.6	2,113.6
Total	**3,761.3**	**3,761.3**	6,195.6	6,195.6
Derivatives designated as hedging instruments				
Derivative financial instruments	**0.1**	**0.1**	0.4	0.4
Total	**0.1**	**0.1**	0.4	0.4
Available-for-sale				
Financial investments available-for-sale	**11,775.4**	**11,775.4**	12,168.0	12,168.0
Total	**11,775.4**	**11,775.4**	12,168.0	12,168.0
Total financial assets	**51,113.1**	**51,448.8**	49,234.1	49,549.7

Financial liabilities

	31.12.2012 Book value CHF m	31.12.2012 Fair value CHF m	31.12.2011 Book value CHF m	31.12.2011 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**4,289.8**	**4,290.5**	5,670.2	5,672.1
Due to customers	**39,103.8**	**39,107.8**	34,841.2	34,844.8
Debt issued	**746.3**	**807.1**	475.8	527.4
Accrued expenses	**120.3**	**120.3**	96.9	96.9
Total	**44,260.2**	**44,325.7**	41,084.1	41,141.2
Held for trading				
Trading liabilities	**804.7**	**804.7**	814.1	814.1
Derivative financial instruments	**1,112.7**	**1,112.7**	2,102.6	2,102.6
Total	**1,917.4**	**1,917.4**	2,916.7	2,916.7
Derivatives designated as hedging instruments				
Derivative financial instruments	**13.1**	**13.1**	13.4	13.4
Total	**13.1**	**13.1**	13.4	13.4
Designated at fair value				
Financial liabilities designated at fair value	**3,154.7**	**3,154.7**	3,494.6	3,494.6
Total	**3,154.7**	**3,154.7**	3,494.6	3,494.6
Total financial liabilities	**49,345.4**	**49,410.9**	47,508.8	47,565.9

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.

Trading assets, financial investments available-for-sale and derivative financial instruments

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 include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model or generalisations of that 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 2012, the Julius Baer Group did not have or transfer any such instruments.

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*	**31.12.2012** **Total** *CHF m*
Determination of fair values			
Trading assets	1,696.40	859.3	**2,555.7**
Derivative financial instruments	103.6	1,102.1	**1,205.7**
Financial investments available-for-sale	10,038.6	1,736.8	**11,775.4**
Total assets at fair value	**11,838.6**	**3,698.2**	**15,536.8**
Trading liabilities	353.3	451.4	**804.7**
Derivative financial instruments	102.6	1,023.2	**1,125.8**
Financial liabilities designated at fair value	974.5	2,180.2	**3,154.7**
Total liabilities at fair value	**1,430.4**	**3,654.8**	**5,085.2**

	Quoted market price Level 1 *CHF m*	Valuation technique market- observable inputs Level 2 *CHF m*	31.12.2011 Total *CHF m*
Determination of fair values			
Trading assets	3,300.7	781.3	4,082.0
Derivative financial instruments	166.1	1,947.9	2,114.0
Financial investments available-for-sale	7,994.6	4,173.4	12,168.0
Total assets at fair value	11,461.4	6,902.6	18,364.0
Trading liabilities	380.0	434.1	814.1
Derivative financial instruments	90.4	2,025.6	2,116.0
Financial liabilities designated at fair value	1,103.3	2,391.3	3,494.6
Total liabilities at fair value	1,573.7	4,851.0	6,424.7

27 Companies consolidated as at 31 December 2012

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.12 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.3	7,006

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

Unlisted 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, Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore,				
Sion, St. Gallen, St. Moritz, Verbier, Zug				
Representative Offices in Abu Dhabi, Dubai, Istanbul,				
Moscow, 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	*Luxembourg*	*CHF*	*0.200*	*100*
including				
- Julius Baer Patrimoine Conseil Sàrl	*Paris*	*EUR*	*0.065*	*100*
Ferrier Lullin Trust Management SA (in liquidation)	*Geneva*	*CHF*	*-*	*100*
Bank Julius Bär Europe AG	Frankfurt	EUR	15.000	100
Branches in Duesseldorf, Hamburg, Kiel, Munich,				
Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.024*	*100*
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	30.000	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*	*USD*	*0.800*	*100*
Julius Baer Trust Company (Singapore) Ltd.	*Singapore*	*SGD*	*2.812*	*100*
Julius Baer Advisory S.A.E.	Cairo	EGP	12.847	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*
Infidar Investment Advisory Ltd.	Zurich	CHF	1.000	73
including				
Infidar (Liechtenstein) AG	*Vaduz*	*CHF*	*0.100*	*73*
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	21.760	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	0.492	100
Julius Baer International Ltd.	London	GBP	16.300	100

	Head Office	Currency	Share capital *m*	Equity interest *%*
Finance companies				
Julius Baer International (Panama) Inc.	Panama	CHF	1.387	100
including				
Julius Baer Bank & Trust (Bahamas) Ltd.	*Bahamas*	*CHF*	*2.000*	*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 Investments (Panama) S.A.	Panama	USD	0.300	100
Julius Bär Lizenzverwertungsgesellschaft AG	Zug	CHF	0.100	100
Julius Baer Participações Brasil Ltda.	São Paulo	BRL	96.161	100
Julius Baer Società Di Intermediazione Mobiliare S.p.A.	Milan	EUR	3.500	100
Julius Baer Trust Company (Channel Islands) Ltd.	Guernsey	CHF	0.100	100
Julius Baer Wealth Management (Monaco) S.A.M.	Monaco	EUR	0.465	100
PT Julius Baer Advisors (Indonesia)	Jakarta	IDR	2,000.000	100
Ursa Company Ltd.	Grand Cayman	CHF	0.500	100
Real estate company				
Aktiengesellschaft, formerly Waser Söhne & Cie., Werdmühle Altstetten	Zurich	CHF	2.260	100
Foundation				
Loteco Foundation	Zurich	CHF	0.100	100
Associates				
GPS – Global Portfolio Strategists	São Paulo	BRL	0.280	30

Major changes in the companies consolidated:

- Julius Baer Life (Bahamas) Ltd. sold in August 2012
- Julius Baer Bank and Trust Company Ltd. liquidated in November 2012
- Julius Baer Trust Company (Cayman) Ltd. liquidated in November 2012
- Bank of China (Suisse) SA purchased in October 2012 and merged into Bank Julius Baer & Co. Ltd., Zurich

28a Acquisitions

On 3 May 2011, Julius Baer Group acquired 30% of São Paulo-based GPS Investimentos e Participações S.A., which includes GPS Planejamento Financeiro Ltda. and CFO Administração de Recursos Ltda. ('GPS'). The Group paid a total consideration of CHF 52.2 million in cash. The Group also received options to acquire additional interests in GPS at a predetermined relative price. The options will be exercisable two to four years after the initial acquisition.

GPS is specialised in discretionary portfolio management and advisory services. The minority participation is treated as a strategic investment and the future close co-operation will further add growth momentum for GPS. In addition, the acquisition supports the Group's strategic intention to build its wealth management business in one of the most attractive and promising domestic wealth management markets.

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 provisionally 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.

28b Disposal group held for sale

The assets and liabilities held for sale (CHF 566 million and CHF 565 million, respectively) disclosed in 2011 related to the disposal of the business of investment contracts where the beneficiary bears all the related risks and rewards from the investments. Previously the amounts were included in financial assets designated at fair value and financial liabilities designated at fair value, respectively. The portfolio which was concentrated in Julius Baer Life (Bahamas) Ltd. was disposed of in August 2012.

29 Share-based payments

Equity-based plans

The programmes described below reflect the plan landscape as at 31 December 2012. All plans are reviewed annually to reflect any regulatory changes and/or market conditions.

The shares of Julius Baer Group Ltd. required for the equity-based incentives are procured from the market.

Staff Participation Plan
Through this all-employee plan, participants purchase Julius Baer shares at market price and for every three shares they purchase 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.

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided that the participants in the SPP 2012 would be allowed to benefit from the rights issue in October 2012. Rights attached to the unvested matching shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest together with the matching shares and are subject to the same forfeiture rules.

Up to 2011, the Staff Participation Plan of the Julius Baer Group offered employees once a year the opportunity to purchase shares of the Company at a discount. The discount was defined annually and changed from year to year. The shares acquired by the participants were blocked from sale for three years following purchase. The offer price for the 2011 Staff Participation Plan was 25% below the average weighted share price of Julius Baer Group Ltd. for the period from 1 March until 11 March 2011.

Deferred variable compensation plans

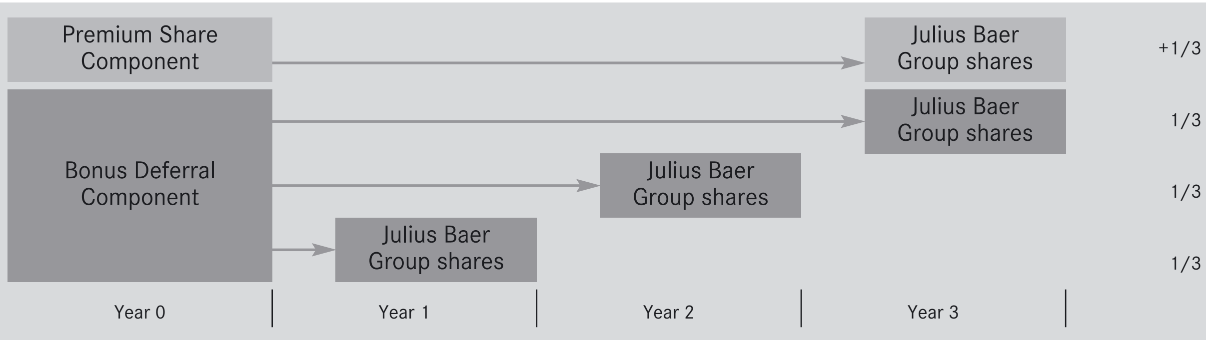
The two plans described below are granted annually and are mutually exclusive, i.e. an employee can only receive a grant from one of the plans described in any given year.

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 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 plan beginning.

PSP structure and payout schedule



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.

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided, within its rights based on the plan rules, that the participants in PSP 2012 would be allowed to benefit from a special dividend paid out in April 2012. A dividend of CHF 0.40 per share was allocated to each unvested share and reinvested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

Similarly, when a capital increase took place in October 2012, the Compensation Committee made a decision to allow plan participants to benefit from the rights issue. Rights attached to unvested shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

Incentive Share Plan (applied as part of the variable compensation for 2010 and 2011)
The Incentive Share Plan (ISP) applies to members of the Senior Management and some other key members of staff whose contributions are decisive for the long-term development of the Julius Baer Group and whose variable compensation amounts to CHF 150,000 or more (or a local currency equivalent). ISP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis.

The ISP is designed to link part of the variable compensation of the executive directly to the long-term performance of the Company as part of the payout depends on achievement against two key performance indicators (KPIs):

Economic Profit, which measures value creation of the Julius Baer Group against the strategic three-year plan of the Company over the three-year plan period. Due to the capital increase made in connection with the partial financing of the acquisition of the International Wealth Management business outside the US of Bank of America Merrill Lynch, and the impact of any subsequent integration on the shareholder value, the Compensation Committee decided to freeze the Economic Profit (EP) KPI at the level of 30 June 2012. The EP targets were based on the Group's three-year plan excluding acquisition activities, making the targets incomparable under the current circumstances.

Relative Share Price, which compares the performance of the Julius Baer Group share against the STOXX Europe 600 Banks Index.

The three-year performance period and the targets reflect the Group's underlying business cycle and its short- and long-term risk profile.

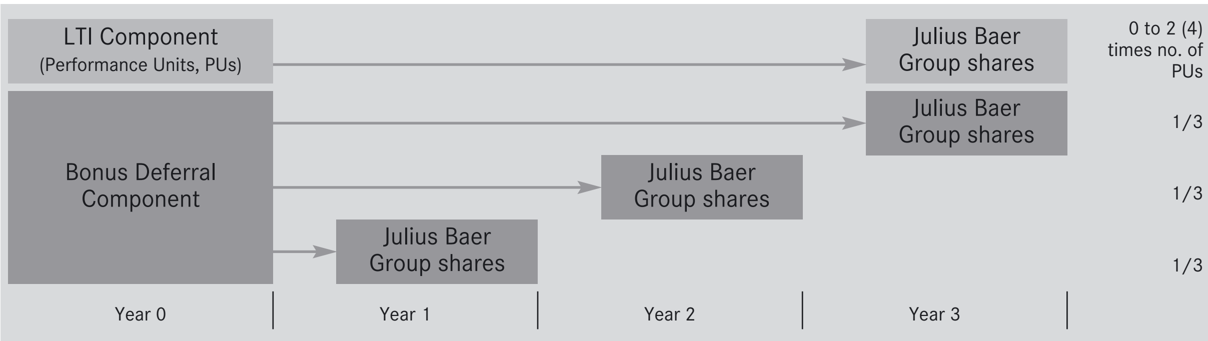
At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or, as it may be, the local currency equivalent) of the executive's variable incentive is deferred to the ISP and the employee is then granted a number of shares 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.

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 Bank 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.

The plan provides participants with a symmetric upside (capped at 2 or 4) and downside (limited to 0) potential.

Including the value development of the PUs the ISP can represent between 15% and 67% (77% for members of the Senior Management) of the total variable compensation of the executive.

ISP structure and payout schedule



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.

The ISP was applied for the first time to the members of the Senior Management and selected key staff as part of the variable compensation for 2010.

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided, within its rights based on the plan rules, that the participants in

ISP 2011 and 2012 would be allowed to benefit from a special dividend paid out in April 2012. A dividend of CHF 0.40 per share was allocated to each unvested share and reinvested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

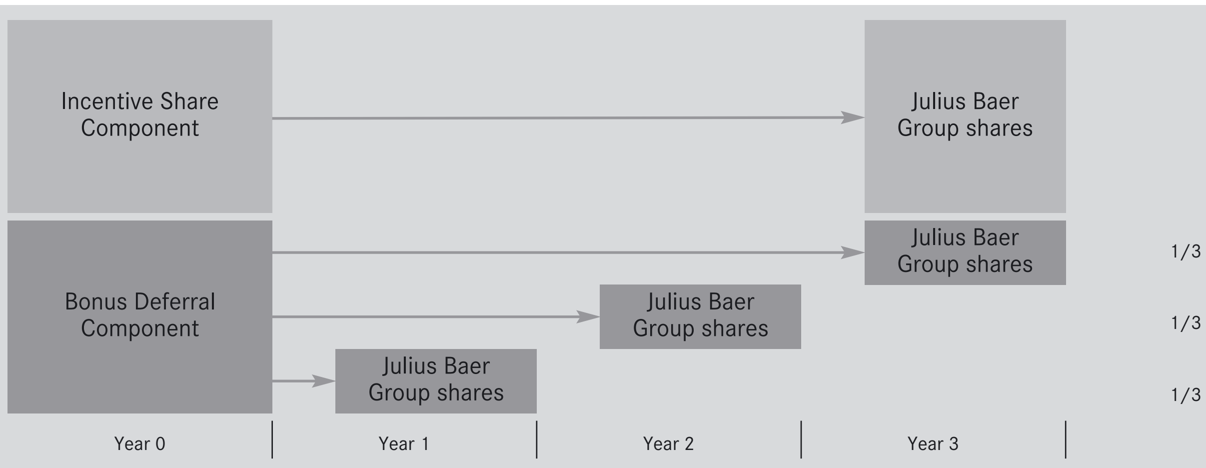
Similarly, when a capital increase took place in October 2012, the Compensation Committee made a decision to allow plan participants to benefit from the rights issue. Rights attached to unvested shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

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 in 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, as it may be, 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 Senior Management and of the Executive Board of Bank Julius Baer are eligible for twice the number of additional shares in comparison to participants who are not members of the Senior Management or the Executive Board.

ISP 2012 structure and payout schedule



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.

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.

Other variable compensation

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, (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 date(s), 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 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.

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

Although unvested awards generally do not entitle the employee to shareholder rights or benefits, the Compensation Committee decided that participants with unvested awards from LTIs would be allowed to benefit from the rights issue related to the capital increase that took place in October 2012. Rights attached to unvested shares were sold and the proceeds invested in further Julius Baer Group Ltd. shares at market price. These additional shares vest in line with the original awards they are linked to and are subject to the same forfeiture rules.

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

Staff Participation Plan	31.12.2011
Number of shares taken up	340,842
Preferential price per share (CHF)	31.04 [1]
Compensation expense (CHF 1,000)	3,528

[1] The preferential price was 25% below the weighted average share price of Julius Baer Group Ltd. for the period from 1 March until 11 March 2011.

Staff Participation Plan	**31.12.2012**	31.12.2011
Unvested shares outstanding, at the beginning of the year	**-**	-
Granted during the year	**34,313**	-
Vested during the year	**-85**	-
Forfeited during the year	**-**	-
Unvested shares outstanding, at the end of the year	**34,228**	-
Weighted average fair value per share granted (CHF)	**35.54**	-
Fair value of outstanding shares at the end of the year (CHF 1,000)	**1,107**	-

Long-Term Incentive Plan	**31.12.2012**	31.12.2011
Unvested shares outstanding, at the beginning of the year	**353,152**	515,001
Granted during the year	**266,032**	179,377
Vested during the year	**-154,825**	-314,193
Forfeited during the year	**-27,724**	-27,033
Unvested shares outstanding, at the end of the year	**436,635**	353,152
Weighted average fair value per share granted (CHF)	**35.07**	36.80
Fair value of outstanding shares at the end of the year (CHF 1,000)	**14,116**	12,975

Premium Share Plan	**31.12.2012**	31.12.2011
Unvested shares outstanding, at the beginning of the year	**-**	-
Granted during the year	**334,429**	-
Vested during the year	**-**	-
Forfeited during the year	**-9,900**	-
Unvested shares outstanding, at the end of the year	**324,529**	-
Weighted average fair value per share granted (CHF)	**37.47**	-
Fair value of outstanding shares at the end of the year (CHF 1,000)	**10,492**	-

Incentive Share Plan	**31.12.2012**	31.12.2011
Unvested shares outstanding, at the beginning of the year	**270,668**	-
Granted during the year	**274,266**	272,020
Vested during the year	**-93,285**	-
Forfeited during the year	**-750**	-1,352
Unvested shares outstanding, at the end of the year	**450,899**	270,668
Weighted average fair value per share granted (CHF)	**37.47**	43.10
Fair value of outstanding shares at the end of the year (CHF 1,000)	**14,578**	9,944

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

	31.12.2012 Number of units Economic Profit	31.12.2012 Number of units Relative Share Price	31.12.2011 Number of units Economic Profit	31.12.2011 Number of units Relative Share Price
Incentive Share Plan				
Unvested units outstanding, at the beginning of the year	**123,527**	**123,527**	-	-
Granted during the year	**129,005**	**129,005**	126,500	126,500
Forfeited during the year	**-563**	**-563**	-2,973	-2,973
Unvested units outstanding, at the end of the year	**251,969**	**251,969**	123,527	123,527

Compensation expense recognised for the various share plans are:

	31.12.2012 *CHF m*	31.12.2011 *CHF m*
Compensation expense		
Staff Participation Plan	**0.3**	3.5
Long-Term Incentive Plan	**7.4**	9.3
Premium Share Plan	**6.0**	-
Incentive Share Plan	**18.7**	10.0
Total	**32.5**	22.9

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 the 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 are stated according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2012 CHF m	2011 CHF m	Change %
Assets with discretionary mandate	**27,626**	24,422	13.1
Other assets under management	**161,707**	145,898	10.8
Total assets under management (including double counting)[1]	**189,333**	170,320	11.2
of which double counting	***1,730***	*2,491*	*-30.5*
Change through net new money	**9,671**	10,196	
Change through market and currency impacts	**9,363**	-9,546	
Change through acquisition[2]	**555**	-	
Change through divestment[3]	**-576**	-	
Client assets	**276,977**	258,113	7.3

[1]On 3 May 2011, the Group acquired 30% of São Paulo-based GPS Investimentos e Participações S.A. Assets under management of this company are not consolidated by the Group and are therefore not included in these numbers.
[2]On 1 October 2012, the Group acquired Bank of China (Suisse) SA, Geneva.
[3]On 24 August 2012, the Group sold Julius Baer Life (Bahamas) Ltd.

Breakdown of assets under management

	2012 %	2011 %
By types of investment		
Equities	**25**	25
Bonds (including convertible bonds)	**23**	23
Investment funds	**20**	19
Money market instruments	**7**	8
Client deposits	**18**	18
Structured products	**5**	5
Other	**2**	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

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 advisers. The acquisition is structured as a combination of legal entity acquisitions and business transfers. Principal completion occurs on 1 February 2013 following the general approval of the Swiss Financial Market Supervisory Authority (FINMA) and other regulators and involves the purchase of Merrill Lynch Bank (Suisse) S.A. in Geneva. Other legal entity purchases and asset transfers will happen during the integration which is expected to end in the first quarter of 2015. The Group anticipates that the acquisition will result in additional AuM 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 mainly depends on whether the respective client's financial advisers join the Group.

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. Assuming the transfer of CHF 72 billion of AuM, the consideration to be paid will be CHF 864 million. 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 20 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 page 91f. 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.

Strategic cooperation agreement

In connection with the acquisition, the Group enters into a strategic cooperation agreement with Merrill Lynch & Co., Inc., pursuant to which the Group and Bank of America Merrill Lynch will refer certain clients to each other and Bank of America Merrill Lynch will provide certain products and services to the Group, including global equity research, product offerings and structured and advisory products.

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.

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 2012 financial year.

On 24 January 2013, 7,102,407 authorised shares have been issued (see note 20 for details).

Report of the Statutory Auditor to the Ordinary Annual General Meeting of Julius Baer Group Ltd., Zurich

KPMG

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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Julius Baer Group Ltd., Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Julius Baer Group Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 46 to 142) for the year ended 31 December 2012.

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 2012 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 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 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

Daniel Senn	Hans Stamm
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 1 February 2013

III. Financial Statements
Julius Baer Group Ltd. 2012

III. Financial Statements Julius Baer Group Ltd. 2012

Income statement

	2012 CHF 1,000	2011 CHF 1,000	Change %
Income			
Interest income	**8,920**	10,575	-15.7
Interest expense	**24,017**	10,487	129.0
Net interest income	**-15,097**	88	-
Commission income on services	**2,180**	1,190	83.2
Commission expense	**756**	124	509.7
Results from commission and service fee activities	**1,424**	1,066	33.6
Income from participations	**31,394**	170,956	-81.6
Other ordinary results	**43,348**	62,440	-30.6
Operating income	**61,069**	234,550	-74.0
Expenses			
Personnel expenses	**13,997**	15,035	-6.9
General expenses	**29,661**	16,545	79.3
Operating expenses	**43,658**	31,580	38.2
Gross profit	**17,411**	202,970	-91.4
Extraordinary expense	-	790	-100.0
Taxes	**1,439**	5,273	-72.7
Net profit	**15,972**	196,907	-91.9

Balance sheet

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change CHF 1,000
Assets			
Current assets			
Due from banks	**990,402**	589,502	400,900
Other claims	**5,994**	12,593	-6,599
Accrued income and prepaid expenses	**22,429**	164,309	-141,880
Other assets	**2,724**	3,548	-824
Non-current assets			
Participations	**3,189,450**	3,199,161	-9,711
Other financial investments	**180,587**	180,599	-12
Treasury shares	**-**	253,719	-253,719
Total assets	**4,391,586**	4,403,431	-11,845
Due from Group companies	**1,171,257**	757,126	414,131
Liabilities and equity			
Liabilities			
Due to banks	**-**	200,000	-200,000
Debt issued	**725,000**	475,000	250,000
Accrued expenses and deferred income	**15,668**	22,144	-6,476
Other liabilities	**12,290**	6,265	6,025
Equity			
Share capital	**4,334**	4,133	201
Legal reserve	**2,356,882**	2,434,449	-77,567
of which general reserve	***827***	*827*	*-*
of which share premium reserve/capital contribution reserve	***2,356,055***	*2,433,622* [1]	*-77,567*
including reserve for treasury shares	***-***	*253,719*	*-253,719*
Other reserves	**1,258,218**	1,058,218	200,000
Disposable profit	**19,194**	203,222	-184,028
of which retained earnings	***3,222***	*6,315*	*-3,093*
of which net profit	***15,972***	*196,907*	*-180,935*
Total liabilities and equity	**4,391,586**	4,403,431	-11,845
Due to Group companies	**228,254**	227,398	856

[1] The Swiss Federal Tax Administration approved the amount which qualifies as capital contribution reserve as at 31 December 2010.

Notes

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change CHF 1,000
Contingent liabilities			
Surety and guarantee obligations and assets pledged in favour of third parties	**1,499,268**	1,392,717	106,551

Participations
Please see consolidated financial statements, pages 126 to 128. 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.

As part of the share buyback programme, Julius Baer Group Ltd. bought 7,592,954 shares for an average price of CHF 33.40 in 2011. These figures also correspond to the closing balance. 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.

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
Please see share capital, page 113.

Risk management
Please see consolidated financial statements, page 67 ff.

Lower tier 2 bond
Please see consolidated financial statements, page 92 ff. and page 108.

Perpetual tier 1 subordinated bond
Please see consolidated financial statements, page 91 ff. and page 108.

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 2012: [1]

Shareholder/participant[4]	Disclosure of purchase positions [2]	Disclosure of sale positions [3]
MFS Investment Management[5]	10.02%	
Davis Selected Advisers L.P.[6]	8.46%	
Thornburg Investment Management[7]	5.12%	
BlackRock, Inc.[8]	4.97%	0.0024%
Harris Associates L.P.[9]	4.05%	
Bank of America Corporation[10]	3.76%	
Wellington Management Company LLP[11]	3.09%	

[1] The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that 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.

[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 2 February 2011)

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

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

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

[9] Harris Associates L.P., Chicago/USA (reported on 24 April 2012)

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

[11] Wellington Management Company LLP, Boston/USA (reported on 20 December 2012)

Compensation, loans, and share and option holdings of the Board of Directors and Senior Management

		Base salary *CHF*	Performance payment cash *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	**2012**	**400,000**	**-**	**600,037**	**53,450**	**1,053,487**
	2011	159,600	-	-	25,363	184,963
Raymond J. Baer – Chairman until AGM 2012[2]	**2012**	**360,000**	-	-	**58,823**	**418,823**
	2011	1,160,000	900,000	430,596	273,222	2,763,818
Peter Kuepfer (left Board in 2012)	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	159,600	-	103,662	24,210	287,472
Gilbert Achermann (joined Board in 2012)	**2012**	**108,000**	**-**	**92,014**	**14,952**	**214,966**
	2011	-	-	-	-	-
Andreas Amschwand (joined Board in 2012)	**2012**	**139,500**	**-**	**92,014**	**18,975**	**250,489**
	2011	-	-	-	-	-
Heinrich Baumann	**2012**	**177,000**	**-**	**-**	**28,903**	**205,903**
	2011	163,800	-	310,986	23,922	498,708
Leonhard H. Fischer	**2012**	**153,000**	**-**	**92,014**	**28,068**	**273,082**
	2011	142,800	-	-	25,868	168,668
Claire Giraut	**2012**	**111,000**	**-**	**92,014**	**21,052**	**224,066**
	2011	109,200	-	-	19,593	128,793
Gareth Penny	**2012**	**108,000**	**-**	**-**	**20,372**	**128,372**
	2011	100,800	-	-	37,610 [5]	138,410
Charles G. T. Stonehill	**2012**	**135,000**	**-**	**-**	**23,539**	**158,539**
	2011	126,000	-	310,986	24,332	461,318
Total	**2012**	**1,691,500**	**-**	**968,093**	**268,134**	**2,927,727**
Total	2011	2,121,800	900,000	1,156,230	454,120	4,632,150
Compensation of the Honorary Chairman[2]						
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 September 2011, the members of the Board of Directors decided to voluntarily reduce their cash compensation for the period September 2011 to April 2012 (eight months) by 10%, thereby following the Executive Boards of the Group and the Bank who had taken a similar decision. For all Board members (except for Raymond J. Baer acting as Chairman until the AGM 2012) this pro rata reduction is entirely reflected in the base salary disclosure for 2011. The base salary for Raymond J. Baer (acting as Chairman) disclosed for 2011 includes such reduction for four months only (i.e. September to December 2011); the 10% reduction on the remaining four months is part of the 2012 compensation and disclosure (under 'Compensation of the members of the Board of Directors').

In 2011, Claire Giraut, Heinrich Baumann, Peter Kuepfer and Daniel J. Sauter were engaged in additional ad hoc Board Committees on the Bank level. The same was true in 2012 for Andreas Amschwand, Heinrich Baumann and Claire Giraut. The remuneration for such Committee work is included in the disclosed base salary amount for 2011 (and was also subject to the 10% pro rata reduction as described above) and for 2012.

For more information on the detailed compensation components of the Board of Directors please refer to the Corporate Governance section of the Annual Report 2012, page 35 ff.

[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 (normally three years up to the AGM 2011; one-year term for new elections and re-elections as of the AGM 2012).

In 2012, Gilbert Achermann and Andreas Amschwand have been elected to the Board of Directors for a one-year term. In addition, Leonhard Fischer and Claire Giraut have been re-elected for a one-year term. Peter Kuepfer did not stand for re-election at the AGM 2012.

The share-based payments are valued at fair value at the grant date (CHF 39.87 per share of Julius Baer Group Ltd. as at 4 May 2011; CHF 35.39 per share of Julius Baer Group Ltd. as at 2 May 2012).

[4] 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 128,794 for 2012 and CHF 265,332 for 2011. The 2011 figures disclosed in the Annual Report 2012 therefore have been restated.

[5] The amount disclosed in 2011 under Varia for Gareth Penny includes a payment of CHF 20,000 under a separate but in the meantime terminated consultancy agreement to assist and advise the Julius Baer Group in further developing emerging markets.

The value of the share-based payments cannot be compared with Note 29 Share-based payments of the Financial Statements Group 2012 as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.

The members of the Board of Directors are only entitled to the granted shares and/or options 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, Daniel J. Sauter. No forfeiture, however, applies for unvested awards in case the Chairman is not re-elected to the Board of Directors anymore or in case he resigns from the Chairmanship at the end of the term. The Chairman is not entitled to participate in any performance-related share or cash programme on Group or Bank level.

In 2012, no compensation has been granted to Board members that left the Board in 2011 or earlier.

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

	31.12.2012		31.12.2011	
	Loans *CHF*	Loans to closely linked parties *CHF*	Loans *CHF*	Loans to closely linked parties *CHF*
Loans to the members of the Board of Directors				
Daniel J. Sauter – Chairman as of AGM 2012	**8,267,841**	**-**	7,731,341	4,209,817
Raymond J. Baer – Chairman until AGM 2012	**n/a**	**n/a**	6,778,877	–
Peter Kuepfer (left Board in 2012)	**n/a**	**n/a**	–	–
Gilbert Achermann (joined Board in 2012)	**-**	**-**	–	–
Andreas Amschwand (joined Board in 2012)	**-**	**-**	–	–
Heinrich Baumann	**1,600,000**	**-**	–	–
Leonhard H. Fischer	**-**	**-**	–	–
Claire Giraut	**-**	**-**	–	–
Gareth Penny	**-**	**-**	–	–
Charles G. T. Stonehill	**-**	**-**	–	–
Total	**9,867,841**	**-**	14,510,218	4,209,817

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 closely linked parties) are outstanding at year-end 2012 or have been granted in 2012 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 as of AGM 2012	**2012**	**40,521**
	2011	34,120
Raymond J. Baer – Chairman until AGM 2012	**2012**	**n/a**
	2011	1,328,882
Peter Kuepfer (left Board in 2012)	**2012**	**n/a**
	2011	91,520
Gilbert Achermann (joined Board in 2012)	**2012**	**-**
	2011	-
Andreas Amschwand (joined Board in 2012)	**2012**	**-**
	2011	-
Heinrich Baumann	**2012**	**2,867**
	2011	-
Leonhard H. Fischer	**2012**	**4,800**
	2011	5,200
Claire Giraut	**2012**	**5,740**
	2011	2,600
Gareth Penny	**2012**	**13,000**
	2011	10,400
Charles G. T. Stonehill	**2012**	**10,600**
	2011	13,000
Total	**2012**	**77,528**
Total	2011	1,485,722

[1] Including shareholdings of closely linked parties

None of the Board members held any option positions in Julius Baer Group Ltd. shares as at year-end 2012 and 2011.

			Variable compensation				
				Deferred elements			
		Base salary [1] CHF	Cash CHF	Shares CHF	Performance units (2011) Incentive Shares (2012) CHF	Pension fund and social contribution and varia [2] CHF	**Total** CHF
Compensation of the members of the Senior Management							
Ordinary compensation[3]	**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	**2012**	**2,807,634**	**4,849,792**	**2,883,842**	**3,598,415**	**1,086,643**	**15,226,326**
Total compensation[5]	2011	2,905,175	4,037,568	2,148,765	2,740,572	1,192,140	13,024,220

[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 2011 of the members of the Senior Management includes such reduction for four months. The reduction for the remaining six months (i.e. January to June 2012) is included in the 2012 compensation and disclosure.

[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 498,241 for 2012 and CHF 569,155 for 2011. The 2011 figures disclosed in the Annual Report 2012 therefore have been restated.

[3] The variable compensation for the members of the Senior Management 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 Senior Management 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 Senior Management 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 (see footnote 5 below). The Compensation Committee, however, may at its own discretion limit the number of incentive shares to any member of the Senior Management 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.

[4] To reward members of the Senior Management and other function holders for the considerable efforts and achievements in 2012 in connection with the acquisition and preparation of 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 3.

For 2012, the members of the Senior Management were awarded with a total 'integration' award in the amount of CHF 1,950,000.

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

For the reporting period 2012, the split between the base salary and the variable compensation of the members of the Senior Management was 19.9% : 80.1%. 57.2% of the variable compensation of the members of the Senior Management in the reporting period was deferred for a period of three years.

[5] The variable compensation for the members of the Senior Management for the 2011 financial year was composed of an unrestricted cash component and an equity-based incentive (awards of shares and performance units under the Incentive Share Plan [ISP]). For the reporting period 2011, the members of the Senior Management were granted a number of shares at fair value at grant date equal in value to the deferred amount shown under 'deferred shares', i.e. CHF 2.15 million (grant date of ISP 15 February 2012). In addition to the deferred shares, the members of the Senior Management were granted a performance unit award (shown under 'performance units'). Subject to the achievement of predefined targets and continued employment such performance units cliff-vest in the form of Julius Baer Group shares at the end of a three-year period. The total number of vested performance shares at the end of the performance period can be between zero and four times the number of initially granted performance units. The two performance targets evaluated over the three-year period are described in the Corporate Governance section of the Annual Report.

For the reporting period 2011, the members of the Senior Management (except the CEO) were awarded with the same number of performance units as the number of deferred shares. The fair value of a performance unit is 1.78 times the value determined for a Julius Baer Group deferred share, i.e. amounting to a total value of CHF 2.74 million under 'performance units'.

The fair value of the performance unit was based on a valuation of (i) the economic profit component using a probabilistic model regarding the potential deviation of the future Group results from its strategic three-year plan, and of (ii) the relative share price component applying a standard option pricing model using an expected volatility of 31.5% for Julius Baer Group shares and 32.0% for the STOXX Europe 600 Banks Index, assumed average Julius Baer Group dividend cash flows derived from the Group's strategic three-year plan, and an expected risk-free rate of 0.0% and 1.0% for CHF and EUR, respectively.

The Compensation Committee decided on 23 January 2012 on the participants of the ISP and on the individual allocations as part of the variable compensation for 2011.

For the reporting period 2011, the split between the base salary and the variable compensation of the members of the Senior Management was 24.6% : 75.4%. 54.8% of the variable compensation of the members of the Senior Management in the reporting period was deferred for a period of three years.

In 2012, no compensation has been paid to former members of the Senior Management who left the Senior Management in 2011 or earlier that related to such members' prior function within the Senior Management.

No compensation has been granted to closely linked parties of members of the Senior Management or former members of the Senior Management.

Neither sign-on payments nor severance payments to members of the Senior Management were made in 2012 and 2011.

			Variable compensation				
				Deferred elements			
		Base salary[1] CHF	Cash CHF	Shares CHF	Performance units (2011) Incentive Shares (2012) CHF	Pension fund and social contribution and varia[2] CHF	**Total** CHF
Details of the compensation of the highest-paid member of the Senior or former Senior Management, Boris F.J. Collardi, CEO							
Ordinary compensation[3]	**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	**2012**	**927,200**	**2,350,000**	**1,566,666**	**1,505,734**	**326,696**	**6,676,296**
Total compensation[5]	2011	943,467	2,000,000	1,333,333	1,289,067	358,592	5,924,459

[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 2011 of the CEO includes such reduction for four months. The reduction on the remaining six months (i.e. January to June 2012) is part of the 2012 compensation and disclosure.

[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 231,086 for 2012 and CHF 255,195 for 2011. The figures 2011 disclosed in the Annual Report 2012 therefore have been restated.

[3] Analogous to the other members of the Senior Management, 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 equaling 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.

[4] To reward the CEO, the members of the Senior Management and other function holders for the considerable efforts and achievements in 2012 in connection with the acquisition and preparation of 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 3.

For 2012, the CEO was awarded with an 'integration' award in the amount of CHF 800,000. The Compensation Committee decided on 22 January 2013 on the participants of the ISP allocation to the CEO as part of the variable compensation for 2012.

For the reporting period 2012, the split between the base salary and the variable compensation of the CEO was 14.6% : 85.4%. 56.7% of the variable compensation of the CEO for the reporting period was deferred for a period of three years.

[5] Analogous to the other members of the Senior Management, the variable compensation for the CEO for the 2011 financial year was composed of an unrestricted cash component and an equity-based incentive (awards of shares and performance units under the Incentive Share Plan [ISP]). For the reporting period 2011, the CEO was granted a number of shares at fair value at grant date equal in value to the deferred amount shown under 'deferred shares', i.e. CHF 1.33 million (grant date of ISP 15 February 2012). In addition to the deferred shares, the CEO was granted a performance unit award (shown under 'performance units'). Subject to the achievement of predefined targets and continued employment such performance units cliff-vest in the form of Julius Baer Group shares at the end of the three-year period. The total number of vested performance shares at the end of the performance period can be between zero and four times the number of initially granted performance units. The two performance targets evaluated over the three-year period are described in the Corporate Governance section of the Annual Report.

For the reporting period 2011, the CEO was awarded with a number of performance units at fair value at grant date equal in value to the amount shown under 'performance units', i.e. CHF 1.29 million (grant date of ISP 15 February 2012). The fair value of a performance unit is 1.78 times the value determined for a Julius Baer Group deferred share.

The fair value of the performance unit was based on a valuation of (i) the economic profit component using a probabilistic model regarding the potential deviation of the future Group results from its strategic three-year plan, and of (ii) the relative share price component applying a standard option pricing model using an expected volatility of 31.5% for Julius Baer Group shares and 32.0% for the STOXX Europe 600 Banks Index, assumed average Julius Baer Group dividend cash flows derived from the Group's strategic three-year plan, and an expected risk-free rate of 0.0% and 1.0% for CHF and EUR, respectively.

The Compensation Committee decided on 23 January 2012 on the ISP allocation to the CEO as part of the variable compensation for 2011.

For the reporting period 2011, the split between the base salary and the variable compensation of the CEO was 17% : 83%. 56.7% of the variable compensation of the CEO for the reporting period was deferred for a period of three years.

	31.12.2012 Loans *CHF*	**31.12.2012** Loans to closely linked parties *CHF*	31.12.2011 Loans *CHF*	31.12.2011 Loans to closely linked parties *CHF*
Loans to the members of the Senior Management				
Total	**8,209,396**	**465,592**	5,773,562	466,189
of which the highest amount: Boris F.J. Collardi	***6,343,418***	-	*4,052,886*	-

The loans granted to the members of the Senior Management 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 Senior Management members of the Group are granted at a discount of 1% for floating rate mortgage loans, whereas fixed rate mortgage loans are granted at refinancing rate plus 0.25% and Libor mortgage loans at refinancing rate plus 0.5%.

No loans to former members of the Senior Management (and their closely linked parties) are outstanding at year-end 2012 or have been granted in 2012 at conditions that were not at market.

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

		Number of shares
Shareholdings of the members of the Senior Management[1]		
Boris F.J. Collardi, Chief Executive Officer	**2012**	**105,299**
	2011	69,918
Dieter A. Enkelmann, Chief Financial Officer	**2012**	**59,483**
	2011	73,533
Jan A. Bielinski, Chief Communications Officer	**2012**	**31,961**
	2011	33,812
Christoph Hiestand, General Counsel	**2012**	**5,499**
	2011	4,807
Bernhard Hodler, Chief Risk Officer	**2012**	**20,428**
	2011	17,017
Bernard Keller, Private Banking Representative	**2012**	**18,563**
	2011	17,241
Total	**2012**	**241,233**
Total	2011	216,328

[1] Including shareholdings of closely linked parties

None of the members of the Senior Management held any option positions in Julius Baer Group Ltd. shares as at year-end 2012 and 2011.

Proposal of the Board of Directors to the Ordinary Annual General Meeting on 10 April 2013

The Board of Directors proposes to the Ordinary Annual General Meeting that the disposable profit for the 2012 financial year of CHF 19,194,318, consisting of net profit for the financial year in the amount of CHF 15,972,446 plus CHF 3,221,872 of retained earnings brought forward from the prior financial year, be distributed as follows:

- Allocation to other reserves:
  CHF 15,000,000
- Balance brought forward:
  CHF 4,194,318

- Dividend of CHF 0.60
  per share at CHF 0.02 par value
- Total dividends on the 216,707,041 shares
  entitled to dividends:
  CHF 130,024,225
  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 17 April 2013.

On behalf of the Board of Directors

The Chairman

Daniel J. Sauter

Report of the Statutory Auditor to the Ordinary Annual General Meeting of Julius Baer Group Ltd., Zurich

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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Julius Baer Group Ltd., Zurich

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 148 to 161) for the year ended 31 December 2012.

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 2012 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

Daniel Senn	Hans Stamm
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 1 February 2013

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 17 October 2012 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 7 October 2012.

KPMG AG

Daniel Senn
Licensed Audit Expert

Hans Stamm
Licensed Audit Expert

Zurich, 17 October 2012

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