Julius Bär

2019

ANNUAL REPORT

Julius Baer Group Ltd.

Net profit achieved in 2019 amounted to CHF 465 million. Excluding expenses related to acquisitions or divestments and the taxes on those respective items, the adjusted net profit for 2019 amounted to CHF 772 million. Further information on the definition of alternative performance measures, together with reconciliations to the most directly reconcilable IFRS line items, is provided in the Alternative Performance Measures document available from www.juliusbaer.com/APM.

KEY FIGURES

	2019	2018	
Return on equity (ROE)	7.6%	12.5%	-
Return on tangible equity (ROTE), adjusted[1]	24.4%	27.5%	-
Cost/income ratio[1]	76.9%	73.0%	-
Adjusted cost/income ratio[1]	71.1%	70.6%	-

	31.12.2019	31.12.2018	Change %
Consolidated balance sheet			
Total assets (CHF m)	102,035.2	102,898.3	-0.8
Total equity (CHF m)	6,189.4	6,041.9	2.4
BIS CET1 capital ratio	14.0%	12.8%	-
BIS total capital ratio	22.1%	18.7%	-
Client assets (CHF bn)			
Assets under management	426.1	382.1	11.5
Total client assets	499.0	443.9	12.4
Personnel			
Number of employees (FTE)	6,639	6,693	-0.8
of whom in Switzerland	3,427	*3,535*	*-3.1*
of whom abroad	3,211	*3,157*	*1.7*
Number of relationship managers	1,467	1,501	-2.3

[1] See Alternative Performance Measures document, available from www.juliusbaer.com/APM

Listing	
Zurich, Switzerland	SIX Swiss Exchange under the securities number 10 248 496 Member of the Swiss Leader Index SLI
Ticker symbol	BAER

	2019	2018	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	29.1	28.4	2.5
EPS	2.14	3.37	
Dividend proposal 2019 and dividend 2018	1.50	1.50	-
Share price (as at 31.12.)	49.93	35.01	42.6
Market capitalisation (CHF m, as at 31.12.)	11,175	7,836	42.6
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa2	Aa2	-
Capital structure (as at 31.12.)			
Number of shares, par value CHF 0.02	223,809,448	223,809,448	-
Weighted average number of shares outstanding	216,973,692	217,953,484	-
Share capital (CHF m)	4.5	4.5	-

Dear Reader

In 2019 stock indices repeatedly printed new all-time highs, climbing the proverbial wall of investors' worries, which ranged from trade and geopolitical tensions to growth uncertainties. Against this demanding backdrop, Julius Baer's operating performance and capital generation remained robust. With the company's strong financial foundation thus further strengthened, the Board of Directors decided to return excess capital to shareholders via a share buy-back programme.

In 2019, the Board of Directors fundamentally reviewed the Group's strategy and the strategic framework for long-term value creation. This updated strategy capitalises on our pure focus on wealth management, our heritage and our solid financial foundation. The updated strategy and management's plan to execute it were presented in detail on 3 February 2020. More information is available at www.juliusbaer.com/reporting[1]. By opening this new chapter for Julius Baer, we aim to enhance client focus, enable fast decision-making and thus substantially increase the bottom line potential of our Group. The execution of the related three-year transformation programme will release considerable resources, which we will reinvest into our franchise along altered strategic priorities: we remain true to our pure wealth management business model, but will change the way and pace of implementation. We will explore the substantial untapped potential to deliver value to our targeted client segments. As the architects of our clients' wealth, we will tailor highly individual solutions in a client-centric, integral way – as personal as possible, yet powered by the best that technology has to offer.

Over the past two years, we have been investing substantially in a stronger risk management framework. The achievements so far are important, also in connection with the announcement from the Swiss Financial Market Supervisory Authority FINMA on 20 February 2020 regarding the closure of their proceedings in the FIFA/PDVSA case.

The Board of Directors and the Executive Board of Julius Baer greatly regret the identified deficiencies in the fight against money laundering. This is not compatible with the risk culture that we are striving to achieve. We acknowledge in principle the conclusions of FINMA and the identified need for action. The steps we have initiated and taken already beforehand were expressly acknowledged and largely taken over as remedial action by FINMA in its assessment. We will continue to invest in these areas as we pursue our updated strategy of sustainable profit growth. For more details on this matter, please refer to the two pages following this foreword.

[1] For the purpose of the 2019 reporting, this information takes the place of the usual section *Julius Baer's strategic framework for long-term value creation* that is normally provided in the Group's Annual Report.

Sustainable profit growth is, in fact, the pre-requisite of our financial and capital strength. At the end of December 2019, the BIS CET1 capital ratio was 14.0%, and the BIS total capital ratio stood at 22.1%. At these levels, the capital ratios remain comfortably above the Group's floors of 11% and 15%, respectively, and significantly exceed the regulatory floors of 8.2% and 12.4%, respectively. The Board of Directors intends to propose to the Annual General Meeting on 16 April 2020 an unchanged dividend of CHF 1.50 per share. The total proposed dividend payout amounts to CHF 336 million.

Our 130 eventful years of corporate history reflect the stamina of those many 'Baers' whose journey we are proud to continue. Looking forward to the future with confidence would be impossible without the continued support of all those who dedicate their work, trust and capital to Julius Baer. For this, we sincerely thank all our stakeholders.

Romeo Lacher
Chairman

Philipp Rickenbacher
Chief Executive Officer

Zurich, March 2020

HOW JULIUS BAER HAS BEEN ENHANCING RISK CONTROL AND COMPLIANCE

On 20 February 2020, the Swiss Financial Market Supervisory Authority FINMA announced the closure of its proceeding against Julius Baer concerning PDVSA, a Venezuelan state-owned oil company, and the world soccer federation FIFA. FINMA has found that Julius Baer has shown significant deficiencies in combating money laundering in the context of these matters in the Latin Americas region between 2009 and early 2018. Thus FINMA has instructed Julius Baer to undertake effective measures to comply with its legal obligations in combating money laundering and rapidly finalise the measures it has already launched and started putting in place beforehand.

Julius Baer cooperated extensively with FINMA, assisting in the investigation and conducting its own comprehensive investigation in parallel, both in-house and with the assistance of independent experts. The identified deficiencies have been addressed, and in particular the Bank's control system as well as compliance processes have been improved and strengthened significantly, both in terms of personnel and in the context of in-house rules and management principles.

The changes introduced by Julius Baer include:

– The Group has adapted its strategy under its new leadership. In future, its focus will shift from new money growth to sustainable profit growth.
– Region Latin America has been under new leadership since December 2017, and new appointments have been made to all key positions. The region's strategy has been completely overhauled, including the introduction of a market-specific focus that has resulted, among other things, in the closure of the local business in Panama and Venezuela.
– The Group undertook a comprehensive programme over the last two years to strengthen its global risk and compliance management, and made new appointments to key and leadership positions. This programme addressed many of the weaknesses identified by FINMA. Further investments and measures are being implemented with high priority.
– The documentation standards for client data and active client relationships have already been further developed and improved. Both the front office and the control units were extensively involved in this project ('ATLAS'), which was completed on schedule in late 2019, to ensure that the associated cultural transformation would be embedded in the organisation with lasting effect.
– The effectiveness of the compliance function has been significantly improved thanks to substantial investment in staff – with headcount up by some 40% in recent years – as well as in processes, technology and data analysis. In addition, considerable sums have been and continue to be invested in enhancing transaction monitoring and combating money laundering.

In the context of our updated strategy, the overall design of the Relationship Manager compensation framework (including a detailed Client and Conduct Excellence Scorecard) is under review and will be adjusted to ensure alignment with financial targets, entrepreneurial aspirations, the Group's updated and greatly expanded *Code of Ethics and Business Conduct* and the associated risk and compliance standards. In particular, the revision of the compensation framework will address the expectations expressed by FINMA.

The Board of Directors and Executive Board of Julius Baer will rapidly and resolutely enforce implementation of the measures initiated and decreed.

I. CORPORATE GOVERNANCE

II. REMUNERATION REPORT

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2019

This Annual Report appears only in English.
The Remuneration Report, however, is also available in German at www.juliusbaer.com/cg

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2019

This Annual Report appears only in English.
The Remuneration Report, however, is also available in German at www.juliusbaer.com/cg

I. CORPORATE GOVERNANCE

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

The Organisational and Management Regulations (OMR) of the Company, which are largely based on article 716b of the Swiss Code of Obligations and the Articles of Incorporation of Julius Baer Group Ltd., constitute our primary corporate governance guidelines. Both the OMR and the Articles of Incorporation are available at www.juliusbaer.com/cg.

The corporate governance information of the Company is presented in accordance with the following legal and regulatory requirements:

– *Directive Corporate Governance* of the SIX Swiss Exchange (revised effective 1 May 2018) available at www.six-exchange-regulation.com;
– Guidelines and recommendations of the *Swiss Code of Best Practice for Corporate Governance*, including the appendix on executive compensation, of the Swiss business federation economiesuisse (in its current version dated 29 February 2016) available at www.economiesuisse.ch;
– Circular 2017/1 entitled *Corporate governance – banks* of Swiss Financial Market Supervisory Authority FINMA, available at www.finma.ch;
– The Federal Council's Ordinance against excessive compensation in listed companies (in force effective 1 January 2014) available at www.admin.ch.

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

The following information corresponds to the situation as at 31 December 2019 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

Operational Group structure of Julius Baer Group Ltd. as at 31 December 2019

Julius Baer Group Ltd.

Board of Directors
Romeo Lacher, Chairman

Chief Executive Officer
Philipp Rickenbacher

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

Executive Board

The consolidated Group companies are disclosed in Note 30A ('companies consolidated') in the section *Additional Information* of chapter *III. Financial Statements Julius Baer Group* of this Annual Report.

Operational Group structure of Julius Baer Group Ltd. as at 1 January 2020

Julius Baer Group Ltd.

Board of Directors
Romeo Lacher, Chairman

Chief Executive Officer
Philipp Rickenbacher

Head Switzerland & EMEA	**Head Asia Pacific**	**Head Americas**	**Chief Operating Officer & Head of Intermediaries**
Yves Robert-Charrue	Jimmy Lee Kong Eng	Beatriz Sanchez	Nic Dreckmann

Investment & Wealth Management Solutions

Head of Wealth Management Solutions	**Chief Investment Officer**	**Chief Financial Officer**	**Chief Risk Officer**
Nicolas de Skowronski	Yves Bonzon	Dieter A. Enkelmann	Oliver Bartholet

Executive Board

On 3 October 2019, Julius Baer announced the composition of the new executive leadership team. Effective 1 January 2020, the Executive Boards of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd., the Group's main operating entity, will be aligned and consist of the following individuals:

- Philipp Rickenbacher, Chief Executive Officer
- Yves Robert-Charrue, Head Switzerland & Europe, Middle East, and Africa (EMEA)
- Jimmy Lee Kong Eng, Head Asia Pacific
- Beatriz Sanchez, Head Americas
- Nic Dreckmann, Chief Operating Officer & Head of Intermediaries
- Nicolas de Skowronski, Investment & Wealth Management Solutions, Head of Wealth Management Solutions
- Yves Bonzon, Investment & Wealth Management Solutions, Chief Investment Officer
- Dieter A. Enkelmann, Chief Financial Officer
- Oliver Bartholet, Chief Risk Officer

The outgoing members of the Group Executive Board, Group General Counsel Christoph Hiestand and Chief Communications Officer Larissa Alghisi Rubner, will retain their previous functions and continue to directly report to the CEO.

The curriculum vitae of all future members of the Executive Board are available at www.juliusbaer.com/EXB.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2019[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
BlackRock Inc.[5]	4.99%	0.07%
Harris Associates L.P.[6]	4.95%	
Government of Singapore[7]	3.09%	
UBS Fund Management (Switzerland) AG[8]	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 increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; b) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

[2] Purchase positions disclosed pursuant to art. 14 para. 1 a FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA) and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

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

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

[5] BlackRock Inc., New York/USA (reported on 18 December 2019)

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

[7] Government of Singapore, Singapore (reported on 31 May 2019)

[8] UBS Fund Management (Switzerland) AG, Basel/Switzerland (reported on 26 September 2019)

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

CROSS-SHAREHOLDINGS

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

CAPITAL STRUCTURE

CAPITAL

The share capital of the Company amounted to CHF 4,476,188.96 as at 31 December 2019. It is fully paid up and divided into 223,809,448 registered shares (shares) with a par value of CHF 0.02 each. The shares (Swiss securities number 10 248 496; ISIN CH 010 2484968, ticker symbol BAER) are listed on the SIX Swiss Exchange and are member of the Swiss Leader Index (SLI).

In view of Julius Baer's strong capital position and ongoing capital generation, the Board of Directors of Julius Baer has approved the launch of a programme to buy back up to CHF 400 million purchase value of Julius Baer Group Ltd. shares. The programme was launched on 20 November 2019 and is expected to run until the end of February 2021. The execution of the programme is subject to market conditions. The shares will be bought via a second trading line on SIX Swiss Exchange (ticker symbol: BAERE.S). Shares that have been repurchased under the programme are expected to be cancelled through capital reductions to be proposed at future Annual General Meetings of shareholders.

CONDITIONAL AND AUTHORISED CAPITAL IN PARTICULAR

There is no authorised capital.

Conditional capital
The Company's share capital may be increased by the issue of up to 10,000,000 shares, to be fully paid up and each with a par value of CHF 0.02, in a maximum total amount of CHF 200,000.00 through the exercise of conversion or warrant rights in connection with bonds issued by the Company or its subsidiaries. Existing shareholders are excluded from subscription rights. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares are subject to the entry limitations as set forth in article 4.4ff. of the Articles of Incorporation, available at www.juliusbaer.com/cg.

In the event that the maximum amount of conditional capital were to be issued and converted as described above, the Company's share capital would increase by CHF 200,000.00, which equates 4.47% of the existing share capital as at 31 December 2019 (cf. Note 19 ['share capital'] in the section *Information on the Consolidated Balance Sheet* of chapter *III. Financial Statements Julius Baer Group* of this Annual Report).

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 section *Consolidated Financial Statements*, Consolidated statement of changes in equity, in chapter *III. Financial Statements Julius Baer Group* of this Annual Report. For information about changes of capital in periods three or more years back please visit www.juliusbaer.com/reports.

SHARES AND PARTICIPATION CERTIFICATES

Shares

	2019	2018
Number of shares with par value of CHF 0.02 as at 31 December	**223,809,448**	223,809,448

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

The Dividend entitlement is detailed in Note 19 ('share capital') in the section *Information on the Consolidated Balance Sheet* of chapter *III. Financial Statements Julius Baer Group* of this Annual Report.

PARTICIPATION CERTIFICATES

There are no participation certificates.

BONUS CERTIFICATES

There are no bonus certificates.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS (AS AT 31 DECEMBER 2019)

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

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

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

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

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

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

CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds.

BOARD OF DIRECTORS

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

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

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

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

MEMBERS OF THE BOARD OF DIRECTORS

Romeo Lacher (born 1960), Swiss citizen; PhD in Economics (Dr. oec. HSG), University of St. Gallen, 1995; Advanced Management Program (AMP), Harvard Business School, 1999. Institut für Versicherungswirtschaft, St. Gallen, Project Manager, Junior Consultant, 1987–1990; Credit Suisse Group, Switzerland, 1990 until February 2017: Direct Marketing/Project Manager, Marketing Department, 1990–1994; Head Product Management Direct Banking Products and member of Senior Management, 1995–1996; Head of Retail Banking Switzerland and member of Senior Management, 1997–1999; Head of e-Channels, member of the Executive Board, e-Business, 2000–2002; Chief Operating Officer CS Corporate and Retail Banking, and member of the Management Committee, CS Financial Services, 2002–2003; Global Head of Operations and Product Management and member of the Private Banking Management Committee, 2004–2011; Head of Private Banking EMEA/Western Europe and member of the Private Banking Management Committee, 2011–2015; Chief Operating Officer, International Wealth Management and member of the IWM Management Committee, 2016; SIX Group, Zurich, from 2008 until 2020: Vice Chairman, Chairman of the Nomination and Compensation Committee, 2008 until October 2016; Chairman of the Board of Directors from October 2016 until 14 March 2020; Worldline SA, Bezons, France, member of the Board of Directors, incl. Chairman of the Nomination and Remuneration Committee, Vice-Chairman of the Investment Committee and Co-Chairman of the Strategy and Innovation Committee from November 2018 until May 2019. Chairman of the Board of Directors of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2019 (term of office until 2020).

Gilbert Achermann (born 1964), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), St. Gallen, 1988; Executive MBA, IMD Lausanne, 2000. UBS Investment Banking, 1988–1998: Graduate trainee programme Trading & Sales, 1988–1989; Associate Corporate Finance / Capital Markets; Assistant to Regional Head North America, 1990–1994; Director Corporate Finance Advisory, 1995–1998; Straumann Group, Basle, since 1998: Chief Financial Officer and Deputy CEO, 1998–2001; Chief Executive Officer, 2002–2010; Chairman of the Board of Directors since 2010. Vitra Group, 2012–2015: Chairman of the Board of Directors from July 2013 until December 2015; Co-CEO from July 2014 until December 2015. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012 (2020).

Heinrich Baumann (born 1951), Swiss citizen; PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: Project Leader

IT/Logistics and Finance, 1975–1985; COO Singapore Branch and Deputy Branch Manager, 1985–1987; Chief of Staff International Division and Section Head Management Support, 1987–1990; member of the Regional Management Committee (New York), Chief Operating Officer Region North America, 1990–1994; Department Head Finance and Controlling on Group level, 1994–1998; independent Management Consultant, 1998–1999; HSBC Guyerzeller Bank Ltd., 1999–2009: Chief Operating Officer, 1999–2002; Vice-President of the Executive Committee/Chief Operating Officer, 2003–2005; Chief Executive Officer, 2006–2009; independent Management Consultant since 2009. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2011 (2020).

Richard M. Campbell-Breeden (born 1962), British citizen; Bachelor of Science in Mechanical Engineering, University of Bristol, UK, 1984. Rolls-Royce, sponsored undergraduate, Aero-Engine Division, 1980–1984; 3i Group plc, 1984–1987: Executive, City Office, Large LBOs, 1984–1985; Executive, Shipping Division, 1985–1987; Goldman Sachs & Co., 1989–2016: Associate, M&A, New York, 1989–1991; Vice-President Investment Banking Division, London, 1991–1999; Managing Director, Head of UK Investment Banking, London, 1999–2005; Head of M&A, Asia-Pacific Ex-Japan (APEJ), Hong Kong, incl. Chairman Industrials APEJ, 2008–2011; Vice-Chairman, Investment Banking Asia Pacific Ex-Japan (APEJ), Hong Kong, incl. member of APEJ Commitments Committee and member of APEJ Client & Business Standards Committee, 2011–2016; Omeshorn Capital Advisors (founder) London, UK, since 2016; Omeshorn Holdings Ltd., British Virgin Islands, Director since 2016; Arq Limited (incl. Arq International Limited, Arq UK Management Limited and Arq IP Limited), Chairman of the Board of Directors since 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2018 (2020).

Paul Man Yiu Chow (born 1946), Chinese (Hong Kong SAR) citizen; University of Hong Kong: Bachelor of Science in Mechanical Engineering, 1970, Diploma in Management Studies, 1979, Master of Business Administration, 1982; Diploma in finance, Chinese University of Hong Kong, 1987; Doctor h.c. of Social Science, the Open University of Hong Kong, 2010. Hong Kong Government, Executive Officer II, 1970–1971; IBM World Trade Corporation, Hong Kong, Associate Systems engineer, 1971–1973; Sun Hung Kai Group, Hong Kong, 1973–1988: Sun Hung Kai Securities Limited, Executive Director, 1982–1983; Sun Hung Kai Bank Limited, Executive Director, Deputy General Manager and Chief Financial Officer, 1983–1985; Sun Hung Kai & Co. Ltd., Chief Administration & Financial Officer, and Sun Hung Kai Securities Limited, Executive Director, 1985–1988; Chinese University of Hong Kong, lecturer in finance, 1988–1989; The Stock Exchange of Hong Kong Limited, 1989–1997: Director of Operations and Technology, 1989–1990; Hong Kong Securities Clearing Company Ltd., Chief Executive Officer, 1990–1991; Chief Executive, 1991–1997; HSBC Asset Management, Asia Pacific (ex Japan) Region, Chief Executive Officer; HSBC Asset Management Group, member of the Global Management Committee; HSBC Insurance Company Limited, Hong Kong, Non-executive Director, 1997–2003; Hong Kong Exchanges & Clearing Limited, Chief Executive Officer and Executive Director, 2003–2010; CITIC Limited, Hong Kong, Independent Non-executive Director and member of the Remuneration Committee from March 2016 until June 2019; China Mobile Limited, Hong Kong, Independent Non-executive Director since May 2013. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2015 (2020).

Ivo Furrer (born 1957), Swiss citizen; PhD in Law, University of Zurich, 1985. Winterthur Insurance, 1983–1999: Group Insurance Marketing and project management in Europe, Canada and the USA, 1983–1991; Winterthur International, USA, Underwriting, 1992–1994; Winterthur International, London, different management positions, 1994–1997; Chief Underwriting Officer Global Corporate, 1998–1999; Credit Suisse Group, 1999–2002: Personal Financial Services, Head of the Executive Committee, amongst others implementation of an Internet bank in Luxembourg, 1999–2001; member of the Executive Committee e-Investment Services Europe, 2001–2002; Zurich Financial Services, 2002–2008: Zurich Financial Services, Germany, Head of international key account business, 2002–2005; member of the Global Corporate Executive Committee; responsible for the development of key accounts and distribution management globally, 2005–2007; CEO Life Switzerland, member of the Global Life Executive Committee, 2007–2008; Swiss Life Group, CEO Switzerland and member of the Corporate Executive Board from September 2008 until March 2017; Helvetia Insurance, St. Gallen, member of the Board of Directors since April 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2017 (2020).

Claire Giraut (born 1956), French citizen; Master in Biotech Engineering, Institut National Agronomique, Paris, 1978. Sanders Group, Paris, various positions, 1978–1985; Serete Group, Paris, various positions in finance and accounting, 1985–1996; Association of French Lawyers, Financial Controller, 1996–1997; Coflexip Stena Offshore, Paris, Chief Financial Officer and Group Head of Communications, member of the Executive Committee, 1997–2001; Technip Group, Paris, Chief Financial Officer of the offshore division and member of the Executive Board, 2002; Ipsen Group, Paris, Chief Financial Officer and member of the Executive Committee, 2003–2011; Europcar Groupe S.A., Guyancourt, Chief Financial Officer, 2011–2012; bioMérieux, Marcy l'Etoile, Corporate Vice-President Purchasing and Information Systems from September 2013 until March 2018, Chief Financial Officer from January 2014 until March 2018; DBV Technologies, Montrouge, member of the Board of Directors since June 2016. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010 (2020).

Charles G. T. Stonehill (born 1958), dual American and British citizen; Master of Arts in Modern History, Oxford University, UK, 1978. J. P. Morgan & Co., Corporate and Investment Banking, 1978–1984; Morgan Stanley & Co., Managing Director and Head of Equity Division Europe, 1984–1997; Credit Suisse First Boston, Head of Investment Banking for the Americas and member of the Operating Committee, 1997–2002; Lazard Frères, Global Head of Capital Markets and member of the Executive Committee, 2002–2004; Gulfsands Petroleum, Non-executive Director, 2005–2006; Panmure Gordon Plc., Chairman of the Board of Directors, 2006–2008; The London Metal Exchange Ltd., Independent Director from 2005 until August 2009; Better Place, Palo Alto, Chief Financial Officer, 2009–2011; Green & Blue Advisors LLC, New York, co-founder and partner since 2011; RSR Partners, New York, Managing Director, 2012–2013; TGG Group, New York, Advisor, 2014–2015; AXA Equitable Life Insurance Company, New York, member of the Board of Directors since 2017; AXA Equitable Holdings, New York, member of the Board of Directors since 2018; MONY Life Insurance Company of America, New York, member of the Board of Directors since 2019; Alliance Bernstein Corporation, New York, member of the Board of Directors since 2019; Deutsche Börse AG, Frankfurt, Germany, member of the Supervisory Board since 2019; Equitable Financial Life Insurance Company of America, New York, member of the Board of Directors since 2019. 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 (2020).

Eunice Zehnder-Lai (born 1967), dual Swiss and Chinese (Hong Kong SAR) citizen; Bachelor of Arts (BA), Harvard University, USA, 1989; Master of Business Administration (MBA), Harvard Business School, USA, 1994. Merrill Lynch Capital Markets, New York, Investment Banking Analyst, 1989–1991; Procter & Gamble, Hong Kong, Assistant Brand Manager, 1991–1992; Booz Allen Hamilton, Hong Kong, Summer associate, 1993; Goldman, Sachs & Co., New York, London, Hong Kong, Zurich, Executive Director, Equities and Private Wealth Management, 1994–2001; Zehnder-Lai Investment Advisors (founder), Baech, Switzerland, 2002–2004; LGT Capital Partners, Pfaeffikon, Switzerland, Executive Director, 2005–2014; IPM Institut für Persönlichkeitsorientiertes Management AG, Pfaeffikon, Switzerland, 2014–2018: Managing Director, 2014–2015; Chief Executive Officer, 2015–2018; Geberit Group, Rapperswil-Jona, Switzerland, member of the Board of Directors since 2017; DKSH Group, Zurich, Switzerland, member of the Board of Directors since 2018. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2019 (2020).

Olga Zoutendijk (born 1961), dual Dutch and Australian citizen; Bachelor of Science in Business Administration, San José State University, USA, 1983; Master of International Management (Finance), Thunderbird School of Global Management, USA, 1985; Advanced Management Program INSEAD, Fontainebleau, France, 1999; graduate of the Australian Institute of Company Directors, Australia, 2012. ABN AMRO Bank N.V., 1986–2001: International Career Banker Training Program, the Netherlands, 1986–1987; Officer, Emerging Markets, the Netherlands, 1987–1988; Banker, Corporate Clients, USA, 1988–1995; Head of Wholesale Banking, Ireland, 1995–1997; Deputy CEO, Australia and New Zealand, 1997–1999; CEO, Portugal, 1999–2001; Westpac Banking Corporation, 2001–2007: General Manager, Business Banking Products, 2001–2002; Group General Manager, Business and Consumer Banking Products, 2002–2003; Group General Manager, Corporate and Institutional Banking, 2003–2007; Standard Chartered Bank, Group Head of Wholesale Banking Asia, 2007–2011; Member of the Board of Governors and Chairwoman of the Audit Committee, Leiden University, since 2016; ABN AMRO Group N.V. and ABN AMRO Bank N.V., 2014–2018: member of the Supervisory Board, 2014–2015; Vice-Chairwoman of the Supervisory Board and Chairwoman of the Risk & Capital Committee, 2015–2016; Chairwoman of the Supervisory Board, 2016–2018. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2019 (2020).

HONORARY CHAIRMAN

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

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

Elections and re-elections at the Annual General Meeting 2019/Changes in the Board of Directors
At the Annual General Meeting of Julius Baer Group Ltd. on 10 April 2019, Gilbert Achermann, Heinrich Baumann, Richard Campbell-Breeden, Paul Man Yiu Chow, Ivo Furrer, Claire Giraut and Charles G. T. Stonehill (Vice-Chairman) were re-elected to the Board of Directors for another term of one year.

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

Daniel J. Sauter did not seek re-election after his tenure of twelve years as Board member, of which he served the past seven as Chairman. Gareth Penny resigned from the Board of Directors after his tenure of twelve years. Andreas Amschwand did not stand for re-election after having served on the Board of Directors for six years.

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

Gilbert Achermann, Heinrich Baumann and Richard Campbell-Breeden were re-elected as members of the Compensation Committee for a one-year term. Eunice Zehnder-Lai was elected as new member of the Compensation Committee for a one-year term.

Proposed changes in the Board of Directors at the Annual General Meeting 2020: nomination of new members
On 3 March 2020, the Board of Directors of Julius Baer Group Ltd. announced its intention to propose Kathryn Shih and Christian Meissner for election as new independent members of the Board at the Annual General Meeting (AGM) on 16 April 2020. This follows Paul Man Yiu Chow's decision not to stand for reelection at the AGM in April 2020, as he will shortly be reaching the age limit for

Julius Baer Board members, and also forms part of the long-term succession planning. All other current members of the Board of Directors will stand for re-election. Christian Meissner will immediately take up his mandate after the election, while Kathryn Shih will take up her mandate on 1 September 2020. The curriculum vitae of the two proposed members of the Board are available at www.juliusbaer.com/AGM.

OTHER ACTIVITIES AND INTEREST TIES

In applying the *Corporate Governance Directive* and the corresponding commentary of the SIX Swiss Exchange as well as the *Ordinance against excessive compensation in listed companies*, the Company fundamentally discloses all mandates and interest ties of its Board members outside of the Julius Baer Group according to the applicable paragraphs of article 13 ('Mandates outside the Group') of the Articles of Incorporation, available at www.juliusbaer.com/cg, which state:

No member of the Board of Directors may hold more than ten additional mandates of which no more than four mandates in listed companies.

The following mandates are not subject to the aforementioned limitations:

a) mandates in companies which are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or companies controlled by it. No member of the Board of Directors may hold more than five such mandates;
c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity, which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

Mandates in exchange-listed companies:

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

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

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

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

Charles G. T. Stonehill:
– Member of the Board of Directors of AXA Equitable Holdings (incl. AXA Equitable Life Insurance Company) and Equitable Financial Life Insurance Company of America, New York, USA;
– Member of the Board of Directors of Alliance Bernstein Corporation, New York, USA;
– Member of the Supervisory Board of Deutsche Börse AG, Frankfurt, Germany.

Eunice Zehnder-Lai:
– Member of the Board of Directors of DKSH Group, Zurich, Switzerland;
– Member of the Board of Directors of Geberit Group, Rapperswil-Jona, Switzerland.

Mandates in non-listed companies:

Romeo Lacher:
– Chairman of the Board of Directors of SIX Group, Zurich, Switzerland (until 14 March 2020);

Heinrich Baumann:
– Vice-President of the Board of Directors of Atlis AG, Biberist, Switzerland;
– Vice-President of the Board of Directors of Completo AG, Biberist, Switzerland;
– Member of the Board of Directors of KSHB Holding AG (holding company of Atlis AG, Biberist, Switzerland), Berne, Switzerland.

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

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

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

Other mandates:

Romeo Lacher:
- Member of the Board of Directors of economiesuisse, Zurich, Switzerland;
- Vice-Chairman of the Board of Directors of Swiss Finance Institute, Zurich, Switzerland.

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

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

Ivo Furrer:
- Member of the Board of Directors of Financial Market Authority Liechtenstein, Vaduz, Liechtenstein;
- President of the Executive Committee of digitalswitzerland, Zurich, Switzerland;
- Member of Swiss Economic Forum/ Powerpreneurs, Gwatt, Switzerland;
- Member of the Foundation Board of Swiss Foundation for Work and Further Education, Brugg, Switzerland.

Charles G. T. Stonehill:
- Governor, Harrow School, Harrow on the Hill, London, UK;
- Member of the Commercial Advisory Board of Oxford Investment Consultants, Oxford, UK (since December 2019).

Eunice Zehnder-Lai:
- Member of the Board of Directors of Asia Society Switzerland, Zurich, Switzerland;
- President of the Foundation Board of Friends of Asia Society Switzerland Arts & Culture Foundation, Zurich, Switzerland.

Olga Zoutendijk:
- Member of the Board of Governors and Chairwoman of the Audit Committee, Leiden University, Leiden, the Netherlands.

ELECTIONS AND TERMS OF OFFICE

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

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

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

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

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

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

Biographical overview

Board member	Age *31.12.2019*	Gender	Nationality	Board member since	Independence
Romeo Lacher	59	male	Swiss	2019	Independent
Gilbert Achermann	55	male	Swiss	2012	Independent
Heinrich Baumann	68	male	Swiss	2011	Independent
Richard M. Campbell-Breeden	57	male	British	2018	Independent
Paul Man Yiu Chow	73	male	Chinese (HK SAR)	2015	Independent
Ivo Furrer	62	male	Swiss	2017	Independent
Claire Giraut	63	female	French	2010	Independent
Charles G. T. Stonehill	61	male	US/British	2009	Independent
Eunice Zehnder-Lai	52	female	Swiss/ Chinese (HK SAR)	2019	Independent
Olga Zoutendijk	58	female	Dutch/ Australian	2019	Independent

Core skills

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

Core skills overview

Board member	Banking	Senior Executive	Finance	Audit/Risk	Legal
Romeo Lacher	x	x	x	x	
Gilbert Achermann	x	x	x		
Heinrich Baumann	x	x	x	x	
Richard M. Campbell-Breeden	x	x	x	x	
Paul Man Yiu Chow	x	x	x	x	
Ivo Furrer		x		x	x
Claire Giraut		x	x	x	
Charles G. T. Stonehill	x	x	x	x	
Eunice Zehnder-Lai	x	x	x		
Olga Zoutendijk	x	x	x	x	

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

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

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

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

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

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

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

Relevance: Besides understanding the Group's financial and regulatory audit reports, expertise in risk management is important to the Board's role in assessing and overseeing the risks facing

Julius Baer. In particular, it is a prerequisite to ensure that appropriate policies and processes are in place to effectively manage risk.

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

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

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

Specific skills overview

Board member	Wealth Management	Mergers & Acquisitions	Capital Markets	Credit	IT/Technology/ Operations/ Fintech
Romeo Lacher	x	x		x	x
Gilbert Achermann		x	x		x
Heinrich Baumann	x			x	x
Richard M. Campbell-Breeden		x	x		
Paul Man Yiu Chow	x		x		x
Ivo Furrer					x
Claire Giraut		x	x		x
Charles G. T. Stonehill		x	x	x	x
Eunice Zehnder-Lai	x	x	x		
Olga Zoutendijk	x	x	x	x	x

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

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

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

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

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

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

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

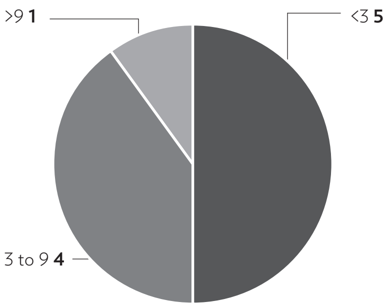
Relevance: Experience in credit-related business areas assists in understanding, reviewing and assessing Julius Baer's client-related credit strategy and associated risks.

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

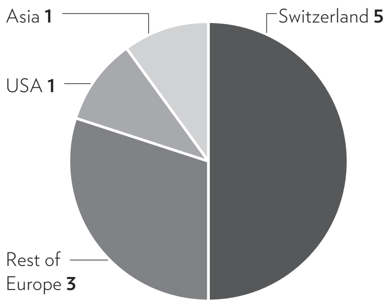
Relevance: Experience in these areas is relevant for Julius Baer in many aspects ranging from client experience to internal operations. In particular, it is instrumental in assessing the impact of new technologies and related investment decisions. Expertise in organisation and processes management gives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

Graphical summary of Board attributes

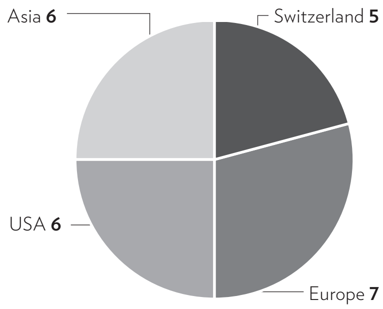
Term of office (years)



Geographic diversity based on primary nationality

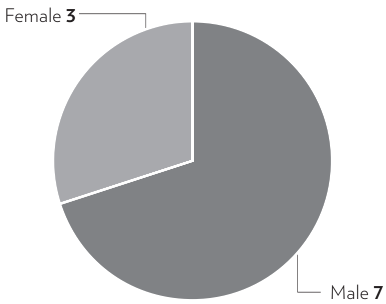


Geographic diversity based on work experience[1]

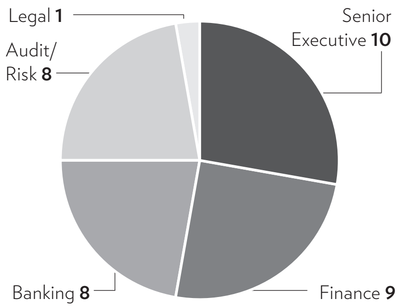


[1] Multiple selections possible

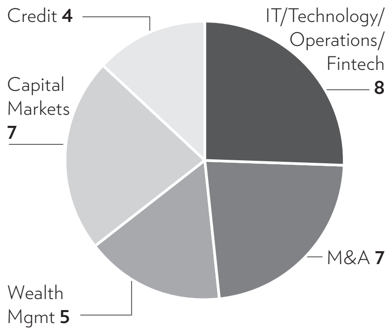
Gender diversity



Core skills



Specific skills



INTERNAL ORGANISATIONAL STRUCTURE

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

In the case of a tie vote at meetings, the Chairman shall have the casting vote. For resolutions passed by the Board of Directors with regard to agenda items that have been subject to prior resolution by a Committee of the Board of Directors (pre-resolving Committee) and if the members of such pre-resolving Committee (taking into consideration the casting vote of the Chairman) would represent a majority of votes in the Board of Directors, the casting vote shall not be with the Chairman of the Board but with the Chairperson of the Audit Committee, unless the Chairperson of the Audit Committee is also a member of such pre-resolving Committee, in which case the casting vote shall be with the member of the Board of Directors who is not a member of such pre-resolving Committee and who has served the longest total term of office on the Board of Directors. The CEO and CFO are standing guests in the meetings of the complete Board of Directors while the other members of the Executive Board of Julius Baer Group Ltd. are invited to participate as guests for those topics that are within their business responsibility as well as for specific reporting sessions. These meetings generally take up a full 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.

At intervals, the effectiveness of the Board's activities is also assessed externally. The first such external assessment took place in 2018. Conducted by specialised consultant Egon Zehnder, a comprehensive process meticulously reviewed the use of best industry and other practices at both individual as well as Board level. The assessment confirmed that the Board of Directors and its committees work effectively and meet the requirements of modern-day corporate governance, which is reflective of the expertise, commitment and independent stance of the individual Board members at the time.

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, sector-related and company-specific circumstances.

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

In 2019, the complete Board of Directors of Julius Baer Group Ltd. held twelve meetings (of which four in the form of a conference call), including a two-day strategy seminar (offsite).

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

First half of 2019	January	February	March[1]	April	June I	June II[1]
Romeo Lacher, Chairperson[2]	-	G	G	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Andreas Amschwand[3]	x	x	x	-	-	-
Heinrich Baumann	x	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x	x
Paul Man Yiu Chow	x	x	x	x	x	x
Ivo Furrer	x	x	x	x	x	x
Claire Giraut	x	x	x	x	x	x
Gareth Penny[3]	x	x	x	-	-	-
Daniel J. Sauter[4]	x	x	x	-	-	-
Charles G. T. Stonehill	x	x	x	x	x	x
Eunice Zehnder-Lai[2]	-	G	G	x	x	x
Olga Zoutendijk[2]	-	G	G	x	x	x

[1] Meeting by teleconference
[2] Joined the Board of Directors in April 2019
[3] Left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
[4] Former Chairperson, left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
G = attended meeting as guest

Second half of 2019	July I[1]	July II[1]	September offsite	September	October	December
Romeo Lacher, Chairperson	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x	x
Paul Man Yiu Chow	x	x	x	x	x	x
Ivo Furrer	x	x	x	x	x	x
Claire Giraut	x	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x	x	x
Olga Zoutendijk	x	x	x	x	x	x

[1] Meeting by teleconference

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the Annual General Meeting, the Board of Directors elects the members of the committees of the Board of Directors from among its members. The Chairpersons of the committees are responsible for seeking advice from external specialists as well as from members of the Executive Board as needed.

According to the Articles of Incorporation of Julius Baer Group Ltd. , available at www.juliusbaer.com/cg, the Board of Directors has the following non-transferable and irrevocable duties:

a) to supervise the Company and issue the necessary instructions;
b) to determine the organisation of the Company;
c) to arrange the accounting, financial control and financial planning inasmuch as they are necessary for the management of the Company;
d) to appoint and remove the persons entrusted with the Company's management;
e) to control those persons entrusted with the management of the Company, also in relation to compliance with laws, statutes, regulations and instructions;
f) to draw up the business report, the remuneration report and to prepare the General Meetings of Shareholders and implementation of its resolutions;
g) to inform the judge in the event of insolvency.

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

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in the respective section on page 35 of this chapter of the Annual Report.

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 works under its own charter and is chaired by an independent director (according to article 14 of the *Swiss Code of Best Practice* for Corporate Governance of the Swiss business federation economiesuisse and the Swiss Financial Market Supervisory Authority FINMA's circular 2017/1 entitled Corporate governance – banks). Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues. In addition, the minutes of the committee meetings are made available to the complete Board of Directors.

Governance & Risk Committee

The Governance & Risk Committee consists of at least three members of the Board of Directors who are specifically skilled and experienced in areas of finance, corporate governance and risk control. The Governance & Risk Committee is responsible for developing and upholding principles of corporate governance and corporate sustainability for the Julius Baer Group. It determines the overall concept and policy with regard to the Company's risk management and its submission to the Board of Directors for approval. It monitors the financial risks, with respective reporting to the Board of Directors. Furthermore, the Governance & Risk Committee monitors compliance with the rules governing equity capital, risks, liquidity and the general handling of legal and regulatory risks, with respective reporting to the Board of Directors. The Governance & Risk Committee is responsible for authorising market, credit and financial risks, taking into consideration the respective risk parameters, including, in particular, loans granted to members of the Board of Directors and of the Executive Board and/or affiliated entities and related parties ('Organkredite') as defined by the relevant Swiss accounting standards. The Governance & Risk Committee monitors compliance with rules governing large concentrations of risk ('Klumpenrisiken') and is responsible for the standards and methodologies for risk control, which are employed to comply with the principles and risk profile adopted by the Board of Directors or other relevant supervisory or managing bodies.

The Governance & Risk Committee determines, coordinates and reviews the risk limits in the context of the overall risk policy and reviews the policies with regard to risk. The Governance & Risk Committee approves and supervises the implementation of the yearly Compliance programme. The Governance & Risk Committee bases its risk-related work on the risk management and risk tolerance framework and the respective processes (cf. section *Comment on Risk and Capital Management* in chapter *III. Financial Statements Julius Baer Group* of this Annual Report), as approved by the Board of Directors once a year. The Governance & 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, cf. www.juliusbaer.com/cg, including the allocation of responsibilities. The Governance & Risk Committee furthermore approves the formation, the change in capital or ownership structure, the change of legal form or licences, and the liquidation or closure of all subsidiaries. The Governance & Risk Committee decides on requests from members of the Board of Directors and of the Executive Board to serve on outside boards of directors or advisory boards, boards of trustees or foundation boards and gives its consent to such members to serve in public office or government.

The Governance & Risk Committee generally convenes monthly. During the year under review, the Committee met eleven times for approximately four hours each. The Chief Executive Officer and the Chief Financial Officer are permanent guests while the other members of the Executive Board of the Company participate for specific reporting sessions in the meetings of the Governance & Risk Committee.

Members Charles G. T. Stonehill (Chairperson), Richard M. Campbell-Breeden, Ivo Furrer, Romeo Lacher and Olga Zoutendijk

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

	January	March I	March II	April	May	June
First half of 2019						
Charles G. T. Stonehill, Chairperson[1]	x	x	x	x	x	x
Andreas Amschwand[2]	x	x	x	-	-	-
Richard M. Campbell-Breeden	x	x	x	x	x	x
Ivo Furrer	x	x	x	x	x	x
Romeo Lacher[3]	G	G	G	x	x	x
Daniel J. Sauter[4]	x	x	x	-	-	-
Olga Zoutendijk[3]	G	G	G	x	x	x
Heinrich Baumann	-	G	G	-	-	-

[1] Previous member, assumed the function of Chairperson in April 2019
[2] Left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
[3] Joined the Committee in April 2019
[4] Former Chairperson, left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
G = attended meeting as guest

Second half of 2019	August	September	October	November	December
Charles G. T. Stonehill, Chairperson	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Ivo Furrer	x	x	x	x	x
Romeo Lacher	x	x	x	x	x
Olga Zoutendijk	x	x	x	x	x

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

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

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

All members of the Audit Committee are independent (according to article 14 of the *Swiss Code of Best Practice for Corporate Governance* of the Swiss business federation economiesuisse and the Swiss Financial Market Supervisory Authority FINMA's circular 2017/1 entitled *Corporate governance – banks*) and, based on their education and professional expertise, are financial experts. The Audit Committee performs an in-depth annual self-assessment with regard to its own performance. The Audit Committee convenes at least four times a year for about four hours on average. The members of the Executive Board of Julius Baer Group Ltd. participate as guests in the meetings of the Audit Committee. The Head of Group Internal Audit and representatives of the external auditor participate in every meeting. During the year under review, the Audit Committee held six meetings for approximately four hours and two conference calls.

Members Heinrich Baumann (Chairperson), Paul Man Yiu Chow, Ivo Furrer, Claire Giraut and Olga Zoutendijk

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

First half of 2019	January	April	May[1]	June
Heinrich Baumann, Chairperson	x	x	x	x
Paul Man Yiu Chow	x	x	x	x
Ivo Furrer	x	x	x	x
Claire Giraut	x	x	x	x
Charles G. T. Stonehill[2]	x	-	-	G (partially)
Olga Zoutendijk[3]	G	x	x	x
Daniel J. Sauter[4]	G	-	-	-
Romeo Lacher	G	-	-	G (partially)
Richard Campbell-Breeden	-	-	-	G (partially)

[1] Meeting by teleconference
[2] Left the Committee in April 2019
[3] Joined the Committee in April 2019
[4] Left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
G = attended meeting as guest

Second half of 2019	September	October	November[1]	December
Heinrich Baumann, Chairperson	x	x	x	x
Paul Man Yiu Chow	x	x	E	x
Ivo Furrer	x	x	x	x
Claire Giraut	x	x	x	x
Olga Zoutendijk	x	x	x	x
Romeo Lacher	G	-	-	-
Charles G. T. Stonehill	G	-	-	-

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

Compensation Committee
The Compensation Committee shall carry out the Board's overall responsibility for drawing up the remuneration principles, remuneration strategy and policies covering the Chairman of the Board of Directors, the further non-executive members of the Board of Directors, the Chief Executive Officer (CEO) and the further members of the Executive Board within the Julius Baer Group. This includes reviewing any compensation principles (changes thereof have to be submitted for approval to the complete Board of Directors), reviewing and approving compensation policies relating to the Company as a whole as well as any compensation policies within the Group which are linked to the shares of the Company.

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

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

The Compensation Committee is responsible for reviewing and approving the Company's principles on total compensation and benefits (Remuneration Policy). It annually reviews that the principles are operated as intended and that the policy is compliant with national and international regulations and standards.

The Compensation Committee determines the compensation of the Chairman and of the Executive Board and submits the respective proposals for the other members of the Board of Directors and the CEO to the complete Board of Directors for approval. The compensation proposals for the Chairman, the Board of Directors, the CEO and in aggregate form for the Executive Board are subsequently submitted to the Annual General Meeting for approval by the shareholders.

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

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

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

Members Richard M. Campbell-Breeden (Chairperson), Gilbert Achermann, Heinrich Baumann and Eunice Zehnder-Lai

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

First half of 2019	January	April	June
Richard M. Campbell-Breeden, Chairperson[1]	x	x	x
Gilbert Achermann	x	x	x
Heinrich Baumann	x	x	x
Gareth Penny[2]	x	-	-
Eunice Zehnder-Lai[3]	G	x	x
Daniel J. Sauter[4]	G	-	-
Romeo Lacher	G	G	G

[1] Previous member, assumed the role of Chairperson in April 2019
[2] Former Chairperson, left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
[3] Joined the Committee in April 2019
[4] Left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

	September	October	December
Second half of 2019			
Richard M. Campbell-Breeden, Chairperson	x	x	x
Gilbert Achermann	x	x	x
Heinrich Baumann	x	x	x
Eunice Zehnder-Lai	x	x	x
Romeo Lacher	G	G	G

G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

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

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

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

The Nomination Committee convenes as needed and consists of a minimum of three members of the Board of Directors who are appointed by the Board of Directors. During the year under review, the Nomination Committee held five meetings and two conference calls for an average duration of one and a half hours each.

Members Gilbert Achermann (Chairperson), Claire Giraut, Romeo Lacher, Charles G. T. Stonehill and Eunice Zehnder-Lai

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

First half of 2019	January	February[1]	April	May[1]	June
Gilbert Achermann, Chairperson[2]	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Romeo Lacher[3]	G	G	x	x	x
Charles G. T. Stonehill[4]	x	x	x	x	x
Daniel J. Sauter[5]	x	x	-	-	-
Eunice Zehnder-Lai[3]	G	G	x	x	x
Heinrich Baumann	-	-	-	G	-
Richard Campbell-Breeden	-	-	-	G	G
Paul Man Yiu Chow	-	-	-	G	-
Ivo Furrer	-	-	-	G	-
Olga Zoutendijk	-	-	-	G	-

[1] Meeting by teleconference
[2] Previous member, assumed the role of Chairperson in April 2019
[3] Joined the Committee in April 2019
[4] Chairperson until April 2019
[5] Left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
G = attended meeting as guest

Second half of 2019	October	December
Gilbert Achermann, Chairperson	x	x
Claire Giraut	x	x
Romeo Lacher	x	x
Charles G. T. Stonehill	x	x
Eunice Zehnder-Lai	x	x

DEFINITION OF AREAS OF RESPONSIBILITY

Julius Baer's strategic framework for long-term value creation
In 2019, the Board of Directors fundamentally reviewed the Group's strategy and the strategic framework for long-term value creation. The updated strategy and management's plan to execute it were presented in detail on 3 February 2020. More information is available at www.juliusbaer.com/reporting. For the purpose of the 2019 reporting, this information takes the place of this section on the Group's Annual Report.

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

→ The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations (OMR). All relevant information contained in the OMR is substantially disclosed in the respective sections of this chapter of the Annual Report. The OMR is available at www.juliusbaer.com/cg.

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

Board of Directors
The Board of Directors is responsible for the ultimate direction, supervision and control of the Company, which it fulfils within the scope of the duties stipulated in article 716a of the Swiss Code of Obligations and through calling on its various committees. The complete Board of Directors is especially responsible for preparing all topics, which fall within the competence of the Meetings of Shareholders (Annual General Meeting and Extraordinary [if any] Meetings) and receives support and advice from the Audit Committee in particular in matters of financial reporting and other capital management questions. Based on the proposal of the Audit Committee, the complete Board of Directors decides on the external auditors to be recommended for appointment at the Annual General Meeting. Entry into, dissolution and modification of joint ventures of strategic importance by the Company also fall within the competence of the complete Board of Directors. Moreover, the complete Board of Directors appoints the Chief Executive Officer and the other members of the Executive Board and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Head of Group Internal Audit. With regard to the Group's principal operating subsidiaries, 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). The complete Board of Directors is responsible for determining the overall risk policy of the organisation as well as for the design of accounting, financial controlling and strategic financial planning. It also decides on capital market transactions involving shares of Julius Baer Group Ltd., on such resulting in the issue of bonds of the Company as well as on the issue of bonds by subsidiaries based on a graduated competence schedule regarding the capital and time commitment involved.

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

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

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

In addition, the Executive Board may form committees for specific tasks and regulate their activities. Their formation as well as the areas of responsibility must be approved in advance by the Governance & Risk Committee of the Board of Directors.

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

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

Effective 1 January 2020, the Executive Board of the Group's principal operating company, Bank Julius Baer & Co. Ltd., is composed of the same members in identical responsibilities as the Executive Board of Julius Baer Group Ltd. Details of the Executive Board's composition effective 1 January 2020 can be found in the section *Group Structure and Shareholders* of this chapter of the Annual Report.

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* on page 26 of this chapter of the Annual Report. Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues.

In addition, the minutes of the committee meetings are made available to the complete Board of Directors.

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

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

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

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

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

EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

Philipp Rickenbacher (born 1971), Swiss citizen; Master of Science (MSc.) in Biotechnology, Swiss Federal Institute of Technology (ETH), Zurich, 1992–1997; Executive Program, Swiss Finance Institute, 2006; Advanced Management Program (AMP), Harvard Business School, 2013. Union Bank of Switzerland, Zurich, Trading support, 1996–1997; McKinsey & Company, Zurich and London, Associate Principal, 1997–2004; Bank Julius Baer & Co. Ltd., Zurich, 2004–2007: Head Business Development, Trading, 2004–2006; Co-founder and business management, Alternative Risk Trading, 2004–2007; GAM (Switzerland) Ltd., Zurich, Head GAM Structured Investments, 2008–2009; Bank Julius Baer & Co. Ltd., Zurich, since 2009: Head Structured Products, 2009 until July 2016; member of the Executive Board of Bank Julius Baer & Co. Ltd. and Head Advisory Solutions, from August 2016 until 31 December 2018; member of the Executive Board of Bank Julius Baer & Co. Ltd. and Head Intermediaries & Global Custody from 1 January 2019 until 31 August 2019; member of the Executive Board and Chief Executive Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 September 2019.

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

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

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

Member of the Executive Board and Chief Operating Officer of Bank Julius Baer & Co. Ltd. since 1 August 2016, member of the Executive Board and Chief Operating Officer of Julius Baer Group Ltd. since 1 January 2017; additionally Head Intermediaries & Global Custody a.i. of Bank Julius Baer & Co. Ltd. since 1 September 2019.

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

Christoph Hiestand (born 1969), Swiss citizen; Law Degree, University of St. Gallen (HSG), 1994; admission to the bar in Switzerland, 1997; Master of Law LL.M., Cornell University, Ithaca, USA, 2000. Beiten Burkhardt Mittl & Wegener, attorneys-at-law, Frankfurt am Main and Duesseldorf (Germany), 1997–1998; attorney-at-law with BBLP Meyer Lustenberger, Zurich, 1999–2001. Entry into Bank Julius Baer & Co. Ltd., 2001: Legal Counsel 2001–2003; General Counsel, Corporate Centre, 2004–2005; Julius Baer Holding Ltd., Deputy Group General Counsel, 2006 until 30 September 2009; member of the Executive Board and General Counsel of Julius Baer Group Ltd. since 1 October 2009; additionally Chief Risk Officer a.i. of Julius Baer Group Ltd. from 27 November 2017 until 28 February 2018.

Changes in the Executive Board

Philipp Rickenbacher became Chief Executive Officer on 1 September 2019. He succeeded Bernhard Hodler who will continue in an advisory capacity at Group level, but outside the Executive Board, until early retirement at the end of January 2020.

Details of the Executive Board's composition effective 1 January 2020 can be found in the section *Group Structure and Shareholders* of this chapter of the Annual Report.

OTHER ACTIVITIES AND INTEREST TIES

In applying the *Corporate Governance Directive* and the corresponding commentary of the SIX Swiss Exchange as well as the *Ordinance against excessive compensation in listed companies*, the Company fundamentally discloses all mandates and interest ties outside of the Julius Baer Group according to the applicable paragraphs of article 13 ('Mandates outside the Group') of the Articles of Incorporation, available at www.juliusbaer.com/cg, which state:

No member of the Executive Board may hold more than five additional mandates of which no more than one mandate in listed companies.

The following mandates are not subject to the aforementioned limitations:

a) mandates in companies which are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or companies controlled by it. No member of the Executive Board may hold more than five such mandates;
c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Executive Board may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity, which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

Mandates in exchange-listed companies:

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

Other mandates:

Philipp Rickenbacher:
- Member of the Board of Directors of the Swiss Bankers Association, Basle, Switzerland;
- Councillor, Masayoshi Son Foundations for Scholarship, Tokyo, Japan;
- Member of the Foundation Board of IMD, International Institute for Management Development, Lausanne, Switzerland (effective 1 January 2020);
- Nominated Vice-Chairman of the Association of Swiss Asset and Wealth Management Banks, Zurich, Switzerland (election in May 2020).

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

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

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

MANAGEMENT CONTRACTS

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

RULES ABOUT COMPENSATION AND LOANS WITHIN THE GROUP

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

VOTE ON PAY

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

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

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

COMPENSATION OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE BOARD

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

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

Compensation may be paid or granted in the form of cash, shares, options (for Executive Board members only), similar financial instruments or units, or in the form of other types of benefits. In 2018 and 2019, the compensation of both bodies did not include any grants of options.

LOANS

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

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

Loans to members of the Executive Board may be granted at employee conditions, which correspond to the conditions for employees of the Julius Baer Group. Loans to members of the Board of Directors shall be granted at market conditions.

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

SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2019)

VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. The shareholder shall exercise its rights in the affairs of the Company at the General Meeting of Shareholders. It may represent itself or be represented by the independent voting rights representative or a third party at the General Meeting of Shareholders.

The General Meeting of Shareholders shall elect the independent voting rights representative for a term of office expiring after completion of the next Annual General Meeting of Shareholders. Re-election is possible.

The independent voting rights representative shall inform the Company of the amount, kind, nominal value and category of shares represented by it. The Chairman shall convey this information to the General Meeting of Shareholders.

The Group's shareholders are given the possibility to vote their shares through an electronic voting tool. Such votes will be delegated to the independent voting rights representative.

There are no voting rights restrictions; each share entitles to one vote.

STATUTORY QUORUMS

Except when otherwise required by mandatory law and/or by article 8.14 of the Articles of Incorporation, available at www.juliusbaer.com/cg, all resolutions of the General Meetings of Shareholders are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

CONVOCATION OF THE GENERAL MEETINGS OF SHAREHOLDERS

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

AGENDA

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

REGISTRATIONS IN THE SHARE REGISTER

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

CHANGES OF CONTROL AND DEFENCE MEASURES

DUTY TO MAKE AN OFFER

The Articles of Incorporation, available at www.juliusbaer.com/cg, do not deviate from the standards set by the law (no opting-out or opting-up rules).

CLAUSES ON CHANGES OF CONTROL

Executive Board members are not entitled to specific payments upon a change of control or upon termination of employment related to a change of control; however, they are eligible to receive such benefits (e.g. accrued holiday pay, death/disability/retirement benefits under the pension plan, etc.) which are generally available to other Julius Baer employees. The Executive Board members, however, are not entitled to other severance pay or special termination benefits under the pension plans compared to the general staff population.

Special change-of-control provisions may be available under the Equity Performance Plan. All provisions remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control. More details can be found in chapter *II. Remuneration Report* of this Annual Report.

AUDIT

Audit is an integral part of corporate governance. While retaining their independence, the External Auditors and Group Internal Audit (GIA) closely coordinate their work. The Audit Committee and ultimately the Board of Directors supervise the adequacy of audit work.

EXTERNAL AUDITORS

The statutory auditor of the Julius Baer Group is KPMG AG (KPMG), Räffelstrasse 28, 8036 Zurich, Switzerland. The mandate was first given to KPMG for the business year 2006. After having acted as Lead Auditor as of 2013, Philipp Rickert was succeeded in this function by Mirko Liberto in April 2019. Swiss law requires the Lead Auditor to rotate at least every seven years.

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

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, the policy that governs the cooperation with the External Auditors strives to ensure an appropriate degree of independence of the Group's External Auditors. The policy limits the scope of service that the External Auditors may provide to Julius Baer Group Ltd. or any of its subsidiaries in connection with its audit and stipulates certain permissible types and caps of additional audit-related and other services. In accordance with this guidance and as in prior years, all KPMG audit, audit-related and other services provided in 2019 were pre-approved. KPMG is required to report to the Chief Financial Officer and the Audit Committee periodically the extent of services provided and the fees for the services performed to date.

The external auditor is assessed yearly by the Audit Committee. The assessment includes a judgement of the external auditor's qualification and 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.

Fees paid to External Auditors

	2019 *CHF m*	2018 *CHF m*
Audit fees[1]	**7.0**	7.0
Audit-related fees[2]	**0.2**	1.0
Other services fees[3]	**1.4**	1.1

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

GROUP INTERNAL AUDIT

With 33 professionals as at 31 December 2019, compared to 34 as at 31 December 2018, Group Internal Audit (GIA) performs the global internal audit function for the Julius Baer Group. GIA is an independent and objective function that provides independent and objective assurance to the Board of Directors on safeguards taken by management (i) to protect the reputation of the Group, (ii) to protect its assets and (iii) to monitor its liabilities. GIA provides assurance by assessing the reliability of financial and operational information, as well as compliance with legal, regulatory and statutory requirements. Audit reports with key issues are provided to the Chief Executive Officer, the Executive Board members of the Bank and other responsible members of management. In addition, the Chairman and the Audit Committee members are regularly informed about important audit issues. GIA further assures the closure and successful remediation of audit issues executed by Management.

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

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

INFORMATION POLICY

Julius Baer Group Ltd. informs its shareholders and the public each year by means of the Annual and Half-year Reports. Julius Baer furthermore provides a summary account of the business performance for the first four and the first ten months of each year, respectively, in separate Interim Management Statements. It also publishes media releases, presentations and brochures as needed.

→ Current as well as archived news items can be accessed via www.juliusbaer.com/news.

→ Stakeholders and interested parties can be kept informed about our Group automatically by subscribing to Julius Baer's News Alert service at the address www.juliusbaer.com/newsalert.

IMPORTANT DATES

23 March 2020	Publication of Annual Report 2019 and Corporate Sustainability Report 2019
16 April 2020	Annual General Meeting, Zurich
20 April 2020	Ex-dividend date
21 April 2020	Record date
22 April 2020	Dividend payment date

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

→ Please refer to the corporate calendar at the address www.juliusbaer.com/calendar for the publication dates of financial statements and further important corporate events.

ADDRESS AND CONTACT

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Alexander C. van Leeuwen
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II. REMUNERATION REPORT

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Over the past 130 years, Julius Baer Group has grown and developed into the leading Swiss wealth manager it is today. In 2019, we started a new chapter in our history when Philipp Rickenbacher was appointed the new Chief Executive Officer (CEO).

Jointly with the new CEO and his leadership team, the Board of Directors is building on Julius Baer Group's heritage and unique position as a pure wealth manager to refine the strategy for the future. We plan to enhance our growth story by fortifying our areas of strength and at the same time challenging the status quo with the goal of sharpening our value proposition, accelerating investments into our core capabilities and shifting our focus from an asset-gathering strategy to one of sustainable profit growth.

As the Group's strategy is refined, it will be implemented in a considered and sustainable manner, under the leadership of the Executive Board and within the new organisational set-up (effective 1 January 2020). The new structure is a stepping-stone that will help us enhance client focus, increase our operational efficiency, foster cultural development, and make us more nimble in this fast-moving market environment.

Compensation framework
The Group's compensation philosophy is aimed at offering competitive compensation which fosters risk awareness, rewards past performance and incentivises the creation of sustainable stakeholder value.

Our compensation framework incorporates significant levels of deferred compensation, long-term performance periods and a balanced mix of cash and equity awards. This framework remained largely unchanged in 2019, however, it was augmented by the introduction of a maximum immediate cash cap on variable compensation (CHF 1.5 million per year) and strengthened through further service-based vesting requirements. Additionally, the weightings within the Executive Board's Scorecards were adjusted to significantly increase the impact of the Bank's financial performance on compensation (e.g. CEO Core [financial] Objectives increased to 50% from 30%) while maintaining an appropriate balance between quantitative and qualitative factors.

The Group has taken a number of steps in the past years to strengthen governance and control processes and these changes have been incorporated into the relationship manager (RM) compensation assessment process. All staff are subject to qualitative assessments through their annual performance review and the Group maintains a disciplinary committee aimed at ensuring consistent application of sanctions for identified policy and procedure violations. The performance assessment process for RMs, in particular, was augmented with a detailed Client and Conduct Excellence

(CCE) Scorecard in 2016 to assess a number of risk- and compliance-related performance criteria linked to items such as anti-money laundering and Know Your Client (KYC). In 2019, additional risk-based adjustments were implemented to reduce compensation related to high-risk clients (e.g. politically exposed persons). The controls underlying this programme are refined each year alongside developments in the Group's governance and control processes.

In the context of our updated strategy, the overall design of the RM compensation framework (including the CCE) is under review and will be adjusted to ensure alignment with financial targets, entrepreneurial aspirations, the Group's new Code of Conduct and the associated risk and compliance standards. In particular, the revision of the compensation framework will address the expectations expressed by Julius Baer's lead regulator FINMA. All forthcoming changes to these programmes and policies will ensure continued compliance with local regulations in our operating locations and alignment with both shareholder interests and the Group's developing strategy.

2019 Group performance and variable compensation
The Group's 2019 performance was characterised by stable operating income, an initial positive impact from the 2019 cost reduction programme and a continued strengthening of Julius Baer's capital position. While assets under management (AuM) and net new money (NNM) continued to grow, the Group's performance was affected by rising operating expenses mainly from provisions, decreasing gross margins, and the previously announced items related to historical acquisitions (e.g. Bundesanstalt für vereinigungsbedingte Sonderaufgaben [BvS] and the non-cash goodwill impairment charge related to Kairos Investment Management S.p.A. [Kairos]).

Based on the Group's overall performance, the Adjusted Net Profit before variable compensation (bonus) and taxes (ANPbBT), the baseline for the Group's variable compensation pool, also declined in 2019 leading to a decrease in the absolute value of the Group's variable compensation pool.

Giving due consideration to the above impacts, the Group maintains a solid financial foundation and a strong strategic framework for long-term value creation in the future.

Human resource initiatives
Julius Baer aims to create an inspiring environment empowering people to perform at their best. To this end, the Group seeks to foster an atmosphere that treats employees fairly and a culture promoting accountability for employees' actions and individual behaviour in line with our values.

Diversity, inclusion and fair pay are an important element of the Group's development strategy and Julius Baer is committed to recruiting, retaining and promoting diversity at all levels of the organisation. To ensure continued year-on-year improvement, Julius Baer completes a detailed annual benchmarking review of its pay practices and has developed new policies (e.g. hiring initiatives, home office, extended maternity leave, etc.), programmes (e.g. Senior Women Mentoring, Julia@Baer, etc.) and reward-related adjustments.

Outlook 2020
As announced in October 2019, the structure and composition of the Group's Executive Board changed as of 1 January 2020, to create a leaner, more client-centric leadership team and simplify the governance processes, foster faster decision-making and align responsibilities and accountability across the Group's senior management. Going forward, the Executive Boards of the Group and of Bank Julius Baer & Co. Ltd. will be composed by the same members, which will provide further transparency in their members' roles, contributions and compensation. The consolidation of the two Boards in aggregate is expected to yield a reduction in overall executive compensation expenses.

Combined, the two Boards have been reduced from fifteen to nine members. In 2020, the disclosure in the Remuneration Report will encompass nine members, of which five were previously serving only at the Bank's Executive Board rather than the Group's. To cover their base salaries in 2020, the Group will utilise a portion of the Supplementary Amount (permitted under article 11.2 of the Articles of Incorporation, cf. www.juliusbaer.com/cg) and, following our normal say-on-pay voting approach, will request a vote at the Annual General Meeting in 2020 for the Executive Board base salaries in 2021.

In partnership with the CEO, the Compensation Committee is reviewing the impact of the Group's revised strategic initiatives and reorganisation on the future design of the overall Group's compensation strategy. The goals and objectives of the Executive Board will be aligned in 2020 with an increased focus on factors such as Risk Management, Compliance, Corporate Culture and Conduct, but also to sustainable profit growth as a holistic measure of success. The Board of Directors is committed to ensuring that the target setting, measurement and performance assessment processes are consistently managed and that the resulting compensation is appropriate.

Annual General Meeting
We would like to take this opportunity to thank you for the confidence that you have consistently demonstrated in our work and your support for our compensation framework over the past years. We will again ask for your feedback this year via the vote on the compensation arrangements for the Board of Directors and the Executive Board disclosed in this Remuneration Report. In addition, mirroring the importance we place on engaging with our shareholders on compensation matters, a consultative vote on the Remuneration Report will again be conducted.

Julius Baer is very well positioned, financially strong and highly profitable. We have all it takes to invest in our future and to successfully evolve our pure wealth management approach in line with ever-changing client needs for the benefit of our shareholders. We are confident that the forthcoming strategic initiatives and the changes it will bring to Julius Baer Group, will be for the benefit of our clients, employees and stakeholders.

On behalf of the Board of Directors,

Romeo Lacher	Richard M. Campbell-Breeden
Chairman	*Chairman of the Compensation Committee*

2019 REMUNERATION HIGHLIGHTS

The following summarises the key elements of Julius Baer Group Ltd.'s compensation programmes and key performance metrics utilised in the compensation decision-making process.

Group performance summary

Julius Baer Group Ltd. (Julius Baer or the Group) completed the fiscal year with stable operating income and continued growth of net new money in a financial year impacted by legacy legal/acquisition-related cases. Performance can be summarised as follows:

Adjusted[1] net profit CHF 772 million (-4.7%)	Net new money CHF 11 billion (2.8% growth rate)	Assets under management CHF 426 billion (+11.5%)	Adjusted cost/income ratio 71.1% (from 70.6% in 2018)
• Spurred by AuM growth, improved expense margin and lower tax rate • Offset by decline in gross margin and impact of legacy legal cases	• NNM growth of 4.1% when excluding Kairos outflows • Negatively impacted by client documentation review project and negative interest rate application	• Supported by positive market performance • Average AuM up 5% to CHF 414 bn from 2018[2]	• Close to FYE 2018 level despite lower gross margin • Clear improvement over H2 2018 (74.3%)

1 The document Alternative Performance Measures available at www.juliusbaer.com/APM provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.

2 Calculated on the basis of monthly AuM levels.

Sound compensation governance philosophy and practices

Julius Baer employs strong corporate governance practices including the following highlights:

✓ **Pay linked to performance**
Use of adjusted net profit before bonus and taxes as baseline for the available bonus pool size directly links variable compensation to the performance of the Group

✓ **Risk governance**
Sound policies to manage operational and behavioural risks via qualitative assessment processes

✓ **Compensation benchmarking**
Annual review and assessment of compensation against peers within the Group's defined benchmarking quartiles

✓ **No 'golden' arrangements**
No additional entitlements upon joining/departing the Group or upon a change of control

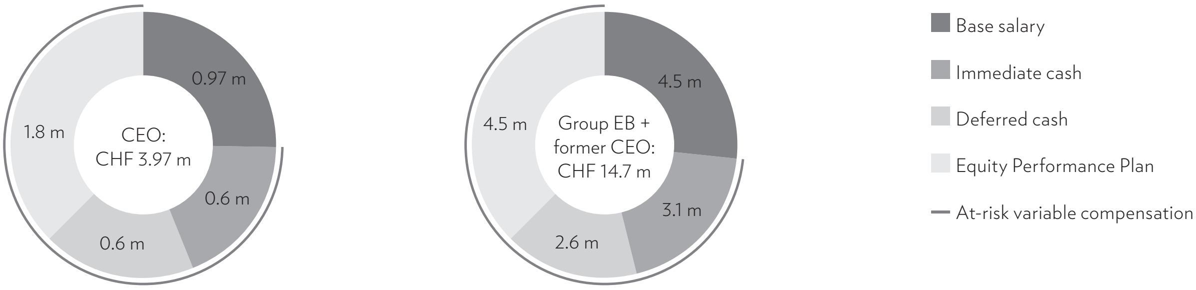
✓ **Pay at risk**
Significant portion of compensation deferred over 3 to 5 years subject to vesting and/or malus and clawback provisions

✓ **Shareholder-aligned compensation**
Equity-based deferred compensation linked to share price, relative shareholder return and Group cumulative economic profit

✓ **Strong shareholding guidelines**
Board of Directors (BoD) and Executive Board (EB) members subject to minimum shareholding requirements after a 3-year build-up period

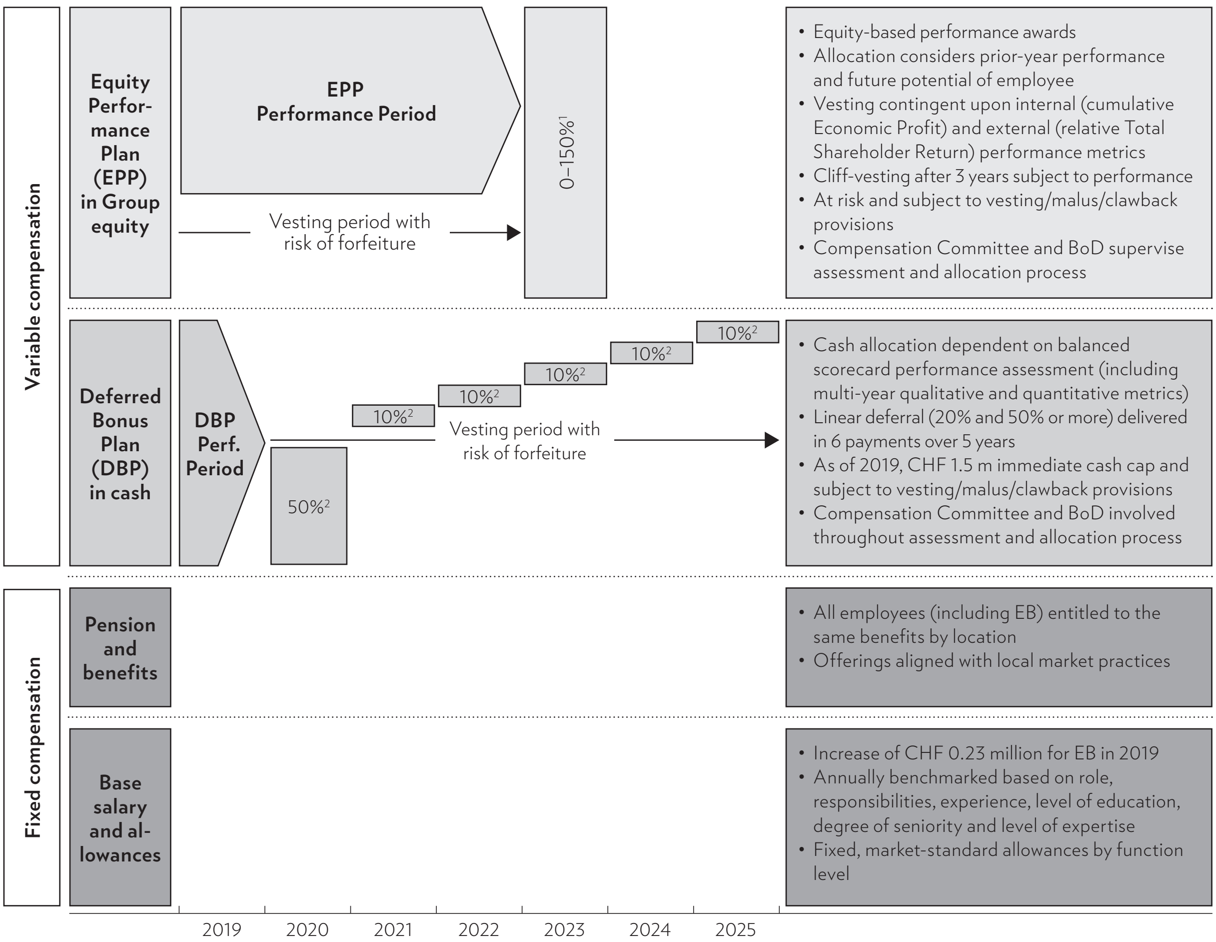
Pay linked to performance

Executive Board compensation is linked to performance and reflects the dual objectives of being performance-oriented and risk-appropriate. The 2019 total compensation paid to the seven EB members decreased by 4% relative to that paid to the six EB members in 2018 (up 13% when excluding 2018 replacement awards). The 2019 performance resulted in the following compensation decisions (in millions [m]):



Overview of Executive Board compensation structure

The total compensation package offered by Julius Baer has been designed to be competitive and reasonable. Through linkage to the past and future development of the Julius Baer Group's performance, it is aligned with stakeholder interests and encourages prudent risk management over a multi-year period.



[1] Subject to KPI performance; share allocation capped at 150% of Performance Units granted; vesting share value dependent on market performance.
[2] DBP deferrals range from 20% to 50% (or higher) based on the level of the allocated bonus (example assumes 50% DBP deferral). As of 2019, the maximum amount of bonus payable immediately is capped at CHF 1.5 million (full deferral applies thereafter) thereby increasing the maximum deferral rate.

COMPENSATION GOVERNANCE

COMPENSATION COMMITTEE AUTHORITY AND RESPONSIBILITIES

Julius Baer operates a multi-tiered system of compensation governance, which ensures that there are clear processes governing all aspects of compensation. The Board of Directors sets the overall remuneration policy and retains full responsibility for designing and monitoring all aspects of the compensation paid to the Board of Directors and the Executive Board, which is paid in line with the compensation principles set forth in the Articles of Incorporation (cf. www.juliusbaer.com/cg).

The Compensation Committee supports the Board of Directors in carrying out the Board's overall responsibility with regard to defining the Julius Baer Group's compensation principles and strategy. The Compensation Committee oversees the compensation of the Board of Directors (including the Chairman), Executive Board members (including the CEO) as well as that of all other employees of Julius Baer on a collective basis. This includes reviewing any compensation principles (changes to which are submitted for approval to the Board of Directors), compensation policies relating to the Group as a whole and any compensation policies within the Group which are linked to the shares of Julius Baer Group Ltd. If relevant, the Compensation Committee also collaborates with other Julius Baer Group Committees (e.g. the Audit Committee and the Governance & Risk Committee) when shaping policy.

Every year, the Compensation Committee reviews the compensation elements and the share ownership programmes in the context of Julius Baer Group's current business strategy, market practice, the possible impact of new regulatory developments and feedback received from stakeholders. The Compensation Committee also carries out an annual review of the Group's compliance with these principles and policies and ensures that the relevant policies conform to national and international standards and regulations. For each group of recipients, the following table shows the procedures for recommendations and decisions on compensation:

Compensation recipient	Recommended by	Reviewed and agreed by	Approved by
Chairman of the Board of Directors	Chairperson of the Compensation Committee	Compensation Committee	Shareholders
Board of Directors members (excluding the Chairman)	Compensation Committee	Board of Directors	Shareholders
CEO	Chairman of the Board of Directors and Chairperson of the Compensation Committee	Compensation Committee/ Board of Directors	Shareholders
Executive Board (excluding the CEO)	CEO	Compensation Committee/ Board of Directors	Shareholders
Regulated staff (e.g. Group Key Risk Takers)	Line management	CEO/Executive Board	Compensation Committee
High-income earners	Line management	CEO/Executive Board	Compensation Committee

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

The Compensation Committee consists of at least three members of the Board of Directors who are elected by the Annual General Meeting (AGM). The current Compensation Committee is made up of four members. In case decisions of a specialised nature are required, the Compensation Committee may seek advice from additional members of the Board of Directors.

Members: Richard M. Campbell-Breeden (Chairperson), Gilbert Achermann, Heinrich Baumann and Eunice Zehnder-Lai. As described in the section *Board of Directors* of chapter *I. Corporate Governance* of the Annual Report, these four individuals are experienced Board members who have a broad range of expertise in the industry as well as in matters of governance.

The Compensation Committee convenes as often as required and holds a minimum of three meetings each year. During the year under review, the Compensation Committee held six meetings each lasting an average of 3.0 hours.

The following tables show the meetings held by the Compensation Committee of Julius Baer Group Ltd. in 2019, attendance at such meetings and the topics covered during the relevant meetings:

First half of 2019	January	April	June
Richard M. Campbell-Breeden, Chairperson[1]	x	x	x
Gilbert Achermann	x	x	x
Heinrich Baumann	x	x	x
Gareth Penny[2]	x	-	-
Eunice Zehnder-Lai[3]	G	x	x
Daniel J. Sauter[4]	G	-	-
Romeo Lacher	G	G	G

[1] Previous member, assumed the role of Chairperson in April 2019
[2] Former Chairperson, left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
[3] Joined the Committee in April 2019
[4] Left the Board of Directors at the Ordinary Annual General Meeting on 10 April 2019
G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

Second half of 2019	September	October	December
Richard M. Campbell-Breeden, Chairperson	x	x	x
Gilbert Achermann	x	x	x
Heinrich Baumann	x	x	x
Eunice Zehnder-Lai	x	x	x
Romeo Lacher	G	G	G

G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

Compensation Committee activities 2019

Topics/Activities	Jan	Apr	Jun	Sep	Oct	Dec
Compensation Strategy, Governance and Disclosure						
Compensation design and award plans		x	x	x		x
Pay-for-performance alignment / fair pay	x	x	x	x		x
Compensation policies			x		x	x
Compensation disclosure	x				x	x
HR strategy and people development	x	x	x	x	x	x
Compensation Committee governance	x	x				
Risk and Regulatory Landscape						
Regulatory developments and compensation impacts			x		x	x
Disciplinary event and policy breach governance	x	x				x
Year-End Compensation Review						
Variable compensation pool funding	x	x	x	x	x	x
EB and BoD compensation governance and assessment	x	x	x		x	x
Key Risk Taker and control function compensation review	x					x
External Landscape						
Stakeholder and proxy advisor feedback		x			x	
Market trends and benchmarking	x		x		x	

COMPENSATION PRINCIPLES

The primary compensation principles of the Group are to:

- attract and retain industry professionals who are dedicated to contributing value to the Group;
- foster risk awareness and control, while ensuring full alignment with regulatory compliance;
- incentivise management by rewarding achieved performance and by providing incentives for the creation of future shareholder value; and
- ensure that performance-based variable compensation is in line with the Group's business strategy and relevant current market practice.

The compensation of the members of the Board of Directors and of the Executive Board is governed by and in line with the principles set out in the Articles of Incorporation (Article 11.3, cf. www.juliusbaer.com/cg). These principles outline the structure and elements of compensation offered to the Board of Directors and the Executive Board as well as the roles and responsibilities related to the determination of Executive Board performance objective setting, metrics, measurement and decision-making processes.

PEER BENCHMARKING

It is important to the Compensation Committee and the Board of Directors that the Group ensures that its compensation practices, structure and pay levels (adjusted for performance) remain competitive within the marketplace and are consistent with those of its peers. As such, the Group reviews its peer group and relevant peer positioning on an annual basis.

Following the exclusion of the Group's shares from the Swiss Market Index (SMI) and admission to the SMI Mid-cap (SMIM) in 2019, the Compensation Committee completed a more detailed assessment of the peer group for the purposes of Executive Board compensation comparisons and for assessing corporate governance practices and relative performance reviews. A group of specific industry and Swiss market peers was selected for this purpose. Taking into account the Group's market capitalisation and industry complexity, the Group targeted its positioning around the median of the selected peers. This selected peer group includes the companies in the below table.

Overview of peer group for compensation benchmarking and relative performance review

Bespoke Peer Group (* denotes entities reviewed mainly on a wealth management sector basis)			
Bank of Singapore*	DBS	JP Morgan*	UBS*
Barclays*	Deutsche Bank*	LODH	Vontobel
BNP Paribas*	EFG	Morgan Stanley*	
Citigroup*	Goldman Sachs*	Pictet	
Credit Suisse*	HSBC*	Standard Chartered*	

EXTERNAL ADVISERS

In 2019, Julius Baer obtained advice from HCM International Ltd. with regard to variable compensation funding, design and equity-based award valuation. Boston Consulting Group (BCG) was engaged to provide compensation design strategy advice based on global trends within the financial sector. During the year, Willis Towers Watson and McLagan (a business division of Aon) provided compensation survey data and analysis that was utilised internally by the Group for benchmarking purposes. KPMG AG was retained to provide global mobility advisory and expatriate income tax-related services. Ernst & Young AG (EY) was mandated to prepare an analysis of various aspects of compensation and diversity. With the exception of HCM, all of the aforementioned advisors also had other mandates within the Group.

SAY-ON-PAY

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Companies (Ordinance), Julius Baer reports the compensation awarded to members of both the Board of Directors and the Executive Board on a business year basis. This Remuneration Report aims to provide sufficient and meaningful information for shareholders to assist them in analysing and interpreting the compensation numbers on which they vote under the Ordinance.

The approval of compensation by the AGM is defined in the Articles of Incorporation (cf. www.juliusbaer.com/cg). This approval at AGM 2020 determines:

1. the maximum aggregate amount of compensation paid to the Board of Directors for its next term of office (2020 AGM to 2021 AGM);
2. the maximum aggregate amount of fixed compensation of the Executive Board for the financial year following the respective General Meeting of Shareholders (2021);
3. the aggregate amount of variable cash-based compensation elements of the Executive Board for the financial year preceding the respective General Meeting of Shareholders (2019); and
4. the aggregate amount of variable equity-based compensation elements of the Executive Board granted in the current financial year (2020, and partially relating to performance in the preceding calendar year [2019]).

In addition, a consultative vote on the Remuneration Report is again scheduled for the AGM on 16 April 2020. The Board of Directors is committed to maintaining a dialogue with shareholders on compensation matters. The detailed compensation data will be provided to shareholders as part of their invitations to the AGM.

The following table summarises the outcomes of the binding say-on-pay votes on compensation and consultative vote on the Remuneration Report held at the 2019 AGM and 2018 AGM.

Results of say-on-pay shareholder approvals

Say-on-pay shareholder approvals	Vote 'for' at 2019 AGM	Vote 'for' at 2018 AGM
Board of Directors maximum aggregate amount of compensation	98.57%	98.74%
Executive Board maximum aggregate amount of fixed compensation	97.22%	97.78%
Executive Board aggregate amount of variable cash-based compensation	93.84%	97.79%
Executive Board aggregate amount of variable equity-based compensation	91.65%	92.70%
Consultative vote on the Remuneration Report	89.82%	87.23%

If the aggregate amount of the fixed compensation approved by shareholders for the Executive Board is not sufficient to cover the fixed compensation (including any replacement award) of a new joiner to the Executive Board (joining after the AGM), the Group may award a supplementary amount. This supplementary amount is defined (in article 11.2 of the Articles of Incorporation, cf. www.juliusbaer.com/cg):

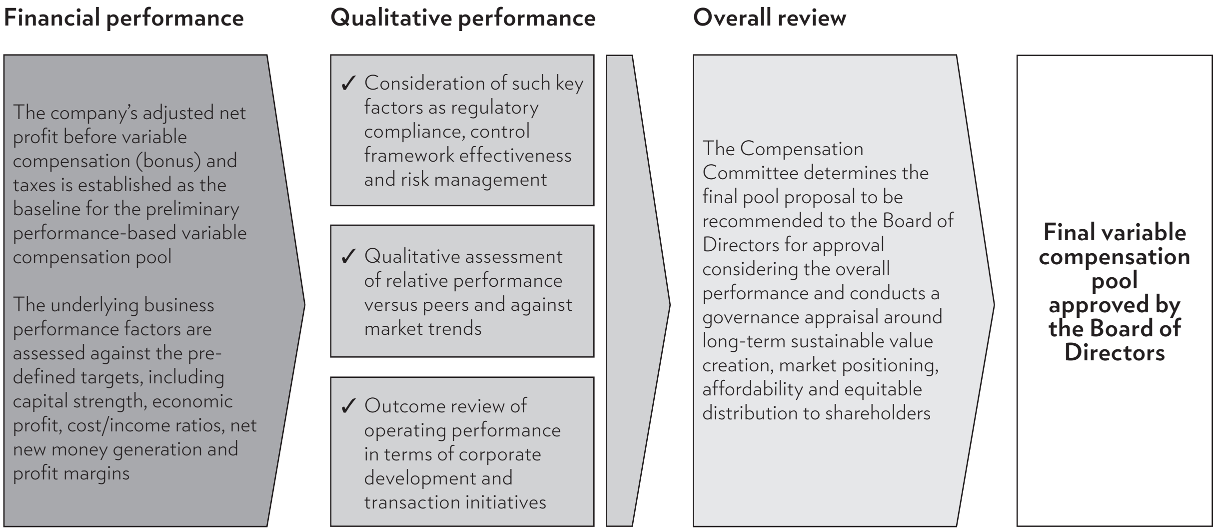
– for a new CEO as a maximum of 40% of the aggregate amounts of compensation last approved by shareholders for the Executive Board;
– for a new member of the Executive Board as a maximum of 25% of the aggregate amounts of compensation last approved by shareholders for the Executive Board.

No supplementary amount was awarded to the members of the Executive Board (including the new CEO) for the 2019 financial year.

GROUP PERFORMANCE AND VARIABLE COMPENSATION FUNDING

VARIABLE COMPENSATION FUNDING

Variable compensation funding process



Financial performance assessment
The baseline for calculating the Group's variable compensation pool is the Adjusted net profit before variable compensation (bonus) and taxes (ANPbBT, as reconciled by the Audit Committee). Adjusted net profit is derived by excluding from the audited IFRS financial statements items such as integration and restructuring expenses as well as amortisation of intangible assets related to previous acquisitions or divestments, as provided in the Alternative Performance Measures document (cf. www.juliusbaer.com/APM).

ANPbBT has been selected as the appropriate baseline for the variable compensation pool funding as it is the underlying, sustainable operating profit generated by the business. It is an important metric which reflects the Group's actual performance, thus giving the Compensation Committee a clear indication of operating performance and providing a reliable baseline for comparing the year-on-year development of the Group.

In determining the pool, the Compensation Committee also takes other financial metrics into consideration such as changes in and/or the development of the capital ratios, adjusted cost/income ratio, gross/adjusted pre-tax margin, economic profit and net new money generation.

All quantitative metrics are measured against the overall midterm plan, the strategic goals of the Group and its historical results.

Qualitative performance assessment
The qualitative review of performance is multifaceted in order for the Compensation Committee to gain a perspective on the sustainability of the financial results and quality of earnings. Firstly, the Group's performance is measured in terms of how successfully key aspects, affecting current and future performance, have been managed with regard to regulatory compliance, control framework effectiveness and risk. Secondly, the financial results (specifically, NNM, adjusted cost/income ratio, profit margin and gross margin) are further assessed against the performance of peers and market trends, which guide the determination of the relative value contribution. Finally, the progression and outcomes of key strategic initiatives pertaining to corporate development and transactions (merger and acquisition activity) are also appraised.

Overall review
The Compensation Committee carries out a review of the size of the proposed variable compensation pool taking into account the overall performance as well as factors such as long-term sustainable value creation, affordability and market positioning as

part of a governance appraisal. The Compensation Committee recommends adjustments only in exceptional cases and does not make adjustments to the pool in subsequent years to take into account reduced or revoked variable compensation due to ex-ante or ex-post performance adjustments made in prior years. This additional governance process further helps the Compensation Committee to maintain a balance between the development of the pool and the Group's corporate performance.

As part of the approval of the final variable compensation pool, the Board of Directors seeks to ensure that the profit distribution amongst stakeholders (principally through shareholder dividends, global taxes paid to the relevant authorities, employee variable compensation and reinvestment into the business) is sustainable and reflects an appropriate, equitable distribution.

This approved variable compensation pool is allocated across the various business units and entities based on such factors as headcount, financial performance, significant achievements, regulatory compliance and contributions to the ANPbBT. This policy has been consistently employed over many years and thus allows meaningful year-on-year comparisons and the continued implementation of a stable compensation system.

2019 JULIUS BAER GROUP PERFORMANCE[1]

While operating income was stable and the 2019 cost reduction programme started to benefit the expense base, the adjusted result was impacted by an increase in provisions related to legacy legal/ acquisition cases. However, the Group's operating performance and capital generation remained robust, resulting in a further strengthening of its capital position.

In 2019, the Group's AuM continued to grow (11.5% increase) supported by strong market performance and NNM growth of 2.8% (increased to 4.1% when excluding the impact of Kairos-related assets following a number of management departures). As previously noted, operating income remained stable, supported by increasing net commission and fee income. However, as monthly average AuM increased by 5%, the gross margin declined to 82 bp (from 86 bp). Adjusted operating expenses rose 3% resulting in a 2 bp improvement in the adjusted expense margin.

Adjusted net profit (CHF 772 million) was down 4.7% as the combined benefits of AuM growth and improvements in the adjusted expense margin and tax rate were more than offset by the decline in the gross margin and the increase in adjusted provisions and losses related to legacy legal cases. The benefits of the cost reduction programme launched at the start of 2019 started to materialise as the year progressed and succeeded in improving the adjusting expense margin and limiting the increase in the adjusted cost/income ratio, despite the inclusion of CHF 19 million of one-off severance costs related to the programme.

Overall, the Group continued to perform at a stable level and has started a new three-year programme that is expected to deliver significant revenue improvements and further cost reductions. In addition, the Group maintains a solid balance sheet and capital ratios well above regulatory requirements and its own minimum floors, putting it in a stable position to move forward with its revised strategic framework.

[1] The document Alternative Performance Measures available at www.juliusbaer.com/APM provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.

2019 VARIABLE COMPENSATION POOL

The Group considers it fundamental that the amount of performance-based variable compensation available for distribution to its employees is directly linked to the overall performance of the Group whilst also considering individual and business unit performance.

The Group's ANPbBT, the baseline for the Group's variable compensation pool funding, declined in 2019 and the absolute value of the variable compensation pool also decreased. The Group applied a global cut to the performance year variable compensation pool; however, the impact of this expense reduction was partially offset by severance-related expenses linked to terminations implemented as part of the 2019 Group's cost savings programme and hiring-related expenses.

The Compensation Committee is confident that the 2019 pool properly reflects the Group's achievements of various strategic initiatives and supports its pay-for-performance culture in a reasonable and measured manner.

OVERVIEW OF 2019 VARIABLE COMPENSATION PLANS

The following table summarises the key features of our variable compensation plans funded by the pool, including the relevant population eligibility:

Summary of 2019 deferred compensation plans

		Ongoing plans[1]				Sign-ons and replacements[2]	Employee share purchase
		Deferred Bonus Plan (DBP)	Equity Performance Plan (EPP)	Deferred Cash Plan (DCP)	Premium Share Plan (PSP)	Long-Term Incentive Plan (LTI)	Staff Participation Plan (SPP)
Eligibility		Executives and selected senior management with bonus over CHF 125,000	Executives and selected senior management by CEO invitation	Employees with bonus over CHF 125,000	Employees with bonus over CHF 125,000	New hires who lost compensation due to change in employer	All employees who are not participants in other company share plans[3]
Purpose		Align with sustainable value creation	Align long-term performance and retention	Align with sustainable value creation	Align long-term performance and retention	Attraction and long-term alignment	Shareholder alignment
Funding drivers		Company, business and individual performance		Company, business and individual performance		Business and company affordability checks	Mainly self-financed[4]
Duration		5 years	3 years	3 years	3 years	3 years	3 years
Payout factors	**Share price**		•		•	•	•
	Vesting performance conditions		•				
	Forfeiture clauses and clawback	•	•	•	•	•	• (additional shares)
Settlement		Cash	Shares	Cash	Shares	Shares	Shares

1 Staff who are participants of the DBP and EPP are not normally eligible to participate in the DCP and PSP, and vice versa.
2 The LTI may be used in exceptional cases for retention awards or in lieu of the PSP if restrictions on variable compensation apply.
3 Employees in some locations are excluded from participating for legal, regulatory or administrative reasons.
4 For every three shares purchased by the employee, an additional share is delivered free of charge at the end of the three-year vesting period.

EXECUTIVE BOARD AND SENIOR MANAGEMENT COMPENSATION

This section provides the details of the compensation system for members of the Executive Board and selected members of senior management (Senior Management).

Summary of 2019 compensation components

<table>
<tr><th>Element</th><th>Payment Structure</th><th>Description</th><th>Governance</th></tr>
<tr><td>Base salary and allowances</td><td>100% in cash (monthly)</td><td>Base salary is set individually taking into account the market value of the function based on role (benchmarked), responsibilities, experience, level of education, degree of seniority and level of expertise.

Similar to Group employees, Senior Management is eligible for allowances based on rank, function level and their location of employment.</td><td>Provides an appropriate level of income by function at market rates, while permitting the Group to operate a fully flexible policy for variable compensation.</td></tr>
<tr><td>Deferred Bonus Plan (DBP)</td><td>100% in cash vesting in 6 tranches over 5 years

(partly deferred)</td><td>Annual, variable compensation determined based on the Group and individual performance (via Scorecard for EB). Developed to link compensation to business strategy and to ensure that participants continue to manage Julius Baer for sustainable long-term shareholder value creation, emulate Julius Baer values and carry out all business activities in a regulatory-compliant manner.

DBP awards are deferred at rates between 20 and 50% (linear increase) between the minimum and maximum thresholds (CHF 125,000 to CHF 1 million, respectively) with the 50% deferral rate applying thereafter. As of 2019, the maximum deferral can increase beyond 50% if the total non-deferred portion of variable compensation reaches the annual Variable Compensation Cash Cap (CHF 1.5 million). All amounts in excess of the Variable Compensation Cash Cap shall be deferred. Amounts below the DBP minimum threshold are not subject to deferral.

The non-deferred tranche of the DBP is paid to EB members following shareholder approval. As of 2019, the deferred amount is subject to service-based vesting conditions and vests in five equal annual instalments.</td><td>Links compensation to Group performance in a risk-aligned manner. Deferral promotes a long-term orientation, allowing for claw-back in the event of legal/regulatory breaches, financial losses (e.g. misrepresentation of variables underlying DBP award) and a variety of other events where conduct has substantially contributed to a financial loss or has caused reputational damage.

Immediate cash payment is capped and is delivered to EB only following shareholder approval.</td></tr>
<tr><td>Equity Performance Plan (EPP)</td><td>100% in equity delivered on the third anniversary of the grant date

(fully deferred)</td><td>Annual, rolling equity grant recommended following the close of the relevant financial year based on factors such as: Scorecard assessment, current and projected future contributions, defined total pay mix, level of responsibility and seniority. Incentive functions as a retention element and links compensation to Julius Baer share price and the Group's future performance via two KPIs (internal: cumulative Economic Profit [cEP][1] and external: relative Total Shareholder Return [rTSR][2]).

The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI capped at a maximum multiplying factor of 200%). The cEP target is set based on the strategic three-year budget/plan that is approved by the BoD on an annual basis. KPI targets are set by the Compensation Committee each year for the upcoming grant. Multiplier performance target ranges remain unchanged for 2019:

<table><tr><th></th><th>Minimum (0% KPI multiplier)</th><th>Target (100% KPI multiplier)</th><th>Maximum (200% KPI multiplier)</th></tr><tr><td>cEP</td><td>-50%</td><td>100%</td><td>+50%</td></tr><tr><td>rTSR</td><td>-22%</td><td>+3%</td><td>+28%</td></tr></table>
Performance of each KPI is measured on a linear basis between the minimum, target and maximum.</td><td>Aligns compensation with shareholders' interests and ties it more closely to contributions to the future performance of the Group via internal and external metrics which are market-linked and risk-adjusted. Promotes retention and, through capped multiplier, promotes stable growth that does not incentivise excessive risk-taking. EPP is subject to forfeiture/clawback provisions.

The final cEP is based on figures approved by the Audit Committee. The calculation and all its components are audited. The Compensation Committee reviews and approves the final multiplier.

Granted to EB following shareholder approval.</td></tr>
<tr><td>Pension and other benefits</td><td></td><td>Senior Management (including the EB) are entitled to the same pension and benefits as other employees within their employment location.</td><td></td></tr>
<tr><td>Other compensation</td><td></td><td>Senior Management (including the EB) are not entitled to receive any other special compensation elements which are not offered to other employees within their employment location.</td><td></td></tr>
</table>

[1] cEP = ANPbB – Taxes – CoC; where ANPbB = adjusted net profit before variable compensation (as defined previously) adjusted for non-performance-related extraordinary events approved by the CompC. Fair value calculated externally using a probabilistic model of potential deviation from the Group's strategic plan (MTP).

[2] The Julius Baer Group's TSR is compared against the performance of the STOXX Europe 600 Banks gross return Index (the Index).

TOTAL COMPENSATION PAY MIX

The total compensation of the members of the Executive Board including the CEO consists of a base salary in cash, a cash-based variable compensation component (DBP) and an equity-based variable component (EPP), the latter two being linked to performance. With the exception of adjustments to the CEO's compensation in September when he moved into the role (as described in the section *CEO compensation decisions* of this Remuneration Report), there were no significant pay mix or compensation adjustments applied to the continuing Executive Board members in the year under review. All variable compensation was determined based on a combination of the Group's performance and that of the individual Executive Board member against set regional/divisional objectives.

VARIABLE COMPENSATION

Performance assessment process

Julius Baer rewards Executive Board members who contribute to enhancing value by employing investor capital efficiently while at the same time managing risks, adhering to regulatory requirements, and meeting Julius Baer's corporate culture standards.

Although Julius Baer's variable compensation scheme is discretionary, the final amounts allocated are based on a careful assessment of the attainment of a mix of specific quantitative and qualitative objectives. These objectives are individually weighted to support the alignment of managerial actions with shareholder interests as part of a balanced scorecard (Scorecard) which results in an Overall Performance Rating (OPR). The following illustration provides an overview of this process:

Executive Board objective setting and performance assessment

Board of Directors (BoD) and/or Compensation Committee (CompC) involved in all steps of the performance assessment and compensation decision-making processes

	Objective setting	Performance assessment	Compensation recommendations	Approval
CEO	• BoD Chairman sets CEO's key current- and multi-year performance objectives (in consultation with the CompC Chairman) • Quantitative targets based on Group, regional and divisional performance (with the baseline being the BoD-agreed MTP and Strategic Goals) • Qualitative targets aligned with current strategies, projects and value drivers • Goal weightings designed to promote sustainable performance, risk management and regulatory compliance	• BoD Chairman assesses CEO performance via Scorecard based on the Group's overall (quantitative) results relative to target and achievements (qualitative) • BoD Chairman reviews entire CEO Scorecard with the CompC • CompC verifies/agrees CEO's OPR and submits to BoD	The BoD Chairman together with the CompC propose CEO and aggregate EB compensation to the BoD for agreement	Compensation recommendations submitted to the shareholders for approval (in aggregate)
Executive Board (EB)	• CEO sets each EB member's key current- and multi-year performance objectives • Quantitative targets based on Group (MTP), strategic targets, CEO Scorecard, and regional and/or divisional role • Qualitative targets aligned with Group/regional/divisional strategic targets, projects and value drivers • Goal weightings designed to promote sustainable performance, risk management and regulatory compliance	• The CEO assesses each EB member's performance via Scorecard based on the Group's overall (quantitative) results relative to target and achievements (qualitative) • CEO defines an individual OPR • Scorecard summaries and individual EB member OPRs discussed with the BoD Chairman and CompC • CompC verifies/agrees EB members' OPRs and submits summary to BoD		

The following Scorecard summarises the key performance objectives set for the Group CEO in 2019 along with the individual assessments leading to the CEO's OPR.

CEO's 2019 OPR[1] **Overall Rating: A**

CEO Core objectives (50%)

Rating: C B A A+ A++

Objectives	Assessment
• Overall 2019 budget achievement in terms of profitability targets including operating income and expenses and maintaining BIS CET1 capital ratios	Key performance indicators are measured on a weighted average basis with each metric being assessed against the Group's target performance. • NNM growth: 2.8% (4.1% when excluding Kairos' impact) • Operating income increased by 0.4% • Decrease in adjusted net profit, IFRS net profit and IFRS net profit attributable to shareholders • Adjusted cost/income ratio increased to 71.1% (prior year 70.6%) • Gross margin decreased by 4 basis points to 82 basis points (86 basis points in 2018) • AuM increased by 11.5% The Group's BIS CET1 capital ratio (14%) and BIS total capital ratio (22.1%) remain well above minimum regulatory requirements and the Group's own floors.

CEO Project objectives (20%)

Rating: C B A A+ A++

Objectives	Assessment
• CEO on-boarding	• Significant strides taken in the first months following the CEO's role change to build relationships and gain the support of internal and external stakeholders, most importantly, the BoD, senior management, investors and clients.
• Group strategy	• Immediate identification of new opportunities and strategic initiatives to the Board of Directors; • Active involvement of management team in the strategic refinement, cost programme development and productivity programme; and • Significant steps taken in a short time period to implement a well-planned and coordinated strategic framework aimed at pushing forward the Group's growth initiatives in a risk-appropriate manner and fostering the continued development of its culture.
• Group reorganisation	• Quickly designed and implemented, in coordination with the EB, the Group's restructuring; and • Structural decisions aligned with the cornerstone of the new strategy and the opportunity to create a more agile organisation and to strengthen risk management.

CEO General objectives and qualitative targets (20%)

Rating: C B A A+ A++

Objectives	Assessment
• Regulatory awareness and compliance • Risk objectives • Corporate social responsibility (CSR) • Succession/retention management • Communication • Group value proposition	The CEO's key achievements included the following: • Active engagement with key Swiss regulators; • Established 'risk awareness' as a key strategic initiative and introduced the Front Risk Management concept (effective in 2020); • Finalising the concept of the RM compensation re-design; and • Established CSR as a key pillar of Julius Baer's positioning highlighted by signing the United Nation's (UN) Principles for Responsible Banking as a Founding Signatory.

CEO Personal goals (10%)

Rating: C B A A+ A++

Objectives	Assessment
• Development plan targets	• Confident ownership of new role, setting priorities appropriately positioning Julius Baer for the future both internally and externally; and • Quickly engaged Senior Management on a cross-collaborative basis to align interests and build the foundation for the implementation of the Group's strategic initiatives.

[1] Whereby performance achievement is defined as: A++ >133%; A+ = 111%–133%; A = 91%–110%; B = 67%–90% and C <67%

CEO compensation decisions

At the time of the CEO's shift in role from Head Intermediaries & Global Custody to CEO on 1 September 2019, his base salary was increased to CHF 1.5 million to reflect the change in role and responsibilities.

The CEO's OPR, as disclosed in the above Scorecard, reflects the Group's and his performance in the range of 91–110% of overall targets. Based on this OPR, the Compensation Committee decided (on 27 January 2020) on the variable compensation awards to be granted to the CEO.

The overall value of the variable compensation decided for the CEO is CHF 3.05 million (27% less than the prior CEO for 2018). This decrease is a direct result of the fact that Mr. Rickenbacher did not serve as CEO for the full 2019 performance year and, hence, the total variable compensation awarded is partially attributable to his former role and partially to his CEO role.

The determined variable compensation has been allocated as CHF 1.25 million in DBP (of which 50% is deferred) and CHF 1.80 million in EPP (of which 100% is deferred). The DBP reflects the performance of the CEO during his time as the Head of Intermediaries & Global Custody and the significant steps he has taken in 2019 in his role as CEO (as reflected in the Scorecard). The EPP for the performance year 2019 considered the CEO's 2019 performance, current/projected future contributions, defined pay mix, and role, responsibilities and seniority.

The determined value is in line with the Group's target pay mix and deemed appropriate given the Group's overall and the CEO's specific performance.

The following summary provides the key performance achievements for the Group's former CEO in 2019 and the Former CEO's OPR:

Former CEO's 2019 OPR[1] **Overall Rating: A**

Former CEO Core objectives (50%)	Rating: C **B** A A+ A++
Objectives	**Assessment**
• Budget achievement in terms of Group Financial Targets	• Reference is made to the CEO Scorecard for the Group-wide performance assessment applicable to all Executive Board members.

Former CEO Project objectives (20%)	Rating: C B **A** A+ A++
Objectives	**Assessment**
• Group strategy and growth initiatives	• Client focus sharpened via successful implementation of target client coverage model in the first half of 2019; • Market entry strategies reviewed and assessed supporting next steps for future growth; and • Development of organic growth remained stable.
• Products and service offerings	• Actively supported the development of service offerings and mandates; and • Completed the roll-out of the Group's advisory solutions tool (DiAS) in Switzerland on target.
• Risk and compliance	• Closed the Group's comprehensive, multi-year client documentation programme thereby allowing Julius Baer to control client-related risks even more effectively and in line with industry standards; • Supported the design of the Group's revised compliance and risk roadmap and updates to the Code of Conduct to be implemented in 2020; and • Proactively influenced the organisation to strengthen risk-compliant behaviours.
• Corporate development	• Successful migration of the Group's host platforms in certain European Union locations; • Continued focus on the development of internal and external infrastructure to improve the client experience; and • Digital enhancements which help to provide clients with data-driven, more targeted services and advice.

Former CEO General objectives and qualitative targets (20%)	Rating: C B **A** A+ A++
Objectives	**Assessment**
• Regulatory awareness and compliance • Corporate social responsibility (CSR) • Communication • Risk and qualitative objectives • Succession/retention management • Group value proposition	The Former CEO's key achievements include the following: • Supported constructive relationship with the Group's key regulators; • Actively supported the RM compensation redesign process; • Focus on proactive enforcement of the Group's policy framework through increased monitoring and consistent implementation; and • Promoted CSR initiatives (including support for the eventual signing of the UN Principles for Responsible Banking).

Former CEO Personal goals (10%)	Rating: C B **A** A+ A++
Objectives	**Assessment**
• Meet development plan targets	• Positive and constructive support of the succession planning process; • Actively involved in the transition to the new CEO including ensuring a smooth and well-planned handover; and • Remains an active and well-respected brand ambassador for Julius Baer throughout the industry.

[1] Whereby performance achievement is defined as: A++ >133%; A+ = 111%–133%; A = 91%–110%; B = 67%–90% and C <67%

Former CEO compensation decisions

The former CEO maintained a base salary of CHF 1.5 million during the 2019 performance year.

The former CEO's OPR, as disclosed in the above Scorecard, reflects the Group's and his performance in the range of 91–110% of overall targets. Based on this OPR, the Compensation Committee decided (on 27 January 2020) on the variable compensation awards to be granted to the former CEO.

The overall value of the total variable compensation decided for the former CEO is CHF 1.8 million in the form of DBP (of which 50% is deferred). Given Mr. Hodler's pending retirement, the Compensation Committee decided not to grant an equity-based award under the Group's EPP. As a result, the former CEO had a 57% decrease in total variable compensation relative to 2018.

The determined value is in line with the Group's target pay mix and deemed appropriate given the Group's overall and the CEO's specific performance.

The following summary provides the key performance achievements for the Group's Executive Board members in 2019 and the average OPR:

Executive Board's 2019 OPR[1] (average) **Overall Rating: A**

EB Core objectives (in line with CEO targets)

Rating: C | B | A | A+ | A++

Objectives	Assessment
• Budget achievement in terms of Group Financial Targets	• Reference is made to the CEO Scorecard for the Group-wide performance assessment applicable to all Executive Board members.

EB Project objectives

Rating: C | B | A | A+ | A++

Objectives	Assessment
• Cost and financial management	• Appropriately managed the Group's capital; • Final budget- and cost-management not aligned with target, however, substantial improvements made in Group-wide cost programme; and • Actively managed budget for long-running and new digitalisation projects through realisation of synergies and proactive conscious cost management.
• Group strategic initiatives	• Successful implementation of the Group's cost savings programme which started to provide benefits at the end of 2019; • Launched product pricing initiatives for relationship managers; and • Active support of the Group-wide reorganisation.
• Corporate development	• Continued development of partnerships within joint ventures and implementation of synergies; • Strategically enhanced the information technology (IT) infrastructure and architecture to enable regional hubs, platform migration and enhanced e-banking functionality; and • Identified and developed robotic process automation technologies.
• Risk and compliance	• Closed the Group's comprehensive, multi-year client documentation programme thereby allowing Julius Baer to control client-related risks even more effectively and in line with industry standards; • Development and implementation of a strategic roadmap for the continued development of the Group's risk and compliance framework; and • Overhaul of the Group's Code of Conduct in support of and driving the overall risk culture within the Group.
• Client focus	• Developed and implemented strategic client coverage model to better serve clients by location and segment; • Augmented IT offerings internally and externally to improve the client's experience; and • Provided excellent client-service as recognised externally through various global wealth management awards (See: www.juliusbaer.com/en/about-us/our-company/awards-and-accolades/).
• People matters	• Implemented systematic continued learning and development initiatives; • Global employee pulse survey executed with result above industry average; and • Continued to develop and augment the Group's talent management programme.
• Communication	• Significant development of the Group's global media presence; and • Actively managed the Group's reputation and branding.

EB General objectives and qualitative targets

Rating: C | B | A | A+ | A++

Objectives	Assessment
• Regulatory awareness and compliance • Risk and qualitative objectives • Corporate social responsibility (CSR) • Succession/retention management • Communication • Group value proposition	The EB's key achievements include the following: • Continued to address local regulations, business policies and practices, internal audit requirements and integrate into business practices; • Fostered an effective and transparent working relationship with regulatory authorities; • Augmented existing standards and processes to increase awareness of staff to mitigate legal an operational risks and to foster the Bank's data security objectives; • Strengthened the first and second lines of defence function for anti-money laundering (AML) related activities; • Promoted Julius Baer Core Values (Care, Passion and Excellence); • Increased risk awareness and accountability; and • Actively developed succession planning within roles and divisions.

EB Personal goals

Rating: C | B | A | A+ | A++

Objectives	Assessment
• Meet development plan targets	• Pushed the Group's cultural change agenda forward; • Instilled a mind-set of ownership and accountability throughout the Group; and • Enhanced cross-collaboration amongst the regions and divisions.

[1] Whereby performance achievement is defined as: A++ >133%; A+ = 111%–133%; A = 91%–110%; B = 67%–90% and C <67%

Executive Board compensation decisions
This section relates specifically to the five (5) Executive Board members and excludes any compensation related to the new CEO (Philipp Rickenbacher) and the former CEO (Bernhard Hodler), who were discussed in the previous sections of this Remuneration Report.

The Executive Board's average OPR, as disclosed in the above Scorecard, reflects the Group's and the individual performance of each EB member in the range of 91–110% of overall targets. Based on this OPR, the Compensation Committee decided (on 27 January 2020) on the variable compensation awards to be granted to each Executive Board member.

Total base salary reported to EB members increased by CHF 0.23 million which partially relates to the full-year reporting of the Group's Chief Risk Officer (who joined during 2018) and partially to salary adjustments.

The OPR for each EB member (and hence the average OPR) reflects the Group's financial performance in 2019 which was counterbalanced by the regional/divisional and project achievements in 2019. The variable compensation delivered to the EB is CHF 8.4 million (CHF 7.2 million in 2018), of which CHF 3.9 million was delivered in the form of DBP (deferred at an average rate of 44%) and CHF 4.5 million in the form of EPP (of which 100% is deferred). The overall change in variable compensation substantially relates to compensation awarded connected with the Group's reorganisation and the associated changes in roles and responsibilities, without which the overall increase would have been 3.4%.

The determined values are in line with the Group's target pay mix and deemed appropriate given the Group's and individuals' performance.

COMPENSATION CAPS

The Compensation Committee agrees that it is important to ensure that the compensation paid to members of the Executive Board is benchmarked and subject to specifically defined caps which set an appropriately balanced pay mix. There are no changes to the prior year's compensation caps.

2019 targets and maximum caps for the Executive Board (all caps as a multiple of base salary)

	Target		Cap	
	Average EB	CEO	Average EB	CEO
Total variable compensation (DBP/EPP)	3.0	3.2	4.0	4.0
Cash-based variable compensation (DBP)	–	–	2.0	2.0
Equity-based variable compensation (EPP)	–	–	2.0	2.0

For 2019, the members of the Julius Baer Executive Board are subject to the following caps:

- The total sum of the variable compensation allocated to the members (in aggregate) of the Executive Board (including the CEO) shall be targeted at three times, but will be capped at four times the total sum of the base salaries paid to the entire Executive Board.
- The total sum of the DBP and the total sum of EPP allocated to all members (in aggregate) of the Executive Board (including the CEO) will each be capped at two times the total sum of the base salaries paid to the entire Executive Board.
- The total sum of the variable compensation allocated to the CEO shall be targeted at 3.2 times, but will be capped at four times the CEO's base salary.
- The total sum of the DBP and the total sum of the EPP allocated to the CEO will each be capped at two times the CEO's base salary.

The Compensation Committee is responsible for ensuring that the total variable compensation paid to the Executive Board members is compliant with the applicable compensation caps.

GUIDELINES ON SHARE OWNERSHIP

The Executive Board members are required to build up their total vested shareholdings until they reach the following levels:

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

The members of the Executive Board have a period of three full calendar years starting from the beginning of their appointment to the Executive Board to build up their Julius Baer Group Ltd. shareholdings. The final measurement will be performed on 31 December of the third calendar year following the Executive Board member's appointment to the Board.

Details of the shareholdings of each member of the Executive Board can be found in the *Compensation, loans and shareholdings of the Executive Board* section of this Remuneration Report. In accordance with the Compensation Committee's instructions, 50% of all outstanding equity-based grants may be held back from any Executive Board member who has not reached his or her target at the measurement date until the defined level has been reached.

Executive Board members are not permitted to hedge Julius Baer Group Ltd. shares.

EMPLOYMENT CONTRACTS

As part of article 12.2 of the Articles of Incorporation (cf. www.juliusbaer.com/cg), employment agreements for the Executive Board may have a maximum notice period of twelve months. In practice, the notice period for all members of the Executive Board does not exceed six months. The Executive Board members are not entitled to any special severance payments or special termination benefits under the pension plans compared to the general staff population.

Furthermore, non-compete agreements for members of the Executive Board for the time after the termination of an employment agreement are permissible (see article 12.3 of the Articles of Incorporation, cf. www.juliusbaer.com/cg) for a duration of up to two years. The consideration payable to such former members in respect of such agreements shall not exceed the total annual compensation last paid to them prior to termination.

OTHER VARIABLE COMPENSATION

Newly joining Executive Board members are not entitled to hiring bonuses; however, they may be eligible to receive a replacement of compensation that was forfeited at their previous employer (including unpaid current-year and/or prior-year outstanding deferred compensation). All replacements of lost compensation must be documented prior to being replaced by Julius Baer and are replaced based on the prevailing fair market value (i.e. no increase to the replacement value). Current-year compensation replacements shall be partially deferred at rates in line with the Group's standard variable compensation deferral policy and will be delivered partially in immediate cash and partly in deferred equity-based awards under the Group's Long-Term Incentive Plan. Prior-year outstanding deferred compensation shall be replaced in a fully deferred manner under the Group's Long-Term Incentive Plan.

CLAUSES FOR CHANGE OF CONTROL

Executive Board members are not entitled to specific payments upon a change of control or upon termination of employment related to a change of control; however, they are eligible to receive such benefits (e.g. accrued holiday pay, death/disability/retirement benefits under the pension plan, etc.), which are generally available to other Julius Baer employees. The Executive Board members are not entitled to other severance payments or special termination benefits under the pension plans compared to the general staff population.

Change-of-control and good-leaver provisions may be available under the variable compensation plans. The 'Termination Provisions of Julius Baer Plans' table at the end of this Remuneration Report provides general details of the vesting and forfeiture rules for termination events. All share-based units/shares outstanding (as noted within Note 32 of the 2019 Annual Report under the chapter *III. Financial Statements Julius Baer Group 2019, Share-based payments and other compensation plans*) and all outstanding cash-based awards (with an intrinsic value of CHF 99.2 million at the end of the 2019 performance year) would be eligible for the treatment described in said table at the time of the change of control. All provisions and treatments remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control. The Executive Board members are not entitled to special change of control provisions under the deferred compensation plans compared to the general staff population.

OTHER EMPLOYEE COMPENSATION

This section provides details of the ongoing compensation system for the employees of Julius Baer (excluding the Executive Board and Senior Management, whose compensation was addressed in the previous section). Swiss rules regarding the disclosure of compensation concern only the Board of Directors and the Executive Board; thus, it is on these groups that this Remuneration Report focuses. However, Julius Baer's success depends on the continued excellence of all its employees. Accordingly, this section describes the salient features of the compensation system for non-executive employees.

Summary of 2019 employee compensation components

Element	Payment structure	Description	Governance
Base salary and allowances	100% in cash (monthly)	Base salary is set individually based on the Group's functional model comprising ten function levels, each of which represents an increasing degree of job complexity. Salary bands are assigned to each function level which define the target base salary range for jobs assigned to the respective function level concerned. Individual salaries are then determined in accordance with these salary bands taking market benchmarks into account. Group employees are eligible for allowances based on rank, function level and their location of employment.	Provides an appropriate level of income by function at market rates while permitting the Group to operate a fully flexible policy for variable compensation.

Short-term variable compensation	100% in cash or partially deferred into cash- and share-based awards	Individual variable compensation amounts depend on the formal year-end assessment of performance against a range of quantitative and qualitative objectives (e.g. adherence to compliance and regulatory standards and to the Group policies, core values and procedures) as well as skills, expertise, and conduct and value behaviours.
		
		In addition to the plans offered to the members of Senior Management (as described previously), Julius Baer also offers equity- and cash-based deferred plans to members of the global staff population. Participation in these plans depends on various factors such as function level, overall variable compensation and/or nomination for participation in the relevant plan on an annual basis. In general the deferral structure is the following:
		• Variable compensation below the annual deferral threshold: 100% immediate cash payment
		• Variable compensation at or above the annual deferral threshold: deferral applies to the full variable compensation amount (based on the same linear deferral scale and rates applicable to Senior Management). Deferred awards are subject to 3-year pro rata vesting with service-based vesting, malus and clawback provisions. The deferral structure results in a typical maximum deferral of the following:
		  • 50% of immediate cash (subject to the Variable Compensation Cash Cap of CHF 1.5 million)
		  • 25% deferred cash (Deferred Cash Plan [DCP])
		  • 25% deferred equity (Premium Share Plan [PSP]) plus a premium share component equal to one-third of the granted PSP
		
		As from 2019, if the Variable Compensation Cash Cap is reached, all amounts in excess of the cash cap are included as part of the overall deferral amount and are equally allocated under the DCP and PSP.
			In line with market practice, the Group's balanced variable compensation scheme targets deferral for the more senior and/or high-performing members of staff and provides immediate cash to the remainder.
			
			For eligible staff members, the deferral programme serves as a retention mechanism, promotes long-term orientation allowing for clawback (including the same provisions as noted in the DBP) and aligns compensation with shareholders' interests. The Variable Compensation Cash Cap (new in 2019) augments the deferral programme and increases the overall deferral for the Group's highest earners.

Pension and other benefits		Julius Baer offers competitive and market-appropriate pension and benefit programmes throughout its global offices. All programmes are in compliance with rules and regulations of the country in which they operate.	
Other compensation		Benefits and other compensation arrangements are offered globally by Group entities based on the prevailing market practices and the local rules and regulations.	

COMPENSATION ARRANGEMENTS IN STRATEGIC PARTNERSHIPS

In certain current or former strategic partnerships, Julius Baer operates special compensation arrangements unique to the organisation concerned. Such arrangements can include compensation linked to the strategic partner entity's shares or where required by regulations, compensation linked to the performance of the strategic partner entity's managed investment funds. Share ownership requirements, defined in terms of Julius Baer Group Ltd. shares, are in place for senior staff of certain strategic partnerships.

KEY RISK TAKERS AND REGULATED STAFF

Julius Baer takes particular care in identifying staff whose professional activities may have a material impact on the Group's risk profile (Key Risk Takers) and in identifying the proper pay-out structure for such employees. Key Risk Takers are identified on an annual basis throughout the entire Group and the Group's annual Key Risk Takers may include both regulated (as defined by the applicable legislation) and non-regulated staff members. Quantitative and qualitative criteria are both taken into consideration in the identification process.

The European regulatory requirements include a number of provisions that impact the variable compensation awarded to employees and directors of the Group entities that fall under the jurisdiction of the European Economic Area. To comply with the applicable regulatory requirements, certain employees (e.g. identified Key Risk Takers) may receive 50% of their non-deferred variable compensation in the form of vested shares or fund-linked instruments which are blocked between six months and one year (in lieu of what otherwise would have been paid in cash).

Furthermore, one of the central provisions of the European Capital Requirements Directive (CRD IV) requires that variable compensation paid to specific individuals (e.g. identified Key Risk Takers regulated under CRD IV) shall not exceed the value of their fixed remuneration unless shareholder approval is obtained to increase this cap. The Julius Baer entities within the European Economic Area requested and were granted approval by their respective shareholders to increase the variable compensation cap to two times fixed compensation.

OTHER VARIABLE COMPENSATION

Although Julius Baer only offers performance-based compensation to its current staff (including the Executive Board), it may in the course of its recruitment processes offer incentives (e.g. sign-ons and replacements of forfeited compensation from their previous employment) for specific new hires when they join the Group. Such incentives may be made in the form of cash (subject to a minimum one-year clawback from hiring date) and/or deferred shares (under the Group's Long-Term Incentive Plan [LTI]). As a general policy, Julius Baer offers such forms of remuneration only on an exceptional basis, typically in the first year of employment.

Additionally, retention payments may be made to current staff in extraordinary or critical circumstances (e.g. restructuring situations). Such incentives are generally in the form of deferred shares (under the Group's LTI Plan).

Actual parameters may vary according to location, local regulation and the specific circumstances of the employee. In all cases where equity-based awards are not permitted in a specific location, such awards are made in cash in accordance with the terms and conditions in the DCP.

Long-Term Incentive Plan (LTI)
Group LTI awards generally run over a minimum plan period of three-years, with vesting schedules typically operated as follows: (1) three equal one-third tranches vesting over a three-year period, and (2) cliff-vesting of all granted shares in one single tranche at the end of a three-year period. The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out at grant. The plan allows for the addition of performance metrics when/if required based on the underlying grant specifications.

In cases where a deferral-eligible employee cannot receive the additional shares granted under the PSP (generally for legal or regulatory reasons), the individual will be granted an LTI award (with amended, PSP-aligned termination provisions).

EMPLOYEE SHARE PURCHASE

Staff Participation Plan (SPP)
The SPP is offered to most of Julius Baer's global employee population. Individuals may be excluded from participating because, for example, the employee participates in another Julius Baer equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal, regulatory or administrative reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer Group Ltd. shares at the prevailing market price and for every three shares purchased, they will be granted one additional share free of charge. These free shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

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

BOARD OF DIRECTORS COMPENSATION

This section provides details of the compensation system for members of the Board of Directors.

Summary of compensation components

Element	Payment Structure	Description	Governance
Fixed compensation	Cash and share-based awards	Members of the Board of Directors (including the Chairman) are only entitled to fixed compensation for their term of office in the form of a combination of cash and share-based awards. This fixed compensation is determined by the workload of the individual Board member based on the Board Committees on which he or she serves and his or her committee position. The cash-based compensation is paid in December each year for all members of the Board of Directors except the Chairman who receives the cash element on a quarterly basis. Share-based awards are granted under the Group's Long-Term Incentive Plan at the beginning of each term based on a fixed total compensation value. The grant price is equal to a five-day volume-weighted average price with a one-year, service-based vesting period (equal to that of the individual's term of office). Under the award's forfeiture provisions, the award will only vest if the Board member concerned fulfils the entire term for which he or she has been elected or re-elected. No dividends are payable on unvested awards; all shares are delivered unrestricted at vesting (subject to the Guidelines on Share Ownership provided below). No additional compensation is paid to members of the Board of Directors for attending meetings.	Reflecting the independent status of all members of the Board of Directors (including the Chairman), the remuneration package does not include a variable component and is therefore not dependent on the financial performance of the Group. However, a share-based element is included to align their compensation with shareholder interests.
Other benefits		Members of the Board of Directors benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.	In order to avoid conflicts of interest, no other preferential staff conditions (e.g. lower rates on mortgages or Lombard loans) are offered to members of the Board of Directors.

The cash element of fixed compensation is disclosed on a business-year basis (i.e. split across the two calendar years that make up a Board member's term) and the share-based element is disclosed at grant value in the year of election or re-election.

Following the Group's admission into the SMIM in 2019, the Compensation Committee reviewed the peer group for the purposes of compensation comparison. The selected peer group included the lower quartile of the SMI and the upper quartile of the Swiss Market Index Mid-cap (SMIM). The Board of Director compensation was benchmarked in 2019 against this revised peer group. The Chairman's and overall Board of Director compensation pay mix remains in line with market standards and pay levels are in line with Julius Baer's target pay levels.

The maximum aggregate compensation amount will again be presented to shareholders for approval at the 2020 AGM for the subsequent compensation period (2020 AGM to 2021 AGM).

GUIDELINES ON SHARE OWNERSHIP

Share ownership is considered an additional factor underscoring commitment towards Julius Baer. The Board of Directors believes these requirements will strengthen the ownership mentality of Board members and ensure the alignment of the Board of Directors' decisions with the interests of our shareholders.

The members of the Board of Directors will be required to build up their total vested shareholdings until they reach the following levels:

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

The members of the Board of Directors will have a period of three full calendar years starting from their initial election to the Board of Directors to build up their Julius Baer Group Ltd. shareholdings. The final measurement will be performed on 31 December of the third calendar year following the Board member's election to the Julius Baer Group Ltd. Board of Directors. If the above shareholding requirements are not reached by the measurement date, 50% of the shares vesting from the individual's equity-based compensation grant may be held back until the defined level of shareholding has been reached.

Under these rules, all individuals who were members of the Board of Directors from May 2016 have been required to build up the aforementioned Julius Baer Group Ltd. shareholdings by 31 December 2019. All members of the Board of Directors with at least three full years of tenure have fulfilled their share ownership requirements as at 31 December 2019.

Details of the shareholdings of each member of the Board of Directors can be found in the *Compensation, loans and shareholdings of the Board of Directors* section of this Remuneration Report.

CONTRACTS

The members of the Board of Directors do not have contracts with Julius Baer Group Ltd. which provide for benefits upon termination of their term of office on the Board of Directors.

COMPENSATION, LOANS AND SHAREHOLDINGS OF THE EXECUTIVE BOARD (AUDITED)

This section provides the data for 2019 and 2018. The details of the compensation system for members of the Executive Board are presented in the *Executive Board and Senior Management compensation* section of this Remuneration Report.

				Variable compensation[8]				
					Deferred elements			
					DBP	EPP		
Compensation of the members of the Executive Board		Base salary[1] *CHF 1,000*	Replacements[6] *CHF 1,000*	Cash *CHF 1,000*	Cash *CHF 1,000*	Performance Units *CHF 1,000*	Pension fund, social security contributions and varia[9] *CHF 1,000*	**Total** *CHF 1,000*
Total compensation in aggregate	**2019**	**4,550**[2]	**-**	**3,702**	**3,248**	**6,290**	**1,990**[10]	**19,780**
Highest paid Philipp Rickenbacher (CEO)		**967**[3]	**-**	**625**	**625**	**1,800**	**397**[11]	**4,414**
Bernhard Hodler (Former CEO)		**1,500**[4]	**-**	**898**	**898**	**-**	**351**[12]	**3,646**
Total compensation in aggregate	2018	4,321[5]	3,079[7]	3,006	2,444	5,850	1,899[10]	20,599
Highest paid Bernhard Hodler (CEO)		1,500	-	925	925	2,300	507[12]	6,157

[1] All current members of the Executive Board have a full-time (100%) employment relationship with the Group. The disclosed 2019 and 2018 amounts include lump sum expense allowances up to CHF 22,800 p.a. per member of the Executive Board and CHF 24,000 p.a. to the respective CEO (2019: Bernhard Hodler and Philipp Rickenbacher; 2018: Bernhard Hodler), in aggregate: CHF 134,160 for 2019; and CHF 130,360 for 2018.

[2] The 2019 amount disclosed includes pro rata base salary and expense allowance for each CEO (8 of 12 months for Bernhard Hodler [CHF 1 million] and 4 of 12 months for Philipp Rickenbacher [CHF 500,000]) as well as the full base salary of the other five members of the Executive Board on a 12-month basis.

[3] The 2019 amount disclosed includes the full amount of compensation paid by Julius Baer Group to the current CEO, Philipp Rickenbacher, relating to compensation earned for both of his roles (CEO and Head Intermediaries & Global Custody) in 2019.

[4] The 2019 amount disclosed includes the full amount of compensation paid by Julius Baer Group to the former CEO, Bernhard Hodler in 2019.

[5] The 2018 amount disclosed includes the base salary actually paid to the new CRO Oliver Bartholet who joined the Group and the Executive Board on 1 March 2018.

[6] Replacements include grants and/or payments made to newly joining Executive Board members in replacement of documented compensation forfeited at the individual's previous employer based on the intrinsic award value at the time of joining Julius Baer (i.e. on a value-for-value basis without adjustment). Replacements are fully or partially deferred.

[7] In 2018, replacements were granted to Oliver Bartholet in the amount of CHF 3,079,091 (16% delivered in immediate cash subject to 1-year clawback; 84% deferred under the LTI [3-year pro rata vesting with malus/ clawback provisions]). Grant date fair values per share were CHF 58.84 (forfeited current-year variable compensation) and CHF 61.60 (forfeited deferred

compensation). The aggregate amount spent on replacements in 2018 was within the permissible supplementary amount under article 11.2 of the Articles of Incorporation (cf. www.juliusbaer.com/cg, 25% of the aggregate amounts of compensation last approved by shareholders at the 2018 AGM for the Executive Board compensation).

[8] The DBP and EPP awards disclosed for 2019 relate to prior-year (i.e. 2019) performance and are subject to approval by the shareholders at the AGM in April 2020 (DBP and EPP awards related to 2018 performance [granted in 2019] were approved at the April 2019 AGM). The immediately payable portion of the DBP for the 2019 performance year is not paid to the recipients until shareholder approval has been granted at the AGM. The fair value of the Performance Units is based on an equally weighted valuation of (i) the cumulative Economic Profit (cEP) component using a probabilistic model of the potential deviation of the future Group results from the strategic three-year plan and of (ii) the relative Total Shareholder Return (rTSR) with the peer group being the STOXX 600 Europe Banks gross return Index. EPP grant date fair values were CHF 40.92 (grant date: 15 February 2020) and CHF 32.04 (grant date: 15 February 2019), respectively.

The reported amount of variable compensation (EPP and DBP awards) for 2019 includes the full value of variable compensation awarded to the current Executive Board members and to the former CEO Bernhard Hodler. All deferred elements of the variable compensation of the Executive Board are subject to forfeiture and/or clawback provisions.

In 2019, the average ratio of fixed to variable compensation for the members of the Executive Board amounted to 26%:74%, compared to 28%:72% in 2018 (excluding replacements considered permissible supplementary amounts under article 11.2 of the Articles of Incorporation, cf. www.juliusbaer.com/cg). 72% of the variable compensation of the members of the Executive Board in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP (73% in 2018).

[9] The amounts reported in this column include actual employer contributions to social security (AHV/ALV) for base salaries and estimated future contributions based on the grant values of the DBP for the 2019 and 2018 performance years and the fair value of the Performance Units/EPP granted for performance years 2019 and 2018. These amounts also include premiums for additional accident insurance.

[10] For the entire Executive Board, the aggregate amount of these social security and accident insurance costs for each respective year is CHF 1,190,881 for 2019 and CHF 1,260,905 for 2018.

[11] The aggregate amount of these social security and accident insurance costs for the CEO is CHF 266,350 in 2019.

[12] The aggregate amount of these social security and accident insurance costs for the former CEO is CHF 219,493 in 2019 (CHF 376,265 in 2018).

The above table is based on the accrual principle, which means that the amounts shown are compensation earned for the respective year. The actual payment of a portion of the amounts for the performance-related components may, however, be effected at a later date. In particular, under the DBP, a portion of the cash-based variable compensation is paid in April (post shareholder approval) with the remainder being deferred over a five-year period (disbursed in equal instalments each February over the following five years).

LOANS TO THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

		31.12.2019		31.12.2018
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Executive Board				
Total	**3,100,000**	**-**	4,244,000	-
of which the highest amount: Nic Dreckmann, COO	1,800,000	-	1,823,000	-

The loans granted to the members of the Executive Board consist of Lombard loans on a secured basis (through pledging of securities portfolios or other marketable coverage), fixed-rate mortgages (on a fixed-rate basis), Libor mortgages and floating-rate mortgages (both on a variable-rate basis). Such loans are made on substantially the same terms as those granted to employees, including those relating to interest rates and collateral. For investment properties, the standard mortgage conditions for external clients apply, including those relating to pricing and amortisation.

No loans to former members of the Executive Board (and their related parties) were outstanding at year-end 2019 or were granted in 2019 at conditions that were not in line with market conditions.

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

SHAREHOLDINGS OF THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

Number of shares

Shareholdings of the members of the Executive Board[1]		
Philipp Rickenbacher, Chief Executive Officer (since 1 September 2019)	**2019**	**22,753**
	2018	n.a.
Bernhard Hodler, Chief Executive Officer (until 31 August 2019)	**2019**	**n.a.**
	2018	85,099
Dieter A. Enkelmann, Chief Financial Officer	**2019**	**103,273**
	2018	120,170
Larissa Alghisi Rubner, Chief Communications Officer	**2019**	**1,215**
	2018	608
Oliver Bartholet, Chief Risk Officer (since 1 March 2018)	**2019**	**14,610**
	2018	-
Nic Dreckmann, Chief Operating Officer	**2019**	**30,001**
	2018	30,003
Christoph Hiestand, General Counsel	**2019**	**29,107**
	2018	25,000
Total	**2019**	**200,959**
Total	2018	260,880

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions on Julius Baer Group Ltd. shares as at year-end 2019 and 2018.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The CEO is required to build up and maintain 100,000 vested shares of Julius Baer Group Ltd. (by 31 December 2022), the other members of the Executive Board the lower of 2.5 times base salary or 30,000 shares.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years (and reached at year-end of the respective year) and maintained until the Executive Board member leaves his or her current position and/or the Julius Baer Group.

FORMER EXECUTIVES

With the exception of contractually agreed base salary paid to Bernhard Hodler during his notice period, no additional compensation was granted to former members of the Executive Board who left the Executive Board in 2019 or earlier that related to such member's prior function within the Executive Board. The total value of base salary paid to Mr. Hodler following the announcement in July 2019 of his departure from the EB on 31 August 2019 was equal to CHF 500'000 (including lump sum expense allowance) with the aggregate amount of social security and accident insurance on this income equal to CHF 40,929. No compensation was granted to parties related to members of the Executive Board or former members of the Executive Board. No severance payments to members of the Executive Board or former members were effected in 2019 or 2018.

ADDITIONAL HONORARIA, RELATED PARTIES, OTHER IMPORTANT INFORMATION

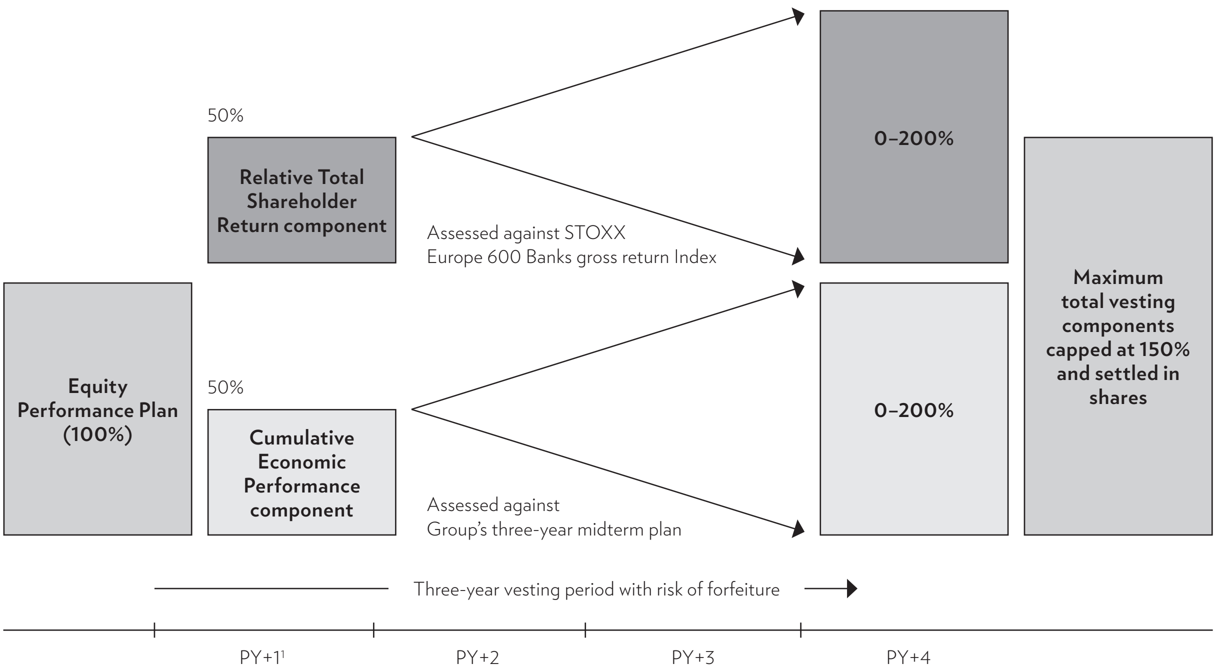
The compensation disclosed for the CEO, the former CEO, the CFO and COO includes the compensation for the same function those members assume at the level of the Executive Board of Bank Julius Baer & Co. Ltd., the principle entity of Julius Baer Group Ltd.

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

VESTED COMPENSATION

The EPP vesting is contingent upon the performance of the two KPIs (namely, the cEP and the rTSR). The number of shares delivered under the EPP is between 0% and 150% (final multiplier of 0 to 1.5) of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). Please see the graph below for an illustration of this mechanism.

The final multiplier for the 2017 EPP programme (vesting 15 February 2020) was 1.273. The cEP performance ended below the Group's strategic MTP targets resulting in a cEP multiplier of 0.932. The Group's share price increase relative to the overall change in the Index created a significant uplift in the overall EPP performance with an rTSR multiplier of 1.614.



[1] Grant takes place in February following the performance year (PY).

COMPENSATION, LOANS AND SHAREHOLDINGS OF THE BOARD OF DIRECTORS (AUDITED)

This section provides the data for 2019 and 2018. The details of the compensation system for members of the Board of Directors are presented in the *Board of Directors compensation* section of this Remuneration Report.

Compensation of the members of the Board of Directors[1]		Base salary[2] *CHF 1,000*	Share-based payments[3] *CHF 1,000*	Social security contributions and varia[4] *CHF 1,000*	**Total** *CHF 1,000*
Romeo Lacher – Chairman (joined the Board in 2019)	**2019**	**300**	**600**	**46**	**946**
	2018	n.a.	n.a.	n.a.	n.a.
Daniel J. Sauter – Chairman (left the Board in 2019)	**2019**	**100**	**0**	**46**	**146**
	2018	400	600	98	1,098
Gilbert Achermann	**2019**	**141**	**120**	**26**	**287**
	2018	128	120	26	274
Ann Almeida (left the Board in 2018)	**2019**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2018	32	0	4	36
Andreas Amschwand (left the Board in 2019)	**2019**	**38**	**0**	**10**	**48**
	2018	150	120	29	299
Heinrich Baumann	**2019**	**175**	**120**	**25**	**320**
	2018	175	120	28	323
Richard M. Campbell-Breeden (joined the Board in 2018)	**2019**	**201**	**120**	**50**	**371**
	2018	131	120	34	285
Paul Man Yiu Chow	**2019**	**115**	**120**	**18**	**253**
	2018	115	120	21	256
Ivo Furrer	**2019**	**175**	**120**	**30**	**325**
	2018	169	120	32	321
Claire Giraut	**2019**	**128**	**120**	**24**	**272**
	2018	128	120	16	264
Gareth Penny (left the Board in 2019)	**2019**	**38**	**0**	**6**	**44**
	2018	150	120	44	314
Charles G. T. Stonehill	**2019**	**173**	**120**	**37**	**330**
	2018	205	120	26	351
Eunice Zehnder-Lai (joined the Board in 2019)	**2019**	**96**	**120**	**22**	**238**
	2018	n.a.	n.a.	n.a.	n.a.
Olga Zoutendijk (joined the Board in 2019)	**2019**	**131**	**120**	**29**	**280**
	2018	n.a.	n.a.	n.a.	n.a.
Total	**2019**	**1,811**	**1,680**	**369**	**3,860**
Total	2018	1,783	1,680	358	3,821

At the end of 2019, the Board of Directors consisted of ten members (consistent with the end of 2018). Raymond J. Baer remains an honorary member of the Julius Baer Group Board of Directors; however, he received no compensation in 2019 or 2018 for his activities on behalf of Julius Baer.

[1] The members of the Board of Directors of Julius Baer Group Ltd. assume similar director roles on the Board of Directors of Bank Julius Baer & Co. Ltd. For more information on the detailed compensation components of the Board of Directors please refer to the *Board of Directors compensation* section of this Remuneration Report.

[2] The base salaries are disclosed on a business year basis according to the requirements of the Ordinance.

The Chairman is paid a fixed base salary in cash of CHF 400,000 per term (AGM to AGM); no further compensation is paid for his work at the level of the Board Committees.

The work on the Board Committees (excl. the Chairman) is compensated as follows (all figures per term AGM to AGM): (1) General base payment: CHF 90,000; (2) Governance & Risk Committee: membership and chairmanship: CHF 60,000; (3) Audit Committee: chairmanship CHF 60,000, membership 25,000; (4) Compensation Committee: chairmanship CHF 60,000, membership CHF 25,000; and (5) Nomination Committee: chairmanship CHF 30,000, membership CHF 12,500.

[3] The share-based elements reflect a fixed amount in CHF (currently CHF 120,000 for Board members and CHF 600,000 for the Chairman, rounded up to the next share) and are granted each year upon election or re-election to the Board. The share-based payments are valued at fair value at the grant date (CHF 49.59 per share of Julius Baer Group Ltd. as at 2 May 2019; CHF 58.77 per share of Julius Baer Group Ltd. as at 2 May 2018).

At the AGM in 2019, Gilbert Achermann, Heinrich Baumann, Richard M. Campbell-Breeden, Paul Man Yiu Chow, Ivo Furrer, Claire Giraut and Charles G. T. Stonehill were re-elected for a term of one year and Romeo Lacher (Chairman), Eunice Zehnder-Lai and Olga Zoutendijk were elected as new Board members.

[4] The amounts reported for 2019 and 2018 include Julius Baer's actual contributions to social security in the respective reporting period in accordance with the Ordinance, amounting to CHF 255,621 for 2019 and CHF 261,047 for 2018. Depending on the domicile of the Board member and the applicable local legislation, contributions to social security vary despite the similar level of compensation amongst members of the Board of Directors.

The value of the share-based payments shown in the above table cannot be compared with the figures in Note 32 of the 2019 Annual Report under the chapter *III. Financial Statements Julius Baer Group 2019, Share-based payments and other compensation plans* as the latter disclose the compensation expense for the shares that has been recognised during the applicable reporting periods.

Under the forfeiture clause, the members of the Board of Directors are only entitled to the shares granted to them provided that they fulfil the entire term for which they have been elected or re-elected. Should a Board member resign between two AGMs, any unvested shares are generally forfeited. In that event, the cash element of their compensation will, however, be paid on a pro rata basis. In the event of dismissal of the Chairman or a Board member by an Extraordinary General Meeting, both the cash and the share elements will be paid on a pro rata basis. In the event of disability or death, all awards granted may be retained by the Board member and no forfeiture applies.

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

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

LOANS TO THE MEMBERS OF THE BOARD OF DIRECTORS (AUDITED)

	31.12.2019		31.12.2018	
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Board of Directors				
Romeo Lacher – Chairman (joined the Board in 2019)	**-**	**-**	n.a.	n.a.
Daniel J. Sauter (left the Board in 2019)	**n.a.**	**n.a.**	-	520,000
Gilbert Achermann	**-**	**-**	-	-
Andreas Amschwand (left the Board in 2019)	**n.a.**	**n.a.**	-	-
Heinrich Baumann	**3,361,000**	**-**	3,200,000	-
Richard M. Campbell-Breeden (joined the Board in 2018)	**-**	**-**	-	-
Paul Man Yiu Chow	**1,186,000**	**-**	1,250,000	-
Ivo Furrer	**-**	**-**	-	-
Claire Giraut	**-**	**-**	-	-
Gareth Penny (left the Board in 2019)	**n.a.**	**n.a.**	251,000	-
Charles G. T. Stonehill	**-**	**-**	-	-
Eunice Zehnder-Lai (joined the Board in 2019)	**-**	**-**	n.a.	n.a.
Olga Zoutendijk (joined the Board in 2019)	**-**	**-**	n.a.	n.a.
Total	**4,547,000**	**-**	4,701,000	520,000

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

The interest rates on the Lombard loans and the mortgages for Board members and related parties are in line with normal market rates at the time the loans were granted and do not include any preferential conditions.

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

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS (AUDITED)

Shareholdings of the members of the Board of Directors[1]		Number of shares
Romeo Lacher – Chairman (joined the Board in 2019)	**2019**	**-**
	2018	n.a.
Daniel J. Sauter (left the Board in 2019)	**2019**	**n.a.**
	2018	198,957
Gilbert Achermann	**2019**	**16,551**
	2018	14,509
Andreas Amschwand (left the Board in 2019)	**2019**	**n.a.**
	2018	14,509
Heinrich Baumann	**2019**	**22,278**
	2018	20,236
Richard M. Campbell-Breeden (joined the Board in 2018)	**2019**	**5,238**
	2018	-
Paul Man Yiu Chow	**2019**	**9,836**
	2018	7,794
Ivo Furrer	**2019**	**6,447**
	2018	4,405
Claire Giraut	**2019**	**25,841**
	2018	23,799
Gareth Penny (left the Board in 2019)	**2019**	**n.a.**
	2018	9,855
Charles G. T. Stonehill	**2019**	**21,211**
	2018	21,669
Eunice Zehnder-Lai (joined the Board in 2019)	**2019**	**-**
	2018	n.a.
Olga Zoutendijk (joined the Board in 2019)	**2019**	**-**
	2018	n.a.
Total	**2019**	**107,402**
Total	2018	315,733

1 Including shareholdings of related parties

None of the Board members held any option positions on Julius Baer Group Ltd. shares as at year-end 2019 and 2018.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

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

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

Board members who were elected and/or re-elected in 2016 or earlier (i.e. all Board members except for Romeo Lacher [Chairman], Richard M. Campbell-Breeden, Ivo Furrer, Eunice Zehnder-Lai and Olga Zoutendijk) were required to reach the targeted number of shares by year-end 2019. Ivo Furrer and Richard M. Campbell-Breeden are required to reach the targeted number of shares by year-end 2020 and 2021, respectively. Romeo Lacher (Chairman), Eunice Zehnder-Lai and Olga Zoutendijk are required to reach the targeted number of shares by year-end 2022.

FORMER DIRECTORS

In 2019, no compensation was granted to Board members who left the Board in 2018 or earlier. No loans to former members of the Board of Directors (or their related parties) were outstanding at year-end 2019 or were granted in 2019 at conditions that were not in line with market rates.

ABBREVIATIONS

AGM	Annual General Meeting
ANPbBT	Adjusted net profit before variable compensation (bonus) and taxes
BIS	Bank for International Settlements
BoD	Board of Directors
CCE	Client and Conduct Excellence
CCO	Chief Communications Officer
CEO	Chief Executive Officer
cEP	Cumulative Economic Profit
CFO	Chief Financial Officer
CoC	Cost of Capital
CompC	Compensation Committee
COO	Chief Operating Officer
CRO	Chief Risk Officer
CRD	Capital Requirements Directive
DBP	Deferred Bonus Plan
DCP	Deferred Cash Plan
EB	Executive Board
EP	Economic Profit
EPP	Equity Performance Plan
IFRS	International Financial Reporting Standards
Index	STOXX® Europe 600 Banks Index (gross return)
Kairos	Kairos Investment Management S.p.A.
KPI(s)	Key Performance Indicator(s)
KYC	Know Your Client
LTI	Long-Term Incentive Plan
MTP	Strategic 3-year Mid-Term Plan
NNM	Net New Money
OPR	Overall Performance Rating
Ordinance	Swiss Ordinance against Excessive Compensation in Listed Companies
PSP	Premium Share Plan
RM	Relationship Manager(s)
rTSR	Relative Total Shareholder Return
SMI	Swiss Market Index
SMIM	Swiss Market Index Mid-cap
SPP	Staff Participation Plan
TSR	Total Shareholder Return

TERMINATION PROVISIONS OF JULIUS BAER PLANS

Award Name	Voluntary termination	Termination without cause	Death	Disability	Retirement	Termination for cause	Change of control
Deferred Bonus Plan (DBP)	Unvested awards are forfeited upon termination.	Unvested awards are paid out in accordance with the original payment schedule.	Unvested awards are paid out within 30 days of the notification of the event.	Unvested awards are paid out within 30 days of termination.	Unvested awards are paid out in accordance with the original payment schedule.	Unvested awards are forfeited upon notice of termination; vested awards subject to clawback.	Award adjustments solely at Board of Directors' discretion based on intrinsic value outstanding.
Equity Performance Plan (EPP)	Unvested awards are forfeited upon termination.	Pro rata portion of unvested awards vests upon termination subject to final performance multiplier assessment at the end of the plan period.	Award fully vests based on an assumed final multiplier of 100% and is paid out within 30 days of the notification of the event.	Award fully vests based on an assumed final multiplier of 100% and is paid out within 30 days of termination.	Awards fully vest on the date of retirement subject to the final multiplier performance assessment at the end of the plan period.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at Board of Directors' discretion. Intrinsic value roll-over of awards and/or early evaluation of actual performance followed by vesting permitted.
Deferred Cash Plan (DCP)	Unvested awards are forfeited upon notice of termination.	Unvested awards vest on the date of termination.	Unvested awards vest and are paid out within 30 days of the notifi-cation of the event.	Unvested awards vest on the date of termination.	Unvested awards vest on the date of retirement.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at Compensation Committee's discretion based on intrinsic value outstanding.
Premium Share Plan (PSP)	Unvested shares from deferral and premium shares are forfeited upon notice of termination.	Unvested shares from deferral vest on date of termination. Premium shares are forfeited.	The unvested shares from deferral and premium shares vest and are paid out within 30 days of the notification of the event.	The unvested shares from deferral and premium shares vest and are paid out within 30 days of termination.	The unvested shares from deferral and premium shares vest and are paid out within 30 days of retirement.	Unvested shares from deferral and premium shares are forfeited upon notice of termination.	Award adjustments solely at Compensation Committee's discretion based on intrinsic value outstanding.
Long-Term Incentive Plan (LTI)	Unvested shares are forfeited upon notice of termination.	Unvested shares are forfeited upon notice of termination.	Unvested shares vest on the date of the notification of the event.	Unvested shares vest on the date of termination.	Unvested shares vest on the date of retirement.	Unvested shares are forfeited upon notice of termination.	Award adjustments solely at Compensation Committee's discretion based on intrinsic value outstanding.

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

KPMG

Report of the Statutory Auditor

To the General Meeting of Julius Baer Group Ltd., Zurich

We have audited pages 76 to 84 of the remuneration report of Julius Baer Group Ltd. for the year ended 31 December 2019.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 of Julius Baer Group Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

Cataldo Castagna
Licensed Audit Expert

Zurich, 18 March 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2019

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2019** CHF m	2018 CHF m	Change %
Interest income on financial instruments measured at amortised cost or FVOCI		**1,293.1**	1,199.5[1]	7.8
Interest expense on financial instruments measured at amortised cost		**500.9**	394.1[1]	27.1
Net interest income	1	**792.2**	805.3	-1.6
Commission and fee income		**2,139.6**	2,131.3	0.4
Commission expense		**216.6**	228.5	-5.2
Net commission and fee income	2	**1,922.9**	1,902.9	1.1
Net income from financial instruments measured at FVTPL	3	**618.1**	644.1[1]	-4.0
Net credit losses/(recoveries) on financial assets		**9.2**	3.0	-
Other ordinary results	4	**58.7**	18.5	217.1
Operating income		**3,382.9**	3,367.8	0.4
Personnel expenses	5	**1,616.2**	1,621.4	-0.3
General expenses	6	**850.8**	688.5	23.6
Depreciation of property and equipment	11	**100.0**	38.5	159.9
Amortisation of customer relationships	12	**81.2**	73.8	10.0
Amortisation and impairment of intangible assets	12	**168.5**	51.8	225.5
Operating expenses		**2,816.7**	2,473.9	13.9
Profit before taxes		**566.2**	893.9	-36.7
Income taxes	7	**101.2**	158.6	-36.2
Net profit		**465.0**	735.3	-36.8
Attributable to:				
Shareholders of Julius Baer Group Ltd.		**464.8**	735.4	-36.8
Non-controlling interests		**0.2**	-0.1	-
		465.0	735.3	-36.8

[1] The 2018 numbers have been aligned to the improved structure of interest and dividend reporting related to financial instruments measured at FVTPL.

	Note	**2019** CHF	2018 CHF	Change %
Share information				
Basic earnings per share (EPS)	20	**2.14**	3.37	-36.5
Diluted earnings per share (EPS)	20	**2.12**	3.38	-37.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019 CHF m	2018 CHF m
Net profit recognised in the income statement	**465.0**	735.3
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**108.6**	-61.3
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-9.4**	12.2
Net credit losses on debt instruments measured at FVOCI	**-0.8**	0.4
Translation differences	**-52.8**	-60.9
Realised (gains)/losses on translation differences reclassified to the income statement	**-0.2**	-
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**66.6**	3.8
Net realised (gains)/losses on equity instruments designated at FVOCI reclassified to retained earnings	**-**	-0.3
Remeasurement of defined benefit obligation	**-74.7**	8.1
Other comprehensive income	**37.2**	-97.7
Total comprehensive income	**502.2**	637.6
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**502.0**	638.2
Non-controlling interests	**0.2**	-0.6
	502.2	637.6

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2019** *CHF m*	31.12.2018 *CHF m*
Assets			
Cash		**10,097.0**	15,835.5
Due from banks		**7,082.5**	9,228.8
Loans	27	**48,427.3**	45,323.2
Financial assets measured at FVTPL	9/26	**13,776.2**	8,415.6
Derivative financial instruments	25	**1,630.7**	2,128.5
Financial assets designated at fair value	26	**305.0**	298.8
Financial assets measured at FVOCI	10/27	**13,166.2**	14,587.6
Investments in associates	30	**23.3**	48.1
Property and equipment	11	**612.9**	352.8
Goodwill and other intangible assets	12	**2,866.1**	2,932.2
Accrued income and prepaid expenses		**397.0**	392.4
Deferred tax assets	16	**16.4**	15.9
Other assets	18	**3,634.5**	3,339.0
Total assets		**102,035.2**	102,898.3

	Note	**31.12.2019** CHF m	31.12.2018 CHF m
Liabilities and equity			
Due to banks		**3,160.0**	6,892.2
Due to customers		**72,913.1**	71,506.4
Financial liabilities measured at FVTPL	9/26	**613.8**	132.5
Derivative financial instruments	25	**2,120.8**	1,719.3
Financial liabilities designated at fair value	14	**13,281.1**	13,703.6
Debt issued	15	**1,893.0**	1,503.3
Accrued expenses and deferred income		**746.1**	767.4
Current tax liabilities		**205.3**	201.1
Deferred tax liabilities	16	**68.8**	74.9
Provisions	17	**201.3**	24.6
Other liabilities	18	**642.7**	331.2
Total liabilities		**95,845.8**	96,856.4
Share capital	19	**4.5**	4.5
Retained earnings		**6,557.4**	6,474.7
Other components of equity		**-18.4**	-130.3
Treasury shares		**-363.2**	-308.9
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,180.2**	6,039.9
Non-controlling interests		**9.2**	1.9
Total equity		**6,189.4**	6,041.9
Total liabilities and equity		**102,035.2**	102,898.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*	OCI related to equity instruments at FVOCI *CHF m*
At 1 January 2018	4.5	6,125.3	61.9
Net profit	-	735.4	-
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	8.4	3.5
Total other comprehensive income	-	8.4	3.5
Total comprehensive income	-	743.8	3.5
Changes in non-controlling interests	-	-80.6	-
Dividends	-	-313.3[2]	-
Dividend income on own shares	-	6.7	-
Share-based payments expensed for the year	-	78.4	-
Share-based payments vested	-	-77.8	-
Changes in derivatives on own shares	-	-12.4	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	4.6	-
At 31 December 2018	4.5	6,474.7	65.3
At 1 January 2019	**4.5**	**6,474.7**	**65.3**
Net profit	**-**	**464.8**	**-**
Items that may be reclassified to the income statement	**-**	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-74.7**	**66.6**
Total other comprehensive income	**-**	**-74.7**	**66.6**
Total comprehensive income	**-**	**390.1**	**66.6**
Changes in non-controlling interests	**-**	**-1.2**	**-**
Dividends	**-**	**-335.7**[3]	**-**
Dividend income on own shares	**-**	**8.0**	**-**
Share-based payments expensed for the year	**-**	**79.1**	**-**
Share-based payments vested	**-**	**-64.9**	**-**
Changes in derivatives on own shares	**-**	**2.0**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**5.2**	**-**
At 31 December 2019	**4.5**	**6,557.4**	**132.0**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
[2] Dividend payment per share CHF 1.40
[3] Dividend payment per share CHF 1.50

Other components of equity						
OCI related to debt instruments at FVOCI *CHF m*	OCI related to ECL changes on debt instruments at FVOCI *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
-17.9	1.7	-70.4	-276.1	5,828.9	29.5	5,858.4
-	-	-	-	735.4	-0.1	735.3
-49.1	0.4	-60.3	-	-109.1	-0.5	-109.6
-	-	-	-	11.9	-0.0	11.9
-49.1	0.4	-60.3	-	-97.2	-0.5	-97.7
-49.1	0.4	-60.3	-	638.2	-0.6	637.6
-	-	-	-	-80.6	-27.0	-107.6
-	-	-	-	-313.3	-	-313.3
-	-	-	-	6.7	-	6.7
-	-	-	-	78.4	-	78.4
-	-	-	77.8	-	-	-
-	-	-	-87.8	-100.2	-	-100.2
-	-	-	-420.6	-420.6	-	-420.6
-	-	-	397.8	402.4	-	402.4
-67.0	2.1	-130.8	-308.9	6,039.9	1.9	6,041.9
-67.0	**2.1**	**-130.8**	**-308.9**	**6,039.9**	**1.9**	**6,041.9**
-	**-**	**-**	**-**	**464.8**	**0.2**	**465.0**
99.2	**-0.8**	**-53.1**	**-**	**45.3**	**-0.0**	**45.3**
-	**-**	**-**	**-**	**-8.0**	**-**	**-8.0**
99.2	**-0.8**	**-53.1**	**-**	**37.2**	**-0.0**	**37.2**
99.2	**-0.8**	**-53.1**	**-**	**502.0**	**0.2**	**502.2**
-	**-**	**-**	**-**	**-1.2**	**8.8**	**7.5**
-	**-**	**-**	**-**	**-335.7**	**-1.7**	**-337.5**
-	**-**	**-**	**-**	**8.0**	**-**	**8.0**
-	**-**	**-**	**-**	**79.1**	**-**	**79.1**
-	**-**	**-**	**64.9**	**-**	**-**	**-**
-	**-**	**-**	**56.0**	**58.0**	**-**	**58.0**
-	**-**	**-**	**-394.7**	**-394.7**	**-**	**-394.7**
-	**-**	**-**	**219.5**	**224.7**	**-**	**224.7**
32.1	**1.3**	**-183.9**	**-363.2**	**6,180.2**	**9.2**	**6,189.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 CHF m	2018 CHF m
Net profit	**465.0**	735.3
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	**100.0**	38.5
– Amortisation and impairment of intangible assets	**249.7**	125.6
– Change in loss allowance	**9.2**	3.0
– Income from investment in associates	**-0.7**	-1.9
– Deferred tax expense/(benefit)	**-26.1**	29.6
– Net loss/(gain) from investing activities	**-23.3**	56.8
– Other non-cash income and expenses	**78.0**	78.4
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-3,409.9**	-561.6
– Net financial assets measured at FVTPL and derivative financial instruments	**-3,980.1**	3,827.2
– Net loans/due to customers	**-428.7**	5,172.6
– Issuance and repayment of financial liabilities designated at fair value	**-1,705.3**	1,845.4
– Accrued income, prepaid expenses and other assets	**-296.3**	-2,133.4
– Accrued expenses, deferred income, other liabilities and provisions	**68.1**	-25.6
Adjustment for income tax expenses	**127.3**	129.0
Income taxes paid	**-121.3**	-142.5
Cash flow from operating activities	**-8,894.5**	9,176.2
Dividend from associates	**0.7**	1.9
Purchase of property and equipment and intangible assets	**-164.7**	-177.1
Disposal of property and equipment and intangible assets	**0.3**	0.2
Net (investment in)/divestment of financial assets measured at FVOCI	**2,029.0**	-2,114.6
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-13.5**	-31.7
Deferred payments of acquisition of subsidiaries and associates	**-33.4**	-34.5
Cash flow from investing activities	**1,818.4**	-2,355.9
Net movements in treasury shares and own equity derivative activity	**-103.9**	-111.7
Dividend payments	**-335.7**	-313.3
Changes in debt issued	**392.8**[1]	-271.1[1]
Changes in non-controlling interests	**-**	-107.6
Dividend payment to non-controlling interests	**-1.7**	-
Cash flow from financing activities	**-48.6**	-803.7
Net (decrease)/increase in cash and cash equivalents	**-7,124.7**	6,016.6

[1] Includes changes in bonds and money market instruments

	2019 *CHF m*	2018 *CHF m*
Cash and cash equivalents at the beginning of the year	**25,628.8**	19,619.9
Cash flow from operating activities	**-8,894.5**	9,176.2
Cash flow from investing activities	**1,818.4**	-2,355.9
Cash flow from financing activities	**-48.6**	-803.7
Effects of exchange rate changes on cash and cash equivalents	**62.0**	-7.8
Cash and cash equivalents at the end of the year	**18,566.0**	25,628.8

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Cash and cash equivalents are structured as follows:		
Cash	**10,097.0**	15,835.5
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**1,485.2**	985.3
Due from banks (original maturity of less than three months)	**6,983.8**	8,808.0
Total	**18,566.0**	25,628.8

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Additional information		
Interest received	**1,400.6**	1,159.7
Interest paid	**-746.7**	-451.9
Dividends on equities received (including associates)	**206.0**	186.9

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Leasing		
Cash payments – leases	**-59.3**	-
Cash payments – interest paid	**-6.6**	-
Short-term lease payments	**-4.3**	-
Total	**-70.2**	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Julius Baer Group Ltd. is a Swiss corporation which is committed to the wealth management business. The consolidated financial statements as at 31 December 2019 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 31 January 2020. In addition, they are submitted for approval to the Annual General Meeting on 16 April 2020.

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

USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are in part discussed in the corresponding notes: determining fair values of financial instruments, assessment of the business model when classifying financial instruments, uncertainties in measuring provisions and contingent liabilities, loss allowances (measurement of expected credit losses), pension assets and liabilities (measurement of defined benefit obligation), income taxes (judgement regarding the interpretation of the applicable tax laws and the respective tax practice, such as transfer pricing or deductible versus non-deductible items, and anticipation of tax audit issues), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount) and contingent considerations.

ACCOUNTING POLICIES

All Group companies apply uniform accounting and measurement principles, which have remained the same as in the previous year, except as outlined at the end of this summary of significant accounting policies addressing implemented changes in accounting policies.

Business combinations
In a business combination, the acquirer obtains control over one or more businesses. The business combination is accounted for using the acquisition method. This involves recognising the identifiable assets, including previously unrecognised intangible assets, and liabilities of the acquired business at acquisition-date fair value. Any excess of the consideration provided, such as assets or equity instruments issued and measured at acquisition-date fair value, over the identifiable net assets acquired, is recognised as goodwill. Transaction costs are expensed as incurred.

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

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

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

A complete list of these companies is provided in Note 30A. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

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

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

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

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2019	31.12.2018	**2019**	2018
USD/CHF	**0.9682**	0.9857	**0.9930**	0.9770
EUR/CHF	**1.0870**	1.1269	**1.1110**	1.1505
GBP/CHF	**1.2827**	1.2555	**1.2720**	1.2995

Revenue recognition
The Group uses a model for the recognition of revenues which features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised:

– identify the contract(s) with a customer (step 1);
– identify the performance obligations in the contract (step 2);
– determine the transaction price (step 3);
– allocate the transaction price to the performance obligations in the contract (step 4);
– recognise revenue when (or as) the Group satisfies a performance obligation (step 5).

The Group recognises fee and commission income related to its wealth management-related services either at the time the service is performed, i.e. upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time. In all cases, the fees and commissions must be based on a legally enforceable contract. Income and income components that are based on performance are recognised to the extent that it is highly probable that a significant reversal will not occur.

Financial instruments
Recognition
All financial instruments are initially measured at fair value; for financial instruments not at fair value through profit or loss, eligible transaction costs are included.

Foreign exchange, securities and derivatives transactions are recorded in the balance sheet on trade date. All other financial instruments are recorded on settlement date.

Measurement
Two criteria are used to determine how financial assets should be classified and subsequently measured:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

A business model refers to how an entity manages its financial assets in order to achieve a particular business objective and to generate cash flows:

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

The additional criterion for determining the classification of a financial asset is whether the contractual cash flows are solely payments of principal and interest (SPPI criterion). Interest under this model mainly comprises returns for the time value of money, credit risk, administration costs and a profit margin. Interest is accounted for under the effective interest method.

Based on the analysis of the business model and the nature of the contractual cash flows, a financial asset is allocated at initial recognition to one of the three principal classification categories and subsequently measured at either:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

Amortised cost: A debt instrument is measured at amortised cost if the following conditions are fulfilled:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- it meets the SPPI criterion.

The Group originates Lombard and mortgage loans related to its business with wealth management clients. Such loans are held to maturity and to collect the contractual interests during the loan term. In addition, they fulfil the SPPI criterion. The Group's loans are therefore measured at amortised cost.

The Group holds balances with other banks, which are accounted for at amortised cost if the above conditions are fulfilled.

Fair value through other comprehensive income (FVOCI): A debt instrument is measured at fair value through other comprehensive income if it meets the following conditions:

- it is held within a business model in which assets are managed both in order to collect contractual cash flows and for sale; and
- it meets the SPPI criterion.

The Group acquires debt instruments (bonds, money market instruments) for its asset and liability management purposes, i.e. to collect the contractual cash flows, and/or for sale. The Group's debt instruments in this portfolio are therefore measured at fair value through other comprehensive income if in addition the SPPI criterion is fulfilled as well.

Fair value through profit or loss (FVTPL): All financial assets which do not meet the SPPI criterion and/or are not held in a business model 'held to collect' or 'held to collect or for sale' are measured at fair value through profit or loss.

The Group applies this measurement principle to its trading portfolio, its derivatives and some financial instruments mandatorily measured at FVTPL.

In addition, at initial recognition, an entity has the option to irrevocably designate financial instruments as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities, or recognise the gains or losses on them, on different bases.

The Group applies this fair value option to certain financial assets related to its issued structured notes.

Equity instruments: Equity instruments are generally accounted for at fair value through profit or loss. However, at initial recognition, an entity may make an irrevocable election, on an instrument-by-instrument basis, to present in other comprehensive income (OCI) changes in the fair value of the equity instrument that is not held for trading.

The Group applies the OCI option to its investments in service providers which are necessary to run the Group's daily business. All other equity investments, including the equities held for trading purposes, are measured at FVTPL.

Financial liabilities: Financial liabilities are classified and subsequently measured at amortised cost, except for instruments that are held for trading (including derivatives) which are recognised at FVTPL.

The Group applies this measurement principle to its amounts due to banks and customers (deposits) and its debt issued (bonds).

Financial liabilities may initially be designated as at fair value through profit or loss (the fair value option – see conditions above).

This fair value option for financial liabilities requires that the amount of change in fair value attributable to changes in the own credit risk of the liability be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement.

The Group applies the fair value option for its issued structured notes.

Expected credit losses (ECL)
General ECL model: An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments.

In general, the expected credit loss model uses a dual measurement approach:

- if the credit risk of a debt instrument has not increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to the 12-month expected credit losses ('stage 1' ECL);
- if the credit risk of a debt instrument has increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to lifetime expected credit losses ('stage 2' ECL) or the debt instrument is impaired ('stage 3' ECL).

At initial recognition, the Group classifies all financial assets in stage 1, as it does not acquire or originate credit-impaired debt instruments.

Significant increase: If a significant increase in credit risk has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination. This implies that for financial assets with initially lower default probabilities a relatively higher deterioration in credit quality is needed to trigger a significant increase than for those assets with originally higher probabilities of default.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the financial asset is transferred back into the 12-month expected credit losses category (stage 1).

Measurement of ECL: An entity should measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, i.e. based on probability of default;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Generally, ECL calculations are based on four components:

- Probability of default (PD),
- Exposure at default (EAD),
- Loss given default (LGD) and
- Discount rate (IR).

These four components are used in the following basic formula: ECL = PD * EAD * LGD * IR

Recognition of the loss allowance and write-offs: The impairment loss recognised in the income statement (net impairment losses/[recoveries] on financial assets) is the amount required to adjust the loss allowances from the previous reporting date to the current reporting date due to the periodic detailed ECL calculation.

In the balance sheet, the loss allowance related to debt instruments measured at amortised cost is deducted directly from the asset. For debt instruments measured at FVOCI, the loss allowance is recognised in other comprehensive income (equity) and therefore does not reduce the carrying amount of the asset in the balance sheet. This ensures that the carrying amount of these assets is always measured at the fair value.

The gross carrying amount of a financial asset is written off when there is no reasonable expectation of recovery of the amount, i.e. the amount outstanding is deemed uncollectible or forgiven. The time of each write-off is individually determined on a case-by-case basis once the Credit Department decides that there is no reasonable expectation of recovery. For collateralised loans, only after foreclosure sale of the pledged assets a write-off takes place for any remaining uncovered balance.

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

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

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

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

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

Repurchase and reverse repurchase transactions
Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and are recorded at the value of the cash provided or received. The transactions are generally conducted under standard agreements employed by the market participants; the counterparties are subject to the Group's normal credit risk process.

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

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

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

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

The Group continues to apply IAS 39 for hedge accounting, as permitted by IFRS 9. The Group uses derivative financial instruments for hedging the fair values (fair value hedges) or the net investments in foreign operations (net investment hedges) when transactions meet the specified criteria to obtain the respective hedge accounting treatment. Derivatives categorised as serving such purposes on their trade date are treated as hedging instruments in the financial statements if they fulfil the following criteria:

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

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

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

Net investment hedges: Derivative instruments or non-derivative financial assets and liabilities may be used and designated as the hedging instrument in a hedge of a net investment in a foreign operation.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and reported as translation differences within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation.

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

Property and equipment
Property and equipment includes bank premises, IT, communication systems, leasehold improvements as well as other 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. IT hardware is depreciated over three years and other items of property and equipment generally over five to ten years.

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

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

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

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

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

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

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

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

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

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

Income taxes
Income tax expense comprises current and deferred taxes. The Group is subject to income taxes in numerous countries. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contingent liabilities and irrevocable commitments
Contingent liabilities and irrevocable commitments are not recognised in the balance sheet. However, if an outflow of resources becomes probable and is a present obligation from a past event that can be reliably measured, a respective liability is recognised.

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2019, the Group applied the following new standards for the first time:

IFRS 16 – Leases
The new standard introduces a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the respective lease payments during the lease term. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability in the income statement.

The vast majority of lease contracts where the Group is the lessee relates to office leases, with a limited number of vehicle and other items leases. The Group does not apply the new standard to software or other intangible assets. Generally, non-lease components in the lease contract are excluded from the accounting under this standard.

As the implicit rate in leases is generally not available, the Group as a lessee applies its incremental borrowing rate. This rate is determined based on the Group's actual funding rate (by currency and term) provided by external sources to the Group on a regular basis.

On transition to the new standard, the Group applied the modified retrospective approach, meaning that the comparative information is not restated and a potential cumulative effect of the initial application is recognised in equity. The right-of-use assets were determined at an amount equal to the lease liability. Lease contracts expiring in the transitional year 2019 have been included in the calculation of the lease liability and the right-of-use asset as per 1 January 2019. Most lease contracts previously reported as operating leases have been recognised on the Group's balance sheet, with the exception of short-term leases (up to 12 months) and some low-value leases.

Upon adoption of the new standard, right-of-use assets (reported in property and equipment) and lease liabilities (reported in other liabilities) in the amount of CHF 302.5 million have been recognised. The expenses in 2019 for both the depreciation of the right-of-use asset (part of depreciation of property and equipment) in the amount of CHF 63.7 million and the interest expense (part of interest expense) on the lease liability in the amount of CHF 6.5 million are not materially different to the previously recognised operating lease expenses. The difference between the lease liability under IFRS 16 (i.e. CHF 302.5 million) and the previously reported operating lease commitments in the amount of CHF 352.2 million (as at 31 December 2019) is mainly based on the fact that the operating lease commitments were not discounted to their present value. There was no effect on equity due to the adoption of the new standard. The weighted average incremental borrowing rate of the Group applied at the date of transition was 3.15%.

The Group is lessor in a very limited number of lease contracts only, with all the leases qualifying as operating leases. The accounting for these contracts does not change under the new standard.

IFRIC 23 – Uncertainty over Income Tax Treatment
The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. An entity has to consider whether it is probable that the relevant tax authority will accept each tax treatment. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (or tax losses), tax bases, unused loss carryforwards and tax rates.

The adoption of the new interpretation had no material impact on the Group's financial statements, as the Group has already applied the respective accounting treatment in prior reporting periods.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
When a change to a plan takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments clarify the requirement for the entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

The following amendments may be relevant to the Group:

Definition of Material (Amendments to IAS 1 and IAS 8)
The Amendments clarify the definition of 'material': Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements as a whole.

The amended standards will be effective 1 January 2020 and are not expected to have a material impact on the Group's financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
These first-phase amendments related to the interbank offered rates (IBOR) reform provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to the IBOR reform by modifying some specific hedge accounting requirements. More specifically, an entity shall assume that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform.

The amended standards will be effective 1 January 2020. The amendments are not expected to have a material impact on the Group's financial statements as the Group will be able to retain its hedge accounting.

Definition of a Business (Amendments to IFRS 3)
The Amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amended standard will be effective 1 January 2020. The amendments are not expected to have a material impact on the Group's financial statements.

COMMENT ON RISK MANAGEMENT

In pursuing its strategy and business, Julius Baer Group ('the Group') is exposed to risks, e.g. events which may have an impact on its financial, business, regulatory and reputational standing. Risk management as a result is an integral part of the Group's business model and is designed to protect its franchise and reputation.

RISK MANAGEMENT FRAMEWORK

The Group's Risk Management Framework ('RMF'), comprising the governance, organisational structures, processes and methods, is used to define risk strategies and risk management measures. In addition, the RMF details the Group's approach to identify, assess, manage, monitor and report risks, as set out in the Group's respective policies and procedures.

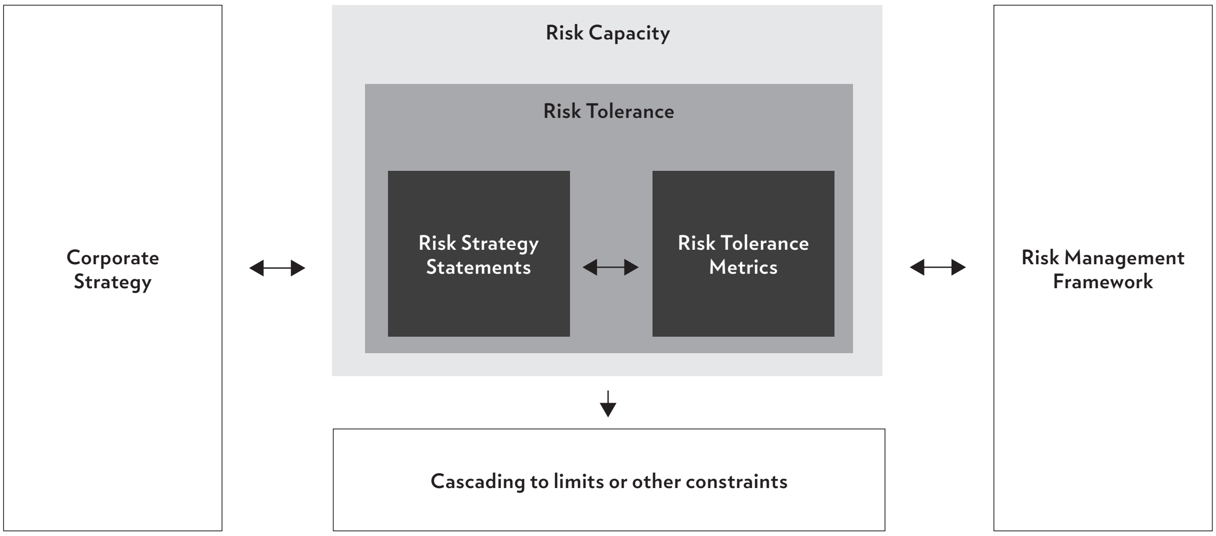
Risk management activities are structured according to the Group's Risk Categorisation which represents the material risks the organisation is exposed to. Beside credit, market and treasury risk, the Group has to handle non-financial risks, covering operational risk, compliance and legal risk, as well as strategic, business and reputational risk. For each material type of risk, the risk management process is tailored accordingly and limits are set to capture the respective risk exposure adequately.

RISK TOLERANCE FRAMEWORK

Not all risks can be eliminated, fully controlled and mitigated at all times. However, the Group's Risk Tolerance Framework ('RTF') supports and ensures that risk-taking is in line with the strategic objectives, the capital and liquidity planning. The Group's risk tolerance is defined as the aggregate level and categories of risk that the Group is willing to accept or intends to avoid. It is established via a complementary set of qualitative statements and quantitative metrics. These statements concern the risk capacity and the risk tolerances, which are organised along the Group's key risks.

Risk capacity describes the maximum level of risk the Group can assume given the Group's capabilities and resources taking account of capital, earnings and liquidity constraints (financial risk capacity) as well as licencing requirements and the firm's reputational standing (regulatory and reputational risk capacity). The latter comprises the entire suite of applicable regulation and all relevant legal constraints in all relevant jurisdictions, which may go beyond jurisdictions where the Group is actively engaged.

The key components of the Group's RTF are illustrated by the following figure:



RISK GOVERNANCE

The Group has established a robust Risk Governance, involving several stakeholders across the organisation and various committees, functions and business units.

The Board of Directors (BoD) is responsible for establishing the strategic course of the Group and the guiding principles for the Group's corporate culture. It approves the Group-wide RMF and RTF. This ensures that risks are managed effectively at Group level and that suitable processes are in place.

Regular reporting enables the BoD to monitor whether the risk tolerance, policies, instructions and mandates are being complied with and whether they remain appropriate, given the Group's business model, risk profile and strategy. In addition, the BoD regularly reviews reports analysing the Group's risk exposure.

The Board of Directors has established the following committees to supervise specific risk management-related areas and to prepare topics for consideration by the complete board.

Governance & Risk Committee	• Developing and upholding principles of corporate governance as well as determining the overall concept and policy with regard to the Group's RMF • Monitoring of financial risks (including compliance with the rules governing equity capital, concentration risks and liquidity) and general handling of legal, regulatory and reputational risks
Audit Committee	• Examining and assessing compliance with laws and regulations, articles of incorporation, internal regulations and policies • Discussing the financial statements, the scope and quality of the audit work performed and the appropriateness of the internal control systems (financial and non-financial)
Compensation Committee	• Drawing up the remuneration principles, remuneration strategy and policies • Annually reviewing compensation elements and sharing ownership programmes by considering possible impacts of regulatory developments and stakeholder feedback
Nomination Committee	• Reviewing and approval of the required profiles of the executive board members (other than the CEO), the CRO and the Head Internal Audit • Assisting the BoD in the effective discharge of its responsibilities in accordance with applicable laws and regulations as well as principles of sound corporate governance

For further details, please refer to the Board of Directors section of this report.

The Executive Board (EBG) is overall responsible to develop and maintain the RMF and the RTF. It defines specific instructions with regard to risk management, implements the RMF and enforces that the Group's risk management practices are sound and in accordance with the business model, strategy plan, risk tolerances and the defined mitigating actions set therein.

The following committees enable the Executive Board to delegate decision-making in the daily course of business.

Information Security Committee	• Monitoring and supervising information security risks and related activities with the focus on confidentiality, integrity and availability of information • Responsibility for information security, IT security, physical security and BCM
Credit Committee	• Measuring and supervising credit risk • Developing of policies governing credit risk, passing resolutions of credit business and credit limits within its authorisation, delegating credit authority and sanctioning credit risk reports
Business Conduct and Risk Committee	• Reviewing and deciding on business conduct and risk standards, policies and procedures • Ensuring appropriate measures are in place for businesses with increased reputational, regulatory or compliance risks
Group Asset and Liability Management Committee	• Pursuing the Group's aims to ensure adequate liquidity and funding of activities and to optimise net interest earnings and present value of future cash flows • Steering, monitoring and developing management of the Group's financial assets and liabilities held in banking books or balance sheet in general
Transformation Committee	• Defining and overseeing and steering the Group's transformation roadmap • Providing strategic steering of multiyear transformation programmes and significant individual projects as well as acting as escalation body for intraproject issues
Sustainability Board	• Defines, oversees and steers the overall Corporate Sustainability and Responsible Investment strategy and roadmap of JB • Providing strategic guidance and ensure overall coordination, alignment and prioritisation of the Corporate Sustainability and Responsible Investment roadmap within the Group

For further details, please refer to the Executive Board section of this report.

Overall responsibility for the implementation of the Group's RMF lies with those members of the Executive Board of Julius Baer Group Ltd. with designated independent risk management duties – the Chief Risk Officer (CRO), the Group General Counsel (GGC) and the Chief Financial Officer (CFO).

The CRO division develops and oversees the global framework for risk identification, assessment, management, monitoring and reporting within the risk tolerance for the various business activities for the Group, aiming at sustainable growth of the franchise. It accomplishes this mission by being an independent partner in constructively challenging the business activities from a risk management perspective.

The CRO division is responsible for the control of market risk (trading book and banking book), treasury risk (liquidity and financing risk of the banking book), operational risk as well as compliance and legal risk. Additionally, the CRO division oversees the interaction between risks and supports mitigation of risks together with other divisions. The CRO coordinates his activities with regard to legal risk (incl. regulatory risk) matters with the GGC.

The CFO division oversees the Group's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up. It is also responsible for balance sheet, capital, funding and liquidity management and the management and oversight of credit risks. The CFO's duties thus include maintaining a sound ratio of eligible capital to risk-weighted positions and ensuring that sufficient liquidity is available. In doing so, the division maintains monitoring systems to ensure compliance with supervisory regulations on the above topics.

RISK LANDSCAPE, STRESS TESTING AND RISK REPORTING

In order to make risks transparent and to put them into perspective, a Risk Landscape is compiled annually and is continuously maintained. This stress risk assessment strives to identify the major risks, to quantify the potential losses of these risks and to put them into relative perspective. By using a top-down as well as a bottom-up approach, impact and probability of occurrence of main risks are quantified, taking into account the effectiveness of underlying controls and mitigating measures. The Risk Landscape is used also within the strategic planning process of the Group.

Stress testing may be conducted regularly or ad hoc both on a singular business or risk level (to assess the exposure in certain areas of the business or in specific risk categories) as well as for single entities or Group-wide. It allows to estimate the potential impact on income, capital or liquidity (or other aspects if deemed relevant) resulting from significant changes in market conditions, credit environment, liquidity demands or other risk factors. All stress-testing activities are developed with input from a broad range of stakeholders, and results are integrated into management decision-making processes for capital, market risk limits, credit risk strategy and funding strategy. Group-wide stress testing is integrated with both the strategic and financial planning processes. There are three types of stress testing:

- Standardised stress testing procedures are applied to assess the viability of the business under less favourable conditions and are used as input for the formulation and implementation of preparative and contingency activities.
- Reverse stress testing aims to identify scenarios which might be particularly harmful for the Group. Whereas regular stress testing analyses the potential outcome of (historical or hypothetical) scenarios, reverse stress testing reveals potential causes of severe harm to the institution. Such reverse stress testing is performed at least annually in the context of the review of the Risk Landscape.
- Topical stress testing is being applied for a variety of specific topics to gain assurance that preventive, detective and responsive measures to defined scenarios are adequate.

The following financial risks are regularly stress-tested and are reported on a regular basis to the EBG and BoD:

- Credit risk: pledged portfolios (consisting of securities, precious metals, derivative exposures, OTC interest options/swaps, Foreign Exchange ['FX'] margins) are stress-tested twice a year to assess potential negative market impact on the Lombard credit book. The negative impact on the mortgage book is evaluated by reducing the assigned property market value and stressing additionally pledged assets (e.g. pledged insurance policies, pledged portfolios, etc.).
- Market risk: on a daily basis, a set of granular and standardised scenarios are calculated and the results are measured against a set of limits. Further, once per week, historical stress tests serve as a source for insight of the risks in the trading book.
- Treasury risk: on a daily basis, liquidity stress tests serve to assess the liquidity posture of the Group.

Stress testing of non-financial risks is performed at least annually as part of the Group Risk Landscape process.

- Operational risk, compliance and legal risk as well as strategic, business and reputational risk are assessed and reported within a structured process concentrating on the major risks relevant for the Group. The compilation of such risks follows a stress scenario assumption, e.g. focusses on events which may happen, but only rarely, and whose severity, upon happening, is exceptionally high. In aiming to quantify the risks along the two dimensions 'probability of occurrence' and 'impact', a precedence of such risks is established allowing for focusing the discussion on the most relevant topics. In addition, the estimated losses are being used in reverse stress testing of the risk capacity.

As a key component of an effective risk framework, risk reporting is used to understand, monitor, manage and mitigate risks and escalate them to the senior management. It mainly aims at informing the respective levels of management up to the BoD and the EBG on the overall risk profile, particular risk exposures as well as the levels of the Group's financial ratios and capital and risk indicators. It takes place in the form of regular financial risk and key ratios reports prepared by the CRO and CFO throughout the year.

The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas. They are generally catered to provide reassurance on the adherence to risk tolerance, to provide escalation on respective non-adherence and to provide early warnings for exposures to approach of risk levels, which may in turn exceed the Group's RTF.

The Governance & Risk Committee and the Audit Committee are periodically (at least quarterly) informed by EBG about the general risk situation through the Group Quarterly Risk Report prepared by the CRO. Once a year, the Group Quarterly Risk Report is also discussed in the BoD. Additionally, Management informs the BoD immediately in case of exceptional events. The Group allocates a sufficient level of resources to risk monitoring against approved risk limits. Processes are established for reporting changes in risks to the relevant management bodies and risk committees. This enables the BoD and the EBG to review their risk and crisis management frameworks early to implement new regulatory requirements, expand risk and crisis capabilities, and improve efficiency.

With regard to reporting of the adherence to risk tolerance thresholds, exposure reporting for risk tolerance metrics is integrated in the Quarterly Risk Report to the Governance & Risk Committee.

RISK CULTURE

The Group recognises that successful risk management requires a combination of a sound risk culture, organisation and supporting processes as well as controls.

A sound risk culture consistently supports appropriate risk awareness, behaviours and judgements when dealing with risks within the RMF and RTF. A sound risk culture bolsters effective risk management, promotes sound risk-taking, and strives to ensure that emerging risks or risk-taking activities beyond the Group's risk tolerance are identified, assessed, escalated and addressed in a timely manner.

To support alignment of behaviour with the objectives of the Group, the Group focuses on four levers to shape the risk culture:

- Strong leadership and tone from the top: The Board and senior management communicate clear expectations in managerial standards with respect of risk-taking and management, as well as leadership culture, transparency, collaboration, responsibility and accountability on all levels. The Board of Directors and the EBG set the Group's Code of Business Conduct which outlines the principles of Care, Passion and Excellence to guide employee behaviour.
- Accountability and clear roles and responsibilities: The Group strives to ensure that clearly defined roles, responsibilities and accountability for specific risks and risk areas are in place in each of the three lines of defence (outlined in further detail below). The Group's governance structure supports the delivery of appropriate behaviour, accountability and effective management of risks.

- Effective communication and challenge: The Group fosters a culture of open communication and effective challenge in which decision-making processes encourage a range of views, allow for testing of current practices, stimulate a positive, critical attitude among employees and promote an environment of open and constructive engagement.
- Employee life cycle and incentives: Employees are rewarded for excellent performance as well as for ensuring regulatory compliance and exemplary behaviour that will promote the long-term sustainable success of the organisation.

To support good practices and reinforce a sound risk culture, clear consequences are defined through performance management, compensation and disciplinary actions should an employee's behaviour contribute to a financial loss, reputational damage, a breach of fiduciary duty or represent a policy infringement. In particular, relationship managers and wealth management team heads are subject to the Client and Conduct Excellence process, which supports the alignment of employee behaviour with the Group's target risk culture.

The procedures dealing with policy breaches by employees are defined in a separate policy and regulation breach process to ensure a standardised global approach to sanction non-compliant behaviour as well as policy and regulation infringements. The process aims to

- ensure quality of decision and fair treatment of all employees,
- conduct consolidated analyses and reports with the objective of identifying and preventing systemic risks,
- provide transparent information about the impact of non-compliant behaviour respectively policy and regulation breaches to employees, and
- ensure data protection and privacy.

Depending on the severity of the non-compliant behaviour, a variety of measures can be imposed, such as reprehension, reprimand, warning, promotion ban, financial sanction or termination of work contract.

The above-mentioned cultural principles serve as basis for the three core values, which are laid out in the 'Code of Business Conduct', the guiding principles for all people representing the Group:

- Care: The Group cultivates mutual respect, understanding and sustainable relationships with its clients, employees and the communities in which it does business.
- Passion: The Group is passionate about its business in all its facets and strives for continual betterment. It shapes a culture of openness, enthusiasm and curiosity that inspires diligent entrepreneurship.
- Excellence: The Group takes a client-centric approach in everything it does and provides best-in-class services. It empowers its employees and invests in their further development to foster a consistent level of excellence. As a result, it shall be the international reference in wealth management.

The Group has adopted the 'Three Lines of Defence' model as a guiding organisational framework for managing risk in the functions operating across the Group. This encompasses the Internal Control System ('ICS'), which is, amongst others, the sum of controls and processes that operate across the three lines of defence to ensure that risk is being incurred in a deliberate and disciplined manner.

The Group seeks to follow an approach of assigning clear accountability in identifying, assessing, managing, monitoring and reporting risks. In doing so, the Group has implemented and continues to strengthen the three lines of defence model across its global business operations.

The 'Three Lines of Defence' model is defined according to the following key principles:

The 'Three Lines of Defence' model

Functions operating across the Group

First Line of Defence

- Comprises revenue-generating functions and other business units that incur risk
- Function heads are accountable for the risk that is being incurred in these functions
- Controls are operated to detect and prevent risk

Second Line of Defence

- Comprises independent control functions
- Responsible for overseeing the activities of the business and providing challenge
- Reviews the performance of first-line controls and operates independent controls

Third Line of Defence

- Comprises Internal Audit
- Responsible for performing periodic assurance to determine whether the first and second line are operating in accordance with their respective mandates
- Independent of first and second lines of defence

Internal Control System

CREDIT RISK

Credit risk is the risk of financial losses due to a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Group or to an individual Group company.

The Group's focus either is to lend money to its wealth management clients on a collateralised basis in form of Lombard lending or mortgages in combination with core business.

Professional Counterparty Exposure
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 used to mitigate exposures further. As a result, the vast majority of the replacement values of the exposure arising from trading transactions are covered by collateral. The Group places excess liquidity with central banks. It also makes short-term money-market placements with banks and invests in high quality, repo-eligible bonds and secured debt instruments issued by governments, public institutions, banks and corporations.

The Group has implemented a workflow system for managing and monitoring credit risks in the due from banks book. Several controls are incorporated in the system to ensure timely risk management and granting of credit facilities according to delegated credit approval authorities. Credit approvals are processed using a four-eye principle. Approval authorities are continuously kept up to date taking into consideration a number of factors such as risk type, counterparty risk rating and exposure. The credit risks associated with all the counterparties and issuers are subject to a wide range of rules and limits. These ensure that the Group's consolidated credit exposure, both on a single-counterparty and a counterparty-group basis,

- is not subject to concentration by exposure type
- is not disproportionate to the size, shareholders' equity and scale of business of the counterparty
- is clearly within the Group's risk capacity and the applicable regulatory limits.

The Group settles a substantial proportion of its trading and derivatives business indirectly through central counterparties (CCPs). The credit risks associated with CCPs are negligible, because the Group works through a variety of specialised service providers and therefore generally does not directly participate in the clearing systems concerned.

Given the focused nature of its activities, the Group is not exposed to any material correlation risk or wrong way risk (i.e. the risk which arises when exposure to a counterparty is negatively correlated to its credit quality). Furthermore, the Group holds cash collateral for the majority of the counterparty risk arising from its open derivatives positions. The Group's securities lending business policies explicitly prohibit transactions involving correlation risk.

The Group has a general policy of avoiding group-rating triggers in its collateral agreements for derivatives transactions. As a result, were its rating to decline below a given level, the Group would not be required to provide additional collateral.

Lombard lending

The Group has a policy of lending to wealth management clients on a collateralised basis. The credit risk results from lending activities as well as actual and future receivables due to the Group.

The Group uses credit risk models and frameworks to assess the riskiness of its portfolio in line with the respective lending policies. On that basis, conservative lending values are set as a percentage of the collateral market value. Advanceable rates can be determined or adjusted for a specific security or for individual clients.

Every counterparty with a credit line is assigned an internal credit rating. The risk rating reflects the underlying credit risk and primarily depends on the collateral provided by the counterparty, collateral concentration and client-specific conditions. In the case of the rating classes R1 to R6 (neither past due nor impaired), the outstanding balances are serviced; the advancable value of the collateral (at fair value) pledged for collateralised exposures equals or exceeds the balances, and repayment of the balance is not in doubt. Balances in rating class R7 are past due, but the exposure is still covered by collateral. For balances in rating classes R7 to R10, loss allowances are established on a case-by-case basis.

The risk rating for the counterparty's limit size also determines the approval authority level, the monitoring and review frequency.

The Group's objective is to achieve a growth in Lombard lending commensurate with the evolution of its wealth management business. To that end, the Board of Directors for example defines corridor values for credit penetration (the ratio of lending to assets under management). In addition, the Group has implemented a set of regularly reviewed limits for the ongoing management and systematic monitoring of various credit risk concentrations in the Lombard business in line with its risk strategy. This includes limits related to single asset collaterals, client groups, geographical (on country-of-risk level) or risk rating concentrations; all of these limits have the same significance and are adhered to equally. Any breach of the limits becoming apparent would be dealt with in line with the general risk governance policy described above. Furthermore, management triggers exist for these limits, which allows the management to take the necessary actions at an early stage in order that any potential breach can be avoided. However, none of the internal risk limits has been exceeded during the business years 2019 and 2018; moreover, the current exposures are well below the set limits for all risk concentrations.

Additionally, an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically, is in place. The maximum ratio has not been exceeded during the business years 2019 and 2018.

Regular and ad hoc stress testings are performed. These are calibrated to reflect the prevailing market and political situation. The results are reviewed by the credit-monitoring units and reported to the relevant decision-making committees. All distressed and non-performing loans are identified at an early stage and managed proactively. Collateral shortfalls (e.g. margin calls) are processed on a daily basis and prioritised according to their severity.

The Group has implemented a workflow system for managing and monitoring Lombard risks. The system draws the relevant position data from the bookkeeping systems of Group companies which grant loans. The system is able to enrich this data with credit-specific information and to consolidate it with data on client and counterparty positions from the various booking centres. Several controls are incorporated in these systems. All Lombard risks are monitored daily, as are current limit usage and the quality of the collateral pledged. In addition, for clients with derivatives positions whose exposure requires intraday monitoring, real-time systems are also available.

Mortgages
The Group grants mortgages to wealth management clients in Switzerland and in a limited number of international locations. The properties pledged are assessed and valued individually as part of the risk management process. These valuations are carried out based either on a factor model or by qualified internal and external appraisers. Maximum mortgage amounts are determined based on the characteristics of each property and client. An additional financial sustainability assessment is also carried out before a mortgage is granted.

In many cases, supplementary collateral in form of securities is required in addition to the pledged property itself. Every mortgage is assigned a risk rating. The rating reflects the underlying credit risk which primarily depends on the counterparty assessment and the property. The risk rating for the requested limit size also determines the approval level and review frequency. The Group tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

The Group conducts regular stress tests with different scenario size depending on the location and ad hoc portfolio analysis to assess potential negative market impacts on the Mortgage book. In addition, a set of limits is implemented to manage credit risk concentrations.

The Group has implemented workflow systems for monitoring and managing credit risks in the Mortgage book. Several controls are incorporated in these systems to ensure timely registration and collateral valuation, the granting of credit facilities according to delegated credit approval authorities, and formalised monitoring procedures.

MARKET RISK

Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors.

It could be further separated into:

– Trading market risk, resulting from trading book transactions, being pursued with the intention of benefiting from actual or expected differences between the opening and closing price of proprietary positions, with the intention of benefiting from arbitrage profits, or with the intention of hedging risks from positions meeting aforementioned criteria.
– Non-trading market risk, resulting from the management of financial assets and liabilities held in the Group's banking books with exposures mainly to interest rate risk, currency risk, credit spread risk, and equity risk.

The Group assumes market risk exposure through activities of the divisions Markets (trading market risk) and CFO (non-trading and trading market risk in the Treasury department) as well as through the purchase of subsidiaries and associates and financial assets measured at FVOCI, triggered by the authorised body.

A control environment for market risk has been implemented and integrated into key business processes. The market risk function for the Group is assumed by an independent unit reporting to the Head Risk Management who reports to the Chief Risk Officer of the Group. Market risk functions of Group entities have a functional reporting line to the central market risk unit at Head Office to assure global risk aggregation and application of Group standards in all Group entities. This ensures that products are approved in line with the strategy and risk tolerance, limits are in place and adhered to, front-to-back reconciliation processes are in place, and the valuation of positions follows a fair value approach.

Identification of trading and non-trading market risks is based on a strict product approval process including the assessment and validation of models, implementation in trading and risk systems to assure caption of all risk components. A regular review of positions and models in trading and banking books assures an ongoing identification of new risks or the need for changing models or processes.

All risk reports in the area of market risk are produced daily on a consolidated basis and reported to the responsible Executive Board members. On a monthly basis, an integrated market risk report is provided to the Executive Board and the Group's Asset Liability Committee. The Governance & Risk Committee of the Board of Directors is informed quarterly about market risk exposures.

Trading-book market risk is primarily measured by the position-keeping and risk management systems used by the trading department. In addition, these positions are also independently measured by the market risk function. This unit uses a central IT system which is continuously developed and expanded. The system supports the calculation of the market-risk and scenario-analysis metrics used. These results are analysed on a daily basis and limit controls are carried out. Any breach of these limits is investigated in a timely fashion. That system also forms the basis for the external regulatory reporting.

The interest rate and liquidity stress risk of the banking book is measured by a global risk management and reporting platform. Every day, the positions are independently measured in an IT system maintained by the Treasury Risk Control unit and reported back to the Group companies with substantial risks on their books. The local treasury and risk control units are responsible for local implementation and adherence to limits. The Group Treasurer has continuous access to the Group's consolidated positions and can manage them on a Group-wide basis. The relevant data is drawn from the bookkeeping systems for the Group companies' banking books. The system supports the calculation of the usual interest rate risk and liquidity stress metrics. These results are analysed on a daily basis, and limit controls are carried out. Any breach of these limits is investigated in a timely fashion.

The Group performs market risk portfolio analyses and stress testing on a regular basis as well as in relation to specific events. Efforts are made to ensure that the net effect under various stressed conditions is taken into account in the risk assessment and monitoring processes. The purpose of market risk stress testing is to

- assess the adequacy of the Group's financial resources for periods of severe stress and develop contingency plans for the Group if the need arises,
- promote risk identification and add further insight into the need for setting new limits, and
- serve as a supplement to the ongoing quality assurance for market risk management practices.

The stress-testing programme provides additional perspectives on market risk by applying multiple methodologies to scenarios with various degrees of severity. The complexity of the methodologies ranges from simple sensitivity analyses to complex scenario stress testing (as required to meet the purpose of the stress test).

Various policies and controls are in place to manage market risk. The Group uses a variety of metrics and models to measure and control market risk exposures. Limits are set using these models, reflecting the Group's risk tolerance, including:

- Value at risk limits
- Scenario and sensitivity limits
- Nominal/market value limits, sensitivity ('Greek') limits
- Stress scenario limits
- Stop loss limits and / or profit and loss volatility limits
- Intraday limits

The Group also develops and maintains internal models that are used for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices. These models are independently certified and regularly reviewed based on a risk-materiality assessment.

Non-trading market risk models are subject to regular reviews:

- Scenario model to assess the risk of losses caused by interest rate moves on balance sheet mismatch positions and/or model risk arising from assets or liabilities with no fixed maturity
- Scenario model to assess the risk of losses on the balance sheet FX exposure due to unfavourable currency movements
- Scenario model to assess the credit spread risk due to the change in credit risk premium required in the market for a given credit quality of an investment

Regulatory back-testing is performed daily to document the performance of the internal VaR model. Risk and pricing models are independently validated prior to implementation and are subject to formal periodic review.

TREASURY RISK

Treasury risk consists of financing and liquidity risk.

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. is responsible for the Group's liquidity and funding activities. This includes executing the funding plan and managing the liquidity reserve. Liquidity management is centralised and conducted on a consolidated basis to ensure regulatory compliance at the Group level and compliance with internal requirements.

The Market Risk and Product Control unit as part of the Risk Management department validates and challenges the models and assumptions used by the first line of defence for reporting risk measures.

Treasury risk is inherent in basic banking activities such as accepting deposits and providing loans and credits. The transformation of short-term deposits into long-term loans exposes banks to maturity mismatches that cannot be eliminated. The Group manages this liquidity risk by holding sufficient liquidity to meet its obligations and follow its strategies – in particular regulatory obligations, business plans and rating ambitions – even in stressed situations. In managing its financing risk, the Group aims to ensure that it has access to appropriate sources of financing at all times. At present, the Group's activities are largely financed by client sight deposits. Given its active participation in the interbank market, the Group would, however, quickly be able to access additional sources of refinancing at any time. In addition, the Group issues various bonds.

The Group manages its liquidity on a daily basis by using a combination of risk indicators, risk triggers and risk policy. The key elements of the liquidity and financing risk framework are:

- Measurement of risk by using appropriate models
- Liquidity ratios and limits
- Stress testing
- Fund transfer pricing system
- Reporting

To identify risks and assure adherence to the liquidity and financing risk framework, the Group follows:

- a new product approval process assuring that any new business or product is assessed by all stakeholders;
- a daily analysis of positions by risk management; and
- a regular review of models used in the measurement of liquidity and financing risks.

The assessment of liquidity and financing risks is primarily drawn from stress testing results. The Group has a liquidity stress testing model in place that runs regular liquidity stress tests and enhanced liquidity stress tests taking into consideration longer time periods, currency shocks or contingent liquidity risks. While the Group recognises that stress testing and the modelling of future cash flows are subject to model uncertainty, the liquidity stress testing approach captures both funding liquidity risk (e.g. 'bank run' scenarios where an entity may not be able to meet its short-term liabilities) and asset liquidity risk (e.g. the risk that assets valuations may be subject to large haircuts in value).

The Group's liquidity risk management includes incentive measures to maintain a sound balance of short-term liabilities vs. the size of its balance sheet. Furthermore, delegated to the Treasury department, liquidity risk management seeks to ensure that sufficiently large liquid assets are in place (and available for drawdown in normal markets and stressed markets).

Further, the Group's liquidity risk management arrangements set out an emergency plan which forms an integral part of its global crisis concept. This emergency plan includes an overview of alternative sources of financing and liquidity metrics, as well as a range of emergency measures.

The stress testing models and parameters are annually reviewed and approved by the Group's Asset Liability Committee.

Various policies and controls are in place to manage treasury risk. The Group Funding Liquidity Manual outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Group, and complements the Group Liquidity Risk and Funding Policy. The manual contains the Group Liquidity Contingency Plan, which would be deployed in the event of a severe deterioration of the Group's liquidity situation. The contingency plan defines responsibilities and lists potential liquidity-generating measures to be evaluated on a case-to-case basis.

Additionally, Group subsidiaries and branches may have issued local Liquidity Manuals and Contingency Plans.

The risk management and measurement of liquidity and financing risks is based on the following risk metrics:

- Liquidity stress tests
- Liquidity Coverage Ratio (LCR). For additional information to the LCR, refer to the separate Basel III Pillar 3 Report, published in the Financial Reporting section of the www.juliusbaer.com website (this will be available at the end of April 2020)
- Net Stable Funding Ratio (NSFR)
- Funding gap analysis
- Funding concentration analysis
- Early warning indicators

NON-FINANCIAL RISK

The Group is subject to various non-financial risks by providing services to clients and counterparties, by receiving services from third parties and by operating in a regulated industry.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud.

Compliance risk is the risk of financial loss or damage resulting from a breach of applicable laws and regulations or the non-adherence to internal or external rules and regulations or market practice. The loss or damage in such circumstances may take the form of fines and/or disgorgement imposed by regulatory and/or criminal authorities or other sanctions such as restrictions on business activities, the imposition of mandatory remedial measures (including monitoring) or even the loss of license.

Legal risk essentially comprises default and liability risk. Default risk is defined as the risk of loss or damage resulting from an entity being unable to enforce existing or anticipated rights against third parties. Liability risk, on the other hand, arises when an entity, 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.

Strategic risk is defined as the risk of employing a strategy that fails to secure the adequate returns available from the capital employed in the long run. The Group is exposed to strategic risk in the pursuit of its growth strategy. It may arise from strategic decisions such as joint ventures, mergers and acquisitions, the pricing strategy and strategic recruiting or the lack of making timely decisions.

Business risk relates to the risk of unfavourable fiscal, economic, competitive, legal or regulatory changes in the markets. The Group is exposed to business risk in the pursuit of its business model of pure wealth management.

Reputational risk describes the risk that the reputation the Group has with its stakeholders (including regulators, shareholders, clients, employees and the general public) deteriorates and the trust in its franchise and brand value is negatively influenced. The reputation may deteriorate due to cases in which stakeholders' perception of the Group differs negatively from their expectations. Negative sentiment about an institution's business practices can involve any aspect of its operations, but usually relates to topics of business ethics and integrity, or quality of products and services. The Group considers its reputation as the most important asset and the hardest one to re-establish in case of an unwanted deterioration. Thus, the Group does not take extreme positions regarding tax, regulatory, political or suitability risks. Transactions that would compromise its reputation should it become public is, by definition, an unacceptable risk to the Group.

The Group has defined the underlying risk management processes for every risk type along a Risk Management Cycle.

The continuous identification (step 1) of relevant risks is a key risk management activity. This relates to both emerging threats/risks as well as to increasing risk profiles. New risks may arise by developing and launching new products and services, a change in the regulatory landscape or a change to the business model.

The assessment (step 2) of identified risks consists of the analysis and quantification of the inherent risk, the control risk and finally the residual risk along defined risk management principles and methods. It also includes the development, testing and validation of models to measure risks, as well as stress testing procedures to assess and measure risks in pre-defined scenarios.

The day-to-day risk management (step 3) has to ensure an adequate response to identified risks and the set risk tolerance. It includes all activities from risk evaluation to the definition of risk mitigation measures, which aim to prevent or reduce risks and damages, e.g. the setting of standards and controls, education and training, automation of processes, and the implementation of standards, limits and metrics.

Monitoring activities (step 4) include the performance of control activities or quality assurance procedures on implemented standards and controls to ensure that the risk profile and exposure is kept within the risk tolerance, e.g. via risk metrics (KRIs or KPIs) and limits.

The reporting (step 5) supports all hierarchy levels to have a transparent and accurate overview of the underlying risk profile and risk exposure. This includes also the timely escalation in case of breaches of set risk tolerances. The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas.

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

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

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

In 2019 (and 2018), the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 30A provides an overview of the Group's consolidated companies.

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

The Basel III international standard approach requires CET1 equivalent to at least 4.5% of risk-weighted assets, plus a CET1 capital buffer of 2.5%, plus 1.5% of additional tier 1 (AT1) capital (or better-quality capital), plus 2% of supplementary tier 2 capital (or better-quality capital). In aggregate, this amounts to an overall capital requirement of at least 10.5% of risk-weighted assets. FINMA minimum capital requirements for the Group are 7.8% for CET1, 1.8% for AT1 and 2.4% for tier 2, which puts its overall minimum capital requirement at 12% of risk-weighted assets. At present, the Group is also required to hold an anticyclical CET1 capital buffer for mortgages on residential properties in Switzerland and an additional anticyclical CET1 capital buffer for commitments outside Switzerland. Taken together, these add a further 0.4% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2019 and at 31 December 2018 was sufficient to meet the relevant BIS and FINMA requirements and internal capital buffers set by the EBG and BoD.

Capital ratios

	31.12.2019 *Basel III* *CHF m*	31.12.2018 *Basel III* *CHF m*
Risk-weighted positions		
Credit risk	**13,749.3**	14,527.7
Non-counterparty-related risk	**612.9**	352.8
Market risk	**670.8**	1,245.1
Operational risk	**5,461.7**	5,212.8
Total	**20,494.6**	21,338.4
Eligible capital		
CET1 capital	**2,876.7**	2,731.2
Tier 1 capital	**4,420.9**	3,933.0
of which hybrid tier 1 capital instruments[1]	***1,544.2***	*1,201.8*
Tier 2 capital	**100.8**	58.2
Total capital	**4,521.7**	3,991.2
CET1 capital ratio	**14.0%**	12.8%
Tier 1 capital ratio	**21.6%**	18.4%
Total capital ratio	**22.1%**	18.7%

[1] The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2014, 2015, 2016, 2017 and 2019 (issued in June 2019).

Further details regarding tier 1 capital instruments can be found in the Capital Instruments section of www.juliusbaer.com. Also refer to debt issued, Note 15.

The principal adjustment to the Group's total equity under IFRS for the purpose of determining total eligible capital is the deduction of intangible assets. These and other capital components are shown in the following table. In addition to the table below, a separate Basel III Pillar 3 Report has been prepared which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 31 December 2019. This report, which is published in the Financial Reporting section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure of the composition of eligible regulatory capital and will be publicly available at the end of April 2020.

Capital components

	31.12.2019 *Basel III* *CHF m*	31.12.2018 *Basel III* *CHF m*
Gross common equity tier 1 capital	**6,198.6**	6,041.9
of which non-controlling interests	***9.2***	*1.9*
Goodwill and other intangible assets	**-2,841.8**	-2,902.3
Other deductions	**-480.1**	-408.4
Common equity tier 1 capital	**2,876.7**	2,731.2
Tier 1 capital instruments	**1,544.2**	1,201.8
of which tier 1 bonds (Basel III-compliant capital instruments)	***1,544.2***	*1,201.8*
Additional tier 1 capital	**1,544.2**	1,201.8
Tier 1 capital	**4,420.9**	3,933.0
Tier 2 capital	**100.8**	58.2
of which other tier 2 capital	***100.8***	*58.2*
Total capital	**4,521.7**	3,991.2

Required capital (see table below) for credit risks arising from amounts due from banks, loans, financial assets measured at FVOCI and derivative financial instruments accounts for more than 67% (2018: 68%) of the total required capital. Capital required for non-counterparty risk (2019: 3%; 2018: 2%) and market risk (2019: 3%; 2018: 6%) is of minor significance. The capital required to cover operational risk accounts for 27% of total required capital (2018: 24%).

Minimum capital requirement

	31.12.2019 *Basel III* *CHF m*	31.12.2018 *Basel III* *CHF m*
Credit risk	**1,099.9**	1,162.2
Non-counterparty-related risk	**49.0**	28.2
Market risk	**53.7**	99.6
Operational risk	**436.9**	417.0
Total	**1,639.6**	1,707.1

LEVERAGE RATIO

In addition to the existing requirement for banks to hold eligible capital proportionate to their risk-weighted assets, the leverage ratio is a non-risk-based metric. The leverage ratio is defined as the ratio between eligible (tier 1) core capital and total exposure. Total exposure encompasses all balance sheet and off-balance sheet positions, and the 'Leverage Ratio' circular defines how these are to be calculated. The minimum leverage ratio requirement is three percent for 2019 (and 2018).

Basel III regulations also require the publication of the leverage ratio. The relevant qualitative and quantitative information is contained in a separate disclosure report (Basel III Pillar 3 Report). The report will be published on the www.juliusbaer.com website and will be available at the end of April 2020.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

NOTE 1 NET INTEREST INCOME

	2019 *CHF m*	2018[1] *CHF m*	Change *%*
Interest income on amounts due from banks	**62.4**	66.1	-5.6
Interest income on loans	**949.5**	882.9	7.5
Interest income on debt instruments at FVOCI	**258.1**	232.3	11.1
Negative interest received on financial liabilities	**23.1**	18.1	27.6
Interest income on financial instruments measured at amortised cost or FVOCI	**1,293.1**	1,199.5	7.8
Interest expense on amounts due to banks	**28.1**	27.6	1.9
Interest expense on amounts due to customers	**370.1**	251.9	46.9
Interest expense on debt issued	**69.8**	67.1	4.1
Negative interest paid on financial assets	**26.4**	47.6	-44.6
Interest expense on lease liabilities[2]	**6.5**	-	
Interest expense on financial instruments measured at amortised cost	**500.9**	394.1	27.1
Total	**792.2**	805.3	-1.6

[1] The 2018 numbers have been aligned to the improved structure of interest and dividend reporting related to financial instruments measured at FVTPL.
[2] In line with IFRS 16, which has been applied for the first time in 2019, interest expense on the lease liability is part of the net interest income.

NOTE 2 NET COMMISSION AND FEE INCOME

	2019 *CHF m*	2018 *CHF m*	Change *%*
Advisory and management fees	**1,429.3**	1,420.6	0.6
Brokerage commissions and income from securities underwriting	**609.5**	622.9	-2.1
Commission income from credit-related activities	**9.4**	7.6	22.7
Commission and fee income on other services	**91.4**	80.2	14.0
Total commission and fee income	**2,139.6**	2,131.3	0.4
Commission expense	**216.6**	228.5	-5.2
Total	**1,922.9**	1,902.9	1.1

NOTE 3 NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FVTPL

	2019 *CHF m*	2018[1] *CHF m*	Change %
Net gains/(losses) from debt instruments and foreign exchange	**491.0**	466.2	5.3
Net gains/(losses) from equity instruments	**127.1**	177.9	-28.5
of which dividend income	***187.8***	*178.1*	*5.5*
Total	**618.1**	644.1	-4.0

[1] The 2018 numbers have been aligned to the improved structure of interest and dividend reporting related to financial instruments measured at FVTPL.

NOTE 4 OTHER ORDINARY RESULTS

	2019 *CHF m*	2018 *CHF m*	Change %
Dividend income on equity instruments at FVOCI	**17.5**	7.0	150.1
Result from disposal of debt instruments at FVOCI	**9.9**	-11.0	189.4
Income from investments in associates	**0.7**	1.9	-63.7
Real estate income	**6.5**	6.5	0.2
Other ordinary income	**24.8**	17.1	44.8
Other ordinary expenses	**0.7**	3.0	-77.9
Total	**58.7**	18.5	217.1

NOTE 5 PERSONNEL EXPENSES

	2019 *CHF m*	2018 *CHF m*	Change %
Salaries and bonuses	**1,272.0**	1,271.3	0.1
Contributions to staff pension plans (defined benefits)	**82.5**	78.2	5.5
Contributions to staff pension plans (defined contributions)	**37.7**	35.1	7.6
Other social security contributions	**101.6**	107.0	-5.0
Share-based payments	**79.1**	78.4	0.9
Other personnel expenses	**43.3**	51.5	-15.9
Total	**1,616.2**	1,621.4	-0.3

NOTE 6 GENERAL EXPENSES

	2019 *CHF m*	2018 *CHF m*	Change *%*
Occupancy expense	**33.0**[1]	96.8	-65.9
IT and other equipment expense	**82.2**	76.9	6.9
Information, communication and advertising expense	**189.9**	196.5	-3.4
Service expense, fees and taxes	**316.2**	294.8	7.3
Provisions and losses	**213.9**	15.7	-
Other general expenses	**15.6**	7.7	102.3
Total	**850.8**	688.5	23.6

[1] The decline in 2019 relates to the new accounting for leases (IFRS 16).

NOTE 7 INCOME TAXES

	2019 *CHF m*	2018 *CHF m*	Change *%*
Income tax on profit before taxes (statutory tax expense)	**124.6**	196.7	-36.7
Effect of tax rate differences in foreign jurisdictions	**12.1**	-5.3	-
Effect of domestic tax rate differences	**21.0**	22.6	-
Income subject to a reduced tax rate	**-77.1**	-63.9	-
Effect of change in applicable tax rate on temporary differences	**-8.9**	-	-
Effect of utilisation of prior-year losses	**-3.5**	-3.5	-
Effect from unrecognised tax losses	**6.8**	16.5	-
Adjustments related to prior years	**12.4**	-28.3	-
Write-off of deferred tax assets	**1.6**	-	-
Non-deductible expenses	**12.3**	23.9	-
Actual income tax expense	**101.2**	158.6	-

The basis for the above table is the statutory income tax rate of 22% (2018: 22%), which corresponds to the average Group tax rate in Switzerland.

Unrecognised accumulated loss carryforwards in the amount of CHF 277.6 million (2018: CHF 282.6 million) exist in the Group that do not expire.

The Group applies management judgement in identifying uncertainties related to income tax treatments and the respective interpretations by local tax authorities. The Group operates in an international tax environment which has become more complex and challenging in recent years because of multinational (e.g., Base Erosion and Profit Shifting project by OECD/G20) and unilateral initiatives. Among others, the Group applies transfer pricing arrangements among different Group entities due to its cross-border operations to correctly align taxable profits with value creation. Therefore, the Group subsidiaries' tax filings in different jurisdictions include deductions related to such transfer pricing arrangements and the local tax authorities may challenge the applied tax treatment. However, based on its ongoing analysis of the tax regulations and the respective application in the different locations as well as the benchmarking process, the Group is of the opinion that its transfer pricing arrangements will be accepted by the tax authorities. Moreover, the tax treatment of various items requires an interpretation of local tax law and practice in many jurisdictions to the best of the Group's knowledge. In addition, the Group books provisions where adequate to cover future potential tax liabilities such as in 2019 for the settlement of tax and related legal aspects in the context of ongoing discussions with Italian authorities about an alleged fiscal presence of Bank Julius Baer & Co. Ltd. in Italy. After considering the above, the Group is of the opinion that the tax expense and tax liabilities in the financial statements are adequate and based on reasonable judgements by tax professionals.

Adoption of Swiss corporate tax reform

On 19 May 2019, Swiss voters have approved the Federal Act on Tax Reform and AHV Financing ('TRAF'). It shall enter into force on 1 January 2020. The changes will not have a material impact on the tax liability in 2020 as the transformation of Julius Baer Group Ltd. out of the holding regime into the ordinary tax regime will be mostly absorbed by a general tax rate reduction in various Swiss cantons as well as new measures introduced as part of the TRAF. Additionally, the enacted tax rate reduction in certain cantons has been reflected in the deferred tax positions.

	2019 *CHF m*	2018 *CHF m*	Change *%*
Domestic income taxes	**34.2**	102.1	-66.5
Foreign income taxes	**67.0**	56.5	18.6
Total	**101.2**	158.6	-36.2

Current income taxes	**127.3**	129.0	-1.3
Deferred income taxes	**-26.1**	29.6	-
Total	**101.2**	158.6	-36.2

Tax effects relating to components of other comprehensive income

			2019
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	123.7	-15.1	108.6
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-10.3	0.9	-9.4
Net credit losses on debt instruments measured at FVOCI	-0.8	-	-0.8
Translation differences	-52.8	-	-52.8
Realised (gains)/losses on translation differences reclassified to the income statement	-0.2	-	-0.2
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	78.5	-11.8	66.6
Remeasurement of defined benefit obligation	-83.0	8.3	-74.7
Other comprehensive income	**54.9**	**-17.7**	**37.2**

			2018
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-71.4	10.1	-61.3
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	13.3	-1.1	12.2
Net credit losses on debt instruments measured at FVOCI	0.4	-	0.4
Translation differences	-60.9	-	-60.9
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	4.8	-1.1	3.8
Net realised gains/(losses) on equity instruments designated at FVOCI reclassified to retained earnings	-0.3	0.1	-0.3
Remeasurement of defined benefit obligation	10.6	-2.5	8.1
Other comprehensive income	-103.1	5.4	-97.7

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

NOTE 8 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

						31.12.2019
	Mandatory at FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	**Total** *CHF m*
Financial assets						
Cash	-	-	-	-	10,097.0	**10,097.0**
Due from banks	-	-	-	-	7,082.5	**7,082.5**
Lombard loans	-	-	-	-	39,507.5	**39,507.5**
Mortgages	-	-	-	-	8,919.8	**8,919.8**
Financial assets measured at FVTPL	13,776.2	-	-	-	-	**13,776.2**
Derivative financial instruments	1,630.7	-	-	-	-	**1,630.7**
Financial assets designated at fair value	-	305.0	-	-	-	**305.0**
Financial assets measured at FVOCI	-	-	12,934.2	232.0	-	**13,166.2**
Accrued income/other assets	-	-	-	-	396.5	**396.5**
Total	**15,406.9**	**305.0**	**12,934.2**	**232.0**	**66,003.3**	**94,881.5**
Financial liabilities						
Due to banks	-	-	-	-	3,160.0	**3,160.0**
Due to customers	-	-	-	-	72,913.1	**72,913.1**
Financial liabilities measured at FVTPL	613.8	-	-	-	-	**613.8**
Derivative financial instruments	2,120.8	-	-	-	-	**2,120.8**
Financial liabilities designated at fair value	-	13,281.1	-	-	-	**13,281.1**
Debt issued	-	-	-	-	1,893.0	**1,893.0**
Accrued expense	-	-	-	-	221.4	**221.4**
Other liabilities	-	-	-	-	28.7	**28.7**
Deferred payments related to acquistions	34.8	-	-	-	-	**34.8**
Total	**2,769.4**	**13,281.1**	**-**	**-**	**78,216.3**	**94,266.7**

						31.12.2018
	Mandatory at FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	Total *CHF m*
Financial assets						
Cash	-	-	-	-	15,835.5	15,835.5
Due from banks	-	-	-	-	9,228.8	9,228.8
Lombard loans	-	-	-	-	35,902.4	35,902.4
Mortgages	-	-	-	-	9,420.8	9,420.8
Trading assets	8,415.6	-	-	-	-	8,415.6
Derivative financial instruments	2,128.5	-	-	-	-	2,128.5
Financial assets designated at fair value	-	298.8	-	-	-	298.8
Financial assets measured at FVOCI	-	-	14,442.2	145.3	-	14,587.6
Accrued income/other assets	-	-	-	-	380.5	380.5
Total	10,544.1	298.8	14,442.2	145.3	70,767.9	96,198.3
Financial liabilities						
Due to banks	-	-	-	-	6,892.2	6,892.2
Due to customers	-	-	-	-	71,506.4	71,506.4
Trading liabilities	132.5	-	-	-	-	132.5
Derivative financial instruments	1,719.3	-	-	-	-	1,719.3
Financial liabilities designated at fair value	-	13,703.6	-	-	-	13,703.6
Debt issued	-	-	-	-	1,503.3	1,503.3
Accrued expense	-	-	-	-	240.6	240.6
Other liabilities	-	-	-	-	28.3	28.3
Deferred payments related to acquistions	54.0	-	-	-	-	54.0
Total	1,905.8	13,703.6	-	-	80,170.8	95,780.2

NOTE 9 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FVTPL

	31.12.2019 *CHF m*	31.12.2018 *CHF m*	Change *CHF m*
Financial assets measured at FVTPL			
Trading securities – debt FVTPL	**2,407.7**	2,078.6	329.1
of which quoted	***2,133.4***	*1,742.1*	*391.2*
of which unquoted	***274.3***	*336.4*	*-62.1*
Trading securities – equity FVTPL	**11,199.0**	6,337.0	4,862.0
of which quoted	***7,939.0***	*5,240.1*	*2,698.9*
of which unquoted	***3,259.9***	*1,096.9*	*2,163.0*
Other securities mandatorily measured at FVTPL	**169.5**	-	169.5
Total	**13,776.2**	8,415.6	5,360.6

	31.12.2019 *CHF m*	31.12.2018 *CHF m*	Change *CHF m*
Financial liabilities measured at FVTPL			
Short positions – debt instruments	**143.9**	10.2	133.8
of which quoted	***138.9***	*10.2*	*128.7*
of which unquoted	***5.1***	-	*5.1*
Short positions – equity instruments	**469.8**	122.3	347.5
of which quoted	***453.9***	*108.1*	*345.8*
of which unquoted	***16.0***	*14.2*	*1.7*
Total	**613.8**	132.5	481.3

NOTE 10 FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2019 *CHF m*	31.12.2018 *CHF m*	Change *CHF m*
Government and agency bonds	**5,016.6**	3,291.0	1,725.7
Financial institution bonds	**4,695.4**	7,113.0	-2,417.6
Corporate bonds	**3,222.2**	4,038.3	-816.1
Debt instruments at FVOCI	**12,934.2**	14,442.2	-1,508.0
of which quoted	***8,843.3***	*10,394.6*	*-1,551.3*
of which unquoted	***4,090.9***	*4,047.6*	*43.3*
Equity instruments at FVOCI	**232.0**	145.3	86.7
of which unquoted	***232.0***	*145.3*	*86.7*
Total	**13,166.2**	14,587.6	-1,421.3

NOTE 11 PROPERTY, EQUIPMENT AND LEASES

	Bank premises *CHF m*	Leases *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost				
Balance on 01.01.2018	415.0	-	236.0	651.0
Translation differences	-	-	-1.7	-1.7
Additions	3.8	-	31.7	35.5
Additions from business combinations	-	-	0.1	0.1
Disposals/transfers[1]	-	-	32.4	32.4
Balance on 31.12.2018	418.8	-	233.6	652.5
Adoption of IFRS 16	-	302.5	-	302.5
Balance on 01.01.2019	418.8	302.5	233.6	955.0
Translation differences	-	-	-1.0	-1.0
Additions	4.5	29.0	23.7	57.1
Additions from business combinations	-	-	0.6	0.6
Disposals/transfers[1]	-	-	15.1	15.1
Balance on 31.12.2019	423.3	331.4	241.8	996.5
Depreciation and impairment				
Balance on 01.01.2018	114.7	-	179.7	294.4
Translation differences	-	-	-1.0	-1.0
Charge for the period	11.7	-	26.8	38.5
Disposals/transfers[1]	-	-	32.2	32.2
Balance on 31.12.2018	126.4	-	173.3	299.7
Translation differences	-	-0.4	-0.8	-1.2
Charge for the period	11.1	63.7	25.2	100.0
Disposals/transfers[1]	-	-	14.8	14.8
Balance on 31.12.2019	137.5	63.3	182.9	383.7
Carrying value				
Balance on 31.12.2018	292.5	-	60.4	352.8
Balance on 31.12.2019	**285.8**	**268.1**	**58.9**	**612.9**

[1] Includes also derecognition of fully depreciated assets

The following information relates to the Group's lease activities:

	31.12.2019 *CHF m*
Amounts recognised in the income statement	
Depreciation charge	**63.7**
Interest expense on lease liabilities	**6.5**
Expense related to short-term/low-value leases	**4.3**
Total	**74.6**
Total cash outflows for leases (excluding short-term/low-value leases)	**65.8**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	**60.3**
One to five years	**186.2**
More than five years	**56.3**
Total undiscounted lease liabilities	**302.7**

NOTE 12 GOODWILL AND INTANGIBLE ASSETS

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Historical cost				
Balance on 01.01.2018	2,073.0	1,430.3	830.2	4,333.6
Translation differences	-22.2	-9.8	-0.9	-33.0
Additions	-	-	141.6	141.6
Additions from business combinations	42.0	30.6	0.1	72.8
Disposals/transfers[1]	-	-	35.3	35.3
Balance on 31.12.2018	2,092.9	1,451.2	935.7	4,479.7
Translation differences	-10.2	-6.3	-1.0	-17.4
Additions	-	-	136.5	136.5
Additions from business combinations	34.2	26.8	0.2	61.2
Disposals/transfers[1]	-	-	10.7	10.7
Balance on 31.12.2019	2,116.9	1,471.7	1,060.7	4,649.2
Amortisation and impairment				
Balance on 01.01.2018	-	1,077.5	383.7	1,461.2
Translation differences	-	-3.5	-0.4	-3.9
Charge for the period		73.8	51.8[2]	125.6
Disposals/transfers[1]	-	-	35.3	35.3
Balance on 31.12.2018	-	1,147.8	399.7	1,547.5
Translation differences	-	-2.9	-0.4	-3.3
Charge for the period	99.2	81.2	69.3[3]	249.7
Disposals/transfers[1]	-	-	10.7	10.7
Balance on 31.12.2019	99.2	1,226.2	457.8	1,783.1
Carrying value				
Balance on 31.12.2018	2,092.9	303.3	536.0	2,932.2
Balance on 31.12.2019	**2,017.7**	**245.5**	**602.9**	**2,866.1**

[1] Includes also derecognition of fully amortised assets
[2] Includes impairment of CHF 1.5 million related to software not used anymore
[3] Includes impairment of CHF 4.6 million related to software not used anymore

	Balance on 01.01.2019 *CHF m*	Additions *CHF m*	Impairment *CHF m*	Translation differences *CHF m*	**Balance on 31.12.2019** *CHF m*
Goodwill					
Julius Baer Wealth Management	1,636.7	-	-	-2.7	**1,634.0**
GPS/Reliance	138.8	-	-	-7.4	**131.4**
Kairos	317.3	-	99.2	-0.0	**218.1**
NSC Asesores	-	34.2	-	-	**34.2**
Total	2,092.9	34.2	99.2	-10.2	**2,017.7**

Goodwill – Impairment testing
To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generates cash inflows independently from other assets) and is subsequently compared to the carrying amount of that unit. Within the Group, cash inflows are not attributable to either any dimension (e.g. geographical areas, booking centres, clients or products) or group of assets. In addition, management makes operating decisions based on information on the Group level (see also Note 21 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Group, except for the subsidiaries GPS, Reliance, Kairos and NSC Asesores, which are tested on a stand-alone basis. GPS/Reliance, Kairos and NSC Asesores are each regarded a cash-generating unit (CGU) as their cash inflows are generated independently from other assets.

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

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

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows for the next five years, whereof the first three years are based on the detailed budgeting and the remaining two years on the less detailed mid-term planning (particularly net new money). The Group expects in the medium and long term a favourable development of the wealth management activities which is reflected in the respective growth of the key parameters, although the Group cannot exclude short-term market disruptions. The Group also takes into consideration its relative strength as a pure wealth management provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments which are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 8.8% (2018: 8.1%) for Julius Baer Wealth Management. For GPS/Reliance, the pre-tax discount rate used is 20.0% (2018: 22.3%), for Kairos, the pre-tax discount rate used is 12.5% (2018: 12.8%), for NSC Asesores, the pre-tax discount rate used is 18.3%. The discount rates used in the calculation represent the Group's specific risk-weighted rates for the respective cash-generating unit and are based, depending on the specific unit, on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

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

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

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions (i.e. discount rate and growth rate) would not result in the carrying amount significantly exceeding the recoverable amounts for the CGUs Julius Baer Wealth Management, GPS/Reliance and NSC Asesores.

Therefore, no impairment resulted from the ordinary analyses for those CGUs. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market and business-specific environment.

Kairos goodwill impairment
Kairos experienced underperformance in its funds in 2018 and a number of management departures in 2019 which caused outflows in the CGU's AuM. Based on the renewed business plan taking into account the above conditions, the value in use of the CGU dropped below the carrying value of the CGU. Hence, the Group recognised a partial impairment on the respective goodwill related to the CGU in the amount of EUR 90 million (CHF 99.2 million). The goodwill impairment has been recognised in the income statement line item amortisation and impairment of intangible assets. Notwithstanding the reduced AuM basis, Kairos continued to operate profitably in 2019. The Group implemented a fuller operational alignment and closer cooperation of Kairos with the other Group companies.

NOTE 13 ASSETS PLEDGED OR CEDED TO SECURE OWN COMMITMENTS AND ASSETS SUBJECT TO RETENTION OF TITLE

		31.12.2019		31.12.2018
	Carrying value *CHF m*	Effective commitment *CHF m*	Carrying value *CHF m*	Effective commitment *CHF m*
Securities	**1,379.0**	**1,379.0**	863.2	863.2
Other	**26.4**	**13.4**	18.8	4.0
Total	**1,405.4**	**1,392.4**	882.0	867.3

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading.

NOTE 14 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2020 *CHF m*	2021 *CHF m*	2022 *CHF m*	2023 *CHF m*	2024 *CHF m*	2025–2029 *CHF m*	un-assigned *CHF m*	**31.12.2019** *CHF m*	31.12.2018 *CHF m*
Fixed rate	7,164.2	249.7	9.9	10.3	-	-	-	**7,434.1**	9,446.0
Interest rates (ranges in %)	0.1–57.16	1.7–22.5	3.0–6.8	2.0–5.75	-	-	-	**-**	-
Floating rate	1,107.3	648.1	167.6	519.8	375.6	329.5	2,528.4	**5,847.0**	4,257.6
Total	**8,271.5**	**897.7**	**177.5**	**530.2**	**375.6**	**329.5**	**2,528.4**	**13,281.1**	13,703.6

The Group issues to its wealth management clients structured notes for investment purposes. The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.1% up to 57.16%. The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated.

As the redemption amount on the structured debt issues is linked to changes in stock prices, indices, currencies or other assets, the Group cannot determine the difference between the carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the structured debt issues.

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in the market risk factors of the embedded derivatives. The credit rating of the Bank had no material impact on the fair value changes of these liabilities.

NOTE 15 DEBT ISSUED

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Money market instruments	**145.8**	101.0
Bonds	**1,747.3**	1,402.4
Total	**1,893.0**	1,503.3

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	**31.12.2019** Carrying value[1] *CHF m*	31.12.2018 Carrying value[1] *CHF m*
Julius Baer Group Ltd.						
2014[2]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**344.1**	345.5
Julius Baer Group Ltd.						
2015[3]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**326.6**	328.7
Julius Baer Group Ltd.						
2016[4]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**235.6**	234.2
Julius Baer Group Ltd.						
2017[5]	4.75	Perpetual tier 1 subordinated bond	USD	300.0	**294.1**	293.4
Julius Baer Group Ltd.						
2017[6]	0.375	Domestic senior unsecured bond	CHF	200.0	**203.1**	200.6
Julius Baer Group Ltd.						
2019[7]	2.375	Perpetual tier 1 subordinated bond	CHF	350.0	**343.8**	-
Total					**1,747.3**	1,402.4

1 The Group applies fair value hedge accounting for certain bonds based on specific interest rate swaps. The changes in the fair value that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the bond.
2 Own bonds of CHF 5.5 million are offset with bonds outstanding (2018: CHF 3.2 million).
The effective interest rate amounts to 4.41%.
3 No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 6.128%.
4 No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 5.951%.
5 No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 4.91%.
6 No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 0.32361%.
7 Own bonds of CHF 4.4 million are offset with bonds outstanding.
The effective interest rate amounts to 2.487%.

Perpetual tier 1 subordinated bonds

The maturities of the perpetual tier 1 subordinated bonds issued by Julius Baer Group Ltd. are essentially perpetual. These bonds are unsecured, subordinate to all borrowings (with the exception of the remainder of the tier 1 capital), fully paid up, capable of sustaining losses and devoid of any voting rights. The bonds can first be redeemed, at the Issuer's discretion, five to seven years after their issue date, and at yearly or half-yearly intervals thereafter, provided the regulator approves such redemption. In addition, the bonds may also be redeemed upon a regulatory event or tax event, as described in the prospectus. In the case of a viability event occurring, i.e. at a point in time where there is a threat of insolvency ('Point of non-viability' or 'PONV'), as described in Article 29 of the Capital Adequacy Ordinance of the Swiss Financial Market Supervisory Authority FINMA (CAO), all monies (including par value and any interest) due on the bonds will automatically cease to be payable and the bonds will be completely written off (i.e. their value will be written down to zero). Should a trigger event occur – i.e. should tier 1 common equity (under Basel III) fall below 5.125% (2012 and 2014 issues) or 7.0% (2015, 2016 and 2017 issues) – the value of the bonds will be written down to ensure that the Write-Down Threshold Ratio which originally triggered the event is restored to a level equal to or exceeding its trigger level. Here, too, in a worst-case scenario all monies due on the bonds will cease to be payable in their entirety. In the event of the monies payable on the bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the bonds is envisaged or permitted. From the issue date to the reset date the bonds will pay interest at a fixed rate. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate and a margin. Interest on the bonds is payable, in arrears on a 30/360-day basis, until the bonds have either been redeemed or fully written off. Interest payments on the bonds are prohibited in the event of this being ordered by the regulator (FINMA) or should there be insufficient retained earnings on the balance sheet of Julius Baer Group Ltd. to finance the payment of interest on tier 1 capital and to make any distributions already planned in respect of the previous financial year. Once suspended, any interest payments will permanently cease to be payable. Such interest payments are not cumulative, nor will they be paid at any future date. In the event of interest payments on the bonds being suspended, the Board of Directors of Julius Baer Group Ltd. will not be permitted to recommend any dividend payments to the Annual General Meeting until such time as interest payments on the bonds are resumed. Moreover, in the event of interest payments on the bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

2014 issue

The perpetual tier 1 subordinated bond was issued by Julius Baer Group Ltd. on 5 June 2014. The bonds can first be redeemed, at the Issuer's discretion, six years after their issue date (i.e. on 5 June 2020). From the issue date to the reset date (5 June 2020) the bonds will pay interest at a fixed rate of 4.25% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year mid-market CHF swap rate) and a margin of 3.7625%. Interest on the bonds is payable annually in arrears on 5 June in each year.

2015 issue

The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 18 November 2015. The bonds can first be redeemed, at the Issuer's discretion, five years after their issue date (i.e. on 18 November 2020). From the issue date to the reset date (18 November 2020) the bonds will pay interest at a fixed rate of 5.9% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.32%. Interest on the bonds is payable semi-annually in arrears on 18 May and 18 November in each year.

2016 issue

The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 20 October 2016. The bonds can first be redeemed, at the Issuer's discretion, on 20 April 2022. From the issue date to the reset date (20 April 2022) the bonds will pay interest at a fixed rate of 5.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.915%. Interest on the bonds is payable semi-annually in arrears on 20 April and 20 October in each year.

2017 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 12 September 2017. The bonds can first be redeemed, at the Issuer's discretion, on 12 September 2024 and on every semi-annual interest payment date thereafter. From the issue date to the first reset date (12 September 2024) the bonds will pay interest at a fixed rate of 4.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year USD constant maturity treasury rate) and a margin of 2.844%. Interest on the bonds is payable semi-annually in arrears on 12 March and 12 September in each year.

2019 issue
The perpetual tier 1 subordinated bond, which is denominated in CHF, was issued by Julius Baer Group Ltd. on 25 June 2019. The bonds can be redeemed at the Issuer's discretion anytime in the three months prior to and including the first reset date (25 September 2025) and on every annual interest payment date thereafter. From the issue date to the first reset date (25 September 2025) the bonds will pay an annual interest at a fixed rate of 2.375% on 25 September of each year (first long coupon on 25 September 2020). Thereafter, the interest payable on the bonds will be refixed for the next five years equal to the sum of the benchmark rate (i.e. the five-year CHF mid-market swap rate) and a margin of 2.861%. Interest on the bonds is payable annually on 25 September of each year.

Senior unsecured issue
The senior unsecured bond, which is denominated in CHF, was issued by Julius Baer Group Ltd. on 6 December 2017. The bonds have a final maturity on 6 December 2024 and pay interest at a fixed rate of 0.375% per annum paid annually on 6 December in each year.

NOTE 16A DEFERRED TAX ASSETS

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Balance at the beginning of the year	**15.9**	28.8
Income statement – credit	**5.2**	1.4
Income statement – charge	**-2.2**	-13.5
Recognised directly in OCI	**0.0**	-0.2
Translation differences and other adjustments	**-2.5**	-0.7
Balance at the end of the year	**16.4**	15.9

The components of deferred tax assets are as follows:

Pension liabilities	**24.0**	15.5
Operating loss carryforwards	**9.0**	15.8
Employee compensation and benefits	**12.3**	8.1
Financial assets measured at FVOCI	**-**	1.9
Property and equipment	**1.5**	0.4
Other	**0.7**	2.0
Deferred tax assets before set-off[1]	**47.4**	43.7
Offset	**-31.0**	-27.8
Total	**16.4**	15.9

[1] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability as per consolidated entity if that entity is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax assets) into the single components may result in negative amounts (in this case deferred tax liabilities) which are disclosed as offsetting amounts.

Deferred tax assets related to operating loss carryforwards are assessed at each year-end with regard to their sustainability based on the actual three-year business forecast.

NOTE 16B DEFERRED TAX LIABILITIES

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Balance at the beginning of the year	**74.9**	59.9
Income statement – charge	**8.6**	20.0
Income statement – credit	**-31.7**	-2.4
Acquisition of subsidiaries	**2.1**	4.7
Recognised directly in OCI	**17.7**	-5.6
Translation differences and other adjustments	**-2.8**	-1.7
Balance at the end of the year	**68.8**	74.9

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

Provisions	**3.4**	3.5
Property and equipment	**29.7**	33.3
Financial assets measured at FVOCI	**38.7**	23.7
Intangible assets	**24.3**	33.3
Other	**3.7**	8.9
Deferred tax liability before set-off[2]	**99.8**	102.7
Offset	**-31.0**	-27.8
Total	**68.8**	74.9

[1] The temporary differences associated with investments in subsidiaries do not lead to deferred tax liabilities, as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

[2] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability as per consolidated entity if that entity is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax liabilities) into the single components may result in negative amounts (in this case deferred tax assets) which are disclosed as offsetting amounts.

NOTE 17 PROVISIONS

	Legal risks *CHF m*	Other *CHF m*	**2019** **Total** *CHF m*	2018 Total *CHF m*
Balance at the beginning of the year	**20.9**	**3.7**	**24.6**	44.9
Utilised during the year	**-22.4**	**-1.0**	**-23.3**	-24.4
Recoveries	**0.1**	**-**	**0.1**	-
Provisions made during the year	**203.8**	**1.0**	**204.9**	12.3
Provisions reversed during the year	**-2.7**	**-**	**-2.7**	-7.9
Translation differences	**-2.1**	**-0.1**	**-2.2**	-0.2
Balance at the end of the year	**197.6**	**3.7**	**201.3**	24.6

Maturity of provisions				
Up to one year	**185.5**	**1.1**	**186.6**	8.3
Over one year	**12.1**	**2.6**	**14.7**	16.3

Introduction
The Group operates in a legal and regulatory environment that exposes it to significant litigation, compliance, reputational and other risks arising from disputes and regulatory proceedings.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action or initiating criminal proceedings against the Group and its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the suspension or expulsion from a particular jurisdiction or market of any of the Group's business organisations or their key personnel and the imposition of fines, the disgorgement of profit and censures on companies and employees. In certain markets, authorities, such as regulatory authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local laws and regulations. Also, from time to time, the Group is and may be confronted with information and clarification requests and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions etc.) as well as with enforcement procedures with respect to certain topics. As a matter of principle, the Group cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own interests.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Group's future business, results of operations, financial condition and prospects. The realisation of one or more of these risks may individually or together with other circumstances materially adversely affect the Group's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities
The Group is involved in various legal, regulatory and administrative proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Group – depending on the status of related proceedings – is difficult to assess.

The Group establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgement of any liability on the part of the Group and if the amount of such obligation or loss can already be reasonably estimated.

In rare cases in which the amount cannot be estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 31 December 2019. The contingent liabilities might have a material effect on the Group or for other reasons might be of interest for investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), the latter having served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million has been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Bank and other defendants are currently seeking a review of the decision of the Court of Appeal by the Supreme Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York has decided on certain aspects in December 2018, which have been appealed by the Liquidators.

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

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a Lithuanian corporation arguing that the Bank did not prevent two of its clients from embezzling assets of such corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank was served with a claim from said Lithuanian corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in Lithuania. The Lithuanian court of last instance on 19 October 2018 definitively rejected local jurisdiction, thereby terminating the litigation against the Bank in Lithuania. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the Lithuanian corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, the Bank has been served with the corresponding claim in the amount of EUR 335 million plus 5% interest since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. The Zurich Court of Appeal has confirmed such verdict on 23 April 2018. BvS has appealed such verdict to the Swiss Federal Supreme Court, which, on 17 January 2019, partially approved the appeal and rejected the case back to the Zurich Court of Appeal for reassessment. On 3 December 2019, the Zurich Court of Appeal has confirmed the claim in the amount of CHF 97 million plus accrued interests since 2009. Both parties have appealed the decision by the Zurich Court of Appeal to the Swiss Federal Supreme Court. As an appeal does not have a suspensive effect, in December 2019, the Bank booked a provision in the amount of CHF 153 million. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014 and been dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter has been initiated against the Bank with the Prosecutor applying for the filing of a related indictment with the Court. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the late external asset manager allegedly having used his personal account and company account with the Bank for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalised by 51 out of the 62 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. In October 2016, the Bank was served with another claim by additional 15 claimants, claiming a total amount of CHF 4.5 million plus accrued interest. On 3 September 2019, the first instance court rejected the claims. The claimants have appealed this decision but for a reduced claimed amount of CHF 7.1 million plus accrued interest. The Bank continues contesting the claim and has taken appropriate measures to defend its interests.

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of approximately CHF 91.3 million (plus accrued interest). In December 2017, the Bank has received again a payment order in various currencies in the total amount of approximately CHF 153 million (plus accrued interest), which has been renewed yearly thereafter. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, that were former clients of Bank of China (Suisse) SA having been acquired by Bank Julius Baer & Co. Ltd., in the total amount of USD 29 million (plus accrued interests). Additionally, in October 2015, the claimant filed an amendment of claim in court, by which additionally USD 39 million was claimed. In March 2017, the claimant reduced the totally claimed amount to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequently to the liquidation of almost the entire portfolio of their assets in May 2010, arguing that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) and Petróleos de Venezuela S.A. (PDVSA) in Switzerland and the USA. These requests in particular focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) and in the respective superseding indictment of 25 November 2015 and in the indictment United States of America v. Francisco Convit Guruceaga, et al. of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. In particular, FINMA had opened an enforcement procedure into Julius Baer related to the FIFA/PDVSA matters the conclusion of which is expected in due course. The Bank continues to support other inquiries related to these matters and cooperates with the competent authorities. Related to the PDVSA matter, in November 2019, a former employee has filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. The Bank is contesting the claim and seizure request whilst taking appropriate measures to defend its interests.

The UK Financial Conduct Authority ('FCA') is investigating Julius Baer International Ltd., UK ('JBINT') in respect of its compliance with certain of the FCA's Principles for Businesses and underlying regulatory rules in the context of two legacy matters. JBINT is fully cooperating with the FCA in its investigative work.

Bank Julius Baer & Co. Ltd. is confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under Office of Foreign Assets Control (OFAC) sanctions. The procedure relates to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank is defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. In addition, against the recent political and regulatory intensification of the topic of international sanctions, the Bank has addressed this issue with the U.S. OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations.

NOTE 18A OTHER ASSETS

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Precious metals (physical)	**1,444.3**	1,921.4
Tax receivables	**1,982.9**	1,264.4
Accounts receivable	**29.1**	21.4
Deposits	**16.1**	17.4
Other	**162.1**	114.4
Total	**3,634.5**	3,339.0

NOTE 18B OTHER LIABILITIES

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Lease liability	**272.8**[1]	-
Pension liability	**143.3**	81.9
Other tax payable	**58.3**	53.5
Accounts payable	**28.7**	28.3
Deferred payments related to acquisitions	**34.8**	54.0
Other	**104.7**	113.4
Total	**642.7**	331.2

[1] In line with IFRS 16 which has been applied for the first time in 2019, a lease liability related to the qualifying leases is part of other liabilities.

NOTE 19 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF m*
Balance on 01.01.2018	223,809,448	4.5
of which entitled to dividends	*223,809,448*	*4.5*
Balance on 31.12.2018	223,809,448	4.5
of which entitled to dividends	*223,809,448*	*4.5*
Balance on 31.12.2019	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***

ADDITIONAL INFORMATION

NOTE 20 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2019	2018
Basic earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**464.8**	735.4
Weighted average number of shares outstanding	**216,973,692**	217,953,484
Basic earnings per share (CHF)	**2.14**	3.37
Diluted earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**464.8**	735.4
Less (profit)/loss on equity derivative contracts (CHF m)	**-3.6**	2.0
Net profit attributable to shareholders of Julius Baer Group Ltd. for diluted earnings per share (CHF m)	**461.1**	737.4
Weighted average number of shares outstanding	**216,973,692**	217,953,484
Dilution effect	**43,669**	23,910
Weighted average number of shares outstanding for diluted earnings per share	**217,017,361**	217,977,394
Diluted earnings per share (CHF)	**2.12**	3.38

	31.12.2019	31.12.2018
Shares outstanding		
Total shares issued at the beginning of the year	**223,809,448**	223,809,448
Share buy-back programme	**755,000**	-
Less treasury shares	**6,125,662**	5,839,110
Total	**216,928,786**	217,970,338

NOTE 21 REPORTING BY SEGMENT

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

The Group's external segment reporting is based on the internal reporting to the chief operating decision maker, which is responsible for allocating resources and assesses the financial performance of the business. The Executive Board of the Group has been identified as the chief operating decision maker, as this board is responsible for the implementation of the overall strategy and the operational management of the whole Group. In 2018 and 2019, the Executive Board of the Group is composed of the Chief Executive Officer, Chief Financial Officer, Chief Communications Officer, Chief Risk Officer, Chief Operating Officer and General Counsel.

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

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Group consists of a single reportable segment. This is in line with the strategy and business model of the Group and reflects the management structure and the use of information by management in making operating decisions. Although GPS/Reliance, Kairos and NSC Asesores represent separate cash-generating units for the purpose of the goodwill impairment testing (refer to Note 12 for details), they do not constitute segments on their own.

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

Entity-wide disclosures

	31.12.2019 Total assets *CHF m*	31.12.2018 *CHF m*	**2019** Operating income *CHF m*	2018 *CHF m*	**2019** Investments *CHF m*	2018 *CHF m*
Switzerland	**85,845**	85,167	**1,832**	2,014	**189**	117
Europe (excl. Switzerland)	**40,349**	38,274	**700**	602	**16**	10
Americas	**938**	1,138	**113**	113	**6**	74
Asia and other countries	**27,941**	27,604	**893**	792	**16**	49
Less consolidation items	**53,038**	49,286	**154**	152		
Total	**102,035**	102,898	**3,383**	3,368	**226**	250

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

NOTE 22 RELATED PARTY TRANSACTIONS

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**14.7**	13.6
Post-employment benefits	**0.7**	0.6
Share-based payments	**8.7**	8.1
Total	**24.2**	22.3
Receivables from		
key management personnel	**5.6**	7.8
Total	**5.6**	7.8
Liabilities to		
key management personnel	**3.8**	12.3
own pension funds	**11.2**	7.7
Total	**15.0**	20.0
Credit guarantees to		
key management personnel	**1.7**	0.1
Total	**1.7**	0.1
Income from services provided to		
key management personnel	**0.2**	0.5
Total	**0.2**	0.5

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

For shareholdings of the Board of Directors and Executive Board, see section Financial Statements Julius Baer Group Ltd. 2019.

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

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

NOTE 23 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

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

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

	2019 CHF m	2018 CHF m
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-2,907.2**	-2,921.8
Current service cost	**-76.7**	-77.4
Employees' contributions	**-45.9**	-44.9
Interest expense on defined benefit obligation	**-27.4**	-19.6
Past service cost, curtailments, settlements, plan amendments	**-4.5**	13.9
Benefits paid (including benefits paid directly by employer)	**137.3**	74.5
Transfer payments in/out	**-1.0**	0.4
Experience gains/(losses) on defined benefit obligation	**-78.7**	-37.1
Actuarial gains/(losses) arising from change in demographic assumptions	**1.0**	0.7
Actuarial gains/(losses) arising from change in financial assumptions	**-230.6**	98.8
Translation differences	**-0.7**	5.3
Present value of defined benefit obligation at the end of the year	**-3,234.3**	-2,907.2
whereof due to active members	***-2,145.5***	*-1,948.1*
whereof due to deferred members	***-59.7***	*-50.7*
whereof due to pensioners	***-1,029.1***	*-908.5*
Fair value of plan assets at the beginning of the year	**2,825.3**	2,808.6
Interest income on plan assets	**27.4**	18.9
Employees' contributions	**45.9**	44.9
Employer's contributions	**102.9**	98.6
Curtailments, settlements, plan amendments	**-0.2**	-12.9
Benefits paid by fund	**-136.2**	-74.2
Transfer payments in/out	**1.0**	-0.4
Administration cost (excluding asset management cost)	**-1.1**	-1.0
Return on plan assets (excluding interest income)	**224.7**	-52.4
Translation differences	**1.2**	-4.7
Fair value of plan assets at the end of the year	**3,091.0**	2,825.3

	31.12.2019 CHF m	31.12.2018 CHF m
2. Balance sheet		
Fair value of plan assets	**3,091.0**	2,825.3
Present value of defined benefit obligation	**-3,227.5**	-2,902.1
Present value of unfunded benefit obligation	**-6.8**	-5.1
Net defined benefit asset/(liability)	**-143.3**	-81.9

3. Income statement	**2019** *CHF m*	2018 *CHF m*
Current service cost	**-76.7**	-77.4
Interest expense on defined benefit obligation	**-27.4**	-19.6
Past service cost, curtailments, settlements, plan amendments	**-4.7**	0.9
Interest income on plan assets	**27.4**	18.9
Administration cost (excluding asset management cost)	**-1.1**	-1.0
Defined benefit cost recognised in the income statement	**-82.5**	-78.2
whereof service cost	***-82.5***	*-77.5*
whereof net interest on the net defined benefit (liability)/asset	***-0.0***	*-0.7*

4. Movements in defined benefit liability	**2019** *CHF m*	2018 *CHF m*
Net defined benefit asset/(liability) at the beginning of the year	**-81.9**	-113.2
Translation differences	**0.4**	0.6
Defined benefit cost recognised in the income statement	**-82.5**	-78.2
Benefits paid by employer	**1.1**	0.3
Employer's contributions	**102.9**	98.6
Remeasurements of the net defined benefit liability/(asset)	**-83.5**	10.0
Amount recognised in the balance sheet	**-143.3**	-81.9

Remeasurements of the net defined benefit liability/(asset)	**2019** *CHF m*	2018 *CHF m*
Actuarial gains/(losses) of defined benefit obligation	**-308.2**	62.4
Return on plan assets (excluding interest income)	**224.7**	-52.4
Total recognised in other comprehensive income	**-83.5**	10.0

5. Composition of plan assets	**2019** *CHF m*	2018 *CHF m*
Cash	**128.7**	131.3
Debt instruments	**906.1**	781.7
Equity instruments	**1,060.4**	942.6
Real estate	**494.3**	445.1
Alternative investments	**358.9**	334.8
Other	**142.5**	189.9
Total	**3,091.0**	2,825.3

6. Aggregation of plan assets – quoted market prices in active markets	2019 *in %*	2018 *in %*
Cash	**4.2**	4.7
Debt instruments	**28.1**	26.3
Equity instruments	**34.3**	33.4
Real estate	**7.3**	6.9
Other	**5.9**	8.0
Total	**79.8**	79.3

7. Sensitivities	2019 *CHF m*	2018 *CHF m*
Decrease of discount rate -0.25%		
Effect on defined benefit obligation	**-108.0**	-77.9
Effect on service cost	**-4.7**	-2.7
Increase of discount rate +0.25%		
Effect on defined benefit obligation	**90.5**	73.6
Effect on service cost	**3.0**	2.6
Decrease of salary increase -0.25%		
Effect on defined benefit obligation	**10.8**	9.5
Effect on service cost	**1.0**	0.9
Increase of salary increase +0.25%		
Effect on defined benefit obligation	**-11.1**	-9.7
Effect on service cost	**-1.0**	-0.9
Life expectancy		
Increase in longevity by one additional year	**-72.6**	-57.5

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2019. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 96% (2018: 97%) of all benefit obligations and plan assets:

	2019	2018
Discount rate	**0.25%**	0.90%
Average future salary increases	**0.50%**	0.50%
Future pension increases	**0.00%**	0.00%
Duration (years)	**15**	15

Investment in Julius Baer Group Ltd. shares

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

Expected employer contributions

The expected employer contributions for the 2020 financial year related to defined benefit plans are estimated at CHF 87.8 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 11.2 million (2018: CHF 7.7 million).

Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 37.7 million for the 2019 financial year (2018: CHF 35.1 million).

NOTE 24 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Receivables		
Receivables from cash provided in securities borrowing transactions	**94.2**	213.2
of which recognised in due from banks	***94.2***	*213.2*
Obligations		
Obligations to return cash received in securities lending transactions	**309.3**	304.2
of which recognised in due to banks	***309.3***	*304.2*
Obligations to return cash received in repurchase transactions	**20.2**	134.0
of which recognised in due to banks	***20.2***	*134.0*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1,359.7**	1,628.2
of which securities the right to pledge or sell has been granted without restriction	***1,359.7***	*1,628.2*
of which recognised in financial assets measured at FVTPL	***1,219.9***	*672.4*
of which recognised in financial assets measured at FVOCI	***139.8***	*955.8*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**1,815.8**	3,062.5
of which repledged or resold securities	***1,639.3***	*2,988.6*

The Group enters into fully collateralised securities borrowing and securities lending transactions and repurchase and reverse repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfil the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets which continue to be recognised on the balance sheet are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

NOTE 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	87,691.7	536.8	614.9
Futures	183.3	0.0	3.1
Cross-currency swaps	1,985.7	17.3	22.4
Options (OTC)	31,738.2	222.9	187.3
Total foreign exchange derivatives 31.12.2019	**121,599.0**	**776.9**	**827.6**
Total foreign exchange derivatives 31.12.2018	109,036.2	948.0	781.0
Interest rate derivatives			
Swaps	20,219.5	91.9	130.7
Futures	353.9	0.7	0.6
Options (OTC)	299.5	8.8	7.0
Total interest rate derivatives 31.12.2019	**20,872.8**	**101.5**	**138.4**
Total interest rate derivatives 31.12.2018	15,272.6	108.2	97.5
Precious metals derivatives			
Forward contracts	2,364.9	34.5	32.4
Futures	335.7	0.2	1.7
Options (OTC)	6,593.0	91.7	71.6
Options (traded)	1,091.4	-	60.7
Total precious metals derivatives 31.12.2019	**10,385.0**	**126.4**	**166.4**
Total precious metals derivatives 31.12.2018	6,022.3	186.0	88.3
Equity/indices derivatives			
Futures	1,020.4	20.5	7.0
Options (OTC)	13,417.3	246.4	231.3
Options (traded)	16,049.8	324.0	706.3
Total equity/indices derivatives 31.12.2019	**30,487.5**	**591.0**	**944.5**
Total equity/indices derivatives 31.12.2018	19,456.0	849.7	707.0
Other derivatives			
Futures	148.9	0.7	4.8
Total other derivatives 31.12.2019	**148.9**	**0.7**	**4.8**
Total other derivatives 31.12.2018	233.1	23.2	0.9

Derivatives held for trading (continued)

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Credit derivatives			
Credit default swaps	281.3	1.8	3.0
Total return swaps	842.7	0.9	20.7
Total credit derivatives 31.12.2019	**1,123.9**	**2.7**	**23.7**
Total credit derivatives 31.12.2018	362.2	3.6	6.7
Total derivatives held for trading 31.12.2019	**184,617.1**	**1,599.2**	**2,105.5**
Total derivatives held for trading 31.12.2018	150,382.4	2,118.7	1,681.4

Derivatives held for hedging

Derivatives designated in net investment hedges			
Foreign exchange forward contracts	96.8	-	0.6
Derivatives designated as fair value hedges			
Interest rate swaps	2,079.1	31.5	14.7
Total derivatives held for hedging 31.12.2019	**2,175.9**	**31.5**	**15.3**
Total derivatives held for hedging 31.12.2018	2,204.2	9.8	37.9
Total derivative financial instruments 31.12.2019	**186,793.0**	**1,630.7**	**2,120.8**
Total derivative financial instruments 31.12.2018	152,586.6	2,128.5	1,719.3

NOTE 26A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	Carrying value CHF m	**31.12.2019** Fair value CHF m	Carrying value CHF m	31.12.2018 Fair value CHF m
Financial assets measured at amortised cost				
Cash	**10,097.0**	**10,097.0**	15,835.5	15,835.5
Due from banks	**7,082.5**	**7,085.8**	9,228.8	9,236.7
Loans	**48,427.3**	**48,979.7**	45,323.2	45,799.4
Accrued income/other assets	**396.5**	**396.5**	380.5	380.5
Total	**66,003.3**	**66,559.0**	70,767.9	71,252.1
Financial assets measured at FVTPL				
Financial assets measured at FVTPL	**13,776.2**	**13,776.2**	8,415.6	8,415.6
Derivative financial instruments	**1,630.7**	**1,630.7**	2,128.5	2,128.5
Financial assets designated at fair value	**305.0**	**305.0**	298.8	298.8
Total	**15,711.9**	**15,711.9**	10,842.9	10,842.9
Financial assets measured at FVOCI				
Financial assets measured at FVOCI	**13,166.2**	**13,166.2**	14,587.6	14,587.6
Total	**13,166.2**	**13,166.2**	14,587.6	14,587.6
Total financial assets	**94,881.5**	**95,437.1**	96,198.3	96,682.5

Financial liabilities

	Carrying value *CHF m*	**31.12.2019** Fair value *CHF m*	Carrying value *CHF m*	31.12.2018 Fair value *CHF m*
Financial liabilities at amortised costs				
Due to banks	**3,160.0**	**3,160.0**	6,892.2	6,904.3
Due to customers	**72,913.1**	**72,956.3**	71,506.4	71,554.4
Debt issued	**1,893.0**	**1,900.7**	1,503.3	1,475.9
Accrued expenses	**221.4**	**221.4**	240.6	240.6
Other liabilities	**28.7**	**28.7**	28.3	28.3
Total	**78,216.3**	**78,267.1**	80,170.8	80,203.5
Financial liabilities measured at FVTPL				
Financial liabilities measured at FVTPL	**613.8**	**613.8**	132.5	132.5
Derivative financial instruments	**2,120.8**	**2,120.8**	1,719.3	1,719.3
Financial liabilities designated at fair value	**13,281.1**	**13,281.1**	13,703.6	13,703.6
Deferred payments related to acquisitions	**34.8**	**34.8**	54.0	54.0
Total	**16,050.4**	**16,050.4**	15,609.4	15,609.4
Total financial liabilities	**94,266.7**	**94,317.6**	95,780.2	95,812.8

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

Short-term financial instruments
Financial instruments measured at amortised cost with a maturity or a refinancing profile of one year or less are generally classified as short-term. This includes the balance sheet items cash and, depending on the maturity, due from banks, loans, due to banks, due to customers and debt issued. For short-term financial instruments which do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the carrying value generally approximates the fair value.

Long-term financial instruments
Financial instruments measured at amortised cost with a maturity or refinancing profile of over one year are included in the following balance sheet items: due from banks, loans, due to banks, due to customers and debt issued. The fair value of these long-term financial instruments which do not have a market price is derived by using the net present value method. For loans, generally, the Libor rate is used to calculate the net present value of the loans, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement. For amounts due to banks and due to customers, a Libor-based internal rate is used. For debt issued, the quoted prices of the bonds determine the fair value.

Financial assets and liabilities measured at FVTPL, financial assets measured at fair value through other comprehensive income, derivative financial instruments and financial liabilities designated at fair value
Refer to Note 26B for details regarding the valuation of these instruments.

NOTE 26B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

For financial instruments measured at FVTPL as well as for financial assets measured at fair value through other comprehensive income, the fair values are determined as follows:

Level 1
For financial instruments for which prices are quoted in an active market, the fair value is determined directly form the quoted market price.

Level 2
For financial instruments for which quoted market prices are not directly available or are not derived from active markets, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unquoted financial instruments, the vast majority of the Group's issued structured notes and other items that are not traded in active markets. The main pricing models and valuation techniques applied to these financial instruments include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

Level 3
For certain financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.

Financial assets measured at FVTPL and *financial assets measured at FVOCI:* The Group holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Group holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2019, dividends related to these investments in the amount of CHF 17.5 million (2018: CHF 7.0 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Group issues to its wealth management clients a limited number of specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Group's balance sheet due to the strict derecognition criteria required by IFRS. Therefore, the private equity investments as well as the money market instruments are recorded as financial assets designated at fair value. Any changes in the fair value or any other income from the private equity investments, as well as any income related to the money market instruments, are recorded in the income statement. However, as the clients are entitled to all rewards related to the investments, these amounts net out in the respective line item in the income statement. Hence, any change in the valuation inputs has no impact on the Group's income statement or shareholders' equity.

To measure the fair values of the private equity investments, the Group generally relies on the valuations as provided by the respective private equity funds managing the investments. These funds in turn use their own valuation techniques, such as market approaches or income approaches, including their own input factors into the applied models. Therefore, the private equity investments are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The related issued notes are reported as financial liabilities designated at fair value and classified as level 3 instruments, due to the related private equity investments being part of the valuation of the notes.

Deferred payments related to acquisitions: Payments related to the deferred purchase price portion of acquisitions may be dependent on certain conditions to be achieved and also contingent on future growth rates of the businesses. As these fair value inputs are not observable, the outstanding balances are reported in level 3.

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

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2019 Total CHF m
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,150.3	209.1	48.4	2,407.7
Trading – equity instruments at FVTPL	7,939.0	3,259.9	-	11,199.0
Other securities mandatorily measured at FVTPL	2.2	35.8	131.5	169.5
Total financial assets measured at FVTPL	**10,091.5**	**3,504.8**	**179.9**	**13,776.2**
Foreign exchange derivatives	0.5	776.4	-	776.9
Interest rate derivatives	0.7	132.2	-	133.0
Precious metal derivatives	0.2	126.3	-	126.4
Equity/indices derivatives	20.5	570.4	-	591.0
Credit derivatives	-	2.7	-	2.7
Other derivatives	0.7	-	-	0.7
Total derivative financial instruments	**22.7**	**1,608.0**	**-**	**1,630.7**
Financial assets designated at fair value	**19.6**	**69.9**	**215.5**	**305.0**
Debt instruments at FVOCI	9,720.4	3,213.8	-	12,934.2
Equity instruments at FVOCI	-	-	232.0	232.0
Total financial assets measured at FVOCI	**9,720.4**	**3,213.8**	**232.0**	**13,166.2**
Total assets	**19,854.2**	**8,396.5**	**627.4**	**28,878.2**
Short positions – debt instruments	143.9	-	-	143.9
Short positions – equity instruments	453.9	16.0	-	469.8
Total financial liabilities measured at FVTPL	**597.8**	**16.0**	**-**	**613.8**
Foreign exchange derivatives	6.3	821.9	-	828.2
Interest rate derivatives	0.6	152.5	-	153.1
Precious metal derivatives	1.7	164.7	-	166.4
Equity/indices derivatives	7.0	937.6	-	944.5
Credit derivatives	-	23.7	-	23.7
Other derivatives	4.8	-	-	4.8
Total derivative financial instruments	**20.4**	**2,100.4**	**-**	**2,120.8**
Financial liabilities designated at fair value	**-**	**12,983.4**	**297.7**	**13,281.1**
Deferred payments related to acquistions	**-**	**-**	**34.8**	**34.8**
Total liabilities	**618.2**	**15,099.7**	**332.5**	**16,050.4**

				31.12.2018
	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	Total *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	1,964.3	114.3	-	2,078.6
Trading – equity instruments at FVTPL	5,240.1	1,082.6	14.3	6,337.0
Total financial assets measured at FVTPL	7,204.4	1,196.8	14.3	8,415.6
Foreign exchange derivatives	2.7	945.3	-	948.0
Interest rate derivatives	5.4	112.6	-	118.0
Precious metal derivatives	0.1	185.9	-	186.0
Equity/indices derivatives	17.8	831.9	-	849.7
Credit derivatives	-	3.6	-	3.6
Other derivatives	23.2	-	-	23.2
Total derivative financial instruments	49.3	2,079.2	-	2,128.5
Financial assets designated at fair value	19.4	81.5	197.9	298.8
Debt instruments at FVOCI	10,665.6	3,776.6	-	14,442.2
Equity instruments at FVOCI	-	-	145.3	145.3
Total financial assets measured at FVOCI	10,665.6	3,776.6	145.3	14,587.6
Total assets	17,938.7	7,134.2	357.5	25,430.4
Short positions – debt instruments	10.2	-	-	10.2
Short positions – equity instruments	108.1	14.2	-	122.3
Total financial liabilities measured at FVTPL	118.2	14.2	-	132.5
Foreign exchange derivatives	3.0	777.9	-	781.0
Interest rate derivatives	0.5	134.9	-	135.4
Precious metal derivatives	2.0	86.3	-	88.3
Equity/indices derivatives	13.9	693.1	-	707.0
Credit derivatives	-	6.7	-	6.7
Other derivatives	0.9	-	-	0.9
Total derivative financial instruments	20.4	1,698.9	-	1,719.3
Financial liabilities designated at fair value	-	13,413.0	290.6	13,703.6
Deferred payments related to acquistions	-	-	54.0	54.0
Total liabilities	138.6	15,126.1	344.6	15,609.4

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

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	**31.12.2019** **Total** CHF m
Financial assets and liabilities disclosed at fair value				
Cash	10,097.0	-	-	10,097.0
Due from banks	-	7,085.8	-	7,085.8
Loans	-	48,979.7	-	48,979.7
Accrued income/other assets	-	396.5	-	396.5
Total assets	**10,097.0**	**56,461.9**	**-**	**66,559.0**
Due to banks	-	3,160.0	-	3,160.0
Due to customers	-	72,956.3	-	72,956.3
Debt issued	1,900.7	-	-	1,900.7
Accrued expenses	-	221.4	-	221.4
Total liabilities	**1,900.7**	**76,337.7**	**-**	**78,238.4**

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2018 Total CHF m
Financial assets and liabilities disclosed at fair value				
Cash	15,835.5	-	-	15,835.5
Due from banks	-	9,236.7	-	9,236.7
Loans	-	45,799.4	-	45,799.4
Accrued income/other assets	-	380.5	-	380.5
Total assets	15,835.5	55,416.6	-	71,252.1
Due to banks	-	6,904.3	-	6,904.3
Due to customers	-	71,554.4	-	71,554.4
Debt issued	1,475.9	-	-	1,475.9
Accrued expenses	-	240.6	-	240.6
Total liabilities	1,475.9	78,699.3	-	80,175.2

NOTE 26C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN FAIR VALUE LEVEL 1 AND LEVEL 2

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Transfers from level 1 to level 2		
Financial assets measured at FVTPL	195.5	5.7
Financial assets measured at FVOCI	39.0	35.3
Transfers from level 2 to level 1		
Financial assets measured at FVTPL	10.6	39.6
Financial assets measured at FVOCI	122.7	99.0
Financial assets designated at fair value	-	3.6

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

NOTE 27A FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments. Refer to the comment on risk management/credit risk section and the summary of significant accounting policies for the relevant background information related to the recognition of expected credit losses.

Expected credit loss (ECL) stage allocation
Credit exposure is classified in one of the three ECL stages. At initial recognition, the Group classifies all financial assets in stage 1, as it does not acquire or originate credit-impaired debt instruments. If a significant risk increase has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination.

The Group generally originates loans and balances due from banks in its internal rating classes R1–R4, which reflect balances with low to medium credit risk. The same applies to the investment grade debt instruments held for investment purposes, which are also classified as R1–R4. Therefore, the Group determined that moves within these rating classes do not qualify for an increased credit risk, whereas a move from R4 to R5 generally triggers such a credit risk increase. Hence, under this approach, moves from R4 to a higher risk class (R5–R6) generally trigger a move from stage 1 ECL to stage 2 ECL. For example a counterparty moving from R1 to R2 would not trigger a significant increase in credit risk, whereas a counterparty moving from R1 to R5 would.

In addition, and to supplement this quantitative criterion, qualitative criteria based on other available internal data are applied to identify increased risk situations. These qualitative criteria are specific to the respective financial asset types (Lombard loans, mortgages, due from banks, debt instruments). For example if payments are 30 days past due, the counterparty is moved to stage 2 and lifetime expected credit losses are applied.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the counterparty is transferred back into the 12-month expected credit losses category (stage 1).

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. These ratings are applied to positions with high credit risk; they are carried in the Group’s internal list of exposures which are in a loss position. Such positions show objective evidence of impairment and are referred to as defaulted. Generally, Lombard loans and mortgages are moved to these rating classes if the respective position is not fully covered anymore, i.e. the market value of the collateral is lower than the credit exposure.

ECL measurement
The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements for stage 1 ECL and stage 2 ECL. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument’s probability of default (PD), its loss given default (LGD) and the exposure at default (EAD). These models have been tailored to the Group’s fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the treasury portfolio as outlined below.

For the credit-impaired financial assets in stage 3, the loss allowances are not measured based on a model, but determined individually according to the specific facts and circumstances.

Wherever the Group uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside scenario. Expected probabilities are allocated to the respective scenario, which are based on the Group

Economic Research's view regarding their probability of occurrence. The weightings used for the current year's ECL calculation are 70% for the baseline scenario, 15% for the downside scenario and 15% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Group's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stage 1 and 2.

To apply the expected future economic conditions in the models, the Group determined the forecast world gross domestic product (GDP) as the main economic input factor for the expected credit losses on its financial asset portfolios, as the counterparties have fully collateralised Lombard loans or mortgages with the Group or the portfolios consist of investment grade debt instruments. Other forward-looking main macroeconomic factors proved to be of lesser relevance for the Group's portfolios as a whole. A decrease in the expected GDP would have a negative impact on the ECL in stage 1 and 2.

In addition, for each portfolio, supplementary product-specific factors are used as outlined in the following paragraphs. These scenario factors are based on the assessment of the credit department and the risk department for current and expected market developments in the respective product areas. These factors are updated and confirmed on a regular basis by the Group's ECL committee, which comprises officers from the risk, credit risk and treasury departments.

Due from banks
For due-from-banks positions, the input factors are determined as follows:

Probability of Default: For amounts due from banks, publicly available PDs per rating class are applied, using the same PDs for stage 1 and stage 2, as the outstanding balances have a term of maximum 12 months. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction. The ratings and the related PDs are shifted by one notch of the internal rating up and down, using publicly available data sources for the respective PDs. The three scenarios are weighted based on the generally applied probabilities as used in the Group's economic research view.

Exposure at Default: For amounts due from banks, the EAD equals either the nominal value (money market issues, time accounts), or the carrying value (current and transactional accounts).

Loss Given Default: For amounts due from banks, an average LGD per rating class is applied. This factor is derived from publicly available data sources.

Lombard loans
For Lombard loans, the input factors are determined as follows:

Probability of Default: For Lombard loans, PD factors are derived from the Group-internal 'margin call process' in Lombard lending. This process reflects internal procedures to avoid loan losses and is based on

- the probability that the credit position gets into a significant shortfall within one year;
- the probability that the credit position becomes unsecured within 10 days; and
- the liquidation process to cover the exposure,

taking into consideration their respective probabilities.

This margin call process is simulated for each rating class (R1–R6) and for stage 1 and stage 2 separately. The resulting PDs are then applied uniformly across all counterparties and related Lombard loans in the respective rating class.

Exposure at Default: For Lombard loans, the EAD equals the higher of a) the current exposure (based on data from the internal credit supervision system comprising the following credit exposures: cash exposure, derivative exposure, contingent liabilities and reservations) and b) the lower of the lending value or approved limit. The Group therefore assumes the highest possible risk (i.e. the highest outstanding) in determining the EAD, including any unused credit commitments. Consequently, even if no exposure is drawn under the limit, an ECL is calculated.

Loss Given Default: For Lombard loans the LGDs are formula-based, including the market value of the collateral on a client pledge group level. Scenario calculations on the market value of the collateral are performed, resulting in different LGDs per scenario. Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process.

Mortgages
For mortgages, the input factors are determined as follows:

Probability of Default: For mortgages, the PD factor is specifically determined for each counterparty and the related property based on the following input criteria:

- economic area of the counterparty domicile;
- counterparty domicile and property location (country) is the same;
- sufficient assets/collateral within the Group to pay interest/amortisation;
- counterparty self-used versus rented-out real estate; and
- stage 1 or stage 2.

For each of these criteria, fixed parameters are determined (based on experience) which then add up to the mortgage counterparty-specific PD factors. These criteria have been selected as it is assumed that they influence directly the default behaviour of the counterparty behind the mortgages.

Exposure at Default: For mortgages, the carrying value (exposure) equals the EAD.

Loss Given Default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (Loan-to-Value ratio; LTV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. However, instead of applying a fixed percentage for the negative scenario to all real estate uniformly, the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate-specific criteria:

- property location (country/region);
- property size as a function of the property market value;
- property type (e.g. residential, office, commercial); and
- holiday home regions.

For each of these criteria, fixed parameters (based on experience) are determined which then add up to the mortgage-specific negative scenario. These criteria are selected as the resulting different characteristics of the real estate market generally respond differently to market fluctuations and hence the achievable collateral liquidation value. The total simulated market value is then compared with the exposure to determine the LGD.

Treasury portfolio
For the treasury portfolio (debt instruments measured at FVOCI), the input factors are determined as follows:

Probability of Default: For financial instruments in the treasury portfolio (debt securities, including money market instruments), publicly available PDs per rating class are applied, separately for stage 1 (one-year PD or shorter) and stage 2 (respective PD according to expected life). These ratings and the related PDs are shifted by two notches up and down, using publicly available data sources for the respective PDs. The three scenarios are then weighted based on the generally applied probabilities as used in the Group's economic research view. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction.

Exposure at Default: For debt instruments, the EAD equals the amortised cost value plus discounted outstanding interest payments.

Loss given Default: For the debt instruments, an average LGD per rating class is applied. These factors are derived from publicly available data sources.

Credit quality analysis

The following tables provide an analysis of the Group's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Group's internal credit systems.

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**31.12.2019** **Total** *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,758.5	-	-	**6,758.5**
R5–R6: Increased risk		324.1	-	-	**324.1**
R7–R10: Impaired		-	-	-	**-**
Total		7,082.6	-	-	**7,082.6**
Loss allowance		-0.1	-	-	**-0.1**
Carrying amount		**7,082.5**	**-**	**-**	**7,082.5**
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		37,568.0	83.1	-	**37,651.2**
R5–R6: Increased risk		1,444.5	312.3	-	**1,756.8**
R7–R10: Impaired		-	-	141.0	**141.0**
Total		39,012.5	395.5	141.0	**39,548.9**
Loss allowance		-4.4	-0.6	-36.5	**-41.4**
Carrying amount		**39,008.1**	**394.9**	**104.5**	**39,507.5**
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,264.2	513.0	-	**8,777.2**
R5–R6: Increased risk		94.2	25.8	-	**120.0**
R7–R10: Impaired		-	-	28.1	**28.1**
Total		8,358.4	538.8	28.1	**8,925.3**
Loss allowance		-2.1	-0.7	-2.7	**-5.5**
Carrying amount		**8,356.3**	**538.1**	**25.3**	**8,919.8**
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,917.3	-	-	**12,917.3**
R5–R6: Increased risk	Ba1 – B3	-	16.9	-	**16.9**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**12,917.3**	**16.9**	**-**	**12,934.2**
Loss allowance		-1.3	-0.1	-	**-1.3**

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	31.12.2018 Total *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		8,879.5	-	-	8,879.5
R5–R6: Increased risk		349.5	-	-	349.5
R7–R10: Impaired		-	-	-	-
Total		9,229.0	-	-	9,229.0
Loss allowance		-0.3	-	-	-0.3
Carrying amount		9,228.8	-	-	9,228.8
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		33,185.0	813.7	-	33,998.7
R5–R6: Increased risk		1,788.0	73.5	-	1,861.5
R7–R10: Impaired		-	-	61.5	61.5
Total		34,973.0	887.2	61.5	35,921.7
Loss allowance		-5.9	-0.2	-13.2	-19.3
Carrying amount		34,967.2	887.0	48.3	35,902.4
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,708.3	514.6	-	9,222.9
R5–R6: Increased risk		144.2	34.0	-	178.2
R7–R10: Impaired		-	-	31.7	31.7
Total		8,852.5	548.6	31.7	9,432.8
Loss allowance		-3.3	-1.6	-7.1	-12.1
Carrying amount		8,849.2	547.0	24.6	9,420.8
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	14,425.6	-	-	14,425.6
R5–R6: Increased risk	Ba1 – B3	-	16.7	-	16.7
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		14,425.6	16.7	-	14,442.2
Loss allowance		-2.0	-0.2	-	-2.1

Expected credit losses

The following tables present the development of the Group's expected credit losses by stage; they are based on the Group's internal credit systems:

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2019	0.3	-	-	**0.3**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New/increase financial assets	0.0	-	-	**0.0**
Financial assets that have been derecognised	-0.2	-	-	**-0.2**
Changes in models/risk parameters	0.0	-	-	**0.0**
Balance at 31 December 2019	**0.1**	**-**	**-**	**0.1**
Lombard loans, at amortised cost				
Balance at 1 January 2019	5.9	0.2	13.2	**19.3**
Transfer to/(from) 12-month ECL	0.0	-0.0	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.1	0.1	-	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	**-**
Net remeasurement of loss allowance	-0.4	0.4	17.3	**17.3**
New/increase financial assets	1.5	0.1	7.5[1]	**9.2**
Financial assets that have been derecognised	-2.6	-0.2	-0.2	**-3.0**
Write-offs	-	-	-0.5	**-0.5**
Recoveries of amounts previously written-off	-	-	-0.2	**-0.2**
Changes in models/risk parameters	0.1	0.0	0.0	**0.1**
Foreign exchange and other movements	-	-	-0.7	**-0.7**
Balance at 31 December 2019	**4.4**	**0.6**	**36.5**	**41.4**

[1] Including outstanding accumulated interest.

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Mortgages, at amortised cost				
Balance at 1 January 2019	3.3	1.6	7.1	**12.1**
Transfer to/(from) lifetime ECL not credit-impaired	-0.1	0.1	-	**-**
Transfer to/(from) lifetime ECL credit-impaired	-	-0.0	0.0	**-**
Net remeasurement of loss allowance	-0.2	-0.4	0.3	**-0.4**
New/increase financial assets	0.2	-	0.1	**0.3**
Financial assets that have been derecognised	-1.4	-0.7	-4.1	**-6.1**
Write-offs	-	-	-0.6	**-0.6**
Changes in models/risk parameters	0.2	0.1	0.0	**0.3**
Foreign exchange and other movements	-	-	-0.0	**-0.0**
Balance at 31 December 2019	**2.1**	**0.7**	**2.7**	**5.5**
Debt instruments, at FVOCI				
Balance at 1 January 2019	2.0	0.2	-	**2.1**
Net remeasurement of loss allowance	-0.2	-0.1	-	**-0.3**
New financial assets purchased	0.6	-	-	**0.6**
Financial assets that have been derecognised	-1.0	-	-	**-1.0**
Changes in models/risk parameters	-0.0	-0.0	-	**-0.0**
Foreign exchange and other movements	-0.0	-0.0	-	**-0.0**
Balance at 31 December 2019	**1.3**	**0.1**	**-**	**1.3**

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	Total *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2018	0.2	-	-	0.2
Net remeasurement of loss allowance	0.0	-	-	0.0
New/increase financial assets	0.3	-	-	0.3
Financial assets that have been derecognised	-0.2	-	-	-0.2
Changes in models/risk parameters	-0.0	-	-	-0.0
Balance at 31 December 2018	0.3	-	-	0.3
Lombard loans, at amortised cost				
Balance at 1 January 2018	7.3	0.1	6.0	13.4
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	-
Net remeasurement of loss allowance	-2.6	0.2	4.6	2.3
New/increase financial assets	6.4	0.0	1.3	7.7
Financial assets that have been derecognised	-5.2	-0.1	-0.8	-6.1
Write-offs	-	-	-0.9	-0.9
Foreign exchange and other movements	-0.1	-	3.0	2.9
Balance at 31 December 2018	5.9	0.2	13.2	19.3
Mortgages, at amortised cost				
Balance at 1 January 2018	4.0	1.0	11.4	16.4
Transfer to/(from) lifetime ECL not credit-impaired	-0.2	0.2	-	-
Net remeasurement of loss allowance	-0.1	0.6	0.9	1.4
New/increase financial assets	0.3	0.1	-	0.5
Financial assets that have been derecognised	-0.9	-0.0	-1.9	-2.7
Changes in models/risk parameters	0.2	-0.2	-	-0.0
Foreign exchange and other movements	-	-	-3.4	-3.4
Balance at 31 December 2018	3.3	1.6	7.1	12.1
Debt instruments, at FVOCI				
Balance at 1 January 2018	1.4	0.3	-	1.7
Net remeasurement of loss allowance	-0.2	-0.2	-	-0.3
New financial assets purchased	1.2	-	-	1.2
Financial assets that have been derecognised	-0.5	-	-	-0.5
Changes in models/risk parameters	-0.0	-0.0	-	-0.0
Foreign exchange and other movements	0.0	0.0	-	0.0
Balance at 31 December 2018	2.0	0.2	-	2.1

NOTE 27B FINANCIAL INSTRUMENTS – CREDIT RISK ANALYSIS

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

Maximum exposure to credit risk

	31.12.2019 Gross maximum exposure *CHF m*	31.12.2018 Gross maximum exposure *CHF m*
Due from banks	**7,082.5**	9,228.8
Loans	**48,427.3**	45,323.2
Financial assets measured at FVTPL	**2,407.7**	2,078.6
Derivative financial instruments	**1,630.7**	2,128.5
Financial assets designated at fair value	**305.0**	298.8
Financial assets measured at FVOCI	**12,934.2**	14,442.2
Accrued income/other assets	**396.5**	380.5
Total[1]	**73,184.0**	73,880.5
Off-balance sheet		
Irrevocable commitments[2]	**492.8**	705.1
Total maximum exposure to credit risk	**73,676.7**	74,585.6

[1] Cash, including balances held with central banks, is not considered a credit risk and hence excluded from all credit risk analysis.
[2] These amounts reflect the maximum payments the Group is committed to making.

Refer to the comment on risk management/credit risk section for discussions on concentration of credit risk.

NOTE 27C FINANCIAL INSTRUMENTS – COLLATERAL ANALYSIS

Collateral analysis

For Lombard loans, the principal types of collateral are readily marketable debt and equity securities as well as other eligible assets; for mortgages, residential properties serve as main collateral. The following table provides information regarding the Loan-to-Value (market value) ratio for the respective credit products.

	31.12.2019	31.12.2018
	CHF m	*CHF m*
Loan-to-Value ratio (LTV)		
Lombard loans		
Less than 50%	21,482.6	17,745.5
51–70%	11,739.9	10,031.7
71–90%	5,413.1	7,063.5
91–100%	679.2	904.9
More than 100%	88.2	108.5
Total	**39,403.0**	35,854.1
Mortgages		
Less than 50%	4,413.4	4,556.0
51–70%	3,808.7	3,949.7
71–90%	655.8	777.2
91–100%	16.6	113.2
More than 100%	-	-
Total	**8,894.4**	9,396.1
Credit-impaired Lombard loans		
Less than 50%	-	-
51–70%	-	-
71–100%	53.1	-
More than 100%	51.4	48.3
Total	**104.5**	48.3
Credit-impaired mortgages		
Less than 50%	-	6.7
51–70%	17.8	16.6
71–100%	7.5	1.4
More than 100%	-	-
Total	**25.3**	24.6

NOTE 27D FINANCIAL INSTRUMENTS – OFFSETTING

As a wealth manager, the Group enters into securities transactions and derivative financial instruments. In order to control the credit exposure and reduce the credit risk related to these transactions, the Group applies credit mitigation strategies in the ordinary course of business. The Group enters into master netting agreements with counterparties to mitigate the credit risk of securities lending and borrowing transactions, repurchase and reverse repurchase transactions and over-the-counter derivative transactions. Such arrangements include Global Master Securities Lending Agreements or Global Master Repurchase Agreements, as well as ISDA Master Agreements for derivatives.

The majority of exposures to securities transactions and over-the-counter derivative financial instruments are collateralised, with the collateral being prime financial instruments or cash.

However, under IFRS, to be able to offset transactions with the same counterparty on the balance sheet, the right of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable for all counterparties in the event of default, insolvency or bankruptcy. As the Group's arrangements may not fulfil the strict offsetting criteria as required by IFRS, the Group does not offset the respective amounts related to these transactions on the balance sheet. Consequently, the remaining credit risk on securities lending and borrowing as well as on repurchase and reverse repurchase transactions is fully mitigated.

Securities transactions: As the Group does not apply netting on its balance sheet, the cash collateral provided in securities borrowing and reverse repurchase transactions in the amount of CHF 94.2 million (2018: CHF 213.2 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 329.5 million (2018: CHF 438.2 million) as disclosed in Note 24 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 1,284.5 million (positive replacement values) and CHF 1,336.5 million (negative replacement values) are subject to an enforceable netting agreement. Transactions with other banks are generally collateralised with other financial instruments (derivatives) which are recognised on the Group's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet. Additionally, there are derivative financial instruments in the amount of CHF 1,645.8 million (2018: CHF 1,670.2 million) which could be offset with the corresponding outstanding amount.

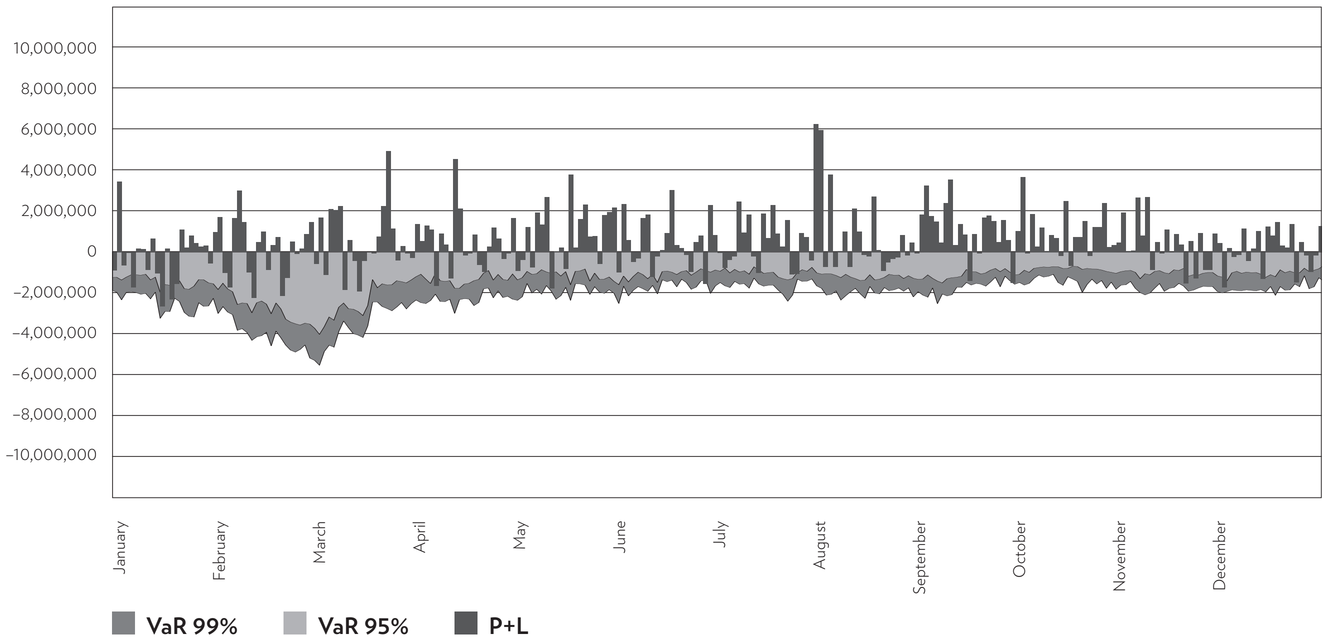
NOTE 28 MARKET RISK MEASURES

Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors. Refer to the comment on risk management/market risk section for the relevant background information related to the Group's market risk.

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

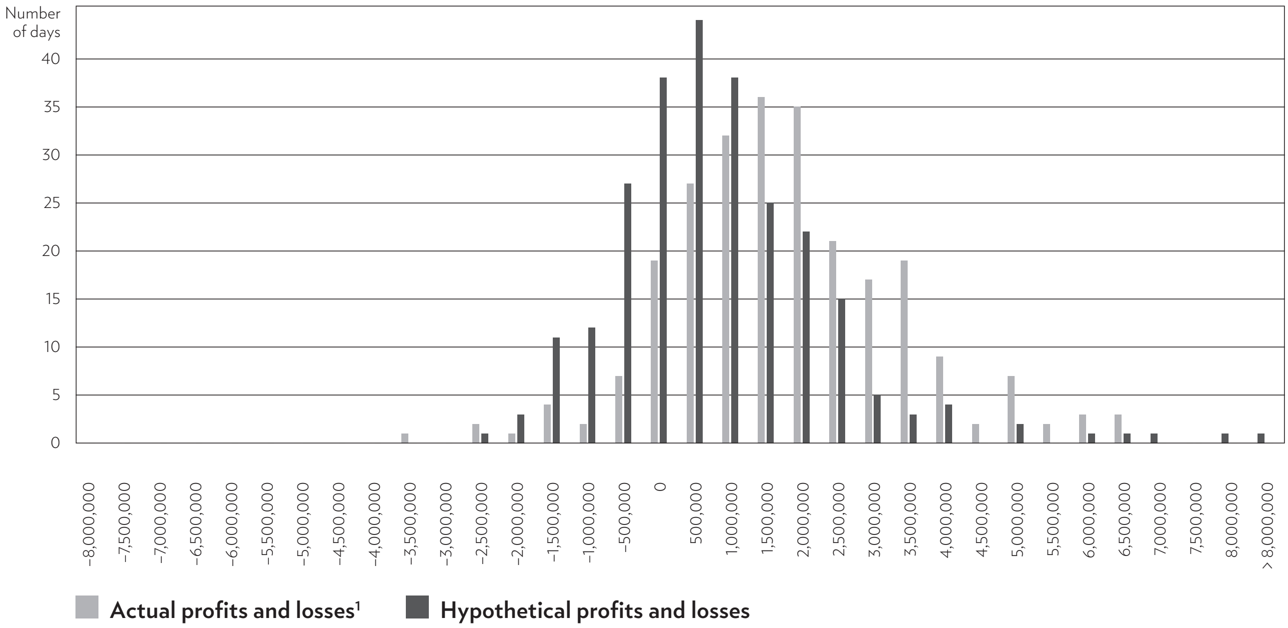
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 0.78 million on 31 December 2019 and CHF 1.24 million on 31 December 2018 (one-day holding period, 95% confidence interval).
The maximum VaR recorded in 2019 amounted to CHF 4.01 million; the minimum was CHF 0.65 million (CHF 5.26 million and CHF 0.71 million in 2018). The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back testing. This involves the comparison of the VaR values calculated each day with the hypothetical gains or losses which would have occurred if the end-of-day positions had been left unchanged on the next trading day. The following chart shows the daily calculations of VaR in 2019 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with these hypothetical gains or losses. A back-testing excession occurs when the change in overall position value resulting from the back-testing simulation is negative and its absolute value is greater than the VaR (at a confidence interval of 99%) for the relevant day's closing positions.

Back testing of Julius Baer Group trading book positions in 2019 (CHF)



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

Distribution of daily revenues from trading activities of Julius Baer Group for 2019 (CHF)



[1] Pure trading revenues excluding commissions and fees

Whereas VaR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings. Limits are set for both these risk metrics, and their utilisation is monitored on a daily basis. The daily stress tests are periodically complemented by additional tests based on historical scenarios. Additional stress tests, reflecting specific market and political situations, are also carried out.

At the beginning of 2019, the preceding 12-month period contained one back-testing violation, which was caused by an increased market volatility at the end of October 2018. This violation fell out of the observation period during the course of 2019. At the beginning of July 2019, a new back-testing violation occurred, caused by an outdated gold lease rate in the risk management system.

At the end of 2019, the total number of back-testing violations stands at one. As a result, the number of statistically permissible back-testing violations during the period was not exceeded.

All back-testing violations are examined individually and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors and the Swiss Financial Market Supervisory Authority (FINMA).

VaR method and regulatory capital

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

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period). The Group's stress-based VaR amounted to CHF 1.10 million on 31 December 2019 and CHF 2.56 million on 31 December 2018 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2019 amounted to CHF 4.44 million; the minimum was CHF 0.85 million (CHF 5.67 million and CHF 0.99 million in 2018). Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

FINMA applies a multiplier to the capital requirement for market risk. Every back-testing violation over and above the statistically based maximum permitted number of violations (four over a period of 250 trading days) results in an increase in the multiplier applied to the capital requirement for market risk. There was one back-testing violation to report by the end of 2019. For additional information regarding the calculation of the Group's minimum regulatory capital requirements under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2020).

Given the limited materiality of the positions concerned, the specific risk of the Group's fixed-income trading positions is calculated according to the standard method. The incremental risk charge and comprehensive risk-capital charge requirements are not applicable.

The following table is a summary of the VaR positions of the Group's trading portfolios:

Market risk – VaR positions by risk type

	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	**2019** Minimum *CHF m*
Equities	**-0.4**	**-0.5**	**-2.0**	**0.0**
Interest rates	**-0.9**	**-0.8**	**-1.2**	**-0.5**
Foreign exchange/precious metals	**-0.1**	**-0.5**	**-1.3**	**-0.0**
Effects of correlation	**0.7**			
Total	**-0.8**	**-1.3**	**-4.0**	**-0.7**

	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	2018 Minimum *CHF m*
Equities	-1.4	-1.5	-7.2	-0.1
Interest rates	-0.7	-0.7	-0.8	-0.5
Foreign exchange/precious metals	-0.5	-0.6	-1.4	-0.0
Effects of correlation	1.4			
Total	-1.2	-2.2	-5.3	-0.7

NOTE 29 INTEREST RATE RISK MEASURES

One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2019. Negative values under this scenario reflect a potential drop in fair value within the respective maturity band; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. As there are no material option structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of similar magnitude but with the opposite sign, though such outcomes are mitigated by the fact that the yield curves for the markets in which the Group carries out most of its activities are currently close to zero.

Interest-rate-sensitive positions

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total** *CHF m*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2019	**7.3**	**1.7**	**28.2**	**35.7**	**-11.9**	**61.0**
2018	3.4	-4.8	22.4	53.9	-35.7	39.3
USD						
2019	**5.2**	**-4.9**	**-2.5**	**55.3**	**0.1**	**53.1**
2018	11.5	-0.6	4.6	17.2	9.2	42.0
EUR						
2019	**7.1**	**-7.7**	**-14.8**	**58.8**	**-13.2**	**30.1**
2018	10.5	-5.7	-0.4	62.4	-7.8	58.9
Other						
2019	**1.1**	**-5.0**	**0.2**	**30.6**	**-0.0**	**26.9**
2018	2.3	-3.8	-1.5	35.9	0.0	32.9

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above, and further assuming that the Group took no mitigating action, the modelled effect on interest earnings would have been CHF -100.4 million at the end of 2019 (2018: CHF -133.0 million).

Fair value hedges of interest rate risk

The Group hedges part of its interest rate exposure from fixed rate CHF denominated mortgages to changes in fair value by using interest rate swaps on a portfolio basis. Such portfolio hedges are based on mortgages with similar maturities, and the hedge relationships are rebalanced on a monthly basis. The amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses are amortised over the remaining terms to maturity of the hedged items using the straight-line method.

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the bonds issued by the Group which are denominated in USD, CHF or SGD, as well as a very limited number of mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) bonds and mortgages. As such, the interest rate risk of each financial instrument is substantially reduced to the interest rate risk of the floating rate leg of the respective swap.

The counterparties of the swaps transactions used for portfolio hedges as well as those used for single hedges are investment grade counterparties. However, the Group does not incur any credit risk with these derivative instruments as all credit risk is eliminated due to clearing or collateral agreements in place. Prior to committing to a hedge relationship, an assessment takes place in order to justify that the fair value of the hedged item and the hedging instrument do offset their interest rate risks and that the economic hedge relationships meet the hedge accounting criteria. Besides this qualitative assessment, regular quantitative assessments are carried out based on prospective (i.e. forward looking, using regression analysis) as well as retrospective effectiveness tests. These tests allow assessing whether the hedging instrument is expected to be or has been highly effective in offsetting changes in the fair value of the hedged item. Hedge ineffectiveness may arise from minor differences in the core data of the bond and swap fixed leg, or the interest rate sensitivities of the floating leg of the swap.

	Hedges of bond issues (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	**31.12.2019** Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	**898.5**	**20.7**	**1,166.0**
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	**13.9**	**0.4**	**41.8**
Carrying amount hedged items	**912.4**	**21.1**	**1,207.8**
Hedging instruments – interest rate swaps			
Notional amount (overall average fixed interest rate: 1.88%)	**901.1**		
– whereof remaining maturity 1–5 years (average fixed interest rate: 2.53%)	***324.0***		
– whereof remaining maturity > 5 years (average fixed interest rate: 1.51%)	***577.1***		
Notional amount (overall average fixed interest rate: -0.31%)		**18.0**	
– whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		***18.0***	
Notional amount (overall average fixed interest rate: 0.38%)			**1,160.0**
– whereof remaining maturity < 1 year (average fixed interest rate: 0.72%)			***50.0***
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.43%)			***1,010.0***
– whereof remaining maturity > 5 years (average fixed interest rate: -0.25%)			***100.0***
Positive replacement value	**14.2**	**0.3**	**17.0**[1]
– related notional amount	***901.1***	***18.0***	***455.0***
Negative replacement value			**-14.7**[1]
– related notional amount			***705.0***
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**-13.9**	**0.4**	**-4.1**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**14.2**	**0.3**	**4.4**[1]
Amount of hedge ineffectiveness recognised in the income statement	**0.3**	**0.7**	**0.3**
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	**45.9**

[1] The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness for the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

			31.12.2018
	Hedges of bond issues (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	-905.0	20.9	1,307.1
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	-5.0	-0.6	39.3
Carrying amount hedged items	-910.0	20.4	1,346.4
Hedging instruments – interest rate swaps			
Notional amount (overall average fixed interest rate: 1.88%)	906.2		
– whereof remaining maturity 1–5 years (average fixed interest rate: 2.24%)	*558.3*		
– whereof remaining maturity > 5 years (average fixed interest rate: 1.30%)	*347.9*		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
– whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		*18.0*	
Notional amount (overall average fixed interest rate: 0.39%)			1,280.0
– whereof remaining maturity < 1 year (average fixed interest rate: 0.44%)			*120.0*
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.47%)			*985.0*
– whereof remaining maturity > 5 years (average fixed interest rate: -0.13%)			*175.0*
Positive replacement value	5.4	1.3	3.1[1]
– related notional amount	*541.3*	*18.0*	*250.0*
Negative replacement value	-0.6		-37.3[1]
– related notional amount	*364.8*		*1,030.0*
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	-5.0	-0.6	3.8
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	4.8	1.3	-3.0[1]
Amount of hedge ineffectiveness recognised in the income statement	-0.3	0.7	0.7
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	35.5

[1] The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness for the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

Net investment hedges

As of 2019, the Group started to apply net investment hedge accounting on part of the foreign currency risks related to its foreign operations. A net investment hedge is a specific type of a foreign currency cash flow hedge used to eliminate the foreign currency exposures arising from translating the Group's net investment in a foreign operation (with a different functional currency than the CHF) into the Group's functional currency CHF. Upon consolidation of the net investment in a foreign operation into the Group financial statements the foreign currency gain or loss is recognised in other comprehensive income (OCI) under the respective accounting treatment.

The Group uses rolling FX forwards as hedging instrument in line with IAS 39 applying the forward rate method, which means the full marked to market on the hedge is booked to OCI provided the hedge is effective.

The amount of net investment hedges designated to hedge the foreign currency investment should for each hedging period be less or equal the hedged item at the end date of the hedged period. This critical term matching is proven on a prospective and retrospective period for each month-end. Hedges are allocated to specific foreign currency net investments at inception of the hedge. Ineffectiveness is recognised only to the extent that the periodic change in the fair value of the derivative instrument exceeds the periodic change in the FX translation ('overhedge'). Given that only a fraction of foreign currency investments are hedged, hedge effectiveness should be obtained at all times.

The following table relates to FX forwards used for net investment hedges in foreign operations and the related amounts recognised in OCI:

	31.12.2019 *CHF m*
Positive replacement values of FX forwards	-
Negative replacement values of FX forwards	**0.6**
Nominal value of FX forwards	**96.8**
OCI on foreign currency operations	**-23.0**
OCI on net investment hedges	**-0.6**

Liquidity analysis

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

Remaining contractual maturities of financial liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial liabilities recognised on balance sheet						
Due to banks	3,125.3	34.2	0.2	0.3	-	**3,160.0**
Due to customers	59,161.2	13,058.3	751.7	-	-	**72,971.2**
Financial liabilities measured at FVTPL	613.8	-	-	-	-	**613.8**
Derivative financial instruments	2,087.1	0.2[1]	0.5[1]	29.6[1]	3.2[1]	**2,120.8**
Financial liabilities designated at fair value	2,528.4	5,675.2	2,736.8	1,990.8	500.2	**13,431.4**
Debt issued	-	152.6	739.1	839.1	355.9	**2,086.8**
Accrued expenses	-	221.4	-	-	-	**221.4**
Other liabilities		28.7				**28.7**
Deferred payments related to acquisitions	-	5.7	1.7	27.5	-	**34.8**
Total 31.12.2019	67,515.8	19,176.5	4,230.0	2,887.3	859.3	**94,668.9**
Due to banks	6,688.6	202.3	25.0	0.5	-	6,916.4
Due to customers	57,505.9	12,763.1	1,306.3	-	-	71,575.3
Financial liabilities measured at FVTPL	132.5	-	-	-	-	132.5
Derivative financial instruments	1,678.4	-	0.7[1]	36.7[1]	3.5[1]	1,719.3
Financial liabilities designated at fair value	1,888.0	7,701.7	2,584.0	1,275.2	438.7	13,887.6
Debt issued	101.0	7.0	55.4	1,042.4	508.9	1,714.6
Accrued expenses	-	240.6	-	-	-	240.6
Other liabilities		28.3				28.3
Deferred payments related to acquistions	-	13.8	16.3	23.9	-	54.0
Total 31.12.2018	67,994.4	20,956.7	3,987.8	2,378.7	951.1	96,268.7
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[2]	464.3	10.3	11.8	5.9	0.5	**492.8**
Total 31.12.2019	464.3	10.3	11.8	5.9	0.5	**492.8**
Total 31.12.2018	666.6	5.7	22.3	6.9	3.4	705.1

[1] These derivatives are not held for trading but for hedging purposes.

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

NOTE 30A COMPANIES CONSOLIDATED

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.2019 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.5	11,175
Swiss securities number: 10 248 496, Ticker symbol: BAER					

Unlisted operational companies which are consolidated as at 31 December 2019

	Head Office	Currency	Share capital m	Equity interest %
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano,				
Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zug, Zurich				
Representative Offices in Abu Dhabi, Istanbul, Johannesburg,				
Mexico City, Moscow, Panama City, Santiago de Chile, Shanghai, Tel Aviv				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*
Arpese SA	*Lugano*	*CHF*	*0.400*	*100*
Bank Julius Bär Deutschland AG	Frankfurt	EUR	15.000	100
Branches in Berlin, Duesseldorf, Hamburg, Hanover, Kiel,				
Mannheim, Munich, Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer Europe S.A.	Luxembourg	EUR	93.165	100
Branch in Dublin				
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	105.000	100
Julius Baer Bank (Bahamas) Limited	Nassau	CHF	20.000	100

	Head Office	Currency	Share capital m	Equity interest %
Fransad Gestion SA	Geneva	CHF	1.000	100
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (Singapore) Limited	*Singapore*	*SGD*	*2.812*	*100*
JB Funding (Hong Kong) Limited	Hong Kong	USD	0.000	100
Julius Baer Family Office Brasil Ltda.	São Paulo	BRL	762.016	100
including				
Reliance Capital Participações Ltda. (Reliance Group)	*São Paulo*	*BRL*	*1.462*	*100*
GPS Investimentos Financeiros e Participações S.A.	*São Paulo*	*BRL*	*7.280*	*100*
including				
CFO Administração de Recursos Ltda.	*São Paulo*	*BRL*	*0.064*	*100*
GPS Planejamento Financeiro Ltda.	*São Paulo*	*BRL*	*0.207*	*100*
Branches in Belo Horizonte, Rio de Janeiro				
JB Participations Ltd.	Zurich	CHF	15.000	100
Julius Baer Advisory S.A.E.	Cairo	EGP	12.847	100
Julius Baer Advisory (Uruguay) S.A.	Montevideo	UYU	0.087	100
Julius Baer Agencia de Valores, S.A.U.	Madrid	EUR	0.902	100
Branch in Barcelona				
Julius Baer (Chile) SpA	Santiago de Chile	CLP	498.928	100
Julius Baer CIS Ltd.	Moscow	RUB	18.000	100
Julius Baer Family Office & Trust Ltd.	Zurich	CHF	0.100	100
Julius Baer Fiduciaria S.p.A.	Milan	EUR	0.100	100
Julius Baer Financial Services (Channel Islands) Limited	Jersey	GBP	0.025	100
Julius Baer Financial Services (Israel) Ltd.	Tel Aviv	ILS	11.000	100
Julius Baer Gestión, SGIIC, S.A.U.	Madrid	EUR	2.100	100
Julius Baer International Advisory (Uruguay) S.A.	Montevideo	USD	1.600	100
Julius Baer International Limited	London	GBP	135.200	100
Branches in Belfast, Edinburgh, Leeds, Manchester				

	Head Office	Currency	Share capital *m*	Equity interest *%*
JULIUS BAER INTERNATIONAL SHARED SERVICES CENTER (URUGUAY) S.A.	Montevideo	UYU	1.340	100
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Julius Baer Investments (Panama) S.A.	Panama City	USD	22.630	100
Julius Bär Lizenzverwertungsgesellschaft AG	Zug	CHF	0.100	100
Julius Baer Trust Company (Channel Islands) Limited	Guernsey	CHF	0.065	100
Julius Baer (Singapore) Pte. Ltd.	Singapore	USD	10.000	100
Julius Baer (South Africa) Proprietary Limited	Johannesburg	ZAR	22.357	100
Julius Baer Wealth Advisors (India) Private Limited	Mumbai	INR	10,081.410	100
Branches in Bangalore, Chennai, Hyderabad, Kolkata, New Delhi				
including				
Julius Baer Capital (India) Private Limited	*Mumbai*	*INR*	*2,334.350*	*100*
Branch in New Delhi				
Julius Bär Nomura Wealth Management Ltd.	Zurich	CHF	5.700	60
Branch in Tokyo				
Julius Baer Wealth Management (Monaco) S.A.M.	Monaco	EUR	0.465	100
Julius Baer (Bahrain) B.S.C. (c)	Manama	BHD	1.000	100
Julius Baer (Lebanon) S.A.L.	Beirut	LBP	2,000.000	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Kairos Investment Management S.p.A.	Milan	EUR	2.355	100
including				
KAIROS ASSET MANAGEMENT SA	*Lugano*	*CHF*	*0.600*	*100*
Kairos Investment Management B.V.	*Amsterdam*	*EUR*	*1.000*	*100*
– including Kairos Investment Management Limited	*London*	*GBP*	*5.884*	*100*
Kairos Partners SGR S.p.A.	*Milan*	*EUR*	*5.084*	*100*
– Representative Offices in Rome, Turin				

	Head Office	Currency	Share capital m	Equity interest %
NSC Asesores, S.C., Asesor en Inversiones Independiente	Mexico City	MXN	1.903	70
NSC Objetivos, S.A.P.I. de C.V.	Mexico City	MXN	0.001	70
PINVESTAR AG	Zug	CHF	0.100	100
Wergen & Partner Vermögensverwaltungs Ltd	Zurich	CHF	0.100	100
LOTECO Foundation	Zurich	CHF	0.100	100

Major changes in the companies consolidated (2019):

- NSC Asesores, Mexico, new
- Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten, merged into Bank Julius Baer & Co. Ltd, Zurich
- Julius Baer (Netherlands) B.V., Amsterdam, sold
- JB Participações Brasil Ltda., São Paulo, renamed into Julius Baer Family Office Brasil Ltda., São Paulo

NOTE 30B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
SCB-Julius Baer Securities Co., Ltd.	Bangkok	THB	1.800	40

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Balance at the beginning of the year	**48.1**	28.2
Additions	**2.4**	19.7
Disposals	**-29.1**	-
Income	**1.3**	1.9
Dividend paid	**-0.7**	-1.9
Translation differences	**1.3**	0.2
Balance at the end of the year	**23.3**	48.1

SCB-Julius Baer Securities Co., Ltd. (2018)
In March 2018, the Group signed a strategic agreement with Siam Commercial Bank (SCB) that establishes a jointly formed entity focusing on bringing the most relevant and impactful advice and solutions to the growing Thai wealth management market and its increasingly sophisticated clients. The entity seamlessly combines SCB's strong brand credibility and wealth management expertise with Julius Baer's full suite of international wealth management capabilities and advisory services. The cooperation complements SCB's existing wealth management capabilities whilst opening access for the Group to the fast-growing Thai wealth management market.

The entity operates via domestic and international companies in Thailand and Singapore, respectively, and provides a unique and holistic global wealth management proposition tailored to the needs of its Thai client base. The Group holds 40% in the entity and therefore treats it as an associate; its initial equity share of CHF 19.7 million has been contributed in 2018 in cash, an additional CHF 2.4 million in 2019. The Group holds an option to increase its share to 49% step-by-step over time, with the option being exercisable at the equity value of the entity at the times of exercise.

The entity has taken up its full operations after the necessary approvals and licences to operate in Thailand have been received end of April 2019.

NOTE 30C UNCONSOLIDATED STRUCTURED ENTITIES

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

NOTE 31 ACQUISITIONS AND DISPOSALS

The following transactions were executed:

NSC Asesores (2019/2015)
On 6 November 2015, the Group acquired 40% of the Mexico City-based NSC Asesores, S.C., Asesor en Inversiones Independiente, which is specialised in discretionary portfolio management and advisory services for high net worth individuals. The Group paid half of the consideration in the amount of CHF 14.5 million in cash for this interest, which was fully funded by existing excess capital of the Group. The Group agreed on two additional payments of CHF 7.1 million each on 6 November 2016 and 2017, respectively, for the outstanding purchase price, which were both performed as agreed. The Group also received two options to acquire additional interests of 30% per option in NSC Asesores at a predetermined relative price. The first option was executed in March 2019, the second option will be exercisable in 2021.

With the exercise of the first option, the Group has increased its overall participation to 70% and therefore consolidates NSC Asesores as of 1 March 2019. 80% of the first half of the purchase price of CHF 11.1 million has been paid in cash and the remaining 20% in listed shares of the Group at their fair value as of the date of the transaction. The second half of the purchase price will be paid in cash in two equal tranches at the first and the second anniversary of the transaction date. As part of the transaction, the Group realised a net gain in the amount of CHF 0.6 million (net of negative foreign exchange impact of CHF -0.6 million) on the revaluation to fair value (derived from the purchase price of the additional 30% interest) of the 40% interest previously held as an investment in associates, which was recognised in other ordinary results in 2019.

Since its acquisition on 1 March 2019, NSC Asesores has contributed CHF 11.7 million operating income and CHF 5.0 million net profit to the Group's results.

The assets and liabilities of NSC Asesores have been provisionally recorded as follows:

	Fair value *CHF m*
Purchase price	
Cash and Julius Baer Group Ltd. shares	11.1
Contribution of the previously held 30% interest (at fair value)	29.6
Deferred purchase price (liabilities)	11.1
Total	51.9
Due from banks	1.5
All other assets	2.4
Assets acquired	3.9
Deferred tax liabilities	2.1
All other liabilities	3.5
Liabilities assumed	5.6
Goodwill and other intangible assets	
Goodwill	34.2
Customer relationships	26.8
Non-controlling interests	7.5
Total	53.5

Reliance Capital Participações Ltda. (Reliance Group), São Paulo (2018)
On 4 June 2018, the Group acquired 95% of the São Paulo-based Reliance Group (Reliance). Reliance is one of the largest independent wealth managers in Brazil, with client assets mainly in advisory mandates. This acquisition significantly strengthens Julius Baer's strategic position in Brazil, where the Group is already present with the wholly owned GPS Investimentos (GPS), the country's largest independent wealth manager.

The purchase price of total CHF 71.4 million has been and will be paid in cash in several tranches over a maximum of three years since the acquisition date, the timing of the payments being dependent on certain conditions to be achieved and the tranches also being contingent on the future growth rate of the business. The purchase price is and will be fully funded by existing excess capital of the Group.

As part of the purchase agreement, the Group received the right (but not the obligation) to purchase the remaining 5% of Reliance through a call option at a contractually agreed fixed amount. In case the Group does not exercise the call option until a specific date, the sellers have the right (but not the obligation) to sell the remaining 5% to the Group at the same contractually agreed fixed amount. Therefore, for accounting purposes, the Group acquired already 100% of Reliance; hence, the above-mentioned purchase price of CHF 71.4 million includes the exercise price (the fixed amount) of the option.

The assets and liabilities of Reliance have been recorded as follows (unchanged since 2018):

	Fair value *CHF m*
Purchase price	
Cash	33.8
Deferred purchase price (liabilities)	37.6
Total	71.4
Due from banks	2.1
Loans[1]	3.1
All other assets	0.4
Assets acquired	5.6
Deferred tax liabilities	4.7
All other liabilities	2.1
Liabilities assumed	6.9
Goodwill and other intangible assets	
Goodwill	42.0
Customer relationships	30.6
Total	72.7

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 3.1 million.

Kairos (2018/2016)
On 8 January 2018, the Group announced the purchase of the outstanding 20% shares in the Milan-based company Kairos Investment Management S.p.A., following its initial purchase of 19.9% in 2013 and the additional 60.1% interest in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice. Kairos continues to operate under its brand.

The difference between the amount of the former non-controlling interests (NCI) recognised on the balance sheet and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

Julius Bär Wealth Management AG/Julius Bär Nomura Wealth Management Ltd. (2018)
On 27 September 2018, the Group announced to dispose of 40% non-controlling interests in its wholly owned Japanese-market-focused subsidiary Julius Bär Wealth Management AG (JBWM) to Nomura. This new equity investment by Nomura represents a significant step forward for both firms' strategic ambition for the Japanese market and will provide the Group access to Nomura's high net worth franchise. Upon completion of the transaction, JBWM's name has been changed to Julius Bär Nomura Wealth Management Ltd.

The Group recognises non-controlling interests (NCI) in its financial statements in the amount of the proportionate equity of JBWM sold. The difference between the portion of JBWM's equity sold (CHF 2.0 million at the time of disposal) and the selling price (CHF 7.0 million) is recognised in the Group's equity (retained earnings), as it is a transaction with equity holders in their capacity as equity holders (meaning that no profit can be recognised in the income statement from such transactions). The carrying amount of JBWM's assets, including goodwill, or liabilities are not adjusted in the Group's consolidated financial statements.

NOTE 32 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2019. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Group's overall compensation landscape is described in the chapter Remuneration Report of this Annual Report.

The Group hedges its liabilities from share-based payments by purchasing the shares on the market on grant date through the LOTECO Foundation (Foundation). Until vesting, the granted shares and performance units are administered by the Foundation.

Deferred variable compensation plans
Cash-based variable compensation – Deferred Cash Plan
The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DCP grant is generally made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. These annually granted deferred cash awards vest in equal one-third tranches, subject to continued employment, and accrued over a three-year plan period. The DCP may be granted outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long-Term Incentive Plan award (as described below).

Deferred Bonus Plan
Similar to the DCP, the Deferred Bonus Plan (DBP) promotes sound business activities by remaining subject to forfeiture (as from performance year 2019) while providing an inherently less volatile payout than shares. The DBP grant is made once per year and is determined in reference to the annual variable compensation awarded to the individual concerned. Eligibility for the DBP is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and the employees defined as Group-level risk takers by virtue of their function within the organisation are considered for the DBP based on their specific role. These annually granted deferred cash awards vest in equal one-fifth tranches, subject to continued employment.

Equity-based variable compensation – Premium Share Plan
The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Group through its share price. A PSP grant is made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. The employee is granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee then receives an additional share award representing a further one third of the number of shares granted to him or her at the beginning of the plan period.

Equity-based variable compensation – Equity Performance Plan
The Equity Performance Plan (EPP) is a key part of the Julius Baer compensation model. One of the Compensation Committee's objectives was to create a robust long-term incentive mechanism for key employees. The EPP is an equity plan which seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Group.

Eligibility for the EPP, similar to that of the DBP (as described above), is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and, as from performance year 2017, individual contribution in the reporting period (as part of the adjustment to the performance alignment approach for the year's EPP awards). All members of the Executive Board, key employees and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, current as well as projected future contributions to the Group, defined total pay mix and level of responsibility.

The EPP is an annual rolling equity grant (made in February each year) that awards Performance Units to eligible participants subject to individual performance in the reporting period and future performance-based requirements. The EPP award reflects the value of the individual for the current and future success of the business and more closely links an individual's compensation to his or her contribution to the future performance of the Group.

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

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with the Group for three years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cap serves to limit EPP awards so as to avoid any unforeseen outcome of the final EPP multiplier resulting in unintentionally high or excessive levels of compensation. A high level of performance is required to attain a maximum share delivery (creating a maximum uplift of 50% of the Performance Units granted), with low-level performance leading to potential nil compensation.

The KPI targets are set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. Extremely high (and, thus, unrealistic) performance targets are avoided, so as not to incentivise excessive risk taking by executives and other managerial staff.

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

An LTI granted in these circumstances generally runs over a three-year plan period. The Group currently operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff-vesting of all granted shares in one single tranche at the end of a three-year period.

The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions (which may include performance-based vesting conditions) set out in the plan rules or the individual grant's terms and conditions. In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

Staff Participation Plan (SPP)
The SPP is offered to most of the Group's global employee population. Some individuals or employees in specific locations are excluded from participating because, for example, the employees concerned are participants in another Group equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal, regulatory or administrative reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer Group Ltd. shares at the prevailing market price, and for every three shares so purchased they will receive one additional share free of charge. These free shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

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

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

	31.12.2019 Number of units Economic Profit	**31.12.2019** Number of units Total Shareholder Return	31.12.2018 Number of units Economic Profit	31.12.2018 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**786,386**	**786,386**	761,811	761,811
Granted during the year	**519,340**	**519,340**	283,483	283,483
Exercised during the year	**-235,815**	**-235,815**	-246,221	-246,221
Forfeited during the year	**-60,101**	**-60,101**	-12,687	-12,687
Unvested units outstanding, at the end of the year	**1,009,810**	**1,009,810**	786,386	786,386

	31.12.2019	31.12.2018
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**1,237,096**	1,363,160
Granted during the year	**742,863**	521,446
Vested during the year	**-590,688**	-611,868
Forfeited during the year	**-81,549**	-35,642
Unvested shares outstanding, at the end of the year	**1,307,722**	1,237,096
Weighted average fair value per share granted (CHF)	**40.58**	60.49
Fair value of outstanding shares at the end of the year (CHF 1,000)	**65,295**	43,311

Long-Term Incentive Plan	31.12.2019	31.12.2018
Unvested shares outstanding, at the beginning of the year	**564,521**	549,652
Granted during the year	**553,557**	453,430
Vested during the year	**-304,190**	-359,663
Forfeited during the year	**-49,694**	-78,898
Unvested shares outstanding, at the end of the year	**764,194**	564,521
Weighted average fair value per share granted (CHF)	**43.36**	58.95
Fair value of outstanding shares at the end of the year (CHF 1,000)	**38,156**	19,764

Staff Participation Plan	31.12.2019	31.12.2018
Unvested shares outstanding, at the beginning of the year	**114,602**	114,518
Granted during the year	**52,572**	34,620
Vested during the year	**-43,061**	-30,656
Forfeited during the year	**-4,732**	-3,880
Unvested shares outstanding, at the end of the year	**119,381**	114,602
Weighted average fair value per share granted (CHF)	**42.65**	60.67
Fair value of outstanding shares at the end of the year (CHF 1,000)	**5,961**	4,012

Compensation expense recognised for the various participation plans are:

Compensation expense	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Equity Performance Plan	**32.4**	30.6
Premium Share Plan	**28.5**	28.5
Integration Incentive Award	**-**	0.7
Long-Term Incentive Plan	**16.2**	16.6
Staff Participation Plan	**2.0**	1.9
Total	**79.1**	78.4

NOTE 33 ASSETS UNDER MANAGEMENT

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

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

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

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

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

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

Assets under management

	2019 *CHF m*	2018 *CHF m*	Change %
Assets with discretionary mandate	**66,128**	59,579	11.0
Other assets under management	**356,260**	316,648	12.5
Assets in collective investment schemes managed by the Group[1]	**3,672**	5,847	-37.2
Total assets under management (including double counting)	**426,060**	382,074	11.5
of which double counting	***10,963***	*9,283*	*18.1*
Change through net new money	**10,598**	17,413	
Change through market and currency impacts	**38,784**	-26,762	
Change through acquisition	**3,015**[2]	4,502[3]	
Change through divestment	**-4,713**[4]	-1,380[4]	
Change through other effects	**-3,698**[5]	-121[5]	
Client assets	**499,047**	443,860	12.4

1 Collective investment schemes are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, and to Kairos Investment Management S.p.A., Milan.
2 In March 2019, the Group acquired NSC Asesores, Mexico.
3 In June 2018, the Group acquired Reliance Capital Participações (Reliance Group), São Paulo.
4 Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries and completion of sale of Julius Baer (Netherlands) B.V.
5 Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

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

Breakdown of assets under management

	2019 %	2018 %
By types of investment		
Equities	**28**	26
Bonds (including convertible bonds)	**19**	20
Investment funds	**26**	25
Money market instruments	**4**	4
Client deposits	**17**	19
Structured products	**5**	5
Other	**1**	1
Total	**100**	100

By currencies		
CHF	**10**	10
EUR	**20**	22
USD	**47**	46
GBP	**4**	4
SGD	**2**	2
HKD	**3**	3
RUB	**1**	1
CAD	**1**	1
Other	**12**	11
Total	**100**	100

NOTE 34 REQUIREMENTS OF SWISS BANKING LAW

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Switzerland-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is based on the regulations of the Swiss Code of Obligation, on Swiss Banking Law and the Ordinance thereto, and on the guidelines of the FINMA Circular 2015/1 'Accounting Banks'.

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

Under IFRS, expected credit losses are recognised at initial recognition of any financial instrument. Subsequently, the amount of the expected credit losses is updated at each reporting date to reflect changes in the credit risk of the respective instrument. Under Swiss GAAP, collective value adjustments are established to account for latent default risks collectively or individually; the allowance is determined on the basis of faithfully estimated default rates or other empirical data.

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

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

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

NOTE 35 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 2019 financial year.

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

Statutory Auditor's Report

To the General Meeting of Julius Baer Group Ltd., Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Julius Baer Group Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 88 to 210) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Goodwill impairment testing

Litigation and regulatory proceedings

Valuation of financial instruments

Impairment of loans

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Goodwill impairment testing

Key Audit Matter

As at 31 December 2019, the Group recognises goodwill of CHF 2,017.7m arising from a number of historic and recent acquisitions.

Due to the significance of the Group's recognised goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment.

Goodwill impairment testing is performed at the level of cash generating units ('CGUs') and relies on estimates of value-in-use based on discounted future cash flows.

Uncertainty is typically highest for those CGUs where headroom between value-in-use and carrying value is limited and where the value-in-use is most sensitive to estimates of future cash flows and other key assumptions.

Our response

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

We tested key assumptions forming the Group's value-in-use calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance.

With the assistance of our own valuation specialists, we critically assessed the assumptions and methodologies used to determine the value-in-use for those CGUs where significant goodwill was found to be sensitive to changes in those assumptions. On an overall basis, we also evaluated the aggregate values-in-use determined by the Group to its market capitalisation.

Additionally, we considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing, also refer to note 12 to the consolidated financial statements on pages 138 to 140.

Litigation and regulatory proceedings

Key Audit Matter

As at 31 December 2019, the Group recognizes provisions for legal risks of CHF 197.6m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

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

Our response

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

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

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of legal and regulatory matters requires significant judgment.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Group's internal and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes.

Additionally we considered whether the Group's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

For further information on litigation and regulatory proceedings, also refer to note 17 to the consolidated financial statements on pages 147 to 151.

Valuation of financial instruments

Key Audit Matter

As at 31 December 2019, the Group reports financial assets of CHF 28,878.2m and financial liabilities of CHF 16,015.6m measured at fair value representing 28.3% and 15.7% of total assets and total liabilities respectively.

Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments.

The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Group.

Our response

Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Group in determining fair values.

For the Group's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists.

Additionally, we assessed whether the fair value determination is appropriately disclosed.

For further information on the valuation of financial instruments, also refer to notes 26B and 26C to the consolidated financial statements on pages 167 to 171.

Impairment of loans

Key Audit Matter

As at 31 December 2019, the Group reports loans of CHF 48,427.3m representing 47.5% of total assets and records a credit loss allowance of CHF 46.9m.

Loans are measured at amortised cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts.

The portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.

Our response

Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Group to assess the adequacy of impairment allowances for individually assessed loans.

For a sample of loans with specific allowances for credit losses we evaluated the Group's individual impairment assessment and specifically challenged the Group's assumptions used, including the value of realisable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Group revised its estimates and assumptions for specific allowances established in prior year.

We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Group and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans, also refer to the note 27A to the consolidated financial statements on pages 172 to 180.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Mirko Liberto	Cataldo Castagna
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 31 January 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2019

INCOME STATEMENT

	2019 *CHF m*	2018 *CHF m*
Interest income	**78.5**	61.5
Interest expense	**51.6**	48.8
Result from interest	**26.9**	12.7
Income from participations	**410.8**	400.5
Revaluation of participations	**23.7**	17.9
Depreciation of participations	**119.1**	82.9
Result from participations	**315.5**	335.5
Other ordinary income	**110.3**	103.0
Other ordinary expense	**43.2**	20.6
Operating income	**409.4**	430.6
Personnel expenses	**15.8**	17.9
General expenses	**22.4**	23.0
Operating expenses	**38.2**	40.9
Gross profit	**371.2**	389.7
Extraordinary income	**1.0**	0.0
Taxes	**-6.5**	5.9
Net profit	**378.7**	383.8

BALANCE SHEET

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Assets		
Due from banks	**1,946.7**	1,249.6
Other assets	**84.2**	79.5
Accrued income and prepaid expenses	**425.7**	459.2
Total current assets	**2,456.6**	1,788.3
Other financial investments	**1,640.6**	1,367.1
Participations	**4,542.8**	4,504.9
Total non-current assets	**6,183.3**	5,872.1
Total assets	**8,639.9**	7,660.4
of which due from Group companies	***3,633.2***	*2,659.0*

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Liabilities and equity		
Interest-bearing liabilities	**1,399.3**	1,049.3
Other liabilities	**10.5**	16.7
Accrued expenses and deferred income	**35.1**	45.4
Provisions	**-**	0.1
Total short-term liabilities	**1,444.9**	1,111.4
Interest-bearing liabilities	**1,100.0**	800.0
Debt issued	**1,748.5**	1,406.2
Other liabilities	**8.0**	11.2
Total long-term liabilities	**2,856.5**	2,217.4
Total liabilities	**4,301.4**	3,328.8
Share capital	**4.5**	4.5
Statutory capital reserve	**934.2**	1,270.0
of which tax-exempt capital contribution reserve	**-**	*1,270.0*
of which tax-exempt capital contribution other	***829.0***[1]	-
of which tax-exempt capital contribution foreign	***105.3***[1]	-
Statutory retained earnings reserve	**336.3**	262.1
of which reserve for treasury shares	***335.4***	*261.2*
Voluntary retained earnings reserve	**2,720.8**	2,395.1
Treasury shares	**-36.1**	-
Profit carried forward	**0.1**	16.3
Net profit	**378.7**	383.8
Total equity	**4,338.6**	4,331.6
Total liabilities and equity	**8,639.9**	7,660.4
of which due to Group companies	***2,499.3***	*1,849.3*

[1] The Swiss Federal Tax Administration received the Group's proposal, the written approval was outstanding as at 31 January 2020.

NOTES

	31.12.2019 *CHF m*	31.12.2018 *CHF m*
Contingent liabilities		
Surety and guarantee obligations and assets pledged in favour of third parties	**2,116.1**	2,186.2

BASIS OF ACCOUNTING

The stand-alone financial statements of Julius Baer Group Ltd. are prepared in accordance with the guidelines of the Swiss Code of Obligations.

PARTICIPATIONS

Refer to the consolidated financial statements, Note 30A, for a complete list of the participations.

The participations are measured based on the principle of individual evaluation. For material or strategic participations, a multiple method based on prices to assets under management is applied. For smaller participations, the net asset value according to IFRS is used.

Income from participations is recorded based on an economic standpoint, i.e. at the same time as the corresponding income is recorded at the subsidiary.

STATUTORY CAPITAL RESERVE

The statutory capital reserve represents the additional proceeds (premium) received from the issue of shares by Julius Baer Group Ltd. The redemption of this statutory capital reserve is exempt from taxation, similar to the share capital.

TREASURY SHARES

In the statutory financial statements of Julius Baer Group Ltd., treasury shares held by Julius Baer Group Ltd. itself are deducted directly from equity. For treasury shares held by other Group companies, a reserve for treasury shares is stated in equity.

While Julius Baer Group Ltd. held 755,000 treasury shares in 2019 (2018: nil) with an average purchase price of CHF 47.80, lowest purchase price was CHF 46.07 and highest purchase price was CHF 50.79, different Group entities held 6,125,662 treasury shares in 2019 (2018: 5,839,110).

DEBT ISSUED

Refer to the consolidated financial statements, Note 15, for a complete list of the debt issued.

Debt issued are recorded at nominal value. Any agios are recognised in other liabilities and amortised up to the maturity date or the first possible redemption date, respectively.

AUTHORISED CAPITAL

There is no authorised capital.

FEES PAID TO AUDITOR

	2019 CHF m	2018 CHF m
Fees paid to auditor		
Audit services	**1.1**	1.2
Other services	**0.1**	0.0
Total	**1.2**	1.2

SHARE-BASED PAYMENTS

	2019 Number Equity securities	**2019** Value Equity securities CHF m	2018 Number Equity securities	2018 Value Equity securities CHF m
Equity plans				
Total granted during the year	**34,833**	**1.7**	29,208	1.7
of which members of executive bodies	***33,880***	***1.7***	*28,588*	*1.7*
of which employees	***953***	***0.0***	*620*	*0.0*

	2019 Number Units	**2019** Value Units CHF m	2018 Number Units	2018 Value Units CHF m
Plans based on units				
Total granted during the year	**73,045**	**2.5**	42,892	2.4
of which members of executive bodies	***57,591***	***2.0***	*36,436*	*2.0*
of which employees	***15,454***	***0.5***	*6,456*	*0.4*

FULL-TIME EQUIVALENTS

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or income statement for the 2019 financial year.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/ participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2019[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
BlackRock, Inc.[5]	4.99%	0.07%
Harris Associates L.P.[6]	4.95%	
Government of Singapore[7]	3.09%	
UBS Fund Management (Switzerland) AG[8]	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 increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; b) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

2 Purchase positions disclosed pursuant to art. 14 para. 1 a FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA) and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

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

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

5 BlackRock, Inc., New York/USA (reported on 18 December 2019)

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

7 Government of Singapore, Singapore (reported on 31 May 2019)

8 UBS Fund Management (Switzerland) AG, Basel/Switzerland (reported on 26 September 2019)

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Shareholdings of the members of the Board of Directors[1]		Number of shares
Romeo Lacher – Chairman (joined the Board in 2019)	**2019**	**-**
	2018	n.a.
Daniel J. Sauter (left the Board in 2019)	**2019**	**n.a.**
	2018	198,957
Gilbert Achermann	**2019**	**16,551**
	2018	14,509
Andreas Amschwand (left the Board in 2019)	**2019**	**n.a.**
	2018	14,509
Heinrich Baumann	**2019**	**22,278**
	2018	20,236
Richard M. Campbell-Breeden (joined the Board in 2018)	**2019**	**5,238**
	2018	-
Paul Man Yiu Chow	**2019**	**9,836**
	2018	7,794
Ivo Furrer	**2019**	**6,447**
	2018	4,405
Claire Giraut	**2019**	**25,841**
	2018	23,799
Gareth Penny (left the Board in 2019)	**2019**	**n.a.**
	2018	9,855
Charles G. T. Stonehill	**2019**	**21,211**
	2018	21,669
Eunice Zehnder-Lai (joined the Board in 2019)	**2019**	**-**
	2018	n.a.
Olga Zoutendijk (joined the Board in 2019)	**2019**	**-**
	2018	n.a.
Total	**2019**	**107,402**
Total	2018	315,733

[1] Including shareholdings of related parties

None of the Board members held any option positions on Julius Baer Group Ltd. shares as at year-end 2019 and 2018.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

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

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

Board members who were elected and/or re-elected in 2016 or earlier were required to reach the targeted number of shares by year-end 2019. Ivo Furrer (elected in 2017) and Richard M. Campbell-Breeden (elected in 2018) are required to reach the targeted number of shares by year-end 2020 and 2021, respectively. Romeo Lacher, Eunice Zehnder-Lai and Olga Zoutendijk (all elected in 2019) are required to reach the targeted number of shares by year-end 2022.

Shareholdings of the members of the Executive Board[1]		Number of shares
Philipp Rickenbacher, Chief Executive Officer (since 1 September 2019)	**2019**	**22,753**
	2018	n.a.
Bernhard Hodler, Chief Executive Officer (until 31 August 2019)	**2019**	**n.a.**
	2018	85,099
Dieter A. Enkelmann, Chief Financial Officer	**2019**	**103,273**
	2018	120,170
Larissa Alghisi Rubner, Chief Communications Officer	**2019**	**1,215**
	2018	608
Oliver Bartholet, Chief Risk Officer (since 1 March 2018)	**2019**	**14,610**
	2018	-
Nic Dreckmann, Chief Operating Officer	**2019**	**30,001**
	2018	30,003
Christoph Hiestand, General Counsel	**2019**	**29,107**
	2018	25,000
Total	**2019**	**200,959**
Total	2018	260,880

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions on Julius Baer Group Ltd. shares as at year-end 2019 and 2018.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The CEO is required to build up and maintain 100,000 vested shares of Julius Baer Group Ltd. (until 31 December 2022), the other members of the Executive Board the lower of 2.5 times base salary or 30,000 shares.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years (and reached at year-end of the respective year) and maintained until the Executive Board member leaves his or her current position and/or the Julius Baer Group.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 16 APRIL 2020

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2019 financial year of CHF 378,850,628, consisting of net profit for the financial year in the amount of CHF 378,743,248, plus CHF 107,380 of profit carried forward, be distributed as follows:

- Allocation to voluntary retained earnings reserve:
  CHF 200,000,000
- Profit carried forward:
  CHF 10,993,542

- Dividend of CHF 1.50
  per share at CHF 0.02 par value
- Total dividends on the 223,809,448 shares
  entitled to dividends:
  CHF 335,714,172
  Julius Baer Group Ltd. held 755,000 treasury shares at 31 December 2019. This number will increase in 2020 due to the share buy-back programme. No dividend will be paid for those shares.
  Total distribution, charged to retained earnings (CHF 167,857,086) and statutory capital reserve (CHF 167,857,086)

DIVIDENDS

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
Dividend per share	0.75	-	0.75
Dividend per share	0.75	0.26	0.49

The dividends will be paid from 22 April 2020.

On behalf of the Board of Directors

The Chairman

Romeo Lacher

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

Statutory Auditor's Report

To the General Meeting of Julius Baer Group Ltd., Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Julius Baer Group Ltd., which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 218 to 225) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of participations

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of participations

Key Audit Matter	Our response
As at 31 December 2019, the Company reports participations of CHF 4,542.8m. Participations consist of a portfolio of subsidiaries in the banking and financial services industry. Participations are valued at a maximum of the acquisition costs less necessary value adjustments, taking into account the general principle of individual valuation. Participations are subject to annual impairment testing. Although these participations are not considered to represent a higher risk of a material misstatement, their valuation is of significance due to their materiality in the context of the financial statements as a whole.	Our procedures included the assessment of the investment valuation process. We evaluated the valuation methodology applied by referencing to accounting standards and industry practice and tested the techniques used to determine the value in use of the participations. For the most significant participations where valuation methodologies were used, we recalculated the valuations and agreed the data inputs with available market information. For less significant participations where we had indications of possible impairment, we assessed their recoverability by comparing the carrying amount to their net asset value.

For further information on participations, also refer to the notes to the financial statements on page 219.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

Cataldo Castagna
Licensed Audit Expert

Zurich, 31 January 2020

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