

Julius Bär

EXPLANATIONS ON THE APPROVAL OF THE COMPENSATION OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD (ITEM 4)

Julius Baer Group Ltd.

Julius Bär

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 and profit growth in a risk-appropriate manner. Julius Baer's compensation framework incorporates significant levels of deferred compensation, long-term performance periods and a balanced mix of cash and equity awards.

In partnership with the CEO, the Board of Directors has reviewed 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 have been aligned in 2020 with an increased focus on common Group-wide achievement utilising 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.

2020 GROUP PERFORMANCE AND VARIABLE COMPENSATION

The Group's 2020 performance was very solid, characterized by a 50% increase in IFRS net profit attributable to shareholders (CHF 698 million) and a 24% increase of the adjusted net profit (CHF 957 million). The gross margin improved by 6 bp to 88 bp and the adjusted cost/income ratio by 4.7%-points to 66.4%. Assets under Management amounted to CHF 434 billion, an increase of 2%, supported by net new money of CHF 15.1 billion (3.5%). These remarkable results are reflected in the Group's financial strength, which was furthered throughout 2020. At the end of

December 2020, the Group's BIS CET1 capital ratio stood at 14.9% and the BIS total capital ratio at 21.0%. At these levels, the capital ratios remain well above the Group's own floors and significantly exceed the regulatory requirements.

Based on the Group's overall performance, the Adjusted Net Profit before Bonus and Taxes (ANPbBT) – the baseline for the Group's variable compensation pool – increased in 2020 leading to an increase in absolute terms of the Group's variable compensation pool relative to 2019, though at a lesser rate. In determining this increase, the Nomination & Compensation Committee together with the Board of Directors also considered, inter alia, economic profit performance, relative peer performance, profit distribution to the company's stakeholders and the global environment (including impacts of Covid-19).

2020 was additionally marked by the resolute efforts to enhance and strengthen Julius Baer's risk culture and risk management framework, building on a comprehensive remediation programme. Management together with the Board of Directors have also taken steps to resolve remaining legacy legal and regulatory issues in cooperation with the relevant authorities. These steps will allow to focus on the future of the company.

In order to get a better and transparent overview of the development of the compensation of the Executive team in 2020 relative to 2019, we recommend taking a closer look at the detailed information in the Remuneration Report section of the 2020 Annual Report.

Romeo Lacher
Chairman of the Board

Richard Campbell-Breeden
Chairperson of the Nomination & Compensation Committee

According to the Ordinance against excessive compensation in listed companies (“the Ordinance”), the aggregate amount of compensation of the members of a company’s Board of Directors and Executive Board is subject to approval by the Annual General Meeting. Each year – under Article 18 of the Ordinance – the Annual General Meeting votes separately on the total amount of compensation paid by the company to the Board of Directors and the Executive Board. The vote of the Annual General Meeting is binding.

Accordingly, Julius Baer Group Ltd. (“the Company”) submits for approval the aggregate amount of compensation of the Board of Directors and Executive Board to the Annual General Meeting under Item 4 of the invitation to the Annual General Meeting. Subsequently, we are providing our shareholders with some supporting information on the respective compensation elements in addition to the detailed information that can be found in the Remuneration Report section of the 2020 Annual Report.

1. COMPENSATION OF THE BOARD OF DIRECTORS: MAXIMUM AGGREGATE AMOUNT OF THE COMPENSATION FOR THE COMING TERM OF OFFICE

Members of the Board of Directors (including the Chairperson) of the Company are only entitled to fixed compensation for their term in office. The fixed compensation is determined by the work load of the individual Board member based on the Board Committees on which he or she serves and his or her committee position.

The fixed compensation is paid in a combination of cash and shares. Reflecting the independent status of all members of the Board of Directors (including the Chairperson), the remuneration of members of the Board does not include a variable component and is therefore not dependent on the financial performance of the Julius Baer Group. However, in order to align their compensation with the interests of our shareholders, a portion of fixed compensation is paid in the form of shares, allocated based on a pre-defined value in Swiss francs.

In order to avoid any conflicts of interest, members of the Board of Directors do not benefit from preferential staff conditions with regard to mortgages or loans. They do, however, benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

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. His equity-based payment amounts to CHF 600,000. The members of the Board of Directors (excluding the Chairman) are compensated with a cash-based general payment of CHF 90,000 as well as an equity-based payment in the amount of CHF 120,000. The work on the Board Committees (excluding the Chairman) is compensated in cash as follows (all figures per term, i.e. AGM to AGM):

- Governance & Risk Committee: membership and chairperson: CHF 60,000
- Audit Committee: chairperson CHF 60,000, membership CHF 25,000
- Nomination & Compensation Committee: chairperson CHF 60,000, membership CHF 25,000
- Development & Innovation Committee: chairperson CHF 30,000, membership CHF 12,500

Under agenda item 4.1, the Board of Directors requests that the shareholders at the Annual General Meeting approve the maximum aggregate amount of the compensation of the Board of Directors for the coming term of office, i.e. the period from the Ordinary Annual General Meeting 2021 until the Ordinary Annual General Meeting 2022, in the amount of CHF 3,854,552, including CHF 409,552 in social security contributions (representing the Company's contributions to social security such as AHV/ALV) and miscellaneous items to be paid by the Company. The following table shows the figures to be approved in comparison to the previous year as well as the breakdown of these amounts. Please note that the social security contributions are estimates and may vary; for instance, the final amounts may deviate as a result of a member relocating to another country during the coming term of office.

The total amount requested is binding as the maximum upper threshold, but the distribution shown amongst the individual members of the Board of Directors is not. This may vary in the event of shifts in the composition of the Board Committees.

		Base remuneration	Share-based payments	Social security contributions and miscellaneous	Total
		CHF	CHF	CHF	CHF
Total compensation of the Board of Directors					
Romeo Lacher – Chairman	AGM 2021–2022	400,000	600,000	96,267	1,096,267
	AGM 2020–2021	400,000	600,000	96,695	1,096,695
Gilbert Achermann	AGM 2021–2022	127,500	120,000	27,047	274,547
	AGM 2020–2021	127,500	120,000	28,843	276,343
Heinrich Baumann	AGM 2021–2022	162,500	120,000	31,812	314,312
	AGM 2020–2021	162,500	120,000	33,507	316,007
Richard Campbell-Breeden	AGM 2021–2022	210,000	120,000	53,084	383,084
	AGM 2020–2021	210,000	120,000	55,000	385,000
Ivo Furrer	AGM 2021–2022	127,500	120,000	27,047	274,547
	AGM 2020–2021	127,500	120,000	28,842	276,343
Claire Giraut	AGM 2021–2022	145,000	120,000	29,470	294,470
	AGM 2020–2021	145,000	120,000	31,175	296,175
David Nicol (proposed for election at AGM 2021)	AGM 2021–2022	150,000	120,000	42,227	312,227
	AGM 2020–2021	n.a.	n.a.	n.a.	n.a.
Kathryn Shih (elected at AGM 2020, as per 1 September 2020)	AGM 2021–2022	127,500	120,000	27,047	274,547
	AGM 2020–2021	79,688	75,000	19,515	174,203
Christian Meissner (elected at AGM 2020 but resigned on 12 October 2020)	AGM 2021–2022	n.a.	n.a.	n.a.	n.a.
	AGM 2020–2021	150,000	120,000	31,842	301,842
Charles G.T. Stonehill (does not stand for re-election at AGM 2021)	AGM 2021–2022	n.a.	n.a.	n.a.	n.a.
	AGM 2020–2021	150,000	120,000	31,000	301,000
Eunice Zehnder-Lai	AGM 2021–2022	140,000	120,000	28,801	288,801
	AGM 2020–2021	140,000	120,000	30,509	290,509
Olga Zoutendijk	AGM 2021–2022	175,000	120,000	46,750	341,750
	AGM 2020–2021	175,000	120,000	35,173	330,173
Total (10 members)	AGM 2021–2022	1,765,000	1,680,000	409,552	3,854,552
Total (11 members)	AGM 2020–2021	1,867,188	1,755,000	422,104	4,044,292

As shown in the above table, the compensation for the entire Board of Directors for the term of office from the Annual General Meeting 2021 to the Annual General Meeting 2022 varies compared to the

precedent term mainly due to the decrease in the number of Board members from 11 to new 10, and changes to the social security contributions.

2. COMPENSATION OF THE EXECUTIVE BOARD

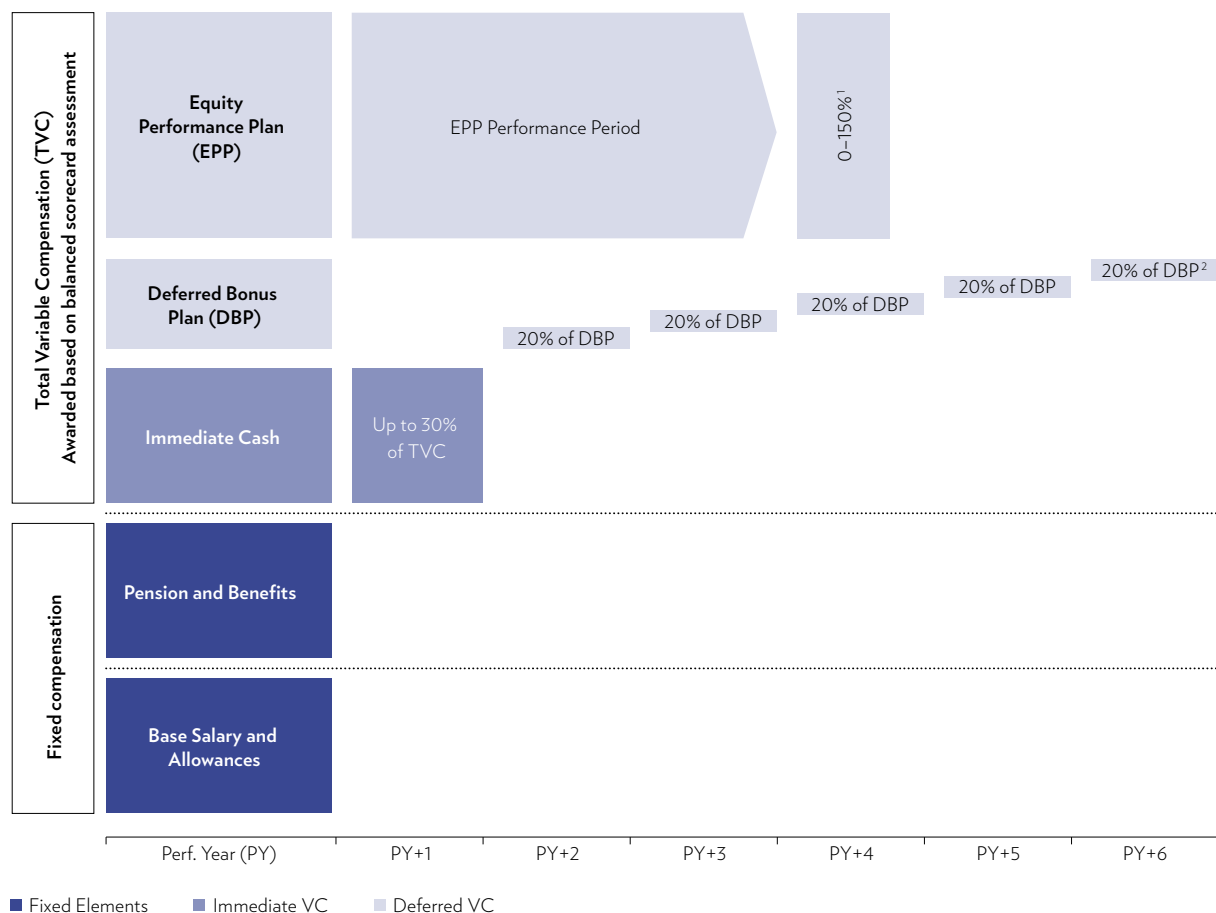
The compensation elements of the Executive Board submitted to the Annual General Meeting for approval are in line with a transparent structure and consist of three elements: (i) the aggregate amount of the variable cash-based compensation element for the previous, completed financial year; (ii) the aggregate amount of the variable equity-based compensation element granted in the current financial year; and (iii) the maximum aggregate amount of fixed compensation for the next financial year.

The Company has variable compensation caps in place for all members of the Executive Board as well as for the CEO. Additionally, to foster alignment of the interests of the Executive Board with those of our shareholders, members of the Executive Board have a three-year period to build up and hold a specific number of shares of the company.

The following table provides a schematic overview of the three different elements as well as the pay-out schedule of the deferred elements of the variable compensation.

ILLUSTRATIVE EXAMPLE

Type of compensation



¹ Subject to KPI Performance, share allocation capped at 150% of Performance Units granted; vesting share value dependent on market performance.

² Cash awards vested/paid in February each year. Residual amounts delivered in the final vesting tranche.

Mr. Philipp Rickenbacher was appointed CEO as at 1 September 2019, thereby succeeding Mr. Bernhard Hodler, who left the Executive Board at the end of August 2019 and retired from the Company at the end of January 2020.

As announced already 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. Since January 2020, the Executive Board of the Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. is composed of the same members, which provides further transparency in their member's role, contributions and compensation. Combined, the two Boards have been reduced from 15 to 9 members. The compensation requests for the attention of the Annual General Meeting therefore encompasses 9 members (plus the former CEO when it comes to the pro-rata variable cash-based compensation for 2020), as opposed to 7 members in 2019 (including the former CEO), of which 5 were previously serving only at the Bank's Executive Board rather than the Group's.

2.1 AGGREGATE AMOUNT OF THE VARIABLE CASH-BASED COMPENSATION ELEMENTS FOR THE COMPLETED FINANCIAL YEAR 2020

Since 2014, the company submits the aggregate amount of the variable cash-based compensation elements for the members of the Executive Board (including the CEO) for the previous, completed financial year to the Annual General Meeting for approval. This retrospective approval has the benefit of allowing the Annual General Meeting to decide on the variable compensation after having knowledge of the performance in the past financial year.

The final amounts allocated to the Executive Board (including the CEO) are based on a careful assessment of each individual's attainment of a mix of specific quantitative and qualitative objectives. These objectives are individually weighted to support the alignment of managerial actions with shareholder interests as part of a balanced scorecard.

When formulating the objectives, the targets are aligned with the overall midterm plan and strategic goals of the Company. Qualitative objectives are defined to support the attainment of individual goals which, whilst not readily expressible in quantitative terms, nonetheless contribute to the overall success of the company.

The Board of Directors requests under agenda item 4.2.1 the approval of the aggregate amount of the variable cash-based compensation elements of the members of the Executive Board for the completed financial year 2020 in the amount of CHF 10,885,998, plus the estimated pension fund and social security contributions (in particular, the employer's contributions to social security, such as AHV/ALV) and miscellaneous items (in particular, the employer's contributions to accident and daily sickness insurance coverage) in the amount of CHF 761,207. The aggregate amount of the variable cash-based compensation elements for the completed financial year 2020, subject to shareholder approval, amounts to CHF 11,647,205. Of this figure, CHF 1,716,000 is allocated to the CEO, Mr. Philipp Rickenbacher, plus the estimated pension fund and social security contributions and miscellaneous items in the amount of CHF 132,568.

The variable compensation payments for the members of the Executive Board are paid in cash; however, a portion is subject to a five-year deferral within the framework of the Deferred Bonus Plan ("DBP"). During those five years, the deferred amount vests in five equal annual instalments. The deferred elements of the DBP of the members of the Executive Board (including the CEO) are subject to vesting and claw-back provisions and can be forfeited or clawed back in the event of substantial breaches of legal or regulatory requirements, financial losses (e.g. misrepresentation of variables on which the DBP award was based) and a variety of other events where the employee's conduct has substantially contributed to a financial loss by the Julius Baer Group or has caused it reputational damage.

Further details on the design and pay-out schedule of the DBP can be found in the Remuneration Report section of the 2020 Annual Report.

Social security contributions only become due at the time of actual payment. With regard to the approval by the Annual General Meeting, however, these later payments must also be submitted to the Annual

General Meeting. The social security contributions included in the proposal are estimates based on the value of the DBP at the time of the allocation.

VARIABLE CASH-BASED COMPENSATION ELEMENTS (EXCLUDING SOCIAL SECURITY CONTRIBUTIONS)

		Cash	Deferred Cash elements	Total
		CHF 1,000	CHF 1,000	CHF 1,000
DBP, 10* members	2020	6,189	4,697	10,886
DBP, 7** members	2019	3,702	3,248	6,950

* includes the pro-rata variable cash-based compensation for 2020 for the former CEO, Mr. Bernhard Hodler, who left the Executive Board at the end of August 2019 and retired from the Company end of January 2020

** includes the variable cash-based compensation for 2020 for the former CEO, Mr. Bernhard Hodler, who left the Executive Board at the end of 2019 and retired from the Company end of January 2020

2.2 AGGREGATE AMOUNT OF THE VARIABLE EQUITY-BASED COMPENSATION ELEMENTS THAT IS ALLOCATED IN THE CURRENT FINANCIAL YEAR 2021

The Equity Performance Plan ("EPP") is a key part of Julius Baer's compensation model. 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 Company.

All members of the Executive Board, key employees, and employees defined as Group risk takers by virtue of their function and who are subject to deferral under the DBP framework also participate in the EPP. As of 2020, the size of the grant to each individual is linked to the Total Variable Compensation awarded to the executive. It is determined based on a careful assessment of each individual's attainment of a mix of specific quantitative and qualitative objectives. These objectives are individually weighted to support the alignment of managerial actions with shareholders interest as part of the balanced scorecard.

The performance-based equity award under the 2021 EPP will be granted at fair value (CHF 45.08 per Performance Unit) as valued on the grant date 15 February 2021. The Performance unit awards cliff-vest in Julius Baer Group Ltd. shares at the end of year three from grant date. The fair value of the Perfor-

mance Units is based on an equally weighted valuation of (i) the cumulative Economic Profit ("cEP") component using a probabilistic model regarding potential deviation of the future Group results from the strategic three-year plan, and of (ii) the relative Total Shareholder Return ("rTSR") component with the peer group being the STOXX Europe 600 Banks Index. The final pay-out of the EPP is linked to these two Key Performance Indicators ("KPIs"). Both KPIs have a pay-out range of 0% to 200% each, but the maximum uplift on the EPP is 50% of the number of Performance Units originally granted and is subject to full downside risk. The EPP awards of the members of the Executive Board (including the CEO) are subject to forfeiture and claw-back provisions.

Further details about the EPP design can be found in the Remuneration Report section of the 2020 Annual Report.

The Board of Directors requests under agenda item 4.2.2 the approval of the aggregate amount of the variable equity-based compensation elements to the members of the Executive Board, to be granted in the current financial year 2021 in the amount of CHF 10,846,269, plus the estimated social security contributions (in particular, the employer's contributions to social security, such as AHV/ALV) and miscellaneous items (in particular, the employer's contributions to accident and daily sickness insurance coverage) payable by the Company in the amount of

CHF 648,932. The total aggregate amount of the variable equity-based compensation elements that is allocated in the current financial year 2021, subject to shareholder approval, amounts to CHF 11,495,201. Of this figure, CHF 2,184,000 plus the estimated social security contributions and miscellaneous items in the amount of CHF 148,654 are to be allocated to the CEO, Mr. Philipp Rickenbacher.

Social security contributions only become due at the time of actual payment. With regard to the approval by the Annual General Meeting, however, these later payments must also be submitted to the Annual General Meeting. The social security contributions included in the proposal are estimates based on the value of the EPP at the time of the grant.

VARIABLE EQUITY-BASED COMPENSATION ELEMENTS (EXCLUDING SOCIAL SECURITY CONTRIBUTIONS)

	CHF 1,000	
EPP, 9 members (allocations will be made to 9 members*)	2021	10,846
EPP, 7 members (allocations have been made to 6 members*)	2020	6,290

* for both years, no EPP grants have been made to the former CEO, Mr. Bernhard Hodler, who left the Executive Board at the end of August 2019 and retired from the Company at the end of January 2020

2.3 MAXIMUM AGGREGATE AMOUNT OF FIXED COMPENSATION FOR THE NEXT FINANCIAL YEAR 2022

Since 2014, the Company submits the maximum aggregate amount of fixed compensation for the coming financial year to the Annual General Meeting for approval. This prospective approval guarantees a considerable degree of legal certainty for the Company and the members of the Executive Board.

For the Executive Board members including the CEO, fixed compensation ("base salary") is paid in cash. The base salary represents the compensation for the market value of the function.

The request for approval of the maximum aggregate amount of fixed compensation for the members of the Executive Board for the coming financial year 2022 shows a slight increase (reserve) compared to the precedent year to accommodate foreign exchange fluctuations.

The Board of Directors requests under agenda item 4.2.3 the approval of the maximum aggregate amount of fixed compensation of the members of the Executive Board for the coming financial year 2022 in the amount of CHF 7,800,000 (including lump-sum expenses), plus the estimated benefits in kind, estimated pension fund and social security contributions (in particular, the employer's contributions to social security, such as AHV/ALV) and miscellaneous items (in particular, the employer's contributions to accident and daily sickness insurance coverage) in the amount of CHF 1,431,656. The maximum aggregate amount of fixed compensation for the next financial year 2022, subject to shareholder approval, amounts to CHF 9,231,656. Of this figure, CHF 1,500,000 (unchanged to previous year) is allocated to the CEO, Mr. Philipp Rickenbacher, plus the estimated benefits in kind, pension fund and social security contributions and miscellaneous items in the amount of CHF 227,105.

With regard to fixed compensation, the social security contributions and pension fund contributions are also based on an estimate.

FIXED COMPENSATION (EXCLUDING SOCIAL SECURITY CONTRIBUTIONS)

	CHF 1,000	
9 members*	2022	7,800
approved for 9* members	2021	7,600

* Since 1 January 2020, the Executive Board of Julius Baer Group Ltd. consists of the following members:

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

Further details can be found in the Remuneration Report section of the 2020 Annual Report.

Julius Bär

JULIUS BAER GROUP

Head Office
Bahnhofstrasse 36
P.O. Box
8010 Zurich
Switzerland
Telephone +41 (0) 58 888 1111
Fax +41 (0) 58 888 5517
www.juliusbaer.com

The Julius Baer Group is present in more than
50 locations worldwide, including Zurich (Head Office),
Dubai, Frankfurt, Geneva, Hong Kong, London,
Lugano, Luxembourg, Mexico City, Monaco, Montevideo,
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