Julius Bär

2020

ANNUAL REPORT

Julius Baer Group Ltd.

Net profit achieved in 2020 amounted to CHF 699 million. Excluding expenses related to acquisitions or divestments and the taxes on those respective items, the adjusted net profit for 2020 amounted to CHF 957 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

	2020	2019	
Return on equity (ROE)	11.1%	7.6%	-
Return on tangible equity (ROTE), adjusted[1]	27.3%	24.4%	-
Cost/income ratio[1]	73.8%	76.9%	-
Adjusted cost/income ratio[1]	66.4%	71.1%	-

	31.12.2020	31.12.2019	Change %
Consolidated balance sheet			
Total assets (CHF m)	109,137.0	102,035.2	7.0
Total equity (CHF m)	6,434.1	6,189.4	4.0
BIS CET1 capital ratio	14.9%	14.0%	-
BIS total capital ratio	21.0%	22.1%	-
Client assets (CHF bn)			
Assets under management	433.7	426.1	1.8
Total client assets	505.5	499.0	1.3
Personnel			
Number of employees (FTE)	6,606	6,639	-0.5
of whom in Switzerland	3,437	*3,427*	*0.3*
of whom abroad	3,170	*3,211*	*-1.3*
Number of relationship managers	1,376	1,467	-6.2

[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

	2020	2019	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	30.0	29.1	3.2
EPS	3.25	2.14	
Dividend proposal 2020 and dividend 2019	1.75	1.50	-
Share price (as at 31.12.)	51.00	49.93	2.1
Market capitalisation (CHF m, as at 31.12.)	11,414	11,175	2.1
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa3	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	215,016,327	216,973,692	-
Share capital (CHF m)	4.5	4.5	-

Dear Reader

2020 was a truly extraordinary year. The pandemic hit the world largely unprepared, causing great disruption – economically, socially, individually and collectively. In contrast, the many restraints the virus imposed upon humanity propelled creativity and ingenuity, such as compensating for social distancing through myriad new forms of virtual interaction. At Julius Baer, we embraced the challenges swiftly and successfully: we accelerated investments in our ongoing digital transformation, in order to connect with clients and employees safely, and with a heightened frequency and relevance. We would like to express our heartfelt gratitude to our employees for making all of this possible through their dedication and energy.

The past year also underscored the value of being truly relevant to clients. Our high-quality advice, providing steady orientation despite rapidly changing circumstances, helped us strengthen client loyalty and engagement. Our recommendation at the outset of the pandemic was to stick to established investment strategies while taking advantage of the many opportunities our investment experts kept on identifying in the volatile markets – advice that proved helpful for our clients and their portfolios. The confidence in our capabilities translated into gratifying inflows of fresh assets from existing and new clients.

The pandemic also reminded humanity of the fragility of the natural and man-made systems on which we all depend. In line with our sustainability strategy, we continued to focus on being a responsible citizen, encompassing our role as a caring employer, our standing as a trustworthy community partner and our drive to conserve natural resources. Our growing responsible investment offering mirrors this approach through a multitude of investment products. For clients interested in having a positive impact beyond financial returns, we have recently launched our impact investing platform with a differentiating product that is the first in a series of carefully curated and monitored impact investing solutions.

2020 was additionally marked by our resolute efforts to enhance and strengthen our risk culture and risk management framework, building on the programme initiated in 2016. We have also taken steps to resolve remaining legacy legal and regulatory issues in cooperation with the relevant authorities, such as at the end of November 2020 when we reached an agreement in principle with the US Department of Justice to close the investigation of the Bank's role in corruption events around the world soccer federation FIFA. The related regulatory proceeding in Switzerland was closed in February 2020, with underlying shortcomings essentially remediated through the programme mentioned above. We are confident that these steps are in the best interest of all our stakeholders: they allow us to focus on the future of our company and do not impact the delivery on our strategy or the success of our business.

This success is reflected in our financial strength, which we 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. Our distribution policy therefore remains unchanged. For the financial year 2020, the Board of Directors intends to propose to the Annual General Meeting on 14 April 2021 a dividend of CHF 1.75 per share.

2020 put everyone to the test, without exception. Once again, the circumstances confirmed what really counts in our business: mutual trust, shared values and true connections, virtually and in real life. To see these virtues blossom in the current environment is an enormous reward, for which we sincerely thank you.

Romeo Lacher
Chairman

Philipp Rickenbacher
Chief Executive Officer

Zurich, March 2021

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) has been reviewed. Its aim is 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 mirrors the expectations expressed by FINMA. This revised compensation framework has been applied in Switzerland, Asia, and parts of the Middle East since 1 January 2021, and will be largely rolled out to our remaining jurisdictions by the end of the year.

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 2020

This Annual Report is published only in English.

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2020

This Annual Report is published only in English.

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 2 January 2020) 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 2020 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

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

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.

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 2020[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
Wellington Management Group LLP[5]	5.00%	
BlackRock Inc.[6]	4.80%	0.03%
T. Rowe Price Associates Inc.[7]	3.18%	
Government of Singapore[8]	3.09%	
UBS Fund Management (Switzerland) AG[9]	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 the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.ser-ag.com in the section Fundamentals > Notices Market Participants > Significant Shareholders, Issuer Julius Bär Gruppe AG.
4 MFS Investment Management, Boston/USA, and its subsidiaries (reported on 30 December 2013)
5 Wellington Management Group LLP, Boston/USA (reported on 30 November 2020)
6 BlackRock Inc., New York/USA (reported on 23 October 2020)
7 T. Rowe Price Associates Inc., Baltimore/USA (reported on 24 June 2020)
8 Government of Singapore, Singapore (reported on 31 May 2019)
9 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.ser-ag.com in the section Fundamentals > Notices Market Participants > 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 2020. 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 Group launched a programme to buy back up to CHF 400 million purchase value of Julius Baer Group Ltd. shares on 20 November 2019. At the request of Swiss Financial Market Supervisory Authority FINMA to Swiss banks, the Group paused the execution of its share buy-back programme in March 2020 and terminated it at the end of February 2021. Under this programme, Julius Baer repurchased a total of 2,585,000 Julius Baer Group Ltd. shares at an aggregate cost of CHF 113 million on a second trading line on the SIX Swiss Exchange. The cancellation of the shares bought back under this programme will be proposed at the Annual General Meeting of shareholders (AGM) on 14 April 2021.

As announced on 1 February 2021, Julius Baer intends to start a new programme to buy back up to CHF 450 million purchase value of Julius Baer Group Ltd. shares. This share buy-back programme was launched on 2 March 2021 and is expected to run until the end of February 2022. The execution is subject to market conditions. The shares will be bought via a second trading line on the SIX Swiss Exchange (ticker symbol: BAERE.S). Shares that have been repurchased under the new programme are expected to be cancelled through capital reduction to be proposed at the AGM in 2022.

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 4.4 ff. 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 2020 (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 consult prior editions of the Group's Annual Report at www.juliusbaer.com/reports.

SHARES AND PARTICIPATION CERTIFICATES

Shares

	2020	2019
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 2020)

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; member of the Risk & Credit Committee of the Private Banking Division, 2004–2016; Head of Private Banking EMEA/Western Europe and member of the Private Banking Management Committee, 2011–2015; member of the Region EMEA Disciplinary/Reputation Committee, 2012–2015; Chief Operating Officer International Wealth Management and member of the IWM Management Committee, 2016; member of the Board of Directors and of the Audit & Risk Committee of Credit Suisse (Luxembourg) SA, 2012–2016; member of the Board of Directors and of the Audit Committee of Telekurs AG, Zurich (now SIX Group), 2002–2007; SIX Group, Zurich, from 2008 until 2020: Vice Chairman, Chairman of the Nomination and Compensation Committee, 2008 until October 2016; member of the Board of Directors and Chairman of the Nomination and Governance Committee of CLS, AG, 2005–2012; member of the Board of Directors and of the Nomination and Compensation Committee of Swisscard AECS, Switzerland, 2002–2016; member of the Board of Directors and of the Nomination and Compensation Committee of Bank Now AG, Switzerland, 2012–2016; 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.

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. Vifor Pharma Group, St. Gallen, member of the Board of Directors and Chairperson of the Audit & Risk Committee since May 2020; Ypsomed Holding Ltd., Burgdorf, member of the Board of Directors and of the Compensation Committee since July 2020. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012.

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 (with additional responsibilities for the Legal & Compliance, the Human Resources and Credit functions, and for defining/implementing a risk management concept for the bank), 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 – member of the Audit Committee since 2011 and Chairman of the Audit Committee since 2014.

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, Partner, 2000–2016, 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 (internal risk committee) and member of APEJ Client & Business Standards Committee (internal compliance committee), 2011–2016; Omeshorn Capital Advisors (founder) London, UK, since 2016; Omeshorn Holding 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.

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; Valiant Holding AG, Berne, member of the Board of Directors and of the Strategy and Risk Committee, 2013–2017; Sanitas Krankenversicherung, Zurich, member of the Board of Directors and of the Audit and Risk

Committee, 2012–2018; Helvetia Insurance, St. Gallen, member of the Board of Directors and Chairperson of the Audit Committee since April 2017; digitalswitzerland, Zurich, president of the Executive Committee since 2018. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2017.

Claire Giraut (born 1956), French citizen; Master in Biotech Engineering, Institut National Agronomique, Paris, 1978. Sanders Group, Paris, various positions, 1978–1985; Serete Group, Paris, various positions in finance and accounting, 1985–1996; Association of French Lawyers, Financial Controller, 1996–1997; Coflexip Stena Offshore, Paris, Chief Financial Officer (among others responsible for the deployment of a global control framework for the financial risk standards of all group companies as well as the management of the group's acquisitions and divestitures) 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 (among others responsible for the deployment of a global risk mapping and a global ERP covering all group units worldwide as well as the management of the group's acquisitions and divestitures) 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.

Kathryn Shih (born 1958), British citizen; Bachelor of Arts (BA), Indiana University, Bloomington, USA, 1978; Master in Business Management, Asian Institute of Management, Manila, Philippines, 1980; Advanced Executive Program, Northwestern University, Evanston, USA, 1999. Citibank, Hong Kong, Assistant Vice President and Head Sales and Customer Service Consumer Lending, 1984–1986; UBS AG, 1987–2018: Various Wealth Management leadership roles, 1987–2002; Chief Executive Officer, UBS Hong Kong, 2003–2008; Head Wealth Management, Asia Pacific, 2002–2015; member of the Wealth Management Asia Pacific Risk & Governance Committee (2002–2015), of the region's cross-divisional Risk & Governance Committee (2002–2018) as well as of the Global Wealth Management Risk & Governance Committee (2002–2015), covering regulatory, compliance, conduct, market and credit risks; Group Managing Director, 2008–2015; President Asia Pacific and member of Group Executive Board of UBS AG, 2016–2018, overseeing the Wealth Management, Asset Management and Investment Bank businesses in APAC. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 September 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 (incl. completion of the Commercial Bank Management programme, qualification for US securities industry expertise via series 7 and series 63 licenses); Morgan Stanley & Co., Managing Director and Head of European Equity Capital Markets and Equity Division Europe, 1984–1997; Credit Suisse First Boston, Deputy Global Head of Corporate and Investment Banking followed by 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; member of the Board of Directors of CommonBond Inc., New York, USA, March 2015 until September 2020; member of the Supervisory Board of Deutsche Börse AG, Frankfurt, Germany, since May 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.

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, Fund Manager/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.

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; Client Banker, Large Corporates, 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: Group General Manager, Business and Consumer Banking Products (responsibility for Consumer Mortgages, Credit Cards, General Insurance, Personal Loans, Current Accounts and Deposits product divisions as well as Business Credit/Loans/Leasing products to the SME and Middle Market client segments), 2001–2002; Group General Manager, Corporate and Institutional Banking (global responsibility for Client Relationship Management, Structured Finance, Capital Markets, Corporate Finance/M&A, Foreign Exchange Sales, Derivatives Sales, Project Finance, Global Transaction Banking (incl. Custody and Trade Finance) and the Corporate Credit business divisions), 2003–2007; Standard Chartered Bank, Group Head of Wholesale Banking Asia (overseeing revenue growth, acquisitions, compliance and governance in the corporate and investment banking businesses in 22 countries across APAC), and member of the global Executive Committee of the Wholesale Bank, 2007–2011; ABN AMRO Group N.V. and ABN AMRO Bank N.V., 2014–2018: member of the Supervisory Board, 2014–2015; member of the Audit Committee as well as of the Risk & Capital Committee, 2014–2018, Vice-Chairwoman of the Supervisory Board and Chairwoman of the Risk & Capital Committee (overseeing group wide risk appetite, risk tolerance and risk management frameworks, compliance procedures, standards and controls, management and resolution of large complex legal cases as well as capital and liquidity planning), 2015–2016; Chairwoman of the Supervisory Board, member of the Audit, Risk & Capital as well as of the Nominations & Remuneration Committees, 2016–2018. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2019.

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 2020; subsequent changes to the Board of Directors in 2020

In assessing the challenges to the Swiss financial centre posed by the COVID-19 crisis, the Swiss Financial Market Supervisory Authority FINMA requested Julius Baer to split the distribution of the Group's proposed dividend in mid-April 2020. To accommodate this request, the Board of Directors postponed the Group's Ordinary Annual General Meeting (AGM) from 16 April 2020 to 18 May 2020. It also decided to hold an Extraordinary General Meeting on 2 November 2020 to have shareholders vote on the distribution of the second half of the originally proposed dividend. The postponement of the AGM resulted in delayed onboarding of incoming and prolonged service of outgoing members and deferred the formation of the individual committees of the Board.

At the Annual General Meeting of Julius Baer Group Ltd. on 18 May 2020, Romeo Lacher, Gilbert Achermann, Heinrich Baumann, Richard M. Campbell-Breeden, Ivo Furrer, Claire Giraut, Charles G. T. Stonehill (Vice-Chairman), Eunice Zehnder-Lai and Olga Zoutendijk were re-elected to the Board of Directors for another term of one year.

Kathryn Shih and Christian Meissner were elected as new members of the Board of Directors, whereby Kathryn Shih assumed the director role effective 1 September 2020.

Shortly before reaching the age limit for Board members, Paul Man Yiu Chow did not stand for re-election after having served on the Board of Directors for five years.

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

Gilbert Achermann, Richard M. Campbell-Breeden and Eunice Zehnder-Lai were re-elected as members of the Compensation Committee for a one-year term. Kathryn Shih (as of 1 September 2020) was elected as new member of the Compensation Committee for a one-year term.

Following Christian Meissner's decision to exchange his Board mandate with Julius Baer for a senior corporate position in the financial services industry, he resigned from the Board of Directors on 12 October 2020.

Proposed changes in the Board of Directors at the Annual General Meeting 2021: nomination of a new member

On 16 February 2021, the Board of Directors of Julius Baer Group Ltd. announced the nomination of David Nicol for election as a new independent member of the Board at the Annual General Meeting on 14 April 2021. In addition, shareholders are proposed to re-elect all current members to the Board of Directors, with the exception of Charles Stonehill. After serving as a Board member for 15 years and as Vice Chairman for four, Charles Stonehill has decided not to stand for re-election. The curriculum vitae of David Nicol is 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:

Romeo Lacher:
- Proposed for election as Vice-Chairman of the Bank Council and member of the Nomination Committee and member of the Remuneration Committee of the Swiss National Bank on 30 April 2021.

Gilbert Achermann:
- Chairman of the Board of Directors of Straumann Group, Basle, Switzerland;
- Member of the Board of Directors and Chairperson of the Audit & Risk Committee of Vifor Pharma Group, St. Gallen, Switzerland (effective 14 May 2020);
- Member of the Board of Directors and of the Compensation Committee of Ypsomed Holding AG, Burgdorf, Switzerland (effective 1 July 2020).

Ivo Furrer:
- Member of the Board of Directors and Chairperson of the Audit Committee of Helvetia Insurance, St. Gallen, Switzerland.

Claire Giraut:
- Member of the Board of Directors and Chairperson of the Audit Committee of DBV Technologies, Montrouge, France.

Charles G. T. Stonehill:
- Member of the Board of Directors of Equitable Holdings, 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;
- Member of the Board of Directors of Play Magnus A/S, Oslo, Norway;
- Member of the Board of Directors of Constellation Acquisition Corp. I, Cayman Islands (as of 26 January 2021).

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:

Heinrich Baumann:
- Vice-President of the Board of Directors of Atlis 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:
- Director, Omeshorn Holding Ltd., British Virgin Islands (and Founder and Chairman of the Board of Directors of Omeshorn Capital Advisors, London, UK, 100% owned by Omeshorn Holding Ltd.);
- 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.

Other mandates:

Romeo Lacher:
- Vice-Chairman of the Board of Directors of Swiss Finance Institute, Zurich, Switzerland;
- Member of the Board of Trustees of think tank avenir suisse, Zurich, Switzerland.

Gilbert Achermann:
- Member of the Board of Directors of the ITI International Team of Implantology 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 and Chairperson of the Audit and Risk Committee, International Institute for Management Development, Lausanne, Switzerland;
- Member of the Board of Swiss Medtech, Basle, Switzerland.

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.

Kathryn Shih:
- Member of the Council of Advisors of the Hong Kong University of Science and Technology Business School, Hong Kong;
- Temasek Fellow at the Wealth Management Institute, Singapore;
- Director of Shih Co Charitable Foundation Ltd., Hong Kong.

Charles G. T. Stonehill:
- Governor, Harrow School, Harrow on the Hill, London, UK.

Eunice Zehnder-Lai:
- Member of the Board of Directors of Asia Society Switzerland, Zurich, Switzerland, as well as member of the Global Board of Trustees, Asia Society, New York, USA;
- 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 *31.12.2020*	Gender	Nationality	Board member since	Independence
Romeo Lacher	60	male	Swiss	2019	Independent
Gilbert Achermann	56	male	Swiss	2012	Independent
Heinrich Baumann	69	male	Swiss	2011	Independent
Richard M. Campbell-Breeden	58	male	British	2018	Independent
Ivo Furrer	63	male	Swiss	2017	Independent
Claire Giraut	64	female	French	2010	Independent
Kathryn Shih	62	female	British	09/2020	Independent
Charles G. T. Stonehill	62	male	US/British	2009	Independent
Eunice Zehnder-Lai	53	female	Swiss/ Chinese (HK SAR)	2019	Independent
Olga Zoutendijk	59	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	Audit/ Finance	Risk	Compliance/ Legal
Romeo Lacher	x	x	x	x	x
Gilbert Achermann	x	x	x		
Heinrich Baumann	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Ivo Furrer		x		x	x
Claire Giraut		x	x	x	
Kathryn Shih	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	
Eunice Zehnder-Lai	x	x	x		
Olga Zoutendijk	x	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.

Audit/Finance includes a broad range of expertise relating 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 a variety of finance 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 audit/finance are important prerequisites to soundly evaluate Julius Baer's financial statements, assess its capital structure and required regulatory capital strength, and assist in understanding and overseeing the integrity of the Group's financial reporting.

Risk includes a broad range of expertise related to risk management and risk control in a global environment (e.g. current or former Chief Risk Officer, current or former front management role with considerable risk exposure, current or former management and/or supervisory role on a risk committee) or a degree related to the subjects. It also covers experience in establishing risk and 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 endogenous and exogenous risks facing Julius Baer. In particular, it is a prerequisite to ensure that appropriate policies and instruments are in place to effectively manage risk.

Compliance/Legal includes a broad range of expertise related to leading a company's compliance function in a global environment (e.g. current or former Head Compliance, current or former management and/or supervisory role on a company-wide or regional compliance committee), expertise as a current or former legal expert (e.g. current or former General Counsel, lawyer, partner in a law firm) or general degree in the subjects. It also covers experience in establishing compliance and legal frameworks and setting and monitoring an organisation's compliance culture.

Relevance: Compliance/Legal qualifications and/or practices assist Julius Baer's Board in assessing and meeting its legal requirements, and ensuring the Group's adherence to local and international regulations and industry standards in the highly complex 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		
Heinrich Baumann	x			x	x
Richard M. Campbell-Breeden		x	x		
Ivo Furrer		x			x
Claire Giraut		x	x		x
Kathryn Shih	x		x	x	
Charles G. T. Stonehill		x	x	x	x
Eunice Zehnder-Lai	x	x	x		
Olga Zoutendijk	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.

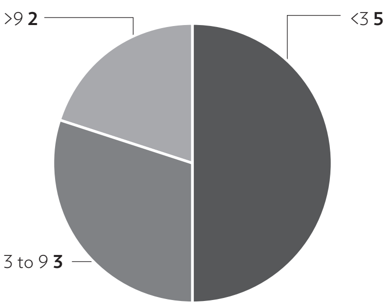
Relevance: Experience in credit-related business areas assists in understanding, reviewing and assessing Julius Baer's client-related credit strategy and associated risks.

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.

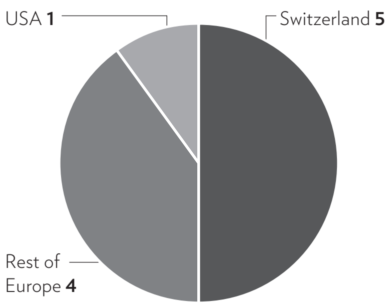
Relevance: Experience in these areas is relevant for Julius Baer in many aspects ranging from client experience to internal operations. In particular, it is instrumental in assessing the impact of new technologies and related investment decisions. Expertise in organisation and processes management gives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

Graphical summary of Board attributes

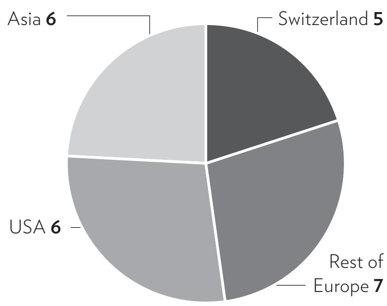
Term of office (years)



Geographic diversity based on primary nationality

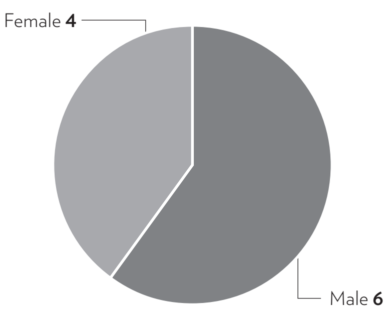


Geographic diversity based on work experience[1]

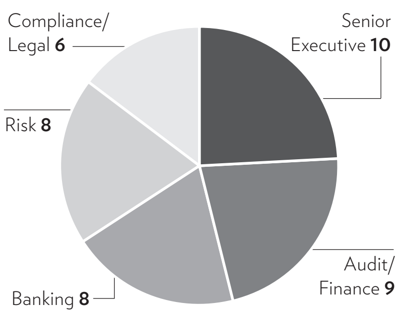


[1]Multiple selections possible

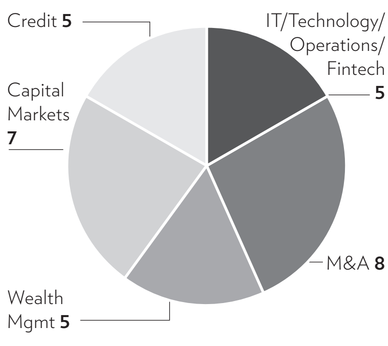
Gender diversity



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 2020, the complete Board of Directors of Julius Baer Group Ltd. held ten (physical or remote) meetings, including a two-day strategy seminar (offsite).

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

First half of 2020	January	March[1]	April I[1]	April II[1]	June[1]
Romeo Lacher, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Paul Man Yiu Chow[2]	x	x	E	E	-
Ivo Furrer	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Christian Meissner[3]	-	-	G	G	x
Charles G. T. Stonehill	x	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x	x
Olga Zoutendijk	x	E	x	x	x

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Left the Board of Directors at the Ordinary Annual General Meeting on 18 May 2020
[3] Joined the Board of Directors in May 2020
G = attended meeting as guest
E = excused

Second half of 2020	July[1]	September[1]	October[1]	October offsite[1]	December[1]
Romeo Lacher, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Ivo Furrer	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Christian Meissner[2]	x	x	-	-	-
Kathryn Shih[3]	-	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x	x
Olga Zoutendijk	x	x	x	x	x

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Left the Board of Directors on 12 October 2020
[3] Joined the Board of Directors in September 2020

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 36 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 (GRC) 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 GRC is responsible for governance, risk, business conduct and compliance topics. In particular, the GRC is responsible for

– ensuring that the requirements for effective compliance and the promotion of an adequate compliance/conduct culture and organisation are given the necessary attention at the level of the Board of Directors
– assessing the Group's exposure to risk/compliance/conduct issues as well as the respective frameworks to address such matters, for example monitoring of regulatory developments, operational/enterprise risk management framework, information/cyber security strategy and the Group's business continuity management strategy (including policies, procedures and organisational structure)
– performing an annual assessment of the risks and risk-mitigating measures (including of respective exceptions) with regard to relationships with clients from countries with an increased risk of corruption
– monitoring and assessing the effectiveness of programmes and processes relating to anti-money laundering, client identification and know-your-client, client on-boarding, monitoring of off-boarding, politically exposed persons, economic and trade sanctions, anti-bribery and anti-corruption as well as client tax compliance
– reviewing the status of ongoing procedures as well as the implementation of key initiatives on compliance/conduct topics
– reviewing reports (including reports of internal and external auditors, in coordination with the Audit Committee) on material matters related to compliance and matters concerning employee conduct as well as advising the Nomination & Compensation Committee with regard to the consideration of compliance and conduct topics and issues in the compensation process.

Furthermore, the GRC is responsible for

– developing and upholding principles of corporate governance and corporate sustainability for the Julius Baer Group
– authorising certain 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
- upholding 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 GRC determines, coordinates and reviews the risk limits in the context of the overall risk policy and reviews the policies with regard to risk. The GRC approves and supervises the implementation of the yearly Compliance Programme. The GRC 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 GRC 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 GRC 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 GRC 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 GRC generally convenes monthly. During the year under review, the Committee held eleven (physical or remote) meetings of approximately five hours duration 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 GRC.

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

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

	January	February	March[1]	April[1]	May[1]	June[1]
First half of 2020						
Charles G. T. Stonehill, Chairperson	x	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x	x
Ivo Furrer[2]	x	x	x	-	-	-
Romeo Lacher	x	x	x	x	x	x
Christian Meissner[3]	-	-	-	G	x	x
Olga Zoutendijk	x	x	x	x	x	x
Gilbert Achermann			G (part.)			
Heinrich Baumann		G (part.)	G	G (part.)	G (part.)	G (part.)
Claire Giraut			G (part.)			
Eunice Zehnder-Lai			G (part.)			

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Left the Committee in April 2020
[3] Joined the Committee in May 2020
G = attended meeting as guest (part. = attended the meeting partially)

Second half of 2020	August[1]	September[1]	October[1]	November[1]	December[1]
Charles G. T. Stonehill, Chairperson	x	x	x	x	x
Richard M. Campbell-Breeden	x	x	x	x	x
Romeo Lacher	x	x	x	x	x
Christian Meissner[2]	x	x	-	-	-
Olga Zoutendijk	x	x	x	x	x
Heinrich Baumann	G (part.)	G (part.)	G (part.)	G (part.)	G (part.)
Kathryn Shih		G (part.)			

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Left the Board of Directors on 12 October 2020
G = attended meeting as guest (part. = attended the meeting partially)

Audit Committee
The Audit Committee (ACB) 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 statements 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 ACB 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 ACB 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 ACB performs an in-depth annual self-assessment with regard to its own performance. The ACB 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 ACB. The Head of Group Internal Audit and representatives of the external auditor participate in every meeting. During the year under review, the ACB held eight (physical or remote) meetings for approximately four hours duration each.

Members Heinrich Baumann (Chairperson), Ivo Furrer, Claire Giraut, Eunice Zehnder-Lai and Olga Zoutendijk

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

First half of 2020	January	April[1]	May[1]	June[1]
Heinrich Baumann, Chairperson	x	x	x	x
Paul Man Yiu Chow[2]	x	E	-	-
Ivo Furrer	x	x	x	x
Claire Giraut	x	x	x	x
Eunice Zehnder-Lai[3]	-	x	x	x
Olga Zoutendijk	x	x	x	x
Romeo Lacher				G (part.)
Charles G. T. Stonehill				G (part.)
Richard M. Campbell-Breeden				G (part.)
Christian Meissner				G (part.)

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Left the Board of Directors at the Ordinary Annual General Meeting on 18 May 2020
[3] Joined the Committee in April 2020
E = excused
G = attended meeting as guest (part. = attended the meeting partially)

Second half of 2020	September[1]	October I[1]	October II[1]	December
Heinrich Baumann, Chairperson	x	x	x	x
Ivo Furrer	x	x	x	x
Claire Giraut	x	x	x	x
Eunice Zehnder-Lai	x	x	x	x
Olga Zoutendijk	x	x	x	x
Romeo Lacher		G		

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
G = attended meeting as guest

Nomination & Compensation Committee
The Nomination & Compensation Committee (NCC) has fundamentally assumed the functions and responsibilities of the former Nomination Committee and the previous Compensation Committee since April 2020.

The NCC shall consist of members of the Board of Directors who are adequately skilled and experienced to assess remuneration and succession topics and assume the related responsibilities.

Compensation-related responsibilities:

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

The NCC 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 NCC determines the compensation of the Chairman and of the Executive Board (excl. CEO) 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.

The NCC 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.

Nomination-related responsibilities:

In general, the role of the NCC 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 NCC 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 NCC 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 NCC 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 members of the Compensation Committee (as part of the NCC) are elected on a yearly basis by the shareholders at the Annual General Meeting. The Chairman of the Board of Directors shall not be a member of the NCC. The NCC elects its own chairperson. With respect to decisions of specialised nature, the NCC may seek advice from additional members of the Board of Directors.

The NCC consists of at least three members, of whom all shall be independent Board members. As a rule, the NCC convenes once per quarter. Since inception in April 2020, the NCC held eight meetings for three hours duration on average. In total, eleven (physical or remote) nomination- and compensation-related meetings took place in the period under review.

Members Richard M. Campbell-Breeden (Chairperson), Gilbert Achermann, Kathryn Shih (since September 2020) and Eunice Zehnder-Lai

Attendance of the members of the previous Nomination Committee at the respective meeting 2020

	January
Gilbert Achermann, Chairperson	x
Claire Giraut	x
Romeo Lacher	x
Charles G. T. Stonehill	x
Eunice Zehnder-Lai	x

Attendance of the members of the previous Compensation Committee at the respective meetings 2020

	January	February
Richard M. Campbell-Breeden, Chairperson	x	x
Gilbert Achermann	x	x
Heinrich Baumann	x	x
Eunice Zehnder-Lai	x	x
Romeo Lacher	G	G

G = attended meeting as guest

Attendance of the members of the newly formed Nomination & Compensation Committee at the respective meetings

	April I[1]	April II[1]	May[1]	June[1]
First half of 2020				
Richard M. Campbell-Breeden, Chairperson	x	x	x	x
Gilbert Achermann	x	x	x	x
Heinrich Baumann[2]	x	x	-	-
Eunice Zehnder-Lai	x	x	x	x
Romeo Lacher	G	G	G	G

1 Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
2 Left the Committee in May 2020
G = attended meeting as guest

Second half of 2020	August[1]	September[1]	October[1]	December[1]
Richard M. Campbell-Breeden, Chairperson	x	x	x	x
Gilbert Achermann	x	x	x	x
Kathryn Shih[2]	-	x	x	x
Eunice Zehnder-Lai	x	x	x	x
Romeo Lacher	G	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Joined the Committee in September 2020
G = attended meeting as guest

Development & Innovation Committee
The Development & Innovation Committee (DIC) is a Board Committee newly established in 2020. Its primary aim is to support the Board of Directors in its overall oversight responsibilities relating to long-term transformational challenges, business development and innovation as well as to respective plans as developed by the Executive Board.

The DIC consists of members of the Board of Directors who are adequately skilled and experienced to identify and assess existing and future trends in the financial services industry as well as the means and methods to cope with them successfully and sustainably. Areas of particular interest relate to structural changes in the banking industry in general and the wealth management industry in particular, the business and operating model of the Group, the applied technology and innovation, as well as assessing their possible impact on the Group and on new business opportunities.

The DIC acts both as a competence centre as well as a sounding board and seeks close exchange with related areas of the Group such as business transformation, people transformation, information technology and processes, automatisation and AI, business operations and business development.

The DIC convenes at least twice a year 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 DIC held two remote meetings for an average duration of approximately three hours duration each.

Members Claire Giraut (Chairperson), Gilbert Achermann, Heinrich Baumann, Ivo Furrer and Kathryn Shih (since September 2020)

Attendance of the members of the Development & Innovation Committee at the respective meetings

	June[1]	September[1]
Claire Giraut, Chairperson	x	x
Gilbert Achermann	x	x
Heinrich Baumann	x	x
Ivo Furrer	x	x
Kathryn Shih[2]	-	x
Romeo Lacher	G	G

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Joined the Committee in September 2020
G = attended meeting as guest

DEFINITION OF AREAS OF RESPONSIBILITY

Julius Baer's strategic framework for long-term value creation
In 2020, as every year, Julius Baer's Board of Directors reviewed the Group's long-term strategy together with the Group's Management.

Julius Baer's long-term strategy is focused exclusively on international wealth management. This strategy was introduced in 2009 with the Group's separation from its asset management business, a move accompanied by the independent listing of today's Julius Baer Group. In its strategy, Julius Baer has always targeted wealthy private clients, family offices and external asset managers through a client-centric business model, providing clients with holistic advice tailored to their needs. Julius Baer's model is built on highly personal interaction with clients, powered by a relevant and comprehensive offering, an open product platform, proprietary research and state-of-the-art digital execution capabilities.

At the start of 2020, we presented an update and refinement of our strategy for the medium and longer term. First and foremost, we will remain true to our wealth management focus and business model. We will continue to build on our core strengths while dynamically modernising the way we operate, creating even more value for our clients through a sharpened value proposition and accelerated investments in human advice and technology. At the same time, the Group will continue to strengthen its corporate values and its robust risk and compliance culture, based on professional integrity and teamwork, and further invest in the implementation of our corporate sustainability and responsible investment strategy.

Calibrating the strategy in a changing environment
At the outset of a fresh decade, new secular dynamics are unfolding in wealth management:

- Client needs are shifting structurally – from wealth creation to wealth preservation and from individual needs rooted in one geography to changing family settings with multinational requirements. Complexity is increasing and expectations are on the rise, calling for even broader capabilities and deeper expertise in wealth management.
- Generational dynamics are accelerating. Over the coming 20 years, huge amounts of assets will be handed from one generation to the next. This future generation is looking beyond just the management of assets and is interested in giving meaning to their wealth.
- The economics of our business have changed. Commoditisation combined with negative interest rates in many of our key markets has resulted in strong margin pressure over recent years. In parallel, more complex regulations, changes in technology and increasing competition are driving up the structural costs of doing business.

Despite these pressures, wealth management remains an attractive industry, with longer-term growth rates expected to exceed GDP expansion in most markets. Capturing these opportunities, however, requires an update of our strategy, as announced at the start of 2020.

In order to capture these opportunities, we are looking beyond the immediate pressure for change and want to make our company fit for the next decade. 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.

Sharpening the value proposition for sophisticated high net worth and ultra-high net worth individuals
Julius Baer will offer our two core client segments, HNWIs and UHNWIs, a sharpened and unique value proposition. We will serve those clients individually, as families and over generations. The complexity inherent in these client relationships plays to our strengths and capabilities.

Contrary to industry trends, we will continue to serve HNWIs in a personal way, with a dedicated relationship manager (RM). They will be offered an unrivalled breadth of solutions that can be customised based on technology, supporting scalability. UHNWIs and wealthy families will benefit from Julius Baer's capabilities as true wealth architects, combining access to the Group's expertise, its global coverage and its ability to deliver highly bespoke solutions, based on its open product platform and its balance sheet, without the conflict of other lines of business.

We serve our clients directly via our dedicated global front organisation as well as indirectly through selected intermediaries. These intermediaries are an important business-to-business segment with whom we aim to build long-term partnerships along their full value chain and across the entire cycle of their business development.

The Group will continue to look to strengthen its critical mass in core markets while investing further in its range of solutions and expertise – already among the most comprehensive in the industry – to enhance its relevance for clients and capture new market opportunities. Examples of innovation in this area are digital assets, structured lending and impact investing.

Accelerating investments in human advice and technology
Investments in technology to power human advice will be accelerated, creating new revenue opportunities and further improving efficiency. The main shift will be away from the modernisation of the back-end towards investments in enhancing client value at the front-end.

To create new revenue opportunities, we will accelerate our investments in artificial intelligence and data. Predictive data analysis, for example, improves client retention and explores share-of-wallet potential. To facilitate scalable tailoring of discretionary mandates and a consistent and scalable advisory process, we continue to invest in our recently launched Mandate Solution Designer and our proprietary advisory platform DiAS, which are expected to deliver both increased revenue and enhanced margins. And to increase quality and efficiency, we are re-engineering processes such as our workflows in risk management and anti-money laundering as well as driving robotics in mid- and back-office processes, again with the aim to realise margin benefits.

In order to excel in wealth management, we believe we also need to move beyond just managing wealth. With our more than one hundred thousand client relationships globally, Julius Baer is ideally positioned to be a facilitator, offering our clients a platform to create value beyond banking. Our vision is to build cross-generational communities, providing spaces in which they can share and exchange, ultimately enabling them to co-create content and business opportunities together with us.

Julius Baer will continue to attract the top entrepreneurial talent in the industry – RMs as well as specialists and technology experts. The Group will invest in developing junior RMs in-house and has started to upgrade incentive and compensation systems in line with its financial targets, entrepreneurial aspiration and risk standards.

Creating long-term shareholder value by shifting the leadership focus to sustainable profit growth
With Julius Baer's shift from an asset-gathering strategy to one focused on sustainable profit growth, the Group introduced new targets for shareholder value creation at the start of the current three-year cycle (2020–2022):

- An adjusted[1] pre-tax margin of 25 to 28 basis points by 2022
- An adjusted[1] cost/income ratio of 67% or lower by 2022
- Over 10% annual growth in adjusted[1] pre-tax profit over the cycle, assuming no meaningful deterioration in markets or foreign exchange rates
- Adjusted[1] return on CET1 capital of at least 30% by 2022, supported by active capital management

Julius Baer remains committed to maintaining the quality and strength of its balance sheet and capitalisation. The management floors of its BIS total capital ratio and BIS CET1 capital ratio remain at 15% and 11%, respectively, representing a prudent buffer of around three percentage points above regulatory minimums.

[1] For a definition of adjusted results, please refer to the document Alternative Performance Measures available at www.juliusbaer.com/APM

The dividend and capital frameworks remain unchanged and reflect the Group's strong capital generation. Ordinary annual dividends of 40% of adjusted net profit can be complemented by share buy-backs or special dividends.

The Executive Board's compensation structure, with the cumulative economic profit and relative total shareholder return components of its equity performance plan, is aligned with the Group's focus on sustainable, profitable growth and long-term shareholder value creation.

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 Chief Risk Officer as well as 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 27 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), the Chief Risk Officer (CRO) 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 (all such reports are made available to the complete Board of Directors but are discussed in the responsible Board Committees. In addition, the complete Board of Directors is provided with the minutes of all Board Committee meetings):

- 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 CRO (monthly to Governance & Risk Committee, quarterly to complete Board of Directors)
- Written or oral reporting by the members of the Executive Board (as needed monthly to Governance & Risk Committee and/or quarterly to complete Board of Directors)
- 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)
- 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)
- 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') (quarterly to Governance & Risk Committee)
- Regulatory reporting of large concentrations of risk ('Klumpenrisiken') (quarterly to Governance & Risk Committee)
- Group Risk reporting by the CRO (quarterly to Governance & Risk Committee, annually to complete Board of Directors)
- Risk Management Framework, Risk Control Framework and Group Risk Landscape by the CRO (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.

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.

Yves Bonzon (born 1965), Swiss citizen; Degree in Economics (lic. oec. HEC), University of Lausanne, 1986. Union Bank of Switzerland, graduate programme in wealth management and corporate banking, 1986–1989; Pictet Group, 1989–2015: Junior private banker, 1989–1990; member of the Pictet Group Investment Committee, 1990–1997; member of the Executive Committee Pictet Wealth Management, 1997–2015; Chief Investment Officer Wealth Management, 1998–2015; Equity Partner, 2006–2015. Entry into Bank Julius Baer & Co. Ltd. 2016: Head Investment Management, Chief Investment Officer and member of the Executive Board from 2016 until December 2019. Member of the Executive Boards and Chief Investment Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Nicolas de Skowronski (born 1973), dual Swiss and Polish citizen; Master of Science (MSc.) in Physics, Swiss Federal Institute of Technology (EPFL), Lausanne, 1993–1998; Chartered European Financial Analyst, Swiss Training Centre for Investment Professionals (AZEK), 2002–2003. UBS Warburg, Zurich, Market Risk Manager for Fixed Income desk, 1999–2001; Banque Cantonale Vaudoise (BCV), Lausanne, Quantitative Financial Analyst, 2001–2003; Ferrier Lullin & Cie SA, Geneva, Head Asset Allocation and member of the Investment Committee (IC), 2003–2005. Entry into Bank Julius Baer & Co. Ltd. 2005: Head of Advisory Geneva and member of the Executive Committee Private Banking French-speaking regions, 2005–2009; Head of Investment Advisory and member of the Investment Committee, 2009–2015; Chief of Staff, 2013–2015; Deputy Head Advisory Solutions and Head Advisory Operations and Development, 2015–2018; Head Advisory Solutions and member of the Executive Board from January until December 2019. Member of the

Executive Boards and Head Wealth Management Solutions of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

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; Advanced Management Program (AMP), Harvard Business School, 2021. 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. from 1 September to 31 December 2019. Member of the Executive Boards and Chief Operating Officer & Head Intermediaries of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

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.

Jimmy Lee Kong Eng (born 1962), Singaporean citizen; Bachelor of Business Administration, National University of Singapore, 1986; Bachelor in Business Administration with honours, National University of Singapore, 1987. Swiss Bank Corporation, Singapore, Associate Director, 1994–1996; Morgan Guaranty Trust Company of New York, Singapore, Vice President, 1996–1998; Coutts Bank (Schweiz) AG, Singapore, Head of Private Banking South Asia, 1999–2000; Credit Suisse Private Banking, Singapore, Regional Market Director, 2000–2004; Deutsche Bank AG, Singapore, Head Private Wealth Management South East Asia/South Asia, 2004–2009; Clariden Leu AG, Singapore, Chief Executive Officer Asia, 2009–2012; Credit Suisse AG, Asia Pacific, 2012–2015: Head Integration Manager from April 2012 until January 2013; Market Leader Malaysia from February 2013 until August 2013; Market Leader Hong Kong from September 2013 until January 2015; Market Group Head Hong Kong from February 2015 until September 2015. Entry into Bank Julius Baer & Co. Ltd. in October 2015: Designated Head Asia Pacific from October 2015 until December 2015; Head Asia Pacific and member of the Executive Board from January 2016 until December 2019. Member of the Executive Boards and Head Asia Pacific of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Yves Robert-Charrue (born 1973), Swiss citizen; Degree in Economics (lic. oec. HSG), University of St. Gallen, 1992–1997; École Supérieure de Commerce, Lyon, 1995; London Business School, 2001. Credit Suisse Private Banking, 1998–2004: Project Management Fund Lab, 1998–1999; Development and structuring of alternative investment products, 2000–2002; Head of Product

Development, Structuring & Implementation, 2003–2004; Sabbatical, various music projects, 2004–2005; Credit Suisse Group, 2006–2009: Head of Mergers & Acquisitions for the Asset Management division, 2006–2007; Global Head of Single Manager Hedge Funds, 2007–2009. Entry into Bank Julius Baer & Co. Ltd. 2009: Head of Funds and Product Management from April 2009 until December 2009; Head Investment Solutions Group and member of the Executive Board from January 2010 until July 2011; CEO Switzerland and member of the Executive Board from August 2011 until December 2012; Head Intermediaries and member of the Executive Board from January 2013 until August 2016; additionally Head Investment Solutions Group a.i. from May 2016 until August 2016; Head Europe and member of the Executive Board from September 2016 until December 2019. Member of the Executive Boards and Head Switzerland, Europe, Middle East & Africa of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Beatriz Sanchez (born 1956), dual Swiss and American citizen; Bachelor of Arts (BA), University of Miami, 1978; Master's Degree in Business Administration, University of Miami, 1979. Manufacturers Hanover Leasing Corporation, N.A., New York, Vice-President Project Financing, 1981–1983; Chase Manhattan Bank, N.A., New York, Vice-President, Private Banking, 1983–1991; Republic National Bank of New York (Suisse) SA, Geneva, Head of Hispanic Latin America, 1991–2000; HSBC Private Bank (Suisse) SA, Geneva, member of the Private Bank Executive Committee & Global Head Private Banking/Latin America, 2000–2008; Goldman Sachs & Co., Miami, 2008 until September 2017: General Manager of Goldman Sachs Bank AG, Switzerland, November 2008 until January 2010; Regional Head Private Wealth Management Latin America from May 2008 until July 2015; Managing Director & Chairwoman Private Wealth Management Latin America from July 2015 until September 2017. Entry into Bank Julius Baer & Co. Ltd. 2017: Head Latin America and member of the Executive Board from 2017 until December 2019. Member of the Executive Boards and Head Americas of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 January 2020.

Changes in the Executive Board
Effective 1 January 2020, the previous members of the Executive Board of Bank Julius Baer & Co. Ltd. listed below also became members of the Group Executive Board:

- Yves Bonzon, Investment & Wealth Management Solutions, Chief Investment Officer
- Nicolas de Skowronski, Investment & Wealth Management Solutions, Head of Wealth Management Solutions
- Jimmy Lee Kong Eng, Head Asia Pacific
- Yves Robert-Charrue, Head Switzerland & Europe, Middle East and Africa (EMEA)
- Beatriz Sanchez, Head Americas

Group General Counsel Christoph Hiestand and Chief Communications Officer Larissa Alghisi Rubner left the Group Executive Board on 31 December 2019. However, they retained their previous functions and continue to directly report to the CEO.

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;
– Vice-Chairman of the Association of Swiss Asset and Wealth Management Banks, Zurich, Switzerland;
– Member of the Advisory Board of Beijing International Wealth Management Institute Co. Ltd., Beijing, China.

Oliver Bartholet:
– Vice-Director and Lecturer at the IFF, Institute of Public Finance, Fiscal Law and Law and Economics, University of St. Gallen (HSG), Switzerland.

Yves Bonzon:
– Member of the Board of Directors of ISREC Foundation, Lausanne, Switzerland;
– Member of the Foundation Board of Verbier Festival, Verbier, Switzerland.

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

Jimmy Lee Kong Eng:
– Member of the Board of Directors of Beijing International Wealth Management Institute Co. Ltd., Beijing, China;
– Member of the Advisory Board for Wealth Management at the Singapore Management University.

Yves Robert-Charrue:
– Member of the Advisory Committee of the European and Central Asia Division of Human Rights Watch, New York, USA;
– Member of the CEO Action Group for the European Green Deal of the World Economic Forum.

Beatriz Sanchez:
– Chair of the Advisory Board of Georgetown Institute for Women, Peace and Security, Washington DC, United States;
– Member of the Advisory Board of Foundation for Human Rights in Cuba, Miami, United States;
– Member of the Advisory Board of The Ideas Center at Miami Dade College, Miami, United States.

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 2019 and 2020, 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 2020)

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. Since the 2019 Annual General Meeting, Mirko Liberto has been acting as the Lead Auditor. 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 2020 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

	2020 *CHF m*	2019 *CHF m*
Audit fees[1]	**6.1**	7.0
Audit-related fees[2]	**0.5**	0.2
Other services fees[3]	**1.5**	1.4

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

GROUP INTERNAL AUDIT

With 40 professionals as at 31 December 2020, compared to 33 as at 31 December 2019, 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 audit 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

22 March 2021	Publication of Annual Report 2020 and Sustainability Report 2020
14 April 2021	Annual General Meeting, Zurich
16 April 2021	Ex-dividend date
19 April 2021	Record date
20 April 2021	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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II. REMUNERATION REPORT

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

In a year marked by unpredictable circumstances and virtual interactions, we are proud that Julius Baer held steadfast to its strategic initiatives, making great strides in its digital transformation to continue strengthening its risk culture and enhancing the client experience.

While the Group's financial success in 2020 is evident through our results, we have also made significant steps with regard to the implementation of our sustainable profit strategy and associated transformation. This Group-wide initiative includes improvements in the area of remuneration, such as the restructuring and alignment of our Executive Board performance management processes, enhancements within our global governance framework and integration of further risk elements throughout our compensation programmes. These improvements will be instrumental in ensuring Julius Baer has the right mechanisms in place to achieve sustainable profit growth in a risk-appropriate manner.

Group strategy and transformation
The Group made a fresh start in 2020, introducing an updated strategic framework linked to sustainable profit growth, a sharpening of its value proposition and accelerated investments in human capital and technology under its restructured, nine-member Group Executive Board. The simplified leadership structure consolidated the Executive Boards of Julius Baer Group Ltd. (EB) and Bank Julius Baer & Co. Ltd. (Bank EB) into one. The newly constituted EB provides a stronger alignment of Group-wide EB targets (quantitative and qualitative). In addition, bundled market responsibilities and competences facilitate faster decision-making. The resulting reduction of the executive leadership has lowered the overall compensation costs by some 13% between 2019 and 2020.

The implementation of the three-year strategic programme kicked off in 2020 is well on track, with full delivery on the first year of the transformation and productivity ambitions set out in February 2020.

Risk awareness and governance
As communicated previously, the Group has initiated a comprehensive upgrade of its risk framework and processes, which continued successfully throughout 2020 with the finalisation of all the critical design elements of the comprehensive risk-related standards and processes. These enhancements focused on all aspects of risk management: from a global upgrade of our KYC data and processes to fundamentally changed Anti-Money Laundering (AML) transaction monitoring; from new processes in Relationship Manager on-boarding to a global client view; from a new risk management framework

to a new client risk rating methodology; and from a revised Code of Ethics and Business Conduct to a new disciplinary framework. In parallel, the Group has rejuvenated its entire risk management organisation over the past two years.

While acknowledging these improvements, it was also a top priority in 2020 to resolutely and constructively address legacy legal issues, in particular the shortcomings identified by our regulator, FINMA, in February 2020. In response, the Group has improved compensation governance processes, including updates to our Key Risk Taker (KRT) identification process (more precise role-based guidelines), enhanced deferral structure (a fixed cash- and equity-based deferral mechanism), higher deferral rates for KRTs (up to 70% of total variable compensation), revised disciplinary policy and process, and stricter clawback guidelines. In relation to the legacy investigated activities, the Group also took steps to trigger the forfeiture and/or clawback provisions under our remuneration framework against certain staff with relevant links to the proceedings at the time.

Human resource initiatives
The Relationship Manager (RM) compensation framework has been adapted to ensure alignment with changes in the Group's strategy and our focus on sustainable profitability targets, as well as harmonising the historically diverse models we had in place. The new global compensation framework assesses RMs' overall performance in a more holistic manner than the previous approaches, targeting profitability over growth with more non-financial elements. The new structure is designed to ensure equal and transparent treatment of all RMs, while at the same time encouraging the development of business in a risk-appropriate manner. This framework applies to RMs in Switzerland, Asia and parts of the Middle East as of 1 January 2021.

In the face of the pandemic, the Group initiated programmes to further enable global cross-collaboration, supporting staff in their new virtual work environments and ensuring continuity of learning opportunities. Financially, COVID-19 premiums were provided to non-managerial staff members to recognise the extra efforts incurred in meeting the demands of remote working. Professionally, the Julius Baer Academy responded swiftly to the pandemic by increasing virtual learning and on-boarding programmes for new employees and adding special offerings to provide comprehensive support for our staff: educationally (remote leadership topics), mentally (stress and resilience programmes) and physically (virtual fitness opportunities).

Group performance
As part of our pay-for-performance principles, it is critical that variable compensation reflects current-year achievements and contributions to our strategic objective of sustainable profit growth. In line with the Group's very solid performance in 2020, the compensation pool increased in absolute terms relative to 2019, though at a proportionately lesser rate than the overall increase in performance. In determining this increase, due consideration was given to, inter alia, economic profit performance, relative peer performance, profit distribution to our various stakeholders and the global environment (including impacts of COVID-19).

Outlook 2021
In 2021, the Group looks forward to leveraging on its 2020 achievements to continue on its sustainable profit growth path. The new RM Compensation framework will be rolled out throughout Europe and the majority of our remaining global locations in the course of 2021 (applicable to RMs as of 1 January 2022) to further align the Group's global compensation framework. In addition, the Group will continue to review its compensation programmes, including Senior Management compensation, to further align it with its strategic goals and targets.

Annual General Meeting
It is important for Julius Baer to continue an open dialogue with our shareholders around compensation matters and we appreciate the meaningful feedback our shareholders provided in 2020. In response to this feedback, the enclosed Remuneration Report includes expanded details of our targets, achievements and Executive Board pay decisions in 2020. This also includes the augmented disclosure of 2019 compensation for our newly restructured Executive Board on a like-for-like basis. We will again ask for your feedback via the vote on the disclosed compensation arrangements for the Board of Directors and the Executive Board, alongside a consultative vote on this Remuneration Report.

This year we have built on our already strong capital base and updated our internal control mechanisms making us stronger than ever before. We look forward to the year ahead and are confident that our strategic realignment and pure wealth management focus leave us well positioned to continue evolving our business for the benefit of all of our stakeholders.

On behalf of the Board of Directors,

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

2020 REMUNERATION HIGHLIGHTS

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

Group performance summary

Julius Baer Group Ltd. (Julius Baer or the Group) had very solid year in 2020, with the achieved performance against the Group's strategic three-year plan summarised as follows:

Adjusted profit before taxes[1] CHF 1,114.5 million (+21.5% from 2019)	Pre-tax margin 27.2 bp (from 22.1 bp in 2019)	RoCET1[2] 32% (from 27% in 2019)	Adjusted cost/income ratio[3] 66.4% (from 71.1% in 2019)
• Outstanding 2020 results • Increase linked to higher operating income • 50% increase in IFRS net profit attributable to shareholders	• Upper end of strategic target range (25 to 28 bp) • Gross margins had corresponding increases (+6 bp) to 88 bp	• Capital ratios further strengthened • Well above regulatory floors • 3-year strategic target (>30%) exceeded	• Significant improvement over 2019 • Attaining 3-year strategic target (<67%) • Cost programmes substantially implemented despite COVID-19 interruptions

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 Return on common equity tier 1

3 Excluding adjusted provisions and losses

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

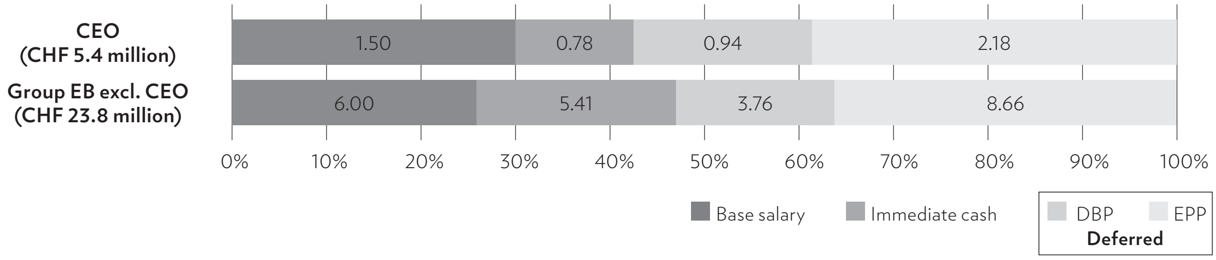
✓ **Pay at risk**
Significant portion of compensation deferred over 3 to 5 years subject to vesting and/or malus and clawback provisions

✓ **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

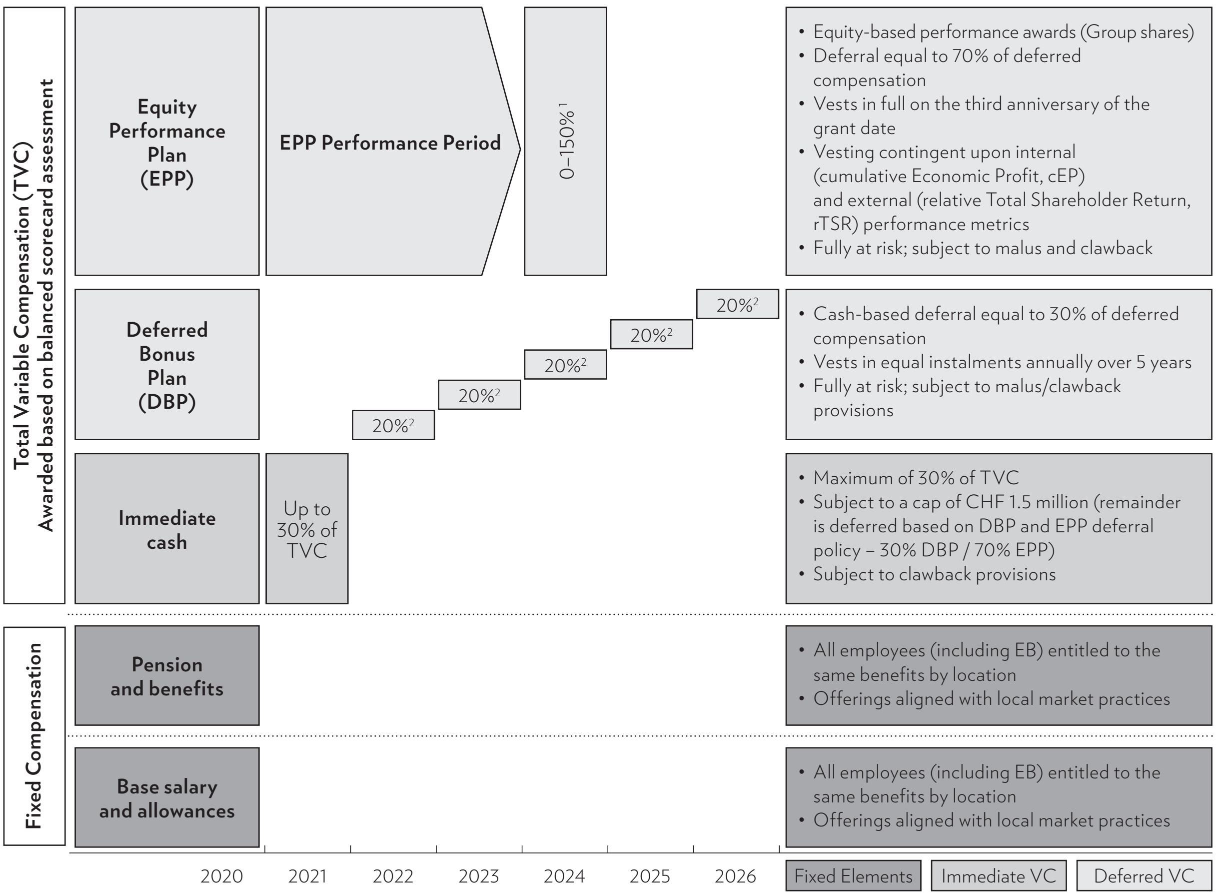
Pay linked to performance

Executive Board compensation reflects the dual objectives of being performance-oriented and risk-appropriate. The following represents the 2020 total compensation allocation (in millions [m]) paid to the Group's nine EB members (of which five are new members following the 2020 EB restructuring):



Overview of Executive Board compensation structure

Julius Baer's compensation package links pay to both past performance and future development of the Julius Baer Group. The structure ensures compensation is aligned with stakeholder interests and encourages prudent risk management over a multi-year period. While the underlying scheme remains substantially similar to prior years, in 2020 the Group introduced a defined cash- and equity-based deferral split across plans at deferral rates up to 70% (80% for the CEO).



[1] Subject to KPI Performance, share allocation capped at 150% of Performance Units granted; vesting share value dependent on market performance.
[2] Represents % of DBP award granted. Cash awards vested/paid in February each year. Residual amounts delivered in the final vesting tranche.

COMPENSATION GOVERNANCE

NOMINATION & COMPENSATION COMMITTEE AUTHORITY AND RESPONSIBILITIES

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

The Nomination & Compensation Committee (NCC) has fundamentally assumed the functions and responsibilities of the former Nomination Committee and the previous Compensation Committee since April 2020. The NCC supports the BoD by specifically:

- Defining the Julius Baer Group's compensation principles and strategy (changes to which are submitted for approval to the BoD).
- Overseeing compensation of the BoD (including the Chairman), EB members (including the CEO) and employees of Julius Baer on a collective basis.
- Controlling compensation policies linked to shares of the Group.
- Long-term succession planning at the level of the BoD, CEO and EB.

If pertinent, the NCC also collaborates with other Board members or other Julius Baer Group Committees (e.g. the Audit Committee and the Governance & Risk Committee) when shaping policy or in case decisions of a specialised nature are required.

Every year, the NCC 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 NCC 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 BoD	Chairperson of the NCC	NCC	Shareholders
BoD members (excluding the Chairman)	NCC	BoD	Shareholders
CEO	Chairman of the BoD and Chairperson of the NCC	NCC/BoD	Shareholders
Executive Board (excluding the CEO)	CEO	NCC/BoD	Shareholders
Regulated staff (e.g. Group Key Risk Takers)	Line management	CEO/EB	NCC
High-income earners	Line management	CEO/EB	NCC

To avoid any conflicts of interest, the Chairman of the BoD, the CEO and other members of the EB do not participate in those segments of the NCC meetings that serve to discuss and determine their proposed compensation.

The NCC consists of at least three members of the BoD who are elected by the Annual General Meeting (AGM). The current NCC is made up of four members.

Members: Richard M. Campbell-Breeden (Chairperson), Gilbert Achermann, Kathryn Shih (joined the NCC on 1 September 2020) 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 NCC convenes as often as required and holds a minimum of three meetings each year. During the year under review, the NCC (including the former Compensation Committee) held ten meetings each lasting an average of four hours.

The following tables show the meetings held by the Compensation Committee (through February 2020) / NCC (as of April 2020) of Julius Baer Group Ltd. in 2020, attendance at such meetings and the topics covered during the relevant meetings:

Compensation Committee

	January	February
Richard M. Campbell-Breeden, Chairperson	x	x
Gilbert Achermann	x	x
Heinrich Baumann	x	x
Eunice Zehnder-Lai	x	x
Romeo Lacher	G	G

G = attended meeting as guest

Nomination & Compensation Committee

First half of 2020	April I[1]	April II[1]	May[1]	June[1]
Richard M. Campbell-Breeden, Chairperson	x	x	x	x
Gilbert Achermann	x	x	x	x
Heinrich Baumann[2]	x	x	-	-
Eunice Zehnder-Lai	x	x	x	x
Romeo Lacher	G	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Left the Committee in May 2020
G = attended meeting as guest

Second half of 2020	August[1]	September[1]	October[1]	December[1]
Richard M. Campbell-Breeden, Chairperson	x	x	x	x
Gilbert Achermann	x	x	x	x
Kathryn Shih[2]	-	x	x	x
Eunice Zehnder-Lai	x	x	x	x
Romeo Lacher	G	G	G	G

[1] Due to the COVID-19 situation, these meetings had to be held either in the form of a telephone or video conference call
[2] Joined the Committee in September 2020
G = attended meeting as guest

NCC activities 2020[1]

Topics/activities	Jan I	Jan II	Feb	Apr I	Apr II	May	Jun	Sep	Oct	Dec
Compensation Strategy and Disclosure										
Compensation design and award plans	x	x	x	x	x	x	x	x	x	x
Pay-for-performance alignment / fair pay	x	x		x						
Compensation policies (incl. KRT and control function design)		x						x	x	x
Compensation disclosure		x	x					x		
HR strategy and people development				x			x	x	x	x
Risk and Regulatory Landscape										
Regulatory developments and compensation impacts									x	x
Disciplinary event and policy breach governance		x		x						
Year-End Compensation Review										
Variable compensation pool funding	x	x		x			x	x	x	x
EB and BoD compensation governance and assessment	x	x	x					x		x
KRT and control function compensation review		x						x		x
Nomination Activities and Governance										
NCC governance		x		x			x			
Nomination activities				x	x		x			x
Talent management								x		x
External Landscape										
Stakeholder and proxy advisor feedback				x						x
Market trends and benchmarking							x	x		

[1] This NCC activities summary includes the committee's January compensation workshop (identified as 'Jan I' in this table) which is not an official meeting for purposes of the NCC attendance tables above.

KEY NCC ACTIVITIES AND DECISIONS

In line with the Group's new strategy and in consideration of the remediation measures agreed by Julius Baer with its regulator FINMA in early 2020, the Group's focus (in coordination with the NCC) this year was on ensuring:

- Compensation policies reflect the Group's new strategy,
- Governance processes support the Group's overall risk framework, and
- Remediation measures are implemented actively and appropriately.

These elements were addressed through various initiatives in 2020.

Compensation policy updates
In line with the Group's strategic shift to sustainable profit growth, it introduced the new Relationship Manager (RM) compensation framework in September 2020 (effective January 2021 in select jurisdictions with nearly all jurisdictions incorporated by January 2022). The new framework assesses RMs' overall performance in a holistic manner, taking into account financial (sustainable profit) and non-financial elements (including enhanced conduct, value and risk behaviour assessments). It ensures variable compensation is transparent, fair (one framework for all), and encourages RMs to develop their business and serve their clients with the best the Group has to offer (impartial advice, teamwork with experts and optimal client solutions). The profitability focus is aligned with the long-term value creation expectations of our shareholders, and the balancing of qualitative and quantitative factors aligns the programme with regulatory expectations.

Governance processes
Julius Baer has taken comprehensive steps to strengthen the compliance and risk culture in the past years, including the introduction of extensive client documentation standards and updates to processes, technology and data analysis to enhance transaction monitoring and combat money laundering. These governance and control processes, rooted in the newly rolled out Code of Ethics and Business Conduct, have been incorporated into the compensation schemes (including the new RM programme) and embedded into the organisation's daily business.

In the area of compensation, the assessment of Values (Care, Passion and Excellence) remained a mandatory review element for all Group employees. Risk behaviour targets became standard for all employees and conduct-related targets were implemented for client-facing staff. In the course of 2020, the Group also strengthened its compensation governance through increasing Group-wide deferral rates (now up to 70% targeting key risk functions and high earners), strengthening of internal compensation sanction policies and implementing more comprehensive clawback governance processes.

Remediation measures
Against the background of the outcome of a FINMA enforcement proceeding concluded in early 2020, the Group has assessed the impact on the provisions and conditions set forth under the remuneration framework, in particular on compensation awarded during the period subject to the investigation but deferred for later appraisal. For certain staff with relevant links at the time to the investigated activities and the outcome of the FINMA proceeding, applicable forfeiture and/or clawback provisions were enforced.

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 BoD and of the EB 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 BoD and the EB as well as the roles and responsibilities related to the determination of EB performance objective setting, metrics, measurement and decision-making processes.

SUSTAINABILITY IN COMPENSATION

Julius Baer recognises the importance of Environmental, Social and Governance (ESG) sustainability elements throughout its business activities, including within its compensation systems. ESG is reflected in various aspects of the Group's compensation systems, divisional and individual levels through proper governance, performance measurement standards (around values, client satisfaction and employee development) and risk management considerations.

The compensation schemes are designed to reflect ESG by ensuring compliance with global rules and regulations in support of a sound risk culture. Group and divisional compensation decisions include assessments of financial-, market-, legal-, risk- and compliance-related metrics to ensure compensation properly reflects both internal and external factors. Compensation deferral mechanisms, with risk-adjusted performance metrics, are applied to deter excessive risk-taking. Socially, the Group operates various initiatives related to talent management, workforce diversity and employee satisfaction, which are strengthened each year to help us attain our Employer of Choice goals and support our sustainability aspirations. At the individual level, all employees are held to high conduct standards via the Code of Ethics and Business Conduct and are specifically measured on their ability to reflect the core Values (Care, Passion and Excellence) and risk behaviours throughout business activities.

PEER BENCHMARKING

It is important to the NCC and the BoD 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.

The Group has defined a bespoke industry and Swiss market peer group for the purposes of EB compensation comparisons and for assessing corporate governance practices and relative performance reviews. 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 ADVISORS

In 2020, Julius Baer obtained advice from Boston Consulting Group (BCG) related to compensation framework design and implementation based on global trends within the financial sector. HCM International Ltd. advised on variable compensation funding, design and equity-based award valuation. 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, and 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 BoD and the EB 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 the AGM 2021 determines:

1. the maximum aggregate amount of compensation paid to the BoD for its next term of office (2021 AGM to 2022 AGM);
2. the maximum aggregate amount of fixed compensation of the EB for the financial year following the respective General Meeting of Shareholders (2022);
3. the aggregate amount of variable cash-based compensation elements of the EB for the financial year preceding the respective General Meeting of Shareholders (2020); and
4. the aggregate amount of variable equity-based compensation elements of the EB granted in the current financial year (2021, and relating to performance in the preceding calendar year [2020]).

In addition, a consultative vote on the Remuneration Report is again scheduled for the AGM on 14 April 2021. The BoD 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 2020 AGM and 2019 AGM.

Results of say-on-pay shareholder approvals

Say-on-pay shareholder approvals	Vote 'for' at 2020 AGM	Vote 'for' at 2019 AGM
Board of Directors maximum aggregate amount of compensation	97.79%	98.57%
Executive Board maximum aggregate amount of fixed compensation	93.88%	97.22%
Executive Board aggregate amount of variable cash-based compensation	90.07%	93.84%
Executive Board aggregate amount of variable equity-based compensation	91.17%	91.65%
Consultative vote on the Remuneration Report	79.38%	89.82%

If the aggregate amount of the fixed compensation approved by shareholders for the EB is not sufficient to cover the fixed compensation (including any replacement award) of a new joiner to the EB (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):

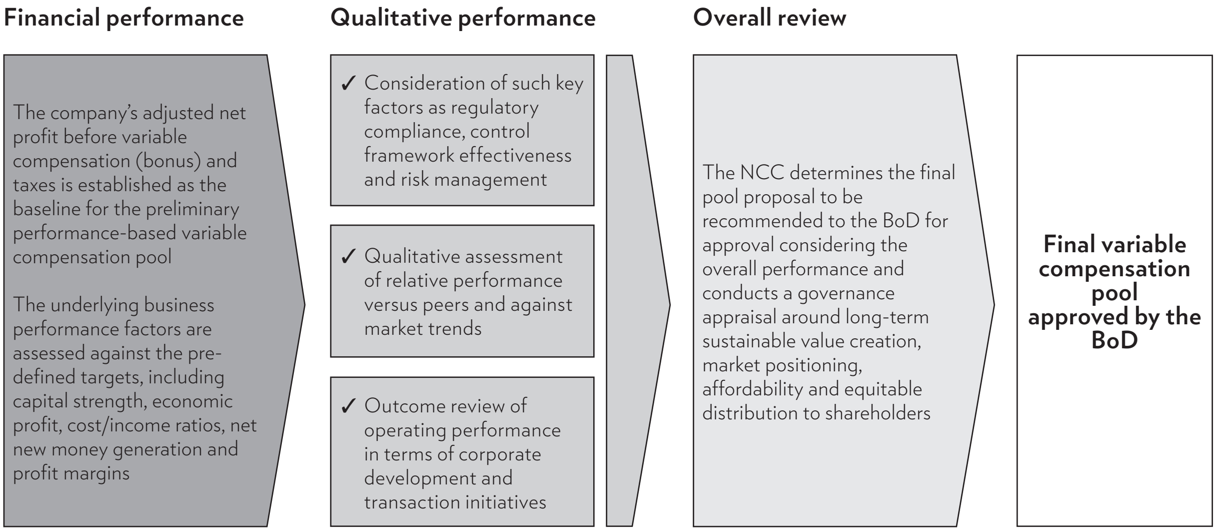
- for a new CEO as a maximum of 40% of the aggregate amounts of compensation last approved by shareholders for the EB;
- for a new member of the EB as a maximum of 25% of the aggregate amounts of compensation last approved by shareholders for the EB.

In the course of restructuring the EB, a portion of the supplementary amount was utilised to cover the base salaries of the newly joining EB members to the extent necessary. The 25% cap per EB member was not exceeded. The supplementary amount utilised was CHF 2.85 million which was distributed across the five new EB members: Yves Robert-Charrue (Head Switzerland & EMEA), Jimmy Lee Kong Eng (Head Asia Pacific), Beatriz Sanchez (Head Americas), Yves Bonzon (CIO), and Nicolas de Skowronski (Head Wealth Management Solutions). In aggregate, total 2020 base salaries for these five new EB members equalled CHF 3.75 million (or CHF 750,000 per EB member).

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, representing the underlying, sustainable operating profit generated by the business, reflects the Group's actual performance, thus giving the NCC 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 NCC 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 mid-term 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 NCC 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 operational achievements, regulatory compliance, control framework effectiveness and risk. Secondly, the financial results (specifically, NNM, adjusted cost/income ratio, profit margin and gross margin) are 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
Before approval, a final review of the proposed variable compensation pool is undertaken (based on financial and qualitative performance) to consider factors such as long-term sustainable value creation, affordability and market positioning. The NCC 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 ensures 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 BoD 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.

2020 JULIUS BAER GROUP PERFORMANCE[1]

Julius Baer's very solid performance in 2020, both in quantitative and qualitative terms, reflects the strength of our wealth management business model and the trust clients place in us. Against the backdrop of unusually high market volatility and a meaningful decline in US interest rates, the combination of a strong improvement in the gross margin and a clear focus on cost management led to a significant increase in profit.

This success is highlighted by the 50% increase in IFRS net profit attributable to shareholders (to CHF 698 million) and 52% increase in IFRS earnings per share (both of which include the negative impact of the 2020 Kairos non-cash impairment of goodwill and accelerated amortisation of customer relationships [CHF 190 million] and legal provisions related to the Department of Justice principle settlement in the FIFA matter [CHF 73 million]). Gross margin improved by 6 basis points (bp) to 88 bp and the adjusted cost income ratio improved by 4.7% points to 66.4%.

Assets under Management (AuM) increased by 2% to CHF 434 billion spurred by positive market performance and continued positive Net New Money (NNM) inflows (CHF 15.1 billion or a growth rate of 3.5%) which more than offset the significant negative impact from the strengthening Swiss franc. The strong NNM inflows from new and existing clients were geographically diverse, coming from clients domiciled in Europe (especially Germany, the UK, Spain, Luxembourg, Ireland and Russia), Asia (especially Hong Kong, China, India, Thailand and Japan), the UAE and Mexico. These positive effects were partly offset by a net reclassification (CHF 2.8 billion) from AuM to assets under custody at the end of the year and by outflows at Kairos. Including assets under custody of CHF 72 billion, total client assets grew by 1% to CHF 505 billion, crossing above the half trillion Swiss franc mark for the first time.

This success is reflected in the Group's financial strength, which improved 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.

The Group strongly delivered on the first year of the three-year transformation strategy presented in February 2020. This strategy gives us a clear roadmap for 2021 and beyond and we remain fully focused on achieving the 2022 targets we set a year ago.

[1] This section references certain Adjusted Performance Measures (APM) that are not defined or specified by IFRS. 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.

2020 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.

As noted in the Group Performance section above, 2020 was a very solid performance year for Julius Baer. ANPbBT increased significantly in 2020 relative to the prior year which led to an overall increase in the available variable compensation pool size (including negative impacts related to legacy issues). From a qualitative perspective, the variable compensation pool review considered:

- Operational performance and achievements in terms of qualitative elements (such as strategic project achievements, digitalisation, regional/divisional achievements, Wealth Management services/offerings, cost management, risk management, etc.) and external market factors including COVID-19;
- Value creation in terms of Economic Profit;
- Relative performance comparison against peers; and
- Developments of the Group’s profit distribution (including proposed 2020 dividends).

As part of the Group’s pay-for-performance principles, it is critical that variable compensation reflects current-year achievements and contributions to our strategic objective of sustainable profit growth. The increase in the final variable compensation pool for 2020 takes Group performance into consideration, though at a proportionally lesser rate.

OVERVIEW OF 2020 VARIABLE COMPENSATION PLANS

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

Summary of 2020 deferred compensation plans

		Ongoing plans[1]				Hiring-related 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 with bonus over CHF 125,000	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 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. It is also utilised to deliver vested but blocked shares as part of immediate cash variable compensation to regulated staff.

3 Employees in some locations are excluded from participating for legal, regulatory or administrative reasons.

4 For every three shares purchased by the employee, one 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 2020 compensation components

<table>
<tr><th></th><th>Element</th><th>Payment Structure</th><th>Description</th><th>Governance</th></tr>
<tr><td rowspan="2">Fixed compensation</td><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>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 rowspan="3">Total variable compensation</td><td>Immediate cash</td><td>100% in cash delivered following shareholder approval</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.
As of performance year 2020, the EB is subject to deferral at rates of a minimum of 30% to 70% (80% for the CEO) of total variable compensation determined for the performance year (up from 20% to 50% of cash-based variable compensation in prior years). The deferral can exceed the maximum rate 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 are deferred. Amounts below the minimum threshold are not subject to deferral.</td><td>Links compensation to Group performance in a risk-aligned manner.
Immediate cash payment is capped and is delivered to EB only following shareholder approval.</td></tr>
<tr><td>Deferred Bonus Plan (DBP)</td><td>100% in cash delivered in 5 vesting tranches over 5 years (fully deferred)</td><td>The cash portion of the annual variable compensation deferral is delivered in the form of DBP awards which vest on a pro rata basis over 5 consecutive years subject to service-based vesting. The DBP is not eligible for interest or any additional compensation elements during the deferral period.</td><td>Deferral promotes a long-term orientation, allowing for clawback in the event of legal/regulatory breaches, financial losses and other events where conduct has substantially contributed to a financial loss or has caused reputational damage. DBP is subject to forfeiture/clawback provisions.</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>The equity portion of the annual variable compensation deferral is delivered in the form of Performance Units under the EPP. This 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 NCC each year for the upcoming grant. Multiplier performance target ranges remain unchanged for 2020:
<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 NCC reviews and approves the final multiplier.</td></tr>
<tr><td>Other</td><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 NCC. 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 ASSESSMENT AND PAY MIX

The total compensation of the members of the EB including the CEO consists of a base salary in cash and performance-linked variable compensation which is partially deferred in cash (under the DBP) and partially in equity (under the EPP).

With the amalgamation of the Group and Bank Julius Baer & Co. Ltd. Executive Boards (Group EB and Bank EB, respectively) as of 1 January 2020 and the change in overall Group strategy, the Group implemented structural changes to the compensation of the 2020 Group EB members. In an effort to harmonise objectives and emphasise team achievements, the EB targets (via Scorecard) for 2020 had increased weightings for financial performance (60% linked to financial [Group and/or regional/divisional] performance)[2] and a minimum 20% weighting applied to Risk and Business Conduct criteria. Qualitative Objectives were also enhanced via streamlined Group targets alongside the specific regional/divisional targets.

From a compensation perspective, certain members of the EB received increases in fixed compensation to align base salaries with peers and the associated roles and responsibilities undertaken. As a general rule, increases in fixed compensation were counterbalanced by reductions to variable compensation, unless significant changes in roles/responsibilities applied.

VARIABLE COMPENSATION

Performance assessment process

Julius Baer rewards EB 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:

[2] Exception applies for the Group Chief Risk Officer who has a more significant weighting for risk KPIs.

Executive Board objective setting and performance assessment

The BoD and/or NCC are involved in all steps of the performance assessment and compensation decision-making processes

<table>
<tr><th></th><th>Objective setting</th><th>Performance assessment</th><th>Compensation recommendations</th><th>Approval</th></tr>
<tr><td>CEO</td><td>• BoD Chairman sets CEO's key current- and multi-year performance objectives (in consultation with the NCC 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</td><td>• 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 NCC
• NCC verifies/agrees CEO's OPR and submits to BoD</td><td rowspan="2">The BoD Chairman together with the NCC propose CEO and aggregate EB compensation to the BoD for agreement</td><td rowspan="2">Compensation recommendations submitted to the shareholders for approval (in aggregate)</td></tr>
<tr><td>Executive Board (EB)</td><td>• 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</td><td>• 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 NCC
• NCC verifies/agrees EB members' OPRs and submits summary to BoD</td></tr>
</table>

The following Scorecard summarises the key performance objectives set for the Group CEO and the EB in 2020 along with the individual assessments leading to the related OPRs.[3]

	2020 Target Range	Achieved	CEO Performance Assessment (Grade)	EB (average) Performance Assessment (Grade)
Financial KPIs			60% weighting	57% weighting
Adjusted pre-tax profit (CHF m)	965–1,067	1,114.5	A+	A+
CET1 ratio (%)	12.9%–14.2%[1]	14.9%	A	A
Adjusted cost/income ratio (%)	69.3%–70.3%	66.4%	A+	A+
Pre-tax margin (bp)	22.4–24.4 bp	27.2 bp	A++	A++
Regional/Divisional KPIs	Varies by region/division			A
		Total	**A+**	**A+**

[1] Targets reflect the Group's risk tolerance level below which triggers a performance downgrade; this safeguard cannot be overachieved (max. A rating).

Qualitative KPIs	CEO	EB (average)
	20% weighting	21.5% weighting

Client focus & centricity

- Strengthened the Group's overall value proposition and future focus
- Clear strategic roadmap related to the Swiss market established

Group transformation

- Transformational target achievements highlighted by: strategic realignment of roles/responsibility, Front Risk Management functions and the rollout of the RM Compensation framework (staggered implementation from 2021 through 2023)
- Expansion of holistic advisory and individual solution capabilities to better service targeted client segments
- Accelerated expansion of digital capabilities and client channels to boost digital touchpoints

Reorganisation and restructuring

- Smooth transition through the reorganisation guided by the CEO and EB. Structural decisions aligned with the new strategy's cornerstones opening the door for a more agile organisation with a strong risk management focus
- Revenue and cost programme targets largely achieved despite COVID-19
- Significant improvements in the Group's global collaboration visible through financial and project achievements

Regional/Divisional achievements

- Significant improvements in overall regional profitability and strengthening of the Group's footprint in target regions
- Repositioning and strategic realignment of entities and joint ventures (Kairos, Brazil, SBC-Thailand and entity streamlining)
- Updated divisional strategies established and communicated addressing strategic initiatives appropriately
- Outstanding resilience during the pandemic with accelerated digital expansion, broad and targeted responses to market turmoil, and diverse improvements of client investment guidance enabling continued best-in-class service to our clients
- Successful closure of multi-year ATLAS project (KYC) with risk management/control framework further strengthened
- Substantial achievement of the 2020 cost saving targets in support of the Group's strategic 3-year goals
- Launch of new Family Office services to leverage expertise on wealth preservation and increase client touch-points

	CEO	EB (average)
Total	A	A

Risk and business conduct	CEO	EB (average)
	10% weighting	21.5% weighting

- Legacy legal issues addressed proactively and steps taken to strengthen risk management gaps in market activities
- Group-wide rollout of the revised Code of Ethics and Business Conduct with risk management triggers actively imbedded into daily business
- Strengthened connection of sound risk management practices and pay throughout the organisation

	CEO	EB (average)
Total	A	A

Personal Objectives	CEO
	10% weighting

- In a difficult environment, the CEO led the Group forward in new and innovative ways. He actively engaged and interacted with the international media, industry bodies, analysts, key investors and employees. He can be credited with developing a comprehensive and progressive Group strategy and taking meaningful steps towards its underlying goals.

	CEO
Total	A

Weighted average rating	CEO	EB (average)
Final Scorecard assessment	A+	A

[3] Whereby performance achievement utilised for purposes of the EB OPR determination is defined as: A++ (>120%), A+ (>105% to <=120%), A (>=95% to <=105%), B (>80% to <95%) and C (<=80%)

CEO compensation decisions

The CEO's base salary remained unchanged at CHF 1.5 million in the 2020 performance year.

In line with the Group's performance and adjusted weighting scale (60% financial and 40% non-financial), the CEO's OPR (A+) reflects the Group's and his performance in the range of 105%–120% of overall targets.

Taking into consideration the CEO's and the Group's performance in 2020, the total variable compensation being awarded to the CEO is CHF 3.9 million. Under the Group's new deferral structure, the CEO is subject to higher rates of deferral (80% or CHF 3.1 million) compared to the rest of the EB. The deferred portion of his variable compensation shall be granted 30% (CHF 0.9 million) in a cash-based component under the DBP (vesting over five years) and 70% (CHF 2.2 million) in equity under the EPP (vesting over three years, subject to performance).

Increases to the CEO's 2020 variable compensation relative to 2019 are driven by 2020 being his first full year as the Group's CEO (2019 variable compensation reflected pay for 4 months in his CEO position [September to December] and 8 months as Head Intermediaries & Global Custody), the Group's strong financial performance (A+ rating) and his 2020 performance achievements.

As noted in the Scorecard above, the CEO's role in actively shaping and transforming the Group's strategies and in implementing the transformation programme (including disciplined execution of the productivity programme) in a difficult global environment are evident in the Group's 2020 financial results and project achievements. The CEO's plan to consolidate the Group and Bank EBs and refine roles/responsibilities have been critical to further uniting the organisation and improving cross-collaboration to achieve the desired success this year. The strategic roadmap that has been established is viewed as a significant stepping-stone in moving the Group forward in 2021 and beyond.

The determined value is in line with the Group's target pay mix and deemed appropriate given the Group's overall financial performance and the CEO's 2020 achievements.

Executive Board compensation decisions

This section relates specifically to the eight (8) EB members and excludes any compensation related to the CEO. Due to the Group EB restructuring (i.e., amalgamation of the Group and Bank EBs), two EB members (CCO and General Counsel) stepped down from the EB at the end of 2019 and the former CEO (Bernhard Hodler) retired. Five new executives (representing regional and divisional leadership) joined the Group EB in 2020. The disclosed compensation described in this section (and in the provided tables) includes pro rata variable compensation paid to the former CEO, Bernhard Hodler.

The 2020 EB restructuring created a fundamental shift in the leadership within the Group. Where the 2019 EB included roles responsible for operational departments, the restructured 2020 Group EB includes employees directly responsible for our Regional and Divisional oversight and the core profit centres. The consolidated EB bundled market responsibilities and competencies to create a more lean organisational structure facilitating faster decision-making in a unified, more agile organisation. While the roles represented on the 2020 EB are compensated at higher levels relative to their predecessors, the overall restructuring of the Group and Bank EBs (including compensation adjustments due to role/responsibility changes and departures) led to an overall compensation saving of some 13% in 2020 relative to 2019.

Reflecting the joint goals of the EB, the base salaries of the EB members (excluding the CEO) were aligned in 2020. This alignment resulted in an aggregate salary pool of CHF 6 million (increase of CHF 325,000, excluding foreign exchange impacts, relative to their prior-year salaries). As a general rule, variable compensation was reduced to account for any increases not directly related to increases in roles/responsibilities.

Following the Group's 2020 financial performance and achievements related to the strategic targets (as described in the aforementioned Scorecard) resulting in the EB's overall OPR of A, the NCC agreed upon overall total variable compensation of CHF 17.7 million. Based on the new deferral scheme, 30% (CHF 5.3 million) is delivered immediately in cash and 70% (CHF 12.4 million) is deferred. The deferred portion of the variable compensation shall be granted 30% (CHF 3.7 million) in a cash-based component under the DBP (vesting over five years) and 70% (CHF 8.7 million) in equity under the EPP (vesting over three years, subject to performance).[4]

The EBs achievements in delivering results in overall financial performance in 2020, as well as their project achievements, are evident in the aforementioned Scorecard results. The 2020 EB took diligent steps to quickly and efficiently implement the Group-wide transformation and took full ownership of their new roles and responsibilities. Their active support of the Group's new strategy and response to COVID-19 impacts on our business and operations were critical contributions to Julius Baer's success in 2020. Under their leadership the Group had more interactions and touch points with clients and strong NNM inflows; we maintained seamless client service via stable operations throughout the pandemic and accelerated our digitalisation initiatives to meet the unexpected demands. The cross-unit collaboration and collective alignment of the EB have put us in an excellent position for reaching our strategic targets and implementing our roadmap in 2020 and beyond.

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 NCC agrees that it is important to ensure that the compensation paid to members of the EB 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.

2020 maximum caps for the Executive Board (all caps as a multiple of base salary)

	Cap	
	Average EB	CEO
Total variable compensation (Bonus, DBP and EPP)	4.0	4.0
Cash-based variable compensation (Bonus and DBP)	2.0	2.0
Equity-based variable compensation (EPP)	2.0	2.0

[4] EB members subject to regulatory restrictions under European Regulations are required to receive 50% of variable compensation in cash and 50% shares. For such regulated employees, the Group maintains the minimum deferral rates, however only 50% of variable compensation is granted in instruments. A portion of immediate cash-based variable compensation is also granted in Group shares which are subject to a 6-month blocking period.

For 2020, the members of the EB are subject to the following caps:

- The total sum of the variable compensation allocated to the members (in aggregate) of the EB (including the CEO) shall be capped at four times the total sum of the base salaries paid to the entire EB.
- The total sum of the DBP and the total sum of EPP allocated to all members (in aggregate) of the EB (including the CEO) will each be capped at two times the total sum of the base salaries paid to the entire EB.
- The total sum of the variable compensation allocated to the CEO shall 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 NCC is responsible for ensuring that the total variable compensation paid to the EB members is compliant with the applicable compensation caps.

GUIDELINES ON SHARE OWNERSHIP

The EB 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 EB have a period of three full calendar years starting from the beginning of their appointment to the EB 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 EB member's appointment to the EB.

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

EB 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 EB may have a maximum notice period of twelve months. In practice, the notice period for all members of the EB does not exceed six months. The EB 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 EB 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 EB 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 are 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

EB 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 EB 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 2020 Annual Report under the chapter *III. Financial Statements Julius Baer Group 2020, Share-based payments and other compensation plans*) and all outstanding cash-based awards (with an intrinsic value of CHF 99 million at the end of the 2020 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 EB 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 EB and Senior Management, whose compensation was addressed in the previous section). Swiss rules regarding the disclosure of compensation concern only the BoD and the EB; 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 2020 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
		
		Variable compensation in excess of the Group's Variable Compensation Cash Cap is fully deferred (equally 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 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, KRTs) and in identifying the proper pay out structure for such employees. KRTs are identified on an annual basis throughout the entire Group and the Group's annual KRTs may include both regulated (as defined by the applicable legislation) and non-regulated staff members. In 2020, the Group refined its role-based guidelines for identifying KRTs, taking into consideration both quantitative and minimum qualitative criteria in the identification process. Group KRTs are considered Senior Management for purposes of their deferral and are thereby subject to higher rates of deferral (up to 70%) and a longer deferral horizon than employees not in such roles.

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 KRTs) 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 requires that variable compensation paid to specific individuals (e.g. regulatorily defined KRTs) 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 EB), 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 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.

The NCC benchmarks Board of Directors compensation against a selected peer group including the lower quartile of the SMI and the upper quartile of the Swiss Market Index Mid-cap (SMIM). The Chairman's and overall Board of Directors 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 2021 AGM for the subsequent compensation period (2021 AGM to 2022 AGM).

GUIDELINES ON SHARE OWNERSHIP

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

The members of the BoD 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 BoD will have a period of three full calendar years starting from their initial election to the BoD 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. BoD. 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 BoD from May 2017 have been required to build up the aforementioned Julius Baer Group Ltd. shareholdings by 31 December 2020. All members of the BoD with at least three full years of tenure have fulfilled their share ownership requirements as at 31 December 2020.

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

CONTRACTS

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

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

This section provides the data for 2020 and 2019. 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.

As previously disclosed, the Group EB was restructured as of 1 January 2020. As part of the restructuring, the Executive Board of Bank Julius Baer & Co. Ltd. (Bank EB) was amalgamated with the Julius Baer Group Ltd. EB (EB or Group EB) and the total number of members across the two boards was reduced from 15 to 9 executives. As a result, the 2020 Group EB has 5 new members representing regional and divisional leadership roles. In order to provide meaningful compensation history, the table below includes additional unaudited disclosure of the 2019 compensation of the Group EB (as constituted in 2020).

			Variable compensation (VC)[9]				
				Deferred elements			
			Cash-based		Equity-based		
		Base salary[2] CHF 1,000	Immediate cash[10] CHF 1,000	Deferred cash[13] CHF 1,000	Units[15] CHF 1,000	Pension fund, social security contributions and varia[19] CHF 1,000	Total CHF 1,000
Total compensation Executive Board 2020 (9 members)[1]	**2020**	**7,496[3]**	**6,189[11, 12]**	**4,697[14]**	**10,846[16]**	**2,826[20]**	**32,054**
Roles represented: CEO, CFO, COO/Head of Intermediaries, CRO, CIO, Head Wealth Management Solutions, and Region Heads: Switzerland & EMEA, Asia Pacific, and Americas (and the former CEO)							
Highest paid Philipp Rickenbacher (CEO)		**1,500**	**780**	**936**	**2,184**	**490[21]**	**5,890**
Total compensation as disclosed in 2019 Executive Board 2019 (7 members)	2019	4,550[4, 5]	3,702	3,248	6,290[17]	1,990[22]	19,780
Roles represented: CEO, CFO, COO, CRO, CCO, General Counsel and the former CEO.							
Highest paid Philipp Rickenbacher (CEO)		967[6]	625	625	1,800	397[21]	4,414
Bernhard Hodler (former CEO)		1,500[7]	898	898	0	351[23]	3,646
Line-for-line 2019 Compensation Data (unaudited)							
Total compensation Executive Board 2020 (9 members)[1]	2019	7,226[4, 8]	4,834[12]	4,363	11,227[18]	2,748[24]	30,399
The above compensation details, provided to shareholders for information purposes only, includes historical compensation data for the restructured Group EB (as constituted in 2020). Roles represented: CEO, CFO, COO/Head of Intermediaries, CRO, CIO, Head Wealth Management Solutions, and Region Heads: Switzerland & EMEA, Asia Pacific, and Americas							

1 Details provided relate to the same 9 members of the Group's EB for the roles performed in 2019 when they were members of either or both the EB or the Bank EB. Foreign Exchange rates applied to Singapore Dollar compensation were 0.678 for 2020 and 0.7285 for 2019.

2 All current members of the EB have a full-time (100%) employment relationship with the Group. The disclosed amounts include an allowance of SGD 50,000 for the Group EB member in Singapore and lump sum expense allowances up to CHF 22,800 p.a. per member of the Group EB in Switzerland and CHF 24,000 p.a. to the CEO.

3 Includes total expense allowance of CHF 217,500.

4 Includes pro rata base salary and expense allowance for each CEO for the period in the CEO role (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 annual base salary of the other five members of the EB.

5 Includes total expense allowance of CHF 134,160 with CEO expense allowance (CHF 24,000) paid partially to the CEO, Philipp Rickenbacher, and partially to the former CEO, Bernhard Hodler.

6 The amount disclosed includes the full amount of compensation paid to the CEO, Philipp Rickenbacher, relating to compensation earned for both of his roles (4 months as CEO and 8 months as Head Intermediaries & Global Custody).

7 The amount disclosed includes the full amount of variable compensation paid to the former CEO, Bernhard Hodler in 2019.

8 Includes total expense allowance of CHF 220,025.

9 Variable compensation (Audited) for 2020 relates to 2020 performance and is subject to shareholder approval at the AGM in April 2021. Variable compensation (Audited) disclosed for 2019 relates to 2019 performance and was approved by shareholders at the AGM in May 2020. Variable compensation (Unaudited) disclosed for 2019 relates to 2019 performance and was not subject to AGM approval.

10 Includes the full value of variable compensation for 2020 and 2019 awarded to the identified executives. All deferred elements are subject to forfeiture and/or clawback provisions. Amounts are not paid to the recipients until shareholder approval has been granted at the AGM.

11 Includes an amount of CHF 105,861 to be granted to the former CEO, Bernhard Hodler, as variable compensation for the 2020 performance year.

12 Includes the portion of variable compensation delivered in blocked shares to the one EB member subject to payout restrictions under the European Securities and Markets Authority (ESMA) requirements. Such vested shares are granted under the Group's LTI programme and subject to a 6-month blocking period.

13 Subject to receipt of shareholder approval, deferred cash amounts are paid in equal tranches in February over five years.

14 Includes an amount of CHF 48,306 to be granted in the form of deferred cash (vesting over 5 years) to the former CEO, Bernhard Hodler, in relation to variable compensation awarded for the 2020 performance year.

15 Units include any awards granted under the Group's Equity Performance Plan (EPP) or the Group's Long-Term Incentive Plan (LTI). EPP grant date fair value of CHF 45.08 (grant date: 15 February 2021) and CHF 40.92 (grant date: 15 February 2020).

16 The average ratio of fixed to variable compensation amounted to 26%:74% in 2020. 72% of the variable compensation of the members of the EB in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP.

17 The average ratio of fixed to variable compensation amounted to 26%:74% in 2019. 72% of the variable compensation of the members of the EB in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP.

18 Unaudited: The average ratio of fixed to variable compensation amounted to 26%:74%. 76% of the variable compensation of the members of the EB in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP. Includes LTI awards valued at CHF 1 million granted in October 2019 at a grant date fair value (volume-weighted average price of shares purchased on the market) of CHF 44.61.

[19] Includes 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 2020 and 2019 performance years and the fair value of the Performance Units/EPP or LTI awards granted for performance years 2020 and 2019. These amounts also include premiums for additional accident insurance.

[20] Includes social security and accident insurance costs of CHF 1,757,398.

[21] Includes social security and accident insurance costs of CHF 364,853 in 2020 and CHF 266,350 in 2019.

[22] Includes social security and accident insurance costs of CHF 1,190,881.

[23] Includes social security and accident insurance costs of CHF 219,493.

[24] Includes social security and accident insurance costs (unaudited) of CHF 1,609,368.

The above tables are 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 following shareholder approval (generally in April) with the remainder being deferred over a five-year period (disbursed in equal instalments in February over the following five years).

LOANS TO THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

		31.12.2020		31.12.2019
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Executive Board				
Total	**19,805,000**	-	3,100,000	-
	11,968,000	-	1,800,000	-
Of which the highest amount at the end of the respective year:	Yves Robert-Charrue Head Switzerland & EMEA		Nic Dreckmann COO & Head Intermediaries	

The loans granted to the members of the EB 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 EB (and their related parties) were outstanding at year-end 2020 or were granted in 2020 at conditions that were not in line with market conditions.

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

SHAREHOLDINGS OF THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

Shareholdings of the members of the Executive Board[1]		Number of shares
Philipp Rickenbacher, Chief Executive Officer (since 1 September 2019)	**2020**	**38,419**
	2019	22,753
Dieter A. Enkelmann, Chief Financial Officer	**2020**	**84,615**
	2019	103,273
Larissa Alghisi Rubner, Chief Communications Officer (left the Executive Board end of 2019)	**2020**	**n.a.**
	2019	1,215
Oliver Bartholet, Chief Risk Officer	**2020**	**29,220**
	2019	14,610
Nic Dreckmann, Chief Operating Officer & Head Intermediaries	**2020**	**30,049**
	2019	30,001
Christoph Hiestand, General Counsel (left the Executive Board end of 2019)	**2020**	**n.a.**
	2019	29,107
Yves Bonzon, Co-Head IWMS and CIO (joined the Executive Board on 1 January 2020)	**2020**	**40,250**
	2019	n.a.
Jimmy Lee Kong Eng, Region Head Asia Pacific (joined the Executive Board on 1 January 2020)	**2020**	**38,799**
	2019	n.a.
Yves Robert-Charrue, Region Head Switzerland and EMEA (joined the Executive Board on 1 January 2020)	**2020**	**119,324**
	2019	n.a.
Beatriz Sanchez, Region Head Americas (joined the Executive Board on 1 January 2020)	**2020**	**3,376**
	2019	n.a.
Nicolas de Skowronski, Co-Head IWMS (joined the Executive Board on 1 January 2020)	**2020**	**10,064**
	2019	n.a.
Total	**2020**	**394,116**
Total	2019	200,959

[1] Including shareholdings of related parties

None of the members of the EB held any option positions on Julius Baer Group Ltd. shares as at year-end 2020 and 2019.

Share ownership guidelines for the members of the BoD and the members of the EB 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 EB 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 EB member leaves his or her current position and/or the Julius Baer Group.

FORMER EXECUTIVES (AUDITED)

With the exception of contractually agreed base salary paid to Bernhard Hodler during his notice period (ending on 31 January 2020), no additional compensation was granted and paid to former members of the EB who left the EB in 2020 or earlier that related to such member's prior function within the EB. The total value of base salary paid to Mr. Hodler for his employment through 31 January 2020 was equal to CHF 125,000 (including lump sum expense allowance) with the aggregate amount of social security and accident insurance on this income equal to CHF 23,570. No compensation was granted to parties related to members of the EB or former members of the EB. No severance payments to members of the EB or former members were effected in 2020 or 2019.

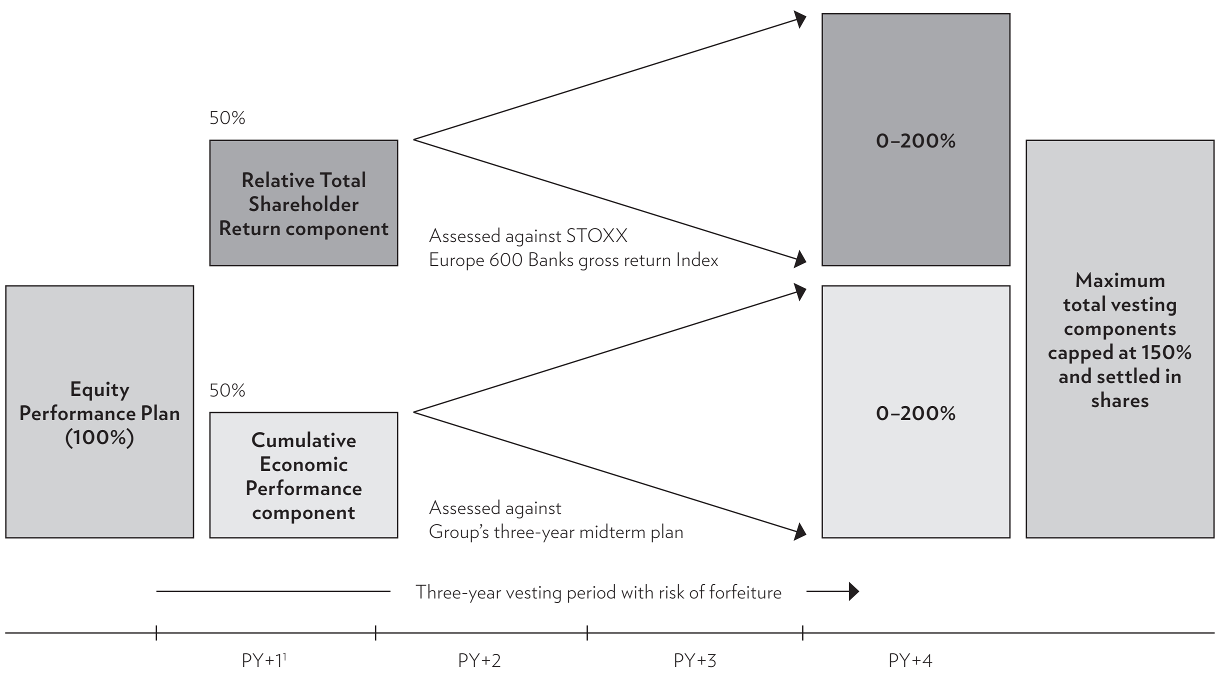
ADDITIONAL HONORARIA, RELATED PARTIES, OTHER IMPORTANT INFORMATION (AUDITED)

The compensation disclosed for the EB members includes the compensation for the same function those members assume at the level of the EB of Bank Julius Baer & Co. Ltd., the principal entity of Julius Baer Group Ltd. The affected individuals include all EB members serving on the 2020 Group EB and the CEO, the former CEO, the CFO, the CRO and the COO who served on the 2019 Group EB.

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

VESTED COMPENSATION

The EPP vesting is contingent upon the performance of the two KPIs (namely, the cEP and the rTSR). As illustrated below, 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.



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

The final multiplier for the 2018 EPP programme (vesting 15 February 2021) was 1.316, which was calculated as follows:

Final multiplier	KPI Performance	Target range	Multiplier
rTSR	24.8%	-22% / +28%	1.872
cEP	-12.1%	+/- 50%	0.759
Final multiplier			**1.316**

Of which, individual KPI performance was calculated as follows:

rTSR Performance	BAER	INDEX	rTSR
rTSR performance (+3% target):	**-11.85%**	**-36.65%**	**24.8%**

cEP Performance 2018–2020 cumulative totals in CHF m	Target	Actual
Operating income	**11,741**	**10,334**
Adjusted operating expenses[1]	-7,922	-7,181
of which adjusted bonus	-1,343	-1,057
Operating expenses before bonus	-6,579	-6,123
Adjusted net operating profit before bonus and taxes	**5,162**	**4,210**
Adjusted income taxes before taxes and bonus	-999	-645
Adjusted net operating profit before bonus and after taxes	**4,163**	**3,565**
Cost of capital[1]	-788	-598
Economic profit before bonus[1]	**3,375**	**2,968**
cEP performance:		**-12.1%**

[1] Economic profit before bonus is calculated as the sum of adjusted profit before bonus (using the same tax rate as for the full adjusted profit calculation), cost of capital and non-compensible items. The definition of adjusted profit is available from the Alternative Performance Measures document, available from www.juliusbaer.com/apm. The cost of capital charge is calculated by applying a pre-defined cost of capital rate to the average required capital for the period, with a lower pre-defined cost of capital rate being applied to average excess capital for the period.

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

This section provides the data for 2020 and 2019. The details of the compensation system for members of the BoD 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)	**2020**	**400**	**600**	**84**	**1,084**
	2019	300	600	46	946
Daniel J. Sauter – Chairman (left the Board in 2019)	**2020**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2019	100	-	46	146
Gilbert Achermann	**2020**	**132**	**120**	**24**	**276**
	2019	141	120	26	287
Andreas Amschwand (left the Board in 2019)	**2020**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2019	38	-	10	48
Heinrich Baumann	**2020**	**166**	**120**	**24**	**310**
	2019	175	120	25	320
Richard M. Campbell-Breeden	**2020**	**210**	**120**	**49**	**379**
	2019	201	120	50	371
Paul Man Yiu Chow (left the Board in 2020)	**2020**	**29**	**-**	**8**	**37**
	2019	115	120	18	253
Ivo Furrer	**2020**	**139**	**120**	**25**	**284**
	2019	175	120	30	325
Claire Giraut	**2020**	**141**	**120**	**22**	**283**
	2019	128	120	24	272
Christian Meissner (joined the Board in 2020 and left the Board on 12 October 2020)	**2020**	**75**	**-**[5]	**26**	**101**
	2019	n.a.	n.a.	n.a.	n.a.
Gareth Penny (left the Board in 2019)	**2020**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2019	38	-	6	44
Kathryn Shih (joined the Board on 1 September 2020)	**2020**	**43**	**75**	**6**	**124**
	2019	n.a.	n.a.	n.a.	n.a.
Charles G. T. Stonehill	**2020**	**153**	**120**	**36**	**309**
	2019	173	120	37	330
Eunice Zehnder-Lai	**2020**	**137**	**120**	**25**	**282**
	2019	96	120	22	238
Olga Zoutendijk	**2020**	**175**	**120**	**0**	**295**
	2019	131	120	29	280
Total	**2020**	**1,800**	**1,635**	**329**	**3,764**
Total	2019	1,811	1,680	369	3,860

At the end of 2020, the BoD consisted of ten members (consistent with the end of 2019). Raymond J. Baer remains Honorary Chairman of the Board of Directors. For 2020, he was compensated with CHF 61,000 (including VAT) through a third party agreement for his activities on behalf of Julius Baer (no compensation was paid to Raymond J. Baer in 2019).

[1] The members of the BoD of Julius Baer Group Ltd. assume similar director roles on the BoD of Bank Julius Baer & Co. Ltd. For more information on the detailed compensation components of the BoD 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 CHF 25,000; (4) Nomination & Compensation Committee: chairmanship CHF 60,000, membership CHF 25,000; and (5) Development & Innovation 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 BoD 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 BoD. The share-based payments are valued at fair value at the grant date (CHF 37.31 per share of Julius Baer Group Ltd. as at 2 May 2020; CHF 49.59 per share of Julius Baer Group Ltd. as at 2 May 2019).

At the AGM in 2020, Romeo Lacher (Chairman), Gilbert Achermann, Heinrich Baumann, Richard M. Campbell-Breeden, Ivo Furrer, Claire Giraut, Charles G. T. Stonehill, Eunice Zehnder-Lai and Olga Zoutendijk were re-elected for a term of one year and Christian Meissner and Kathryn Shih were elected as new BoD members.

[4] The amounts reported for 2020 and 2019 include Julius Baer's actual contributions to social security in the respective reporting period in accordance with the Ordinance, amounting to CHF 252,181 for 2020 and CHF 255,621 for 2019. Depending on the domicile of the BoD member and the applicable local legislation, contributions to social security vary despite the similar level of compensation amongst members of the BoD.

The value of the share-based payments shown in the above table cannot be compared with the figures in Note 32 of the 2020 Annual Report under the chapter *III. Financial Statements Julius Baer Group 2020, 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.

[5] The share grant made to Christian Meissner forfeited upon his departure from the BoD in October 2020 (i.e. prior to the end of his one-year term).

Under the forfeiture clause, the members of the BoD 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 BoD 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 BoD 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 BoD member and no forfeiture applies.

BoD 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 BoD.

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

	31.12.2020		31.12.2019	
	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)	**-**	**-**	-	-
Gilbert Achermann	**-**	**-**	-	-
Heinrich Baumann	**2,780,000**	**-**	3,361,000	-
Richard M. Campbell-Breeden	**-**	**-**	-	-
Paul Man Yiu Chow (left the Board in 2020)	**n.a.**	**n.a.**	1,186,000	-
Ivo Furrer	**-**	**-**	-	-
Claire Giraut	**-**	**-**	-	-
Christian Meissner (joined the Board at the AGM 2020 and left it on 12 October 2020)	**n.a.**	**n.a.**	n.a.	n.a.
Kathryn Shih (joined the Board on 1 September 2020)	**-**	**-**	n.a.	n.a.
Charles G. T. Stonehill	**-**	**-**	-	-
Eunice Zehnder-Lai (joined the Board in 2019)	**-**	**-**	-	-
Olga Zoutendijk (joined the Board in 2019)	**-**	**-**	-	-
Total	**2,780,000**	**-**	4,547,000	-

The loans granted to members of the BoD 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 BoD 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 BoD 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)	**2020**	**12,100**
	2019	-
Gilbert Achermann	**2020**	**18,971**
	2019	16,551
Heinrich Baumann	**2020**	**14,698**
	2019	22,278
Richard M. Campbell-Breeden	**2020**	**9,658**
	2019	5,238
Paul Man Yiu Chow (left the Board in 2020)	**2020**	**n.a.**
	2019	9,836
Ivo Furrer	**2020**	**8,867**
	2019	6,447
Claire Giraut	**2020**	**28,261**
	2019	25,841
Kathryn Shih (joined the Board on 1 September 2020)	**2020**	**-**
	2019	n.a.
Charles G. T. Stonehill	**2020**	**18,631**
	2019	21,211
Eunice Zehnder-Lai (joined the Board in 2019)	**2020**	**2,420**
	2019	-
Olga Zoutendijk (joined the Board in 2019)	**2020**	**2,420**
	2019	-
Total	**2020**	**116,026**
Total	2019	107,402

[1] Including shareholdings of related parties

None of the BoD members held any option positions on Julius Baer Group Ltd. shares as at year-end 2020 and 2019.

Share ownership guidelines for the members of the BoD and the members of the EB were introduced with effect from 2014.

The Chairman of the BoD is required to build up and maintain 25,000 vested shares of Julius Baer Group Ltd., the other members of the BoD 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 BoD.

BoD members who were elected and/or re-elected in 2017 or earlier (i.e. all BoD members except for Romeo Lacher [Chairman], Richard M. Campbell-Breeden, Kathryn Shih, Eunice Zehnder-Lai and Olga Zoutendijk) were required to reach the targeted number of shares by year-end 2020. Richard M. Campbell-Breeden is required to reach the targeted number of shares by year-end 2021. Romeo Lacher (Chairman), Eunice Zehnder-Lai and Olga Zoutendijk are required to reach the targeted number of shares by year-end 2022 and Kathryn Shih is required to reach such target by year-end 2023.

FORMER DIRECTORS

In 2020, no compensation was granted to Board members who left the BoD in 2019 or earlier.

No loans to former members of the BoD (or their related parties) were outstanding at year-end 2020 or were granted in 2020 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
Bank EB	Executive Board of Bank Julius Baer & Co. Ltd.
BIS	Bank for International Settlements
BoD	Board of Directors
bp	Basis points
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
COO	Chief Operating Officer
CRO	Chief Risk Officer
CRD	Capital Requirements Directive
DBP	Deferred Bonus Plan
DCP	Deferred Cash Plan
EB	Executive Board of Julius Baer Group Ltd.
EMEA	Europe, Middle East & Africa
EP	Economic Profit
EPP	Equity Performance Plan
Group EB	see EB
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)
KRT(s)	Key Risk Taker(s)
LTI	Long-Term Incentive Plan
MTP	Strategic 3-year Mid-Term Plan
NCC	Nomination and Compensation Committee
NNM	Net New Money
OPR	Overall Performance Rating
Ordinance	Swiss Ordinance against Excessive Compensation in Listed Companies
PSP	Premium Share Plan
RM(s)	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 vesting 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 vesting schedule.	Unvested awards are forfeited upon notice of termination; vested awards subject to clawback.	Award adjustments solely at BoD 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 BoD 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 in accordance with the original vesting schedule.	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 in accordance with the original vesting schedule.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at NCC'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 in accordance with the original vesting schedule. 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 in accordance with the original vesting schedule.	Unvested shares from deferral and premium shares are forfeited upon notice of termination.	Award adjustments solely at NCC's discretion based on intrinsic value outstanding.
Long-Term Incentive Plan (LTI)	Unvested shares are forfeited upon notice of termination.	All or a portion of unvested shares vest in accordance with the original vesting schedule (dependent on termination reason).	Unvested shares vest within 30 days of the notification of the event.	Unvested shares vest on the date of termination.	Unvested shares vest in accordance with the original vesting schedule.	Unvested shares are forfeited upon notice of termination.	Award adjustments solely at NCC'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 the sections marked as (audited) on the pages 82 to 92 of the remuneration report of Julius Baer Group Ltd. for the year ended 31 December 2020.

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 2020 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	Corina Wipfler Licensed Audit Expert

Zurich, 15 March 2021

III. FINANCIAL STATEMENTS JULIUS BAER GROUP 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2020** CHF m	2019 CHF m	Change %
Interest income on financial instruments measured at amortised cost or FVOCI		**825.2**	1,293.1	-36.2
Interest expense on financial instruments measured at amortised cost		**203.5**	500.9	-59.4
Net interest income	1	**621.7**	792.2	-21.5
Commission and fee income		**2,250.1**	2,139.6	5.2
Commission expense		**235.1**	216.6	8.5
Net commission and fee income	2	**2,015.0**	1,922.9	4.8
Net income from financial instruments measured at FVTPL	3	**943.5**	618.1	52.6
Net credit losses/(recoveries) on financial assets		**35.5**	9.2	-
Other ordinary results	4	**38.4**	58.7	-34.6
Operating income		**3,583.1**	3,382.9	5.9
Personnel expenses	5	**1,595.5**	1,616.2	-1.3
General expenses	6	**710.7**	850.8	-16.5
Depreciation of property and equipment	11	**100.5**	100.0	0.5
Amortisation and impairment of customer relationships	12	**70.1**	81.2	-13.7
Amortisation and impairment of intangible assets	12	**260.4**	168.5	54.6
Operating expenses		**2,737.2**	2,816.7	-2.8
Profit before taxes		**845.9**	566.2	49.4
Income taxes	7	**147.3**	101.2	45.5
Net profit		**698.6**	465.0	50.2

Attributable to:				
Shareholders of Julius Baer Group Ltd.		**698.0**	464.8	50.2
Non-controlling interests		**0.6**	0.2	-
		698.6	465.0	50.2

	Note	**2020** CHF	2019 CHF	Change %
Share information				
Basic earnings per share (EPS)	20	**3.25**	2.14	51.5
Diluted earnings per share (EPS)	20	**3.23**	2.12	52.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 CHF m	2019 CHF m
Net profit recognised in the income statement	**698.6**	465.0
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	**105.7**	108.6
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-15.5**	-9.4
Net credit losses on debt instruments measured at FVOCI	**0.5**	-0.8
Translation differences	**-165.6**	-52.8
Realised (gains)/losses on translation differences reclassified to the income statement	**2.5**	-0.2
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**-11.6**	66.6
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**-3.9**	0.0
Remeasurement of defined benefit obligation	**21.0**	-74.7
Other comprehensive income	**-66.8**	37.2
Total comprehensive income	**631.8**	502.2
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**631.2**	502.0
Non-controlling interests	**0.6**	0.2
	631.8	502.2

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2020** *CHF m*	31.12.2019 *CHF m*
Assets			
Cash		**14,544.4**	10,097.0
Due from banks		**7,349.9**	7,082.5
Loans	27	**47,207.6**	48,427.3
Financial assets measured at FVTPL	9/26	**13,429.8**	13,776.2
Derivative financial instruments	25	**2,562.3**	1,630.7
Financial assets designated at fair value	26	**269.6**	305.0
Financial assets measured at FVOCI	10/27	**13,796.4**	13,166.2
Investments in associates	30	**21.2**	23.3
Property and equipment	11	**580.5**	612.9
Goodwill and other intangible assets	12	**2,637.4**	2,866.1
Accrued income and prepaid expenses		**363.7**	397.0
Deferred tax assets	16	**20.1**	16.4
Other assets	18	**6,354.1**	3,634.5
Total assets		**109,137.0**	102,035.2

	Note	**31.12.2020** CHF m	31.12.2019 CHF m
Liabilities and equity			
Due to banks		**5,087.9**	3,160.0
Due to customers		**77,784.5**	72,913.1
Financial liabilities measured at FVTPL	9/26	**896.5**	613.8
Derivative financial instruments	25	**2,554.6**	2,120.8
Financial liabilities designated at fair value	14	**13,154.8**	13,281.1
Debt issued	15	**1,478.2**	1,893.0
Accrued expenses and deferred income		**688.0**	746.1
Current tax liabilities		**209.8**	205.3
Deferred tax liabilities	16	**74.5**	68.8
Provisions	17	**115.9**	201.3
Other liabilities	18	**658.1**	642.7
Total liabilities		**102,702.8**	95,845.8
Share capital	19	**4.5**	4.5
Retained earnings		**6,931.9**	6,557.4
Other components of equity		**-106.1**	-18.4
Treasury shares		**-404.7**	-363.2
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,425.6**	6,180.2
Non-controlling interests		**8.6**	9.2
Total equity		**6,434.1**	6,189.4
Total liabilities and equity		**109,137.0**	102,035.2

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 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

At 1 January 2020	**4.5**	**6,557.4**	**132.0**
Net profit	**-**	**698.0**	**-**
Items that may be reclassified to the income statement	**-**	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**21.0**	**-11.6**
Total other comprehensive income	**-**	**21.0**	**-11.6**
Total comprehensive income	**-**	**718.9**	**-11.6**
Changes in non-controlling interests	**-**	**-1.6**	**-**
Dividends	**-**	**-331.8**[4]	**-**
Dividend income on own shares	**-**	**8.4**	**-**
Share-based payments expensed for the year	**-**	**71.6**	**-**
Share-based payments vested	**-**	**-52.6**	**-**
Changes in derivatives on own shares	**-**	**-35.2**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**-3.3**	**-**
At 31 December 2020	**4.5**	**6,931.9**	**120.4**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
[2] Including OCI related to ECL changes on debt instruments at FVOCI
[3] Dividend payment per share CHF 1.50
[4] Dividend payment per share CHF 0.75 and CHF 0.75

	Other components of equity						
	OCI related to debt instruments at FVOCI[2] *CHF m*	Own credit risk on financial liabilities designated at FV *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*
	-64.9	0.0	-130.8	-308.9	6,039.9	1.9	6,041.9
	-	-	-	-	464.8	0.2	465.0
	98.4	-	-53.1	-	45.3	-0.0	45.3
	-	-	-	-	-8.0	-	-8.0
	98.4	-	-53.1	-	37.2	-0.0	37.2
	98.4	-	-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
	33.5	0.0	-183.9	-363.2	6,180.2	9.2	6,189.4
	33.5	**0.0**	**-183.9**	**-363.2**	**6,180.2**	**9.2**	**6,189.4**
	-	**-**	**-**	**-**	**698.0**	**0.6**	**698.6**
	90.8	**-**	**-163.0**	**-**	**-72.2**	**-0.1**	**-72.3**
	-	**-3.9**	**-**	**-**	**5.5**	**-**	**5.5**
	90.8	**-3.9**	**-163.0**	**-**	**-66.8**	**-0.1**	**-66.8**
	90.8	**-3.9**	**-163.0**	**-**	**631.2**	**0.6**	**631.8**
	-	**-**	**-**	**-**	**-1.6**	**1.6**	**-**
	-	**-**	**-**	**-**	**-331.8**	**-2.7**	**-334.6**
	-	**-**	**-**	**-**	**8.4**	**-**	**8.4**
	-	**-**	**-**	**-**	**71.6**	**-**	**71.6**
	-	**-**	**-**	**52.6**	**-**	**-**	**-**
	-	**-**	**-**	**42.4**	**7.3**	**-**	**7.3**
	-	**-**	**-**	**-368.4**	**-368.4**	**-**	**-368.4**
	-	**-**	**-**	**231.9**	**228.6**	**-**	**228.6**
	124.2	**-3.9**	**-346.9**	**-404.7**	**6,425.6**	**8.6**	**6,434.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 CHF m	2019 CHF m
Net profit	**698.6**	465.0
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	**100.5**	100.0
– Amortisation and impairment of intangible assets	**330.5**	249.7
– Change in loss allowance	**35.5**	9.2
– Income from investment in associates	**-**	-0.7
– Deferred tax expense/(benefit)	**-3.7**	-26.1
– Net loss/(gain) from investing activities	**-0.9**	-23.3
– Other non-cash income and expenses	**71.6**	78.0
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**1,869.3**	-3,409.9
– Net financial assets measured at FVTPL and derivative financial instruments	**131.5**	-3,980.1
– Net loans/due to customers	**6,062.5**	-1,705.3
– Issuance and repayment of financial liabilities designated at fair value	**-94.8**	-428.7
– Accrued income, prepaid expenses and other assets	**-2,686.2**	-296.3
– Accrued expenses, deferred income, other liabilities and provisions	**-192.7**	68.1
Adjustment for income tax expenses	**151.0**	127.3
Income taxes paid	**-145.3**	-121.3
Cash flow from operating activities	**6,327.4**	-8,894.5
Dividend from associates	**-**	0.7
Purchase of property and equipment and intangible assets	**-185.5**	-164.7
Disposal of property and equipment and intangible assets	**0.5**	0.3
Net (investment in)/divestment of financial assets measured at FVOCI	**-964.8**	2,029.0
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**0.3**	-13.5
Deferred payments of acquisition of subsidiaries and associates	**-13.1**	-33.4
Cash flow from investing activities	**-1,162.6**	1,818.4
Net movements in treasury shares and own equity derivative activity	**-124.1**	-103.9
Dividend payments	**-331.8**	-335.7
Changes in debt issued	**-349.9**	392.8
Dividend payment to non-controlling interests	**-2.7**	-1.7
Cash flow from financing activities	**-808.6**	-48.6
Net (decrease)/increase in cash and cash equivalents	**4,356.2**	-7,124.7

	2020 CHF m	2019 CHF m
Cash and cash equivalents at the beginning of the year	**18,566.0**	25,628.8
Cash flow from operating activities	**6,327.4**	-8,894.5
Cash flow from investing activities	**-1,162.6**	1,818.4
Cash flow from financing activities	**-808.6**	-48.6
Effects of exchange rate changes on cash and cash equivalents	**140.6**	62.0
Cash and cash equivalents at the end of the year	**23,062.8**	18,566.0

	31.12.2020 CHF m	31.12.2019 CHF m
Cash and cash equivalents are structured as follows:		
Cash	**14,544.4**	10,097.0
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**1,325.8**	1,485.2
Due from banks (original maturity of less than three months)	**7,192.6**	6,983.8
Total	**23,062.8**	18,566.0

	31.12.2020 CHF m	31.12.2019 CHF m
Additional information		
Interest received	**897.8**	1,400.6
Interest paid	**-321.9**	-746.7
Dividends on equities received (including associates)	**225.5**	206.0

	31.12.2020 CHF m	31.12.2019 CHF m
Leases		
Cash payments – leases	**-57.2**	-59.3
Cash payments – interest paid	**-5.7**	-6.6
Short-term lease payments	**-3.5**	-4.3
Total	**-66.4**	-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 2020 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 29 January 2021. In addition, they are submitted for approval to the Annual General Meeting on 14 April 2021.

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.

The outbreak of COVID-19 in 2020 has also resulted in enormous economic damage. Global gross domestic product (GDP) has contracted significantly in the first half of the year, and a sharp increase in the volatility of the prices for financial instruments was observed, especially at the beginning of the pandemic. Despite the ongoing impact of COVID-19 on the economies around the world, the Group's relatively conservative lending policies related to Lombard loans and mortgages, as well as the Group's treasury policy of investing in high-quality bonds, prevented it from material losses on its financial instruments across 2020.

Despite the widely held belief in a positive development of the world economy and hence the optimistic forecasts, management had to overhaul its significant judgements and assumptions, and the estimation uncertainty increased accordingly. Refer to the Notes on goodwill impairment and credit quality for details on the COVID-19 impact on the Group's financial statements.

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	
	31.12.2020	31.12.2019	**2020**	2019
USD/CHF	**0.8839**	0.9682	**0.9340**	0.9930
EUR/CHF	**1.0816**	1.0870	**1.0705**	1.1110
GBP/CHF	**1.2083**	1.2827	**1.2060**	1.2720

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. 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 2020, the Group applied the following new standards for the first time. All these amendments had no material impact on the Group's financial statements.

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.

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.

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.

IFRS 9 – Expected credit losses
End of March 2020, the IASB issued a statement on accounting for expected credit losses (ECL) under IFRS 9 Financial Instruments due to the uncertainty resulting from the COVID-19 pandemic.

The core message that the applied models regarding the determination of the ECL should not be adjusted, but the input factors into the model may have to be adjusted based on management's judgement, has been considered by the Group. The critical uncertainties existing in particular when assessing future macroeconomic conditions and whether a significant increase in credit risk has occurred, have been addressed accordingly. Refer to Note 27 Financial Instruments – Expected Credit Losses (especially the section Credit Quality Analysis) for the impact of the statement and the COVID-19 outbreak in general on the Group's credit portfolio.

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:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7 and IFRS 16)
These second amendments related to the interbank offered rates (IBOR) reform address issues that might affect financial reporting, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, and hedge accounting.

The amended standards will be effective 1 January 2021. 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') links and integrates all relevant activities, governance and processes of the Group to identify, assess, manage, monitor and report risks across the organisation.

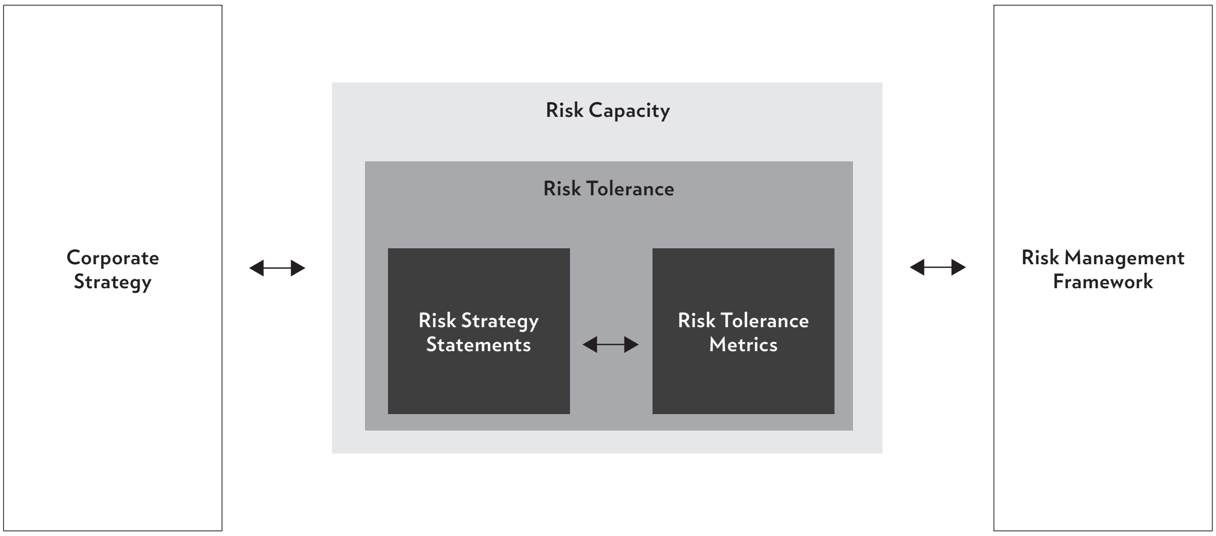
Risk management activities are structured according to the Group's Risk Categorisation which represents the material risks the organisation is exposed to. Beside credit, market and treasury risk, the Group is exposed to non-financial risks, covering operational risk, compliance and legal risk, as well as strategic, business and reputational risk. The Risk Categorisation allows for individual assignment of responsibilities to Risk Type Owners (RTO), who maintain the risk management framework of each material risk type by means and in accordance with the RMF.

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 and within the Group's overall risk capacity. The Group's risk tolerance is defined as the aggregate level of risk, subject to appropriate mitigating actions, that the Group is willing to accept across all relevant risk categories. It is formalised by a set of qualitative risk statements and quantitative risk metrics along the Group's key risk categories.

The 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), regulatory requirements and the firm's reputational standing (regulatory and reputational risk capacity). The latter reflects all relevant laws and regulations that affect the overall business operations and conduct of the Group.

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	• Ensuring requirements for proper compliance and the promotion of an adequate compliance/conduct culture and organisation are given the necessary attention • Assessing the Group's exposure to compliance/conduct issues as well as the Compliance Framework and related projects to address such matters, in particular as regards topics of AML, KYC, client on-boarding, monitoring and off-boarding, PEPs, economic and trade sanctions, anti-bribery and anti-corruption as well as client tax compliance • Developing and upholding principles of corporate governance for the Company and the Group • Authorising certain market, credit and financial activities taking into consideration the respective risk parameters • Ensuring the standards and methodologies for risk control which are employed to comply with principle and risk profile adopted by the BoD and other bodies
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)
Nomination & Compensation Committee	• Drawing up the remuneration principles and policies aligned with the Group's overall business strategy • Annually reviewing compensation elements and sharing ownership programmes by considering possible impacts of regulatory developments and stakeholder feedback • 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 • Leading and preparing the long-term succession planning at the level of the BoD, CEO and the other members of the EBG/ExB
Development & Innovation Committee	• Supporting the Board of Directors in its overall oversight responsibilities relating to long-term transformational challenges, business development, innovation and to respective plans as developed by the Executive Board • Identifying and assessing existing and future trends in the areas such as structural changes in the financial industry, the business and operating model of the Group, the applied technology and innovation, as well as assessing their possible impact on the Group and new business opportunities

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.

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
Risk Committee	• Reviewing and deciding on business conduct and risk standards, the ways in which risk is measured on an aggregate, Group-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), and the policies and procedures in place to mitigate risks and the actions to be taken if risk limits are exceeded • Ensuring appropriate measures are in place for businesses with increased reputational, compliance, legal and operational risk profiles • Reviewing and assessing the Group's information/cyber security strategy and the Group's business continuity management strategy
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) and the Chief Financial Officer (CFO), in cooperation with the Group General Counsel (GGC).

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 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 is the key pillar in effectively managing risks. It promotes sound risk-taking and ensures that emerging risks or risk-taking activities beyond the Group's risk tolerance are appropriately identified, assessed, escalated and addressed in a timely manner. To this effect, the following four levers are viewed as critical elements in ensuring a strong alignment between the expected behaviour standards and the strategic objectives of the Group:

- *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*: In addition to a robust policy framework, the Group ensures that clearly defined roles, responsibilities and accountability standards for specific risks and risk areas are in place in each of the three lines of defences.
- *Effective communication and challenge*: The Group fosters a culture of open communication and constructive challenge in which decision-making processes encourage a range of views, allow for a continuous revalidation of current practices, stimulate a positive, critical attitude among staff members and promote an environment of open and effective employee engagement.
- *Employee life cycle and incentives*: Employees are rewarded for excellent performance including sound risk awareness and exemplary behaviour that will promote the long-term sustainable success of the organisation.

Based on Julius Baer's long-standing core values 'Care, Passion and Excellence', a set of guiding principles and professional standards for ethical business conduct have been established and formalised in the Group's Code of Ethics and Business Conduct (the Code).

The Code covers a range of topics, from values, beliefs and culture to how behaviour affects clients, employees and business activities. It supports the Group's aspiration to act with the utmost professional expertise and integrity, and articulates the Group's expectation to adhere to high standards of ethical business conduct and to comply with all applicable laws and regulations.

The Code is globally applicable and the principles described in the Code are reflected in the Group's internal policies and procedures. To ensure adherence to the Code, employees are regularly trained on its content and provide regular confirmations of their understanding and compliance through a formal self-attestation framework. Non-adherence to the Code is reflected in the employee's performance assessment and leads to disciplinary sanctions.

Consistent with the Group's risk culture, employees are expected and encouraged to report any reasoned suspicion of misconduct. They are asked to discuss respective issues directly with their line management, Legal or Compliance, and/or Human Resources. Alternatively, other channels are available to report concerns, observations or complaints, such as contacting the Group's Ombudsman or reporting the incident anonymously through the Group's reporting tool (integrity line). The Group will not retaliate against any employee who reports a violation in good faith.

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. To ensure that incentive and compensation systems are aligned with the Group's risk standards and target risk culture, RMs and their line managers are subject to the new RM Compensation Framework introduced in 2020. 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.

GROUP RISK LANDSCAPE

In order to make risks transparent and to put them into perspective, a Risk Landscape is compiled annually and is continuously maintained. To comprehensively and holistically identify and assess existing and emerging risks as well as disclose them transparently to the BoD and EBG/ExB, the following multilayered approach is applied:

- A bottom-up 'Risk and Control Self-Assessment' of operational, legal and compliance risks performed by the Group's entities and the business functions at Head Office and challenged by the second line of defence.
- This bottom-up assessment is complemented by the top-down 'Risk Type Owner Assessments' which are being performed annually by the RTOs for all operational, legal and compliance risk types.
- This process is supplemented by an annual stress risk assessment across all key risk categories with a view to quantify the total financial and business risk exposures under unlikely events and to put those in context of the Group's overall risk capacity.

The Risk Landscape, which is discussed and evaluated at ExB and BoD level, is an integral part of the Group's strategic capital planning process.

CAPITAL PLANNING AND LIQUIDITY CONTINGENCY PLAN

Regulatory capital standards require banks to calculate their capital requirements by quantifying all of the inherent risks the Group is exposed to.

In the capital planning process of the Group, the firm's ability to withstand the impact of credit, market and other risk events is assessed. The current and future required capital is planned in relation to the strategic targets of the Group and is therefore an integral part of the yearly budgeting and midterm planning process. It provides a reliable forecast of available capital on the basis of business planning and budgeting, future profits, dividend policy and targeted corporate transactions.

In assessing whether the capital base is adequate, the Group takes into account the economic cycle and shows in its capital planning that it is in a position to meet its capital adequacy requirements over a three-year horizon even in the event of an economic downturn and revenues falling sharply and a funding stress scenario.

This includes the risk of unplanned pension liabilities since the present value of future pension obligations minus plan assets currently calculated under IAS 19 is recorded in retained earnings and as such, risk events could reduce the available eligible regulatory capital of the Group. Possible reasons are (i) increasing liabilities, in particular due to regulatory change, such as higher minimum guaranteed amounts and decreasing interest rates; or (ii) decreasing assets, e.g. due to reduced assumed returns on investments; or (iii) a combination of both, e.g. due to changes to the pension fund scheme, acquisitions, increasing longevity or assumption of higher risks due to reduced insurance offering. In case of extraordinary situations, the capital plans are reviewed on an ad hoc basis.

The Group Liquidity Contingency Plan sets out procedures and action plans for the various departments to respond to severe disruptions in the Group's ability to fund some or all of the activities in a timely manner. It enhances the Group Liquidity and Funding Manual that outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Group.

In order to trigger the Liquidity Contingency Plan, the CFO (deputised by the CRO) convokes the Liquidity Crisis Committee and Liquidity Analysis Committee, whose members and responsibilities are defined in the Contingency Plan. A trigger can be based either on the development of early warning indicators or based on an extraordinary event threatening the Group's liquidity. Well defined escalation steps related to the number of triggered early warning indicators, which are monitored on a daily basis, are in place.

The Group Liquidity Contingency Plan is tested and reviewed at least once a year by the Group Asset and Liability Committee.

STRESS TESTING

The risks identified in the Risk Landscape process enter the capital planning process by means of direct stress impacts for financial risks and indirect stress impacts for idiosyncratic risks.

– Direct stress impacts, which are calibrated to the macroeconomic scenarios used as foundation of the capital plan, cover market-driven financial risk events, i.e. considering trading and non-trading market risk in the trading and banking book, as well as credit risk materialising in the Lombard lending, mortgages, and investment book.
– Indirect stress impacts are used to cover non-correlated or idiosyncratic risk events as identified in the Risk Landscape.

Further 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. 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.

RISK REPORTING

As a key component of an effective risk management 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.

THE THREE LINES OF DEFENCE

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.

For professional counterparties a regular stress test is in place. The current exposure is stressed and set against current limits and against stressed equity of the counterparty. Additionally, a second stress test assesses the impact of a rating downgrade of the internal rating on the Group's risk appetite.

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 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 2020 and 2019; 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 2020 and 2019.

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.

The mortgage positions are monitored in a supervision system globally. Additionally, a workflow system for monitoring and managing credit risks for the Swiss mortgage book is in place. 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 subdivision Markets (trading market risk) and CFO (non-trading and trading market risk in the Treasury department) as well as through the purchase of participations and financial investments triggered by the authorised body.

Identification of trading and non-trading market risks is ensured with 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.

The Group uses statistical measures to assess trading and non-trading market risks and to represent these risks in the Risk Landscape. These measures are part of the toolbox used in the day-to-day market risk management and measurement process. As an example, the Group calculates probability-loss curves using Value at Risk ('VaR') and Expected Shortfall measures. These curves determine the potential loss that may occur with a given probability over the next three years using the previous year's market data (and the assumption that after losses of four times the VaR, the risk positions would be hedged to avoid further losses). This is done separately for trading and non-trading market risk, producing two probability-loss curves.

Further, 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. 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,
- to promote risk identification and add further insight into the need for setting new limits, and
- to 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).

For trading market risk assumed in the Markets subdivision, the Market Risk and Product Control unit oversees the application of the framework set by the BoD. Authorities and responsibilities for trading activities are cascaded down from the EBG to the subdivision Head Markets to Business Line Heads and Trading Desk Heads.

For non-trading and trading market risk managed within the Treasury department, the Market Risk and Product Control unit oversees the application of the framework set by the BoD and the Group Asset and Liability Committee and issues additional rules and constraints as deemed required.

Market risk management activities are described in various key policies. A control environment for market risk has been implemented and integrated into key business processes. This ensures that products are approved to be 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.

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

- VaR 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

Internal models are developed and maintained 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. 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 asset 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).

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-by-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 2021)
- 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.

Sustainability risks are environmental, social or governance events or conditions which if they occur have or may have significant negative impacts on the assets, financial and earnings situation or the reputation.

Business risk is the risk arising from a bank's long-term business strategy of pure wealth management. It deals with a bank not being able to keep up with changing competition dynamics and/or an unfavourable fiscal, political or regulatory environment.

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 qualitative 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 and implementation 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 2020 (and 2019), 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 additional anticyclical CET1 capital buffer for commitments outside Switzerland. This adds a further 0.1% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2020 and at 31 December 2019 was sufficient to meet the relevant BIS and FINMA requirements and internal capital buffers set by the EBG and BoD.

Capital ratios

	31.12.2020 *Basel III* *CHF m*	31.12.2019 *Basel III* *CHF m*
Risk-weighted positions		
Credit risk	**13,755.5**	13,749.3
Non-counterparty-related risk	**580.5**	612.9
Market risk	**1,116.7**	670.8
Operational risk	**5,668.0**	5,461.7
Total	**21,120.7**	20,494.6
Eligible capital		
CET1 capital	**3,157.5**	2,876.7
Tier 1 capital	**4,296.3**	4,420.9
of which hybrid tier 1 capital instruments[1]	***1,138.8***	*1,544.2*
Tier 2 capital	**133.5**	100.8
Total capital	**4,429.7**	4,521.7
CET1 capital ratio	**14.9%**	14.0%
Tier 1 capital ratio	**20.3%**	21.6%
Total capital ratio	**21.0%**	22.1%

[1] The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. (see Note 15 Debt issued).

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 2020. 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 2021.

Capital components

	31.12.2020 *Basel III* *CHF m*	31.12.2019 *Basel III* *CHF m*
Gross common equity tier 1 capital	**6,434.1**	6,198.6
of which non-controlling interests	***8.6***	*9.2*
Goodwill and other intangible assets	**-2,622.0**	-2,841.8
Other deductions	**-654.6**	-480.1
Common equity tier 1 capital	**3,157.5**	2,876.7
Tier 1 capital instruments	**1,138.8**	1,544.2
of which tier 1 bonds (Basel III-compliant capital instruments)	***1,138.8***	*1,544.2*
Additional tier 1 capital	**1,138.8**	1,544.2
Tier 1 capital	**4,296.3**	4,420.9
Tier 2 capital	**133.5**	100.8
of which other tier 2 capital	***133.5***	*100.8*
Total capital	**4,429.7**	4,521.7

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 65% (2019: 67%) of the total required capital. Capital required for non-counterparty risk (2020: 3%; 2019: 3%) and market risk (2020: 5%; 2019: 3%) is of minor significance. The capital required to cover operational risk accounts for 27% of total required capital (2019: 27%).

Minimum capital requirement

	31.12.2020 *Basel III* *CHF m*	31.12.2019 *Basel III* *CHF m*
Credit risk	**1,100.4**	1,099.9
Non-counterparty-related risk	**46.4**	49.0
Market risk	**89.3**	53.7
Operational risk	**453.4**	436.9
Total	**1,689.7**	1,639.6

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 2020 (and 2019).

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 2021.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

NOTE 1 NET INTEREST INCOME

	2020 *CHF m*	2019 *CHF m*	Change *%*
Interest income on amounts due from banks	**12.1**	62.4	-80.6
Interest income on loans	**651.5**	949.5	-31.4
Interest income on debt instruments at FVOCI	**134.4**	258.1	-47.9
Negative interest received on financial liabilities	**27.2**	23.1	17.8
Interest income on financial instruments measured at amortised cost or FVOCI	**825.2**	1,293.1	-36.2
Interest expense on amounts due to banks	**13.3**	28.1	-52.5
Interest expense on amounts due to customers	**73.6**	370.1	-80.1
Interest expense on debt issued	**60.3**	69.8	-13.7
Negative interest paid on financial assets	**50.5**	26.4	91.3
Interest expense on lease liabilities	**5.7**	6.5	-12.5
Interest expense on financial instruments measured at amortised cost	**203.5**	500.9	-59.4
Total	**621.7**	792.2	-21.5

NOTE 2 NET COMMISSION AND FEE INCOME

	2020 *CHF m*	2019 *CHF m*	Change *%*
Advisory and management fees	**1,350.9**	1,429.3	-5.5
Brokerage commissions and income from securities underwriting	**816.1**	609.5	33.9
Commission income from credit-related activities	**21.5**	9.4	130.3
Commission and fee income on other services	**61.6**	91.4	-32.6
Total commission and fee income	**2,250.1**	2,139.6	5.2
Commission expense	**235.1**	216.6	8.5
Total	**2,015.0**	1,922.9	4.8

NOTE 3 NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FVTPL

	2020 *CHF m*	2019 *CHF m*	Change *%*
Net gains/(losses) from debt instruments and foreign exchange	**534.8**	491.0	8.9
Net gains/(losses) from equity instruments	**408.6**	127.1	221.5
Total	**943.5**	618.1	52.6

NOTE 4 OTHER ORDINARY RESULTS

	2020 *CHF m*	2019 *CHF m*	Change *%*
Dividend income on equity instruments at FVOCI	**1.8**	17.5	-89.6
Result from disposal of debt instruments at FVOCI	**15.9**	9.9	61.0
Income from investments in associates	**-**	0.7	-100.0
Real estate income	**5.4**	6.5	-17.5
Other ordinary income	**18.0**	24.8	-27.5
Other ordinary expenses	**2.7**	0.7	305.5
Total	**38.4**	58.7	-34.6

NOTE 5 PERSONNEL EXPENSES

	2020 *CHF m*	2019 *CHF m*	Change *%*
Salaries and bonuses	**1,266.1**	1,272.0	-0.5
Contributions to staff pension plans (defined benefits)	**86.1**	82.5	4.5
Contributions to staff pension plans (defined contributions)	**36.8**	37.7	-2.6
Other social security contributions	**100.7**	101.6	-0.9
Share-based payments	**71.6**	79.1	-9.4
Other personnel expenses	**34.2**	43.3	-21.0
Total	**1,595.5**	1,616.2	-1.3

NOTE 6 GENERAL EXPENSES

	2020 *CHF m*	2019 *CHF m*	Change *%*
Occupancy expense	**33.3**	33.0	0.8
IT and other equipment expense	**87.4**	82.2	6.3
Information, communication and advertising expense	**153.0**	189.9	-19.4
Service expense, fees and taxes	**336.8**	316.2	6.5
Provisions and losses	**92.6**	213.9	-56.7
Other general expenses	**7.6**	15.6	-51.6
Total	**710.7**	850.8	-16.5

NOTE 7 INCOME TAXES

	2020 *CHF m*	2019 *CHF m*	Change *%*
Income tax on profit before taxes (statutory tax expense)	**169.2**	124.6	35.8
Effect of tax rate differences in foreign jurisdictions	**21.7**	12.1	-
Effect of domestic tax rate differences	**7.3**	21.0	-
Income subject to a reduced tax rate	**-52.6**	-77.1	-
Effect of change in applicable tax rate on temporary differences	**2.5**	-8.9	-
Effect of utilisation of prior-year losses	**-7.6**	-3.5	-
Effect from unrecognised tax losses	**4.1**	6.8	-
Adjustments related to prior years	**-13.0**	12.4	-
Write-off of deferred tax assets	**-**	1.6	-
Non-deductible expenses	**16.7**	12.3	-
Other	**-1.0**	-	-
Actual income tax expense	**147.3**	101.2	-

The basis for the above table is the statutory income tax rate of 20% (2019: 22%), which corresponds to the average Group tax rate in Switzerland.

Unrecognised accumulated loss carryforwards in the amount of CHF 226.5 million (2019: CHF 277.6 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. 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 ('TRAF')
The tax reform has entered into force on 1 January 2020. The changes had no material impact on the tax liability as the transformation of Julius Baer Group Ltd. out of the holding regime into the ordinary tax regime has been 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 already reflected in the deferred tax positions in 2019.

	2020 *CHF m*	2019 *CHF m*	Change *%*
Domestic income taxes	**75.5**	34.2	120.9
Foreign income taxes	**71.8**	67.0	7.1
Total	**147.3**	101.2	45.5

Current income taxes	**151.0**	127.3	18.6
Deferred income taxes	**-3.7**	-26.1	86.0
Total	**147.3**	101.2	45.5

Tax effects relating to components of other comprehensive income

	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	**2020** 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	111.5	-5.7	105.7
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-15.9	0.5	-15.5
Net credit losses on debt instruments measured at FVOCI	0.5	-	0.5
Translation differences	-165.6	-	-165.6
Realised (gains)/losses on translation differences reclassified to the income statement	2.5	-	2.5
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	-14.3	2.7	-11.6
Own credit on financial liabilities designated at fair value	-3.9	-	-3.9
Remeasurement of defined benefit obligation	25.9	-4.9	21.0
Other comprehensive income	**-59.3**	**-7.5**	**-66.8**

	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	2019 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

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

NOTE 8 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

						31.12.2020
	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	-	-	-	-	14,544.4	**14,544.4**
Due from banks	-	-	-	-	7,349.9	**7,349.9**
Lombard loans	-	-	-	-	38,408.3	**38,408.3**
Mortgages	-	-	-	-	8,799.3	**8,799.3**
Financial assets measured at FVTPL	13,429.8	-	-	-	-	**13,429.8**
Derivative financial instruments	2,562.3	-	-	-	-	**2,562.3**
Financial assets designated at fair value	-	269.6	-	-	-	**269.6**
Financial assets measured at FVOCI	-	-	13,522.6	273.7	-	**13,796.4**
Accrued income/other assets	-	-	-	-	360.8	**360.8**
Total	**15,992.1**	**269.6**	**13,522.6**	**273.7**	**69,462.7**	**99,520.7**
Financial liabilities						
Due to banks	-	-	-	-	5,087.9	**5,087.9**
Due to customers	-	-	-	-	77,784.5	**77,784.5**
Financial liabilities measured at FVTPL	896.5	-	-	-	-	**896.5**
Derivative financial instruments	2,554.6	-	-	-	-	**2,554.6**
Financial liabilities designated at fair value	-	13,154.8	-	-	-	**13,154.8**
Debt issued	-	-	-	-	1,478.2	**1,478.2**
Accrued expense/other liabilities	-	-	-	-	202.9	**202.9**
Deferred payments related to acquisitions	18.8	-	-	-	-	**18.8**
Total	**3,469.9**	**13,154.8**	**-**	**-**	**84,553.6**	**101,178.3**

						31.12.2019
	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/other liabilities	-	-	-	-	250.2	250.2
Deferred payments related to acquisitions	34.8	-	-	-	-	34.8
Total	2,769.4	13,281.1	-	-	78,216.3	94,266.7

NOTE 9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FVTPL

	31.12.2020 *CHF m*	31.12.2019 *CHF m*	Change *CHF m*
Financial assets measured at FVTPL			
Trading securities – debt FVTPL	**3,388.5**	2,407.7	980.8
of which quoted	***2,655.4***	*2,133.4*	*522.0*
of which unquoted	***733.1***	*274.3*	*458.8*
Trading securities – equity FVTPL	**9,964.7**	11,199.0	-1,234.3
of which quoted	***8,028.1***	*7,939.0*	*89.0*
of which unquoted	***1,936.6***	*3,259.9*	*-1,323.3*
Other securities mandatorily measured at FVTPL	**76.5**	169.5	-93.0
Total	**13,429.8**	13,776.2	-346.4

	31.12.2020 *CHF m*	31.12.2019 *CHF m*	Change *CHF m*
Financial liabilities measured at FVTPL			
Short positions – debt instruments FVTPL	**239.5**	143.9	95.6
of which quoted	***222.1***	*138.9*	*83.3*
of which unquoted	***17.4***	*5.1*	*12.3*
Short positions – equity instruments FVTPL	**657.0**	469.8	187.2
of which quoted	***626.3***	*453.9*	*172.4*
of which unquoted	***30.7***	*16.0*	*14.8*
Total	**896.5**	613.8	282.7

NOTE 10 FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2020 *CHF m*	31.12.2019 *CHF m*	Change *CHF m*
Government and agency bonds	**4,301.0**	5,016.6	-715.6
Financial institution bonds	**5,356.9**	4,695.4	661.5
Corporate bonds	**3,864.7**	3,222.2	642.5
Debt instruments at FVOCI	**13,522.6**	12,934.2	588.4
of which quoted	***9,045.6***	*8,843.3*	*202.3*
of which unquoted	***4,477.0***	*4,090.9*	*386.1*
Equity instruments at FVOCI	**273.7**	232.0	41.7
of which unquoted	***273.7***	*232.0*	*41.7*
Total	**13,796.4**	13,166.2	630.1

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 01.01.2019	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
Translation differences	-	-2.9	-3.5	-6.3
Additions	4.8	45.1	22.1	72.0
Changes	-	0.1	-	0.1
Disposals/transfers[1]	-	1.7	34.9	36.6
Balance on 31.12.2020	428.1	372.0	225.5	1,025.6
Depreciation and impairment				
Balance on 01.01.2019	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
Translation differences	-	-1.0	-1.6	-2.6
Charge for the period	9.5	63.5	27.5	100.5
Disposals/transfers[1]	-	1.6	34.9	36.5
Balance on 31.12.2020	147.0	124.3	173.8	445.1
Carrying value				
Balance on 31.12.2019	285.8	268.1	58.9	612.9
Balance on 31.12.2020	**281.1**	**247.8**	**51.7**	**580.5**

[1] Includes also derecognition of fully depreciated assets

The following information relates to the Group's lease activities:

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Amounts recognised in the income statement		
Depreciation charge	**63.5**	63.7
Interest expense on lease liabilities	**5.7**	6.5
Expense related to short-term/low-value leases	**3.5**	4.3
Total	**72.8**	74.6
Total cash outflows for leases (excluding short-term/low-value leases)	**62.9**	65.8
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**64.3**	60.3
One to five years	**142.6**	186.2
More than five years	**72.1**	56.3
Total undiscounted lease liabilities	**279.0**	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 01.01.2019	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
Translation differences	-45.1	-19.7	-1.4	-66.2
Additions	-	-	158.5	158.5
Additions from business combinations	0.2	-	-	0.2
Disposals/transfers[1]	0.3	14.0	56.8	71.2
Balance on 31.12.2020	2,071.7	1,438.0	1,161.0	4,670.6
Amortisation and impairment				
Balance on 01.01.2019	-	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[2]	249.7
Disposals/transfers[1]	-	-	10.7	10.7
Balance on 31.12.2019	99.2	1,226.2	457.8	1,783.1
Translation differences	-	-8.9	-0.6	-9.5
Charge for the period	179.0	70.1[3]	81.3[4]	330.5
Disposals/transfers[1]	-	14.0	56.8	70.8
Balance on 31.12.2020	278.2	1,273.3	481.7	2,033.2
Carrying value				
Balance on 31.12.2019	2,017.7	245.5	602.9	2,866.1
Balance on 31.12.2020	**1,793.4**	**164.6**	**679.3**	**2,637.4**

1 Includes also derecognition of fully amortised assets
2 Includes impairment of CHF 4.6 million related to software not used anymore
3 Includes impairment of CHF 11.4 million related to Kairos
4 Includes impairment of CHF 8.9 million related to software not used anymore

	Balance on 01.01.2020 CHF m	Additions CHF m	Disposals/ Impairment CHF m	Translation differences CHF m	**Balance on 31.12.2020** CHF m
Goodwill					
Julius Baer Wealth Management	1,634.0	0.2	0.3	-6.6	**1,627.2**
Julius Baer Family Office Brasil (former GPS/Reliance)	131.4	-	-	-38.5	**92.9**
Kairos	218.1	-	179.0	-0.0	**39.1**
NSC Asesores	34.2	-	-	-	**34.2**
Total	2,017.7	0.2	179.4	-45.1	**1,793.4**

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 Julius Baer Family Office Brasil (former 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 11.0% (2019: 8.8%) for Julius Baer Wealth Management. For Julius Baer Family Office Brasil (former GPS/Reliance), the pre-tax discount rate used is 23.9% (2019: 20.0%), for Kairos, the pre-tax discount rate used is 15.7% (2019: 12.5%), for NSC Asesores, the pre-tax discount rate used is 19.3% (2019: 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, Julius Baer Family Office Brasil (former 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
After a period of stabilisation at the Italian asset and wealth management company Kairos Investment Management S.p.A. (Kairos), an updated business plan and new entrepreneurial ownership structure have been developed. A select number of key investment managers of Kairos acquired a minority interest in Kairos, with Julius Baer retaining a majority of the legal ownership (refer to Note 31 for further details). The Kairos team will further develop and implement the revised business plan. With these steps, a solid foundation has now been put in place for Kairos' renewed and sustainable long-term success.

The asset outflows at Kairos have diminished over the past months, resulting in AuM of CHF 5 billion. Nevertheless, in light of Kairos' overall financial performance and the rebased business plan, which also reflects the economic uncertainties related to the potential impact of the COVID-19 crisis, the value in use further dropped below the carrying value of the CGU; hence, the goodwill on the investment in Kairos has been further impaired to the value in use and the amortisation of the value of client relationships in Kairos has been accelerated. The goodwill charge of EUR 167 million and the charge related to client relationships of EUR 10 million (net of tax) are recognised in the respective line items in the income statement (together approximately CHF 190 million).

In 2019, the Group already recognised a partial goodwill impairment related to Kairos in the amount of EUR 90 million (CHF 99.2 million).

NOTE 13 ASSETS PLEDGED OR CEDED TO SECURE OWN COMMITMENTS AND ASSETS SUBJECT TO RETENTION OF TITLE

		31.12.2020		31.12.2019
	Carrying value *CHF m*	Effective commitment *CHF m*	Carrying value *CHF m*	Effective commitment *CHF m*
Securities	**1,142.1**	**1,142.1**	1,379.0	1,379.0
Other	**30.5**	**14.4**	26.4	13.4
Total	**1,172.7**	**1,156.6**	1,405.4	1,392.4

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

	2021 *CHF m*	2022 *CHF m*	2023 *CHF m*	2024 *CHF m*	2025 *CHF m*	2026–2032 *CHF m*	unassigned *CHF m*	**31.12.2020** *CHF m*	31.12.2019 *CHF m*
Fixed rate	5,361.1	213.3	24.1	-	-	-	-	**5,598.5**	7,434.1
Interest rates (ranges in %)	0.07–100	1.47–28.62	1.71–10.78	-	-	-	-	**-**	-
Floating rate	2,214.9	722.7	543.2	341.5	306.0	338.3	3,089.6	**7,556.3**	5,847.0
Total	**7,575.9**	**936.0**	**567.3**	**341.5**	**306.0**	**338.3**	**3,089.6**	**13,154.8**	13,281.1

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 0.07% up to 100%. 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

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Money market instruments	**135.5**	145.8
Bonds	**1,342.7**	1,747.3
Total	**1,478.2**	1,893.0

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	**31.12.2020** Carrying value[1] *CHF m*	31.12.2019 Carrying value[1] *CHF m*
Julius Baer Group Ltd.						
2014[2]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**-**	344.1
Julius Baer Group Ltd.						
2015[3]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**-**	326.6
Julius Baer Group Ltd.						
2016[4]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**221.7**	235.6
Julius Baer Group Ltd.						
2017[5]	4.75	Perpetual tier 1 subordinated bond	USD	300.0	**265.5**	294.1
Julius Baer Group Ltd.						
2017[6]	0.375	Domestic senior unsecured bond	CHF	200.0	**203.9**	203.1
Julius Baer Group Ltd.						
2019[7]	2.375	Perpetual tier 1 subordinated bond	CHF	350.0	**348.5**	343.8
Julius Baer Group Ltd.						
2020[8]	4.875	Perpetual tier 1 subordinated bond	USD	350.0	**303.2**	-
Total					**1,342.7**	1,747.3

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 were offset with bonds outstanding in 2019. The effective interest rate amounted to 4.41%.
3 No own bonds were offset with bonds outstanding in 2019. The effective interest rate amounted to 6.128%.
4 No own bonds are offset with bonds outstanding (2019: none). The effective interest rate amounts to 5.951%.
5 Own bonds of CHF 9.1 million are offset with bonds outstanding. (2019: none). The effective interest rate amounts to 4.91%.
6 No own bonds are offset with bonds outstanding (2019: none). The effective interest rate amounts to 0.32361%.
7 No own bonds are offset with bonds outstanding (2019: CHF 4.4 million). The effective interest rate amounts to 2.487%.
8 No own bonds are offset with bonds outstanding. The effective interest rate amounts to 5.242%.

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% (2019 issue) or 7.0% (2016, 2017 and 2020 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. The bond was paid back on the first possible redemption date (5 June 2020) at par value plus accrued interest.

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. The bond was paid back on the first possible redemption date (18 November 2020) at par value plus accrued interest.

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.

2020 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 29 September 2020. The bonds can be redeemed at the Issuer's discretion anytime in the six months prior to and including the first reset date (8 October 2026) and on every semi-annual interest payment date thereafter. From the issue date to the first reset date (8 October 2026) the bonds will pay interest at a fixed rate of 4.875% 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 yield for U.S. Treasury Securities at 'constant maturity' for a designated maturity of five years) and a margin of 4.616%. Interest on the bonds is payable semi-annually in arrears on 8 April and 8 October in 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

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Balance at the beginning of the year	**16.4**	15.9
Income statement – credit	**6.1**	5.2
Income statement – charge	**-2.1**	-2.2
Recognised directly in OCI	**0.0**	0.0
Translation differences and other adjustments	**-0.4**	-2.5
Balance at the end of the year	**20.1**	16.4

The components of deferred tax assets are as follows:

Pension liabilities	**14.9**	24.0
Operating loss carryforwards	**14.7**	9.0
Employee compensation and benefits	**10.3**	12.3
Property and equipment	**2.3**	1.5
Other	**0.3**	0.7
Deferred tax assets before set-off[1]	**42.6**	47.4
Offset	**-22.5**	-31.0
Total	**20.1**	16.4

[1] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability as per consolidated companies if that company 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

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Balance at the beginning of the year	**68.8**	74.9
Income statement – charge	**7.1**	8.6
Income statement – credit	**-6.7**	-31.7
Acquisition of subsidiaries	**-**	2.1
Recognised directly in OCI	**7.5**	17.7
Translation differences and other adjustments	**-2.2**	-2.8
Balance at the end of the year	**74.5**	68.8

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

Provisions	**5.0**	3.4
Property and equipment	**28.8**	29.7
Financial assets measured at FVOCI	**44.9**	38.7
Intangible assets	**15.4**	24.3
Other	**3.0**	3.7
Deferred tax liability before set-off[2]	**96.9**	99.8
Offset	**-22.5**	-31.0
Total	**74.5**	68.8

[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 companies if that company 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*	**2020** **Total** *CHF m*	2019 Total *CHF m*
Balance at the beginning of the year	**197.6**	**3.7**	**201.3**	24.6
Utilised during the year	**-153.3**	**-1.1**	**-154.4**	-23.3
Recoveries	**-**	**-**	**-**	0.1
Provisions made during the year	**89.9**	**2.1**	**92.0**	204.9
Provisions reversed during the year	**-14.9**	**-**	**-14.9**	-2.7
Translation differences	**-7.9**	**-0.1**	**-8.0**	-2.2
Balance at the end of the year	**111.4**	**4.5**	**115.9**	201.3

Maturity of provisions				
Up to one year	**23.6**	**2.9**	**26.6**	186.6
Over one year	**87.8**	**1.6**	**89.4**	14.7

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/or its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the order to suspend or limit certain activities, the suspension or expulsion from a particular jurisdiction or market of any of the Group's business organisations or their key personnel, the imposition of fines, the disgorgement of profit, and censures on companies and employees with respective impact on the reputation of the Group and its relation with clients, business partners and other stakeholders. In certain markets, authorities, such as regulatory or tax 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 materialisation of one or more of these risks may individually or together with other circumstances have a materially adverse impact on 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 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 reasonably estimated 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 2020. The contingent liabilities may result in a materially adverse effect on the Group or for other reasons may be of interest to 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 had 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 from the Bank (and ultimately its clients concerned). 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 Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. A decision on the merits of the appeal is expected in 2021. Whilst such appeal is pending, the Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. Such decision can be appealed.

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 the right 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 that were 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. On 19 October 2018, the Lithuanian court of last instance 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 was 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 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 was initiated against Bank Julius Baer & Co. Ltd. in June 2014 and 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 was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter, scheduled to be trialed in Court in early June 2021. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect 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 then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 135 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by Bank Julius Baer & Co. Ltd. in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total 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 consequent upon the liquidation of almost their entire portfolio of assets in May 2010 and argues 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 been cooperating with authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests in particular focused on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment 'United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD) (RML)]') and in the respective superseding indictment of 25 November 2015. The authorities in Switzerland and abroad have opened investigations and have been 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. FINMA's related enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. has been closed by an order as published on 20 February 2020. On 9 November 2020, Bank Julius Baer & Co. Ltd. has announced an agreement in principle with the US Department of Justice (DOJ) to settle its FIFA matter. Such agreement entails Julius Baer entering into a three-year deferred prosecution agreement and a financial component, for which Julius Baer has taken a provision of USD 79.7 million in 2020.

Similarly, Bank Julius Baer & Co. Ltd. has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focus on persons named 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 against third parties, 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. FINMA's related enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. has been closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities, whilst on 21 January 2021, FINMA concluded the investigation regarding individual accountability of former employees of Julius Baer following the FIFA/PDVSA-related conclusion of the enforcement proceeding. Save for in one case of a middle manager, FINMA did not open individual proceedings and closed the investigation with reprimands. Related to the PDVSA matter, in November 2019, a former employee 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. Julius Baer is contesting the claim and seizure request whilst taking appropriate measures to defend its interests.

As publicly stated, FINMA has initiated an additional enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. related to the compliance treatment of a historical Latin American client relationship. Julius Baer has been fully cooperating with FINMA in its investigative work.

The UK Financial Conduct Authority ('FCA') is investigating Julius Baer International Limited, UK ('JBINT') in respect of its compliance with certain of the FCA's Principles for Businesses and underlying regulatory rules in the context of a legacy matter. The investigation by the FCA into another legacy matter was completed in December 2020 with the FCA having decided not to take action against JBINT. JBINT has been 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 US 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. The competent court has decided in favour of the Bank in November 2020; however, the claimant has appealed this decision to the Swiss Federal Supreme Court. In addition, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank has addressed this issue with the 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

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Precious metals (physical)	**4,357.7**	1,444.3
Tax receivables	**1,718.4**	1,982.9
Accounts receivable	**28.6**	29.1
Deposits	**17.3**	16.1
Other	**232.0**	162.1
Total	**6,354.1**	3,634.5

NOTE 18B OTHER LIABILITIES

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Lease liability	**260.9**	272.8
Pension liability	**95.9**	143.3
Other tax payable	**67.4**	58.3
Accounts payable	**35.2**	28.7
Deferred payments related to acquisitions	**18.8**	34.8
Other	**179.9**	104.7
Total	**658.1**	642.7

NOTE 19 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF m*
Balance on 01.01.2019	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*
Balance on 31.12.2020	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

	2020	2019
Basic earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**698.0**	464.8
Weighted average number of shares outstanding	**215,016,327**	216,973,692
Basic earnings per share (CHF)	**3.25**	2.14

	2020	2019
Diluted earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**698.0**	464.8
Less (profit)/loss on equity derivative contracts (CHF m)	**-2.8**	-3.6
Net profit attributable to shareholders of Julius Baer Group Ltd. for diluted earnings per share (CHF m)	**695.2**	461.1
Weighted average number of shares outstanding	**215,016,327**	216,973,692
Dilution effect	**-276**	43,669
Weighted average number of shares outstanding for diluted earnings per share	**215,016,051**	217,017,361
Diluted earnings per share (CHF)	**3.23**	2.12

	31.12.2020	31.12.2019
Shares outstanding		
Total shares issued at the beginning of the year	**223,809,448**	223,809,448
Share buy-back programme	**2,585,000**	755,000
Less treasury shares	**6,192,089**	6,125,662
Total	**215,032,359**	216,928,786

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 2020, the Executive Board of the Group is composed of the Chief Executive Officer, Chief Financial Officer, Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas), Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer. In 2019, the Executive Board of the Group was 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 Julius Baer Family Office Brasil (former 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

	31.12.2020	31.12.2019	**2020**	2019	**2020**	2019
	Total assets		Operating income		Investments	
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
Switzerland	**91,530**	85,845	**2,012**	1,832	**150**	189
Europe (excl. Switzerland)	**36,682**	40,349	**699**	700	**11**	16
Americas	**252**	938	**75**	113	**2**	6
Asia and other countries	**28,029**	27,941	**1,006**	893	**23**	16
Less consolidation items	**47,356**	53,038	**209**	154		
Total	**109,137**	102,035	**3,583**	3,383	**186**	226

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

NOTE 22 RELATED PARTY TRANSACTIONS

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**19.0**	14.7
Post-employment benefits	**1.0**	0.7
Share-based payments	**13.5**	8.7
Total	**33.5**	24.2
Receivables from		
key management personnel	**25.5**	5.6
Total	**25.5**	5.6
Liabilities to		
key management personnel	**16.8**	3.8
own pension funds	**10.0**	11.2
Total	**26.7**	15.0
Credit guarantees to		
key management personnel	**0.2**	1.7
Total	**0.2**	1.7
Income from services provided to		
key management personnel	**0.4**	0.2
Total	**0.4**	0.2

[1] Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd.
In 2020, the Executive Board of the Group company consists of the Chief Executive Officer, Chief Financial Officer, Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas), Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer.
In 2019, The Executive Board of the Group company consisted 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. 2020.

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

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.

	2020 *CHF m*	2019 *CHF m*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-3,234.3**	-2,907.2
Current service cost	**-82.6**	-76.7
Employees' contributions	**-45.6**	-45.9
Interest expense on defined benefit obligation	**-9.5**	-27.4
Past service cost, curtailments, settlements, plan amendments	**-0.6**	-4.5
Benefits paid (including benefits paid directly by employer)	**118.0**	137.3
Transfer payments in/out	**-0.6**	-1.0
Experience gains/(losses) on defined benefit obligation	**-35.0**	-78.7
Actuarial gains/(losses) arising from change in demographic assumptions	**-0.0**	1.0
Actuarial gains/(losses) arising from change in financial assumptions	**-46.5**	-230.6
Translation differences	**5.7**	-0.7
Present value of defined benefit obligation at the end of the year	**-3,331.0**	-3,234.3
whereof due to active members	***-2,178.1***	*-2,145.5*
whereof due to deferred members	***-58.0***	*-59.7*
whereof due to pensioners	***-1,094.9***	*-1,029.1*
Fair value of plan assets at the beginning of the year	**3,091.0**	2,825.3
Interest income on plan assets	**9.3**	27.4
Employees' contributions	**45.6**	45.9
Employer's contributions	**107.1**	102.9
Curtailments, settlements, plan amendments	**-1.7**	-0.2
Benefits paid by fund	**-117.4**	-136.2
Transfer payments in/out	**0.6**	1.0
Administration cost (excluding asset management cost)	**-1.0**	-1.1
Return on plan assets (excluding interest income)	**107.2**	224.7
Translation differences	**-5.4**	1.2
Fair value of plan assets at the end of the year	**3,235.1**	3,091.0

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
2. Balance sheet		
Fair value of plan assets	**3,235.1**	3,091.0
Present value of defined benefit obligation	**-3,323.9**	-3,227.5
Present value of unfunded benefit obligation	**-7.1**	-6.8
Net defined benefit asset/(liability)	**-95.9**	-143.3

3. Income statement	2020 CHF m	2019 CHF m
Current service cost	**-82.6**	-76.7
Interest expense on defined benefit obligation	**-9.5**	-27.4
Past service cost, curtailments, settlements, plan amendments	**-2.3**	-4.7
Interest income on plan assets	**9.3**	27.4
Administration cost (excluding asset management cost)	**-1.0**	-1.1
Defined benefit cost recognised in the income statement	**-86.1**	-82.5
whereof service cost	***-86.0***	*-82.5*
whereof net interest on the net defined benefit (liability)/asset	***-0.2***	*-0.0*

4. Movements in defined benefit liability	2020 CHF m	2019 CHF m
Net defined benefit asset/(liability) at the beginning of the year	**-143.3**	-81.9
Translation differences	**0.2**	0.4
Defined benefit cost recognised in the income statement	**-86.1**	-82.5
Benefits paid by employer	**0.6**	1.1
Employer's contributions	**107.1**	102.9
Remeasurements of the net defined benefit liability/(asset)	**25.7**	-83.5
Amount recognised in the balance sheet	**-95.9**	-143.3

Remeasurements of the net defined benefit liability/(asset)	2020 CHF m	2019 CHF m
Actuarial gains/(losses) of defined benefit obligation	**-81.5**	-308.2
Return on plan assets (excluding interest income)	**107.2**	224.7
Total recognised in other comprehensive income	**25.7**	-83.5

5. Composition of plan assets	2020 CHF m	2019 CHF m
Cash	**95.2**	128.7
Debt instruments	**895.0**	906.1
Equity instruments	**1,193.6**	1,060.4
Real estate	**551.0**	494.3
Alternative investments	**427.7**	358.9
Other	**72.6**	142.5
Total	**3,235.1**	3,091.0

	2020 *in %*	2019 *in %*
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	**2.9**	4.2
Debt instruments	**26.5**	28.1
Equity instruments	**36.9**	34.3
Real estate	**7.7**	7.3
Other	**6.0**	5.9
Total	**80.0**	79.8

	2020 *CHF m*	2019 *CHF m*
7. Sensitivities		
Decrease of discount rate -0.25%		
Effect on defined benefit obligation	**-104.8**	-108.0
Effect on service cost	**-3.7**	-4.7
Increase of discount rate +0.25%		
Effect on defined benefit obligation	**93.3**	90.5
Effect on service cost	**3.1**	3.0
Decrease of salary increase -0.25%		
Effect on defined benefit obligation	**10.8**	10.8
Effect on service cost	**1.0**	1.0
Increase of salary increase +0.25%		
Effect on defined benefit obligation	**-11.0**	-11.1
Effect on service cost	**-1.0**	-1.0
Life expectancy		
Increase in longevity by one additional year	**-75.5**	-72.6

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2020. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 97% (2019: 96%) of all benefit obligations and plan assets:

	2020	2019
Discount rate	**0.20%**	0.25%
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 2021 financial year related to defined benefit plans are estimated at CHF 89.0 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 10.0 million (2019: CHF 11.2 million).

Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 36.8 million for the 2020 financial year (2019: CHF 37.7 million).

NOTE 24 SECURITIES LENDING AND BORROWING TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Receivables		
Receivables from cash provided in securities borrowing transactions	**6.2**	94.2
of which recognised in due from banks	***6.2***	*94.2*
Receivables from cash provided in reverse repurchase transactions	**1,258.0**	-
of which recognised in due from banks	***1,258.0***	-
Obligations		
Obligations to return cash received in securities lending transactions	**252.1**	309.3
of which recognised in due to banks	***252.1***	*309.3*
Obligations to return cash received in repurchase transactions	**82.5**	20.2
of which recognised in due to banks	***82.5***	*20.2*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1,092.2**	1,359.7
of which securities the right to pledge or sell has been granted without restriction	***1,092.2***	*1,359.7*
of which recognised in financial assets measured at FVTPL	***952.8***	*1,219.9*
of which recognised in financial assets measured at FVOCI	***139.4***	*139.8*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**4,267.6**	1,815.8
of which repledged or resold securities	***3,701.9***	*1,639.3*

The Group enters into fully collateralised securities borrowing and securities lending transactions and repurchase and reverse repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfil the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets which continue to be recognised 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	97,484.9	730.4	1,039.7
Futures	249.4	0.1	4.8
Cross-currency swaps	909.6	2.3	20.3
Options (OTC)	27,024.5	291.0	245.0
Total foreign exchange derivatives 31.12.2020	**125,668.4**	**1,023.7**	**1,309.8**
Total foreign exchange derivatives 31.12.2019	121,599.0	776.9	827.6
Interest rate derivatives			
Swaps	22,735.0	131.5	167.9
Futures	210.8	1.2	0.1
Options (OTC)	260.8	10.9	9.4
Total interest rate derivatives 31.12.2020	**23,206.5**	**143.6**	**177.5**
Total interest rate derivatives 31.12.2019	20,872.8	101.5	138.4
Precious metals derivatives			
Forward contracts	2,751.7	43.6	77.6
Futures	39.8	0.2	1.7
Options (OTC)	5,315.2	126.1	99.0
Options (traded)	1,611.2	-	56.1
Total precious metals derivatives 31.12.2020	**9,717.9**	**170.0**	**234.4**
Total precious metals derivatives 31.12.2019	10,385.0	126.4	166.4
Equity/indices derivatives			
Futures	863.6	28.4	5.7
Options (OTC)	11,419.2	619.9	284.8
Options (traded)	19,414.9	536.4	493.1
Total equity/indices derivatives 31.12.2020	**31,697.7**	**1,184.7**	**783.6**
Total equity/indices derivatives 31.12.2019	30,487.5	591.0	944.5
Other derivatives			
Futures	64.5	0.3	0.8
Total other derivatives 31.12.2020	**64.5**	**0.3**	**0.8**
Total other derivatives 31.12.2019	148.9	0.7	4.8

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	110.1	0.2	1.3
Total return swaps	883.9	11.1	35.3
Total credit derivatives 31.12.2020	**994.0**	**11.3**	**36.6**
Total credit derivatives 31.12.2019	1,123.9	2.7	23.7
Total derivatives held for trading 31.12.2020	**191,349.0**	**2,533.5**	**2,542.7**
Total derivatives held for trading 31.12.2019	184,617.1	1,599.2	2,105.5

Derivatives held for hedging

Derivatives designated in net investment hedges			
Foreign exchange forward contracts	353.6	9.2	-
Derivatives designated as fair value hedges			
Interest rate swaps	1,184.3	19.7	11.9
Total derivatives held for hedging 31.12.2020	**1,537.9**	**28.9**	**11.9**
Total derivatives held for hedging 31.12.2019	2,175.9	31.5	15.3
Total derivative financial instruments 31.12.2020	**192,887.0**	**2,562.3**	**2,554.6**
Total derivative financial instruments 31.12.2019	186,793.0	1,630.7	2,120.8

NOTE 26A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	31.12.2020 Carrying value *CHF m*	31.12.2020 Fair value *CHF m*	31.12.2019 Carrying value *CHF m*	31.12.2019 Fair value *CHF m*
Financial assets at amortised cost				
Cash	**14,544.4**	**14,544.4**	10,097.0	10,097.0
Due from banks	**7,349.9**	**7,351.3**	7,082.5	7,085.8
Loans	**47,207.6**	**47,702.9**	48,427.3	48,979.7
Accrued income/other assets	**360.8**	**360.8**	396.5	396.5
Total	**69,462.7**	**69,959.4**	66,003.3	66,559.0
Financial assets at FVTPL				
Financial assets measured at FVTPL	**13,429.8**	**13,429.8**	13,776.2	13,776.2
Derivative financial instruments	**2,562.3**	**2,562.3**	1,630.7	1,630.7
Financial assets designated at fair value	**269.6**	**269.6**	305.0	305.0
Total	**16,261.6**	**16,261.6**	15,711.9	15,711.9
Financial assets at FVOCI				
Financial assets measured at FVOCI	**13,796.4**	**13,796.4**	13,166.2	13,166.2
Total	**13,796.4**	**13,796.4**	13,166.2	13,166.2
Total financial assets	**99,520.7**	**100,017.4**	94,881.5	95,437.1

Financial liabilities

	31.12.2020 Carrying value CHF m	31.12.2020 Fair value CHF m	31.12.2019 Carrying value CHF m	31.12.2019 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**5,087.9**	**5,088.0**	3,160.0	3,160.0
Due to customers	**77,784.5**	**77,788.7**	72,913.1	72,956.3
Debt issued	**1,478.2**	**1,503.1**	1,893.0	1,900.7
Accrued expenses/other liabilities	**202.9**	**202.9**	250.2	250.2
Total	**84,553.6**	**84,582.8**	78,216.3	78,267.1
Financial liabilities at FVTPL				
Financial liabilities measured at FVTPL	**896.5**	**896.5**	613.8	613.8
Derivative financial instruments	**2,554.6**	**2,554.6**	2,120.8	2,120.8
Financial liabilities designated at fair value	**13,154.8**	**13,154.8**	13,281.1	13,281.1
Deferred payments related to acquisitions	**18.8**	**18.8**	34.8	34.8
Total	**16,624.7**	**16,624.7**	16,050.4	16,050.4
Total financial liabilities	**101,178.3**	**101,207.5**	94,266.7	94,317.6

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 FVOCI, 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 fair value through profit or loss (FVTPL) as well as for financial assets measured at fair value through other comprehensive income (FVOCI), 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 from 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 2020, dividends related to these investments in the amount of CHF 1.8 million (2019: CHF 17.5 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 measured 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*	**31.12.2020** **Total** *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,856.8	298.8	232.9	3,388.5
Trading – equity instruments at FVTPL	8,167.6	1,746.7	50.4	9,964.7
Other securities mandatorily measured at FVTPL	2.6	51.5	22.5	76.5
Total financial assets measured at FVTPL	**11,027.0**	**2,097.1**	**305.7**	**13,429.8**
Foreign exchange derivatives	0.1	1,032.9	-	1,032.9
Interest rate derivatives	1.2	162.1	-	163.2
Precious metal derivatives	0.2	169.7	-	170.0
Equity/indices derivatives	28.4	1,156.3	-	1,184.7
Credit derivatives	-	11.3	-	11.3
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	**30.1**	**2,532.2**	**-**	**2,562.3**
Financial assets designated at fair value	**8.5**	**64.7**	**196.3**	**269.6**
Debt instruments at FVOCI	10,394.6	3,128.1	-	13,522.6
Equity instruments at FVOCI	-	1.4	272.3	273.7
Total financial assets measured at FVOCI	**10,394.6**	**3,129.4**	**272.3**	**13,796.4**
Total assets	**21,460.2**	**7,823.5**	**774.4**	**30,058.0**
Short positions – debt instruments at FVTPL	217.0	22.5	-	239.5
Short positions – equity instruments at FVTPL	626.3	30.7	-	657.0
Total financial liabilities measured at FVTPL	**843.3**	**53.2**	**-**	**896.5**
Foreign exchange derivatives	4.8	1,305.0	-	1,309.8
Interest rate derivatives	0.1	189.2	-	189.3
Precious metal derivatives	1.7	232.7	-	234.4
Equity/indices derivatives	5.7	778.0	-	783.6
Credit derivatives	-	36.6	-	36.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	**13.1**	**2,541.5**	**-**	**2,554.6**
Financial liabilities designated at fair value	**-**	**12,889.8**	**265.0**	**13,154.8**
Deferred payments related to acquisitions	**-**	**-**	**18.8**	**18.8**
Total liabilities	**856.4**	**15,484.6**	**283.8**	**16,624.7**

For financial instruments measured at FVTPL, no material shifts between the fair value levels have occurred due to COVID-19.

	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 at FVTPL	143.9	-	-	143.9
Short positions – equity instruments at FVTPL	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 acquisitions	-	-	34.8	34.8
Total liabilities	618.2	15,099.7	332.5	16,050.4

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	**31.12.2020** **Total** CHF m
Financial assets and liabilities disclosed at fair value				
Cash	14,544.4	-	-	14,544.4
Due from banks	-	7,351.3	-	7,351.3
Loans	-	47,702.9	-	47,702.9
Accrued income/other assets	-	360.8	-	360.8
Total assets	**14,544.4**	**55,415.0**	**-**	**69,959.4**
Due to banks	-	5,088.0	-	5,088.0
Due to customers	-	77,788.7	-	77,788.7
Debt issued	1,503.1	-	-	1,503.1
Accrued expenses/other liabilities	-	202.9	-	202.9
Total liabilities	**1,503.1**	**83,079.6**	**-**	**84,582.8**

	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/other liabilities	-	250.2	-	250.2
Total liabilities	1,900.7	76,366.5	-	78,267.1

NOTE 26C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN FAIR VALUE LEVEL 1 AND LEVEL 2

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Transfers from level 1 to level 2		
Financial assets measured at FVTPL	**14.1**	195.5
Financial assets measured at FVOCI	**42.4**	39.0
Financial assets designated at fair value	**5.6**	-
Financial liabilities	**0.5**	-
Transfers from level 2 to level 1		
Financial assets measured at FVTPL	**45.7**	10.6
Financial assets measured at FVOCI	**103.5**	122.7

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, (critical) credit covenants are not complied with, or any payments are 90 days past due, to name some of the criteria.

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	31.12.2020 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,876.7	-	-	**6,876.7**
R5–R6: Increased risk		473.2	-	-	**473.2**
R7–R10: Impaired		-	-	-	**-**
Total		7,349.9	-	-	**7,349.9**
Loss allowance		-0.1	-	-	**-0.1**
Carrying amount		**7,349.9**	**-**	**-**	7,349.9
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		36,382.9	30.5	-	**36,413.4**
R5–R6: Increased risk		1,761.5	213.5	-	**1,975.0**
R7–R10: Impaired		-	-	97.0	**97.0**
Total		38,144.4	244.0	97.0	**38,485.3**
Loss allowance		-1.6	-0.3	-75.2	**-77.1**
Carrying amount		**38,142.8**	**243.7**	**21.8**	38,408.3
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,361.8	335.7	-	**8,697.6**
R5–R6: Increased risk		16.2	31.1	-	**47.4**
R7–R10: Impaired		-	-	59.2	**59.2**
Total		8,378.1	366.9	59.2	**8,804.1**
Loss allowance		-1.8	-0.3	-2.7	**-4.8**
Carrying amount		**8,376.3**	**366.6**	**56.5**	8,799.3
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,522.6	-	-	**13,522.6**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**13,522.6**	**-**	**-**	13,522.6
Loss allowance		-1.8	-	-	**-1.8**

	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

The Group's credit portfolio is prudently managed using a sophisticated credit risk framework. This approach ensured quality also under the COVID-19-related market stress and did not result in material additional credit losses.

For year-end reporting purposes, management has assessed the unprecedented situation and has exercised the appropriate judgement, including considering the guidance issued by the IASB and supervisory authorities.

Considering both quantitative and qualitative indicators, the Group did not experience significant increases in credit risk; hence, no material movements in the stage allocation had to be recognised in the credit portfolio.

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the changed economic environment and the related uncertainty. As a consequence, the growth assumption (based on the gross domestic products) used in the baseline scenario has been increased again for year-end reporting; this after the Group has lowered it for the half-year reporting 2020 from a positive forecast in the year-end calculation 2019 to an assumed negative forecast for the following periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, and in line with external guidance, the models used for the ECL calculation have not been modified due to the pandemic.

Despite the COVID-19 pandemic, the ECL calculations did not reveal material additional losses to be recognised for year-end reporting 2020.

However, as the significant uncertainty regarding the development of the macroeconomic situation persists, the input factors used in the ECL models are monitored on an ongoing basis and may have to be adjusted further in the next reporting periods.

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 2020	0.1	-	-	**0.1**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New/increase financial assets	0.0	-	-	**0.0**
Financial assets that have been derecognised	-0.1	-	-	**-0.1**
Balance at 31 December 2020	**0.1**	**-**	**-**	**0.1**
Lombard loans, at amortised cost				
Balance at 1 January 2020	4.4	0.6	36.5	**41.4**
Transfer to/(from) 12-month ECL	0.2	-0.2	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	**-**
Net remeasurement of loss allowance	-22.0	0.1	47.2	**25.3**
New/increase financial assets	22.5	0.2	7.4[1]	**30.0**
Financial assets that have been derecognised	-3.4	-0.3	-8.5	**-12.2**
Write-offs	-	-	-0.9	**-0.9**
Changes in models/risk parameters	-0.1	-0.0	-0.0	**-0.1**
Foreign exchange and other movements	-0.0	-	-6.4	**-6.4**
Balance at 31 December 2020	**1.6**	**0.3**	**75.2**	**77.1**

[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 2020	2.1	0.7	2.7	**5.5**
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	-0.1	0.2	**-**
Net remeasurement of loss allowance	-0.3	0.1	2.1	**1.8**
New/increase financial assets	0.9	0.1	-	**1.0**
Financial assets that have been derecognised	-0.5	-0.5	-2.2	**-3.2**
Changes in models/risk parameters	-0.3	-0.0	-0.0	**-0.4**
Balance at 31 December 2020	**1.8**	**0.3**	**2.7**	**4.8**
Debt instruments, at FVOCI				
Balance at 1 January 2020	1.3	0.1	-	**1.3**
Net remeasurement of loss allowance	-0.2	-	-	**-0.2**
New financial assets purchased	1.3	-	-	**1.3**
Financial assets that have been derecognised	-0.5	-0.1	-	**-0.6**
Changes in models/risk parameters	-0.0	-	-	**-0.0**
Foreign exchange and other movements	-0.0	-	-	**-0.0**
Balance at 31 December 2020	**1.8**	**-**	**-**	**1.8**

	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

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	2019 Total *CHF m*
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
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

[1] Including outstanding accumulated interest

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

	31.12.2020 Gross maximum exposure *CHF m*	31.12.2019 Gross maximum exposure *CHF m*
Due from banks	**7,349.9**	7,082.5
Loans	**47,207.6**	48,427.3
Financial assets measured at FVTPL	**3,388.5**	2,407.7
Derivative financial instruments	**2,562.3**	1,630.7
Financial assets designated at fair value	**269.6**	305.0
Financial assets measured at FVOCI	**13,522.6**	12,934.2
Accrued income/other assets	**360.8**	396.5
Total[1]	**74,661.4**	73,184.0
Off-balance sheet		
Irrevocable commitments[2]	**446.2**	492.8
Total maximum exposure to credit risk	**75,107.5**	73,676.7

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.

	31.12.2020	31.12.2019
	CHF m	*CHF m*
Loan-to-Value ratio (LTV)		
Lombard loans		
Less than 50%	22,913.8	21,482.6
51–70%	10,253.2	11,739.9
71–90%	4,813.5	5,413.1
91–100%	371.8	679.2
More than 100%	34.4	88.2
Total	**38,386.5**	39,403.0
Mortgages		
Less than 50%	4,468.9	4,413.4
51–70%	3,584.8	3,808.7
71–90%	675.3	655.8
91–100%	11.9	16.6
More than 100%	1.9	-
Total	**8,742.9**	8,894.4
Credit-impaired Lombard loans		
Less than 50%	-	-
51–70%	-	-
71–100%	-	53.1
More than 100%	21.8	51.4
Total	**21.8**	104.5
Credit-impaired mortgages		
Less than 50%	-	-
51–70%	26.4	17.8
71–100%	30.1	7.5
More than 100%	-	-
Total	**56.5**	25.3

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 1,264.2 million (2019: CHF 94.2 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 334.6 million (2019: CHF 329.5 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 1,995.8 million (positive replacement values) and CHF 1,992.3 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.

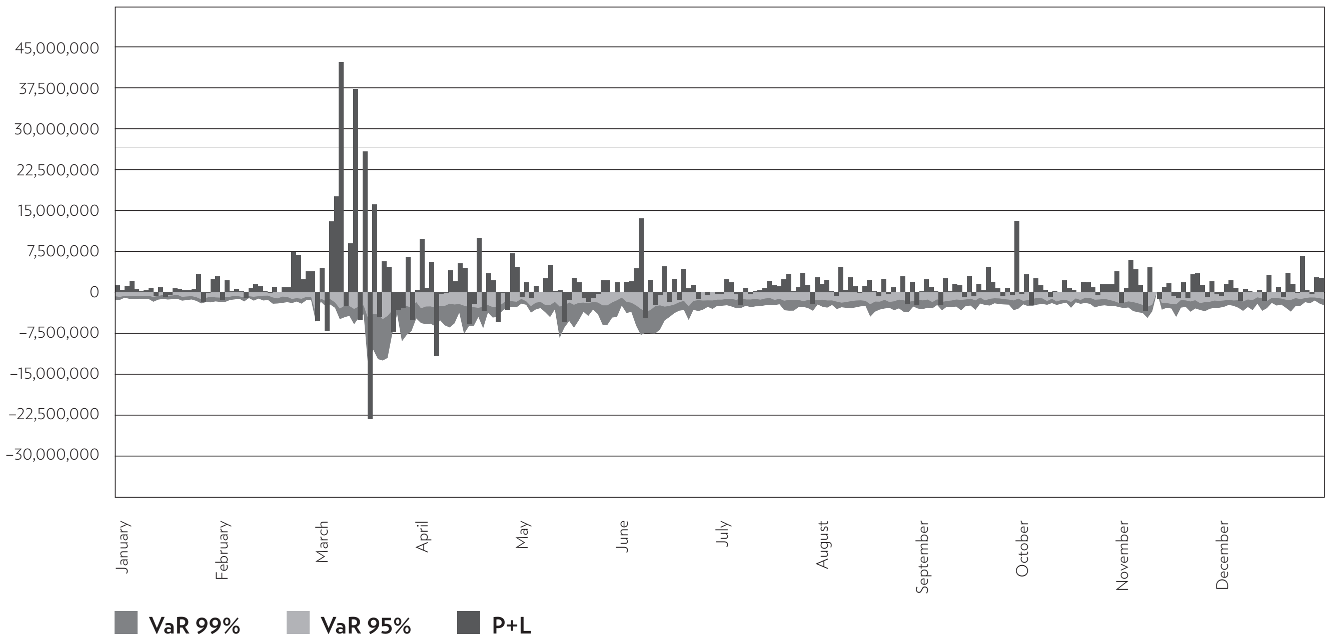
NOTE 28 MARKET RISK MEASURES

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

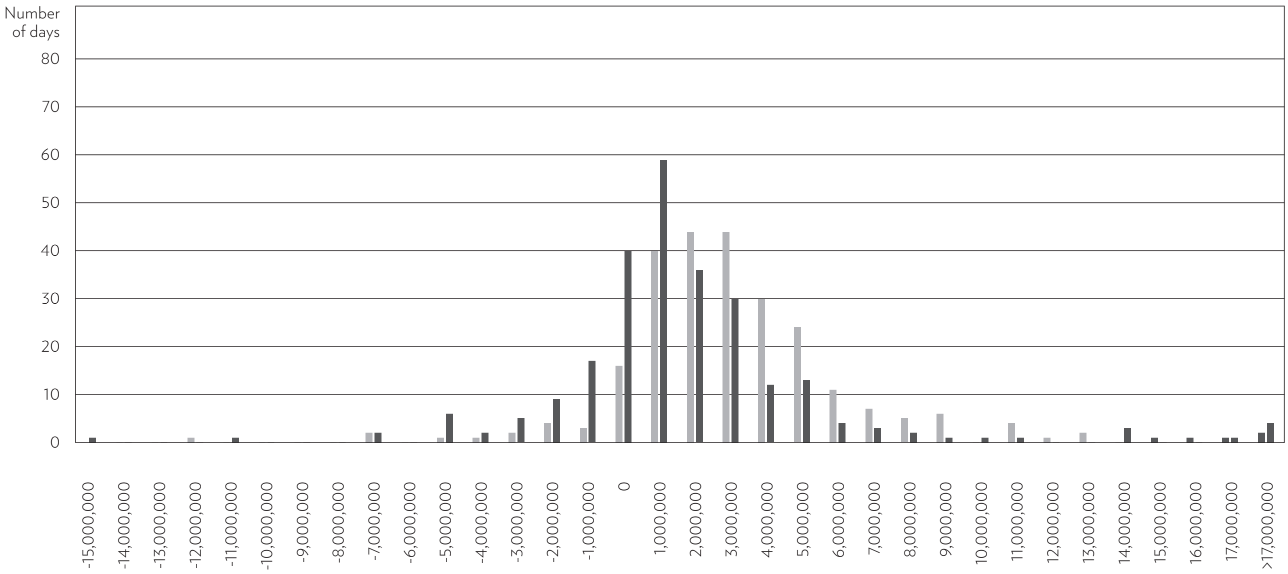
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the 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 0.94 million on 31 December 2020 and CHF 0.78 million on 31 December 2019 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2020 amounted to CHF 5.07 million; the minimum was CHF 0.51 million (CHF 4.01 million and CHF 0.65 million in 2019). 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 2020 (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 2020 (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 2020 (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 2020, the preceding 12-month period contained one back-testing exception that fell out of the observation period during the course of 2020. During the COVID-19 pandemic additional six back-testing exceptions were registered. The drivers for all six exceptions were exceptional market movements in terms of equity prices and volatilities, which were extreme compared to what the Group has experienced over the last 12 months. In November an additional exceed was recorded due to a technical issue in data delivery from a front office trading system. As of 31 December 2020, the overall number of back-testing exceptions stands therefore at seven.

According to Circular 2008/20, FINMA may disregard individual exceptions if the institution is able to prove that these exceptions are not attributable to a lack of precision of the risk aggregation model. FINMA has used this discretion according to FINMA Guidance 06/2020 so that the back-testing exceptions caused by the COVID-19 pandemic will not lead to an increase of VaR capital multipliers. As such, the VaR capital multiplier applied by the Group remained constant based on one exception for the 12-month period since 31 December 2019.

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 3.82 million on 31 December 2020 and CHF 1.10 million on 31 December 2019 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2020 amounted to CHF 6.77 million; the minimum was CHF 0.78 million (CHF 4.44 million and CHF 0.85 million in 2019). Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

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 2021).

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*	**2020** Minimum *CHF m*
Equities	**-0.1**	**-0.8**	**-3.5**	**0.0**
Interest rates	**-1.4**	**-1.0**	**-1.6**	**-0.7**
Foreign exchange/precious metals	**-0.2**	**-0.4**	**-1.5**	**0.0**
Effects of correlation	**0.7**			
Total	**-0.9**	**-1.7**	**-5.1**	**-0.5**

	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

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 2020. 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						
2020	**8.9**	**0.6**	**32.3**	**32.7**	**-36.1**	**38.4**
2019	7.3	1.7	28.2	35.7	-11.9	61.0
USD						
2020	**13.0**	**-5.3**	**4.1**	**53.1**	**8.6**	**73.5**
2019	5.2	-4.9	-2.5	55.3	0.1	53.1
EUR						
2020	**8.3**	**-8.0**	**-9.2**	**20.2**	**-28.1**	**-16.8**
2019	7.1	-7.7	-14.8	58.8	-13.2	30.1
Other						
2020	**3.0**	**-4.3**	**1.0**	**30.4**	**-0.4**	**29.8**
2019	1.1	-5.0	0.2	30.6	-0.0	26.9

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 -127.5 million at the end of 2020 (2019: CHF -100.4 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*	**31.12.2020** Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	**635.1**	**20.4**	**526.0**
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	**18.9**	**0.8**	**35.6**
Carrying amount hedged items	**654.0**	**21.2**	**561.6**
Hedging instruments – interest rate swaps			
Notional amount (overall average fixed interest rate: 1.31%)	**636.3**		
– whereof remaining maturity 1–5 years (average fixed interest rate: 1.48%)	***548.0***		
– whereof remaining maturity > 5 years (average fixed interest rate: 0.3%)	***88.4***		
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: 0.57%)			**530.0**
– whereof remaining maturity < 1 year (average fixed interest rate: -0.09%)			***120.0***
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.77%)			***410.0***
Positive replacement value	**19.7**	**-**	**-**[1]
– related notional amount	***548.0***	**-**	**-**
Negative replacement value	**-0.3**	**-0.1**	**-11.5**[1]
– related notional amount	***88.4***	***18.0***	***530.0***
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**-18.9**	**0.8**	**-0.7**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**19.4**	**-0.1**	**0.6**[1]
Amount of hedge ineffectiveness recognised in the income statement	**0.5**	**0.7**	**-0.1**
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	**-**	**-**	**36.3**

[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.

	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.

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 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:

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Hedging instruments – FX forwards		
Positive replacement values of FX forwards	**9.2**	-
Negative replacement values of FX forwards	**-**	0.6
Nominal value of FX forwards	**353.6**	96.8
Amounts recognised in OCI		
OCI on foreign currency operations	**-112.0**	-23.0
OCI on net investment hedges	**9.2**	-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	4,995.8	83.6	8.7	0.1	-	**5,088.2**
Due to customers	75,219.3	2,187.1	383.0	3.3	-	**77,792.7**
Financial liabilities measured at FVTPL	896.5	-	-	-	-	**896.5**
Derivative financial instruments	2,542.7	0.1[1]	0.2[1]	11.1[1]	0.4[1]	**2,554.6**
Financial liabilities designated at fair value	3,089.6	4,698.4	3,024.5	2,156.5	338.3	**13,307.4**
Debt issued	-	133.1	2.4	1,039.6	303.1	**1,478.2**
Accrued expenses/other liabilities	-	202.9	-	-	-	**202.9**
Deferred payments related to acquisitions	-	2.7	16.1	-	-	**18.8**
Total 31.12.2020	86,744.0	7,307.9	3,434.9	3,210.8	641.8	**101,339.4**
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/other liabilities	-	250.2	-	-	-	250.2
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
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[2]	350.2	0.3	29.7	59.1	6.8	**446.2**
Total 31.12.2020	350.2	0.3	29.7	59.1	6.8	**446.2**
Total 31.12.2019	464.3	10.3	11.8	5.9	0.5	492.8

[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 31.12.2020 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.5	11,414
Swiss securities number: 10 248 496, Ticker symbol: BAER					

Unlisted operational companies which are consolidated as at 31 December 2020

	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, Lausanne, Lucerne, Lugano, Singapore, Sion,				
St. Gallen, St. Moritz, Verbier, Zurich				
Representative Offices in Abu Dhabi, Bogotá, Istanbul, Johannesburg,				
Mexico City, Santiago de Chile, Shanghai, Tel Aviv				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*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	160.000	100

	Head Office	Currency	Share capital *m*	Equity interest *%*
Fransad Gestion SA	Geneva	CHF	1.000	100
JB Funding (Hong Kong) Limited	Hong Kong	USD	0.000	100
JB Participations Ltd.	Zurich	CHF	15.000	100
Julius Baer Brasil Consultoria de Valores Mobiliários Ltda.	São Paulo	BRL	5.242	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 Family Office Brasil Gestão de Patrimônio Ltda.	São Paulo	BRL	762.016	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	3.600	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 Investment Advisory GesmbH	Vienna	EUR	0.050	100
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (Singapore) Limited	*Singapore*	*SGD*	*2.812*	*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 (Singapore) GBP Pte. Ltd.	Singapore	GBP	6.300	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 Baer 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[1]
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				

[1] From an accounting perspective, Julius Baer Group Ltd. owns 100% of Kairos; see Note 31.

	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
Three Rock Capital Management Limited	Dublin	EUR	5.173	100
Wergen & Partner Vermögensverwaltungs Ltd	Zurich	CHF	0.100	100
LOTECO Foundation	Zurich	CHF	0.100	100

Major changes in the companies consolidated (2020):

- GPS and Reliance merged into Julius Baer Family Office Brasil Gestão de Patrimônio Ltda., São Paulo
- Three Rock Capital Management Limited, Dublin, new
- Julius Baer Bank (Bahamas) Limited, Bahamas, sold
- JBAO Brazil – Julius Baer Brasil Consultoria de Valores Mobiliários Ltda., São Paulo, new

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

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Balance at the beginning of the year	**23.3**	48.1
Additions	**-**	2.4
Disposals	**-**	-29.1
Income	**-**	1.3
Dividend paid	**-**	-0.7
Translation differences	**-2.0**	1.3
Balance at the end of the year	**21.2**	23.3

SCB-Julius Baer Securities Co., Ltd. (2018)
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 has the opportunity to increase its share to 49% step-by-step over time, with the purchase price being the equity value of the entity at the time 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.

The assets and liabilities of NSC Asesores have been recorded as follows (unchanged since 2019):

	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

Julius Baer Bank (Bahamas) Ltd. (2020)
At the beginning of February 2020, the Group announced its decision to close its Nassau booking centre as part of the Group's efficiency and productivity programme. Following this announcement, the Group received purchase offers for its Bahamas operations and reached an agreement with Ansbacher (Bahamas) Limited on 30 April 2020.

In the second half of 2020, the transaction with Ansbacher to acquire Julius Baer Bank (Bahamas) Ltd. was closed. The transaction price was based on the assets under management; no material gain or loss resulted from the transaction.

Kairos (2020)
In October 2020, the Group announced that a select number of key managers of Kairos acquired a minority interest in Kairos, with Julius Baer retaining a majority of the legal ownership in Kairos. The transaction has been executed on 1 December 2020. At the same time, the managers entered into put contracts to redeem their shares under certain conditions. According to the relevant IFRS accounting rules, and contrary to the legal view, the managers' shares do not qualify for treatment of non-controlling interests due to the put option structure. Therefore, the Group continues to fully consolidate Kairos without attributing equity or net profit to non-controlling interests. The anticipated cost for the exercise of the put option are recognised as personnel expense up to the assumed exercise date of the put option.

NOTE 32 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2020. 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 some of its liabilities from share-based payments by purchasing the shares on the market on grant date through the LOTECO 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 risk takers of the Group 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 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 individual contribution in the reporting period. All members of the Executive Board, key employees and employees defined as risk takers of the Group by virtue of their function within the organisation are considered for the EPP based on their specific role. An EPP grant is made once a year and is determined in reference to the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

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 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 generally 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.

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:

	31.12.2020 Number of units Economic Profit	31.12.2020 Number of units Total Shareholder Return	31.12.2019 Number of units Economic Profit	31.12.2019 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**1,009,810**	**1,009,810**	786,386	786,386
Granted during the year	**343,938**	**343,938**	519,340	519,340
Exercised during the year	**-252,482**	**-252,482**	-235,815	-235,815
Forfeited during the year	**-11,458**	**-11,458**	-60,101	-60,101
Unvested units outstanding, at the end of the year	**1,089,808**	**1,089,808**	1,009,810	1,009,810

	31.12.2020	31.12.2019
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**1,307,722**	1,237,096
Granted during the year	**637,193**	742,863
Vested during the year	**-555,302**	-590,688
Forfeited during the year	**-45,416**	-81,549
Unvested shares outstanding, at the end of the year	**1,344,197**	1,307,722
Weighted average fair value per share granted (CHF)	**49.19**	40.58
Fair value of outstanding shares at the end of the year (CHF 1,000)	**68,554**	65,295

Long-Term Incentive Plan	31.12.2020	31.12.2019
Unvested shares outstanding, at the beginning of the year	**764,194**	564,521
Granted during the year	**384,064**	553,557
Vested during the year	**-228,612**	-304,190
Forfeited during the year	**-44,742**	-49,694
Unvested shares outstanding, at the end of the year	**874,904**	764,194
Weighted average fair value per share granted (CHF)	**45.74**	43.36
Fair value of outstanding shares at the end of the year (CHF 1,000)	**44,620**	38,156

Staff Participation Plan	31.12.2020	31.12.2019
Unvested shares outstanding, at the beginning of the year	**119,381**	114,602
Granted during the year	**74,583**	52,572
Vested during the year	**-41,843**	-43,061
Forfeited during the year	**-2,040**	-4,732
Unvested shares outstanding, at the end of the year	**150,081**	119,381
Weighted average fair value per share granted (CHF)	**34.32**	42.65
Fair value of outstanding shares at the end of the year (CHF 1,000)	**7,654**	5,961

Compensation expense recognised for the various participation plans are:

Compensation expense	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Equity Performance Plan	**25.0**	32.4
Premium Share Plan	**29.1**	28.5
Long-Term Incentive Plan	**15.3**	16.2
Staff Participation Plan	**2.2**	2.0
Total	**71.6**	79.1

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

	2020 *CHF m*	2019 *CHF m*	Change *%*
Assets with discretionary mandate	**68,493**	66,128	3.6
Other assets under management	**363,611**	356,260	2.1
Assets in collective investment schemes managed by the Group[1]	**1,568**	3,672	-57.3
Total assets under management (including double counting)	**433,672**	426,060	1.8
of which double counting	***15,596***	*10,963*	*42.3*
Change through net new money	**15,060**	10,598	
Change through market and currency impacts	**-5,312**	38,784	
Change through acquisition	**-**	3,015[2]	
Change through divestment	**-2,126**[3]	-4,713[3]	
Change through other effects	**-10**[4]	-3,698[4]	
Client assets	**505,496**	499,047	1.3

[1] Collective investment schemes are related to Julius Baer Family Office Brasil Gestão de Patrimônio Ltda. (former 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] 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. (2019) and Julius Baer Bank (Bahamas) Limited (2020).
[4] 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

	2020 %	2019 %
By types of investment		
Equities	**30**	28
Bonds (including convertible bonds)	**17**	19
Investment funds	**27**	26
Money market instruments	**2**	4
Client deposits	**18**	17
Structured products	**5**	5
Other	**1**	1
Total	**100**	100

By currencies		
CHF	**9**	10
EUR	**19**	20
USD	**48**	47
GBP	**4**	4
SGD	**1**	2
HKD	**4**	3
INR	**4**	3
BRL	**2**	2
Other	**9**	9
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 Obligations, on Swiss Banking Law and the Ordinance thereto, on the FINMA Accounting Ordinance (RelV-FINMA) and the Guidelines of the FINMA Circular 2020/1 'Accounting Banks'.

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

Under IFRS, 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 2020 financial year.

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

KPMG

Statutory Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Julius Baer Group Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 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 96 to 218) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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 2020, the Group recognises goodwill of CHF 1,793.4m arising from a number of 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 refer to note 12 to the consolidated financial statements on pages 148 to 150.

LITIGATION AND REGULATORY PROCEEDINGS

Key Audit Matter

As at 31 December 2020, the Group recognizes provisions for legal risks of CHF 111.4m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

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

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of legal and regulatory matters requires significant judgment.

Our response

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

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

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Group's internal and external legal counsels. We also critically 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 refer to note 17 to the consolidated financial statements on pages 157 to 161.

VALUATION OF FINANCIAL INSTRUMENTS

Key Audit Matter	Our response
As at 31 December 2020, the Group reports financial assets of CHF 30,058.0m m and financial liabilities of CHF 16,605.9m measured at fair value representing 27.5% and 15.2% of total assets and total liabilities and equity 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 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 valuation of financial instruments refer to notes 26B and 26C to the consolidated financial statements on pages 177 to 182.

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IMPAIRMENT OF LOANS

Key Audit Matter

As at 31 December 2020, the Group reports loans of CHF 47,207.6m representing 43.3% of total assets and records a credit loss allowance of CHF 81.9m.

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 refer to note 27A to the consolidated financial statements on pages 183 to 191.

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 Swiss 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.

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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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Mirko Liberto Licensed Audit Expert Auditor in Charge	Corina Wipfler Licensed Audit Expert

Zurich, 29 January 2021

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IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2020

INCOME STATEMENT

	2020 *CHF m*	2019 *CHF m*
Interest income	**62.3**	78.5
Interest expense	**43.0**	51.6
Result from interest	**19.3**	26.9
Income from participations	**536.2**	410.8
Revaluation of participations	**40.0**	23.7
Depreciation of participations	**303.6**	119.1
Result from participations	**272.7**	315.5
Other ordinary income	**137.5**	110.3
Other ordinary expense	**104.6**	43.2
Operating income	**324.8**	409.4
Personnel expenses	**21.0**	15.8
General expenses	**26.4**	22.4
Operating expenses	**47.4**	38.2
Gross profit	**277.4**	371.2
Extraordinary income	**0.0**	1.0
Taxes	**-2.6**	-6.5
Net profit	**280.1**	378.7

BALANCE SHEET

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Assets		
Due from banks	**1,644.0**	1,946.7
Other assets	**57.2**	84.2
Accrued income and prepaid expenses	**493.2**	425.7
Total current assets	**2,194.4**	2,456.6
Other financial investments	**1,797.3**	1,640.6
Participations	**4,324.1**	4,542.8
Total non-current assets	**6,121.4**	6,183.3
Total assets	**8,315.8**	8,639.9
of which due from Group companies	***3,456.5***	*3,633.2*

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Liabilities and equity		
Interest-bearing liabilities	**1,407.8**	1,399.3
Other liabilities	**2.9**	10.5
Accrued expenses and deferred income	**20.1**	35.1
Total short-term liabilities	**1,430.8**	1,444.9
Interest-bearing liabilities	**1,330.0**	1,100.0
Debt issued	**1,341.9**	1,748.5
Other liabilities	**3.3**	8.0
Total long-term liabilities	**2,675.2**	2,856.5
Total liabilities	**4,106.1**	4,301.4
Share capital	**4.5**	4.5
Statutory capital reserve	**768.3**	934.2
of which tax-exempt capital contribution reserve other	***663.1***[1]	*829.0*
of which tax-exempt capital contribution reserve foreign	***105.3***	*105.3*
Statutory retained earnings reserve	**343.1**	336.3
of which reserve for treasury shares	***342.2***	*335.4*
Voluntary retained earnings reserve	**2,921.1**	2,720.8
Treasury shares designated for redemption	**-113.2**	-36.1
of which treasury shares against capital contribution reserve other	***-38.5***[2]	-
of which treasury shares against voluntary retained earnings reserve	***-74.7***	-
Profit carried forward	**5.9**	0.1
Net profit	**280.1**	378.7
Total equity	**4,209.7**	4,338.6
Total liabilities and equity	**8,315.8**	8,639.9
of which due to Group companies	***2,737.8***	*2,499.3*

[1] The written confirmation of the corresponding declaration filed by the Group is still pending with the Swiss Federal Tax Administration.
The actual amount of tax-exempt capital contribution reserve other is determined by deducting the respective negative reserve as of footnote 2.

[2] Amount of tax-exempt capital contribution reserve other not recognised anymore by the Swiss Federal Tax Administration.

NOTES

	31.12.2020 CHF m	31.12.2019 CHF m
Contingent liabilities		
Surety and guarantee obligations and assets pledged in favour of third parties	**1,572.0**	2,116.1

BASIS OF ACCOUNTING

The stand-alone financial statements of Julius Baer Group Ltd. are prepared in accordance with the guidelines of the Swiss Code of Obligations.

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 2,585,000 treasury shares in 2020 (2019: 755,000) with an overall average purchase price of CHF 43.80 (2020: CHF 42.14, 2019: CHF 47.80), lowest purchase price was CHF 25.83 (2019: CHF 46.07) and highest purchase price was CHF 51.73 (2019: CHF 50.79), different Group entities held 6,192,089 treasury shares in 2020 (2019: 6,125,662).

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

	2020 CHF m	2019 CHF m
Fees paid to auditor		
Audit services	**1.2**	1.1
Other services	**0.2**	0.1
Total	**1.4**	1.2

SHARE-BASED PAYMENTS

	2020 Number Equity securities	**2020** Value Equity securities CHF m	2019 Number Equity securities	2019 Value Equity securities CHF m
Equity plans				
Total granted during the year	**48,402**	**1.7**	34,833	1.7
of which members of executive bodies	***47,047***	***1.7***	*33,880*	*1.7*
of which employees	***1,355***	***0.1***	*953*	*0.0*

	2020 Number Units	**2020** Value Units CHF m	2019 Number Units	2019 Value Units CHF m
Plans based on units				
Total granted during the year	**84,304**	**3.5**	73,045	2.5
of which members of executive bodies	***57,546***	***2.4***	*57,591*	*2.0*
of which employees	***26,758***	***1.1***	*15,454*	*0.5*

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 2020 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 2020[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
Wellington Management Group LLP[5]	5.00%	
BlackRock, Inc.[6]	4.80%	0.03%
T. Rowe Price Associates Inc.[7]	3.18%	
Government of Singapore[8]	3.09%	
UBS Fund Management (Switzerland) AG[9]	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 the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.ser-ag.com in the section Fundamentals > Notices Market Participants > Significant Shareholders, Issuer Julius Bär Gruppe AG.

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

[5] Wellington Management Group LLP, Boston/USA (reported on 30 November 2020)

[6] BlackRock, Inc., New York/USA (reported on 23 October 2020)

[7] T. Rowe Price Associates Inc., Baltimore/USA (reported on 24 June 2020)

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

[9] 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)	**2020**	**12,100**
	2019	-
Gilbert Achermann	**2020**	**18,971**
	2019	16,551
Heinrich Baumann	**2020**	**14,698**
	2019	22,278
Richard M. Campbell-Breeden	**2020**	**9,658**
	2019	5,238
Paul Man Yiu Chow (left the Board in 2020)	**2020**	**n.a.**
	2019	9,836
Ivo Furrer	**2020**	**8,867**
	2019	6,447
Claire Giraut	**2020**	**28,261**
	2019	25,841
Kathryn Shih (joined the Board on 1 September 2020)	**2020**	**-**
	2019	n.a.
Charles G. T. Stonehill	**2020**	**18,631**
	2019	21,211
Eunice Zehnder-Lai (joined the Board in 2019)	**2020**	**2,420**
	2019	-
Olga Zoutendijk (joined the Board in 2019)	**2020**	**2,420**
	2019	-
Total	**2020**	**116,026**
Total	2019	107,402

[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 2020 and 2019.

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 2017 or earlier (i.e. all Board members except for Romeo Lacher [Chairman], Richard M. Campbell-Breeden, Kathryn Shih, Eunice Zehnder-Lai and Olga Zoutendijk) were required to reach the targeted number of shares by year-end 2020. Richard M. Campbell-Breeden is required to reach the targeted number of shares by year-end 2021. Romeo Lacher (Chairman), Eunice Zehnder-Lai and Olga Zoutendijk are required to reach the targeted number of shares by year-end 2022. Kathryn Shih is required to reach the targeted number of shares by year-end 2023.

Shareholdings of the members of the Executive Board[1]		Number of shares
Philipp Rickenbacher, Chief Executive Officer (since 1 September 2019)	**2020**	**38,419**
	2019	22,753
Dieter A. Enkelmann, Chief Financial Officer	**2020**	**84,615**
	2019	103,273
Larissa Alghisi Rubner, Chief Communications Officer (left the Executive Board end of 2019)	**2020**	**n.a.**
	2019	1,215
Oliver Bartholet, Chief Risk Officer	**2020**	**29,220**
	2019	14,610
Nic Dreckmann, Chief Operating Officer & Head Intermediaries	**2020**	**30,049**
	2019	30,001
Christoph Hiestand, General Counsel (left the Executive Board end of 2019)	**2020**	**n.a.**
	2019	29,107
Yves Bonzon, Co-Head IWMS and CIO (joined the Executive Board on 1 January 2020)	**2020**	**40,250**
	2019	n.a.
Jimmy Lee Kong Eng, Region Head Asia Pacific (joined the Executive Board on 1 January 2020)	**2020**	**38,799**
	2019	n.a.
Yves Robert-Charrue, Region Head Switzerland and EMEA (joined the Executive Board on 1 January 2020)	**2020**	**119,324**
	2019	n.a.
Beatriz Sanchez, Region Head Americas (joined the Executive Board on 1 January 2020)	**2020**	**3,376**
	2019	n.a.
Nicolas de Skowronski, Co-Head IWMS (joined the Executive Board on 1 January 2020)	**2020**	**10,064**
	2019	n.a.
Total	**2020**	**394,116**
Total	2019	200,959

[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 2020 and 2019.

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 14 APRIL 2021

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2020 financial year of CHF 285,977,086, consisting of net profit for the financial year in the amount of CHF 280,085,626, plus CHF 5,891,460 of profit carried forward, be distributed as follows:

- Allocation to voluntary retained earnings reserve: CHF 140,000,000
- Profit carried forward: CHF 2,739,039

- Dividend of CHF 1.75 per share at CHF 0.02 par value
- Total dividends on the 223,809,448 shares entitled to dividends: CHF 391,666,534
  Julius Baer Group Ltd. held 2,585,000 treasury shares at 31 December 2020. This number will increase in 2021 due to the share buy-back programme. No dividend will be paid for those shares.
  Total distribution, charged to retained earnings (CHF 143,238,047) and statutory capital reserve (CHF 105,190,441 from tax-exempt capital contribution reserve foreign and CHF 143,238,047 from tax-exempt capital contribution reserve other).

DIVIDENDS

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
Dividend per share (from tax-exempt capital contribution reserve foreign)	0.47	-	0.47
Dividend per share (from tax-exempt capital contribution reserve other)	0.64	-	0.64
Dividend per share	0.64	0.22	0.42

The dividends will be paid from 20 April 2021.

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

KPMG

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 2020, 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 226 to 234) for the year ended 31 December 2020 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.

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

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VALUATION OF PARTICIPATIONS

Key Audit Matter

As at 31 December 2020, the Company reports participations of CHF 4,324.1m. 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 response

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 participation refer to the notes to the financial statements on page 228.

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 scepticism 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 contro.

KPMG

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

M. Liberto C. Wipfler

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

Corina Wipfler
Licensed Audit Expert

Zurich, 29 January 2021

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