Julius Bär

BUSINESS REVIEW FIRST HALF 2022

JULIUS BAER GROUP

ABOUT JULIUS BAER

Julius Baer is the leading Swiss wealth management group. We focus on providing personal advice to private clients around the world, powered by high-end services and expertise. As pioneers, we actively embrace change to remain at the forefront of our industry – as we have done since 1890. In all we do, we are inspired by our purpose: creating value beyond wealth.

We manage our company for the long term and with an exclusive strategic focus on wealth management.

Our strategy is driven by the desire to achieve unparalleled client satisfaction, to further strengthen the reputation and standing of our Group and to realise sustainable, profitable growth (see also page 25 f.).

We help our clients to achieve their financial aspirations through holistic solutions that take into account what truly matters to them – in their business and personal life, today and for future generations.

With around 6,800 employees, we stand for:

SOLID FOUNDATIONS

PURE WEALTH MANAGEMENT

PERSONAL CONNECTIONS

INTERNATIONAL NETWORK

CONTENTS

Cover picture:
Singapore's long and complex history is often overlooked in view of the country's seemingly small size, but wrongly so. Long before the arrival of the first white settlers, the island thrived with ethnic and cultural diversity, channelled ashore via the Maritime Silk Road. The flourishing hybrid society excelled in many crafts, such as fashioning gold items, glass ornaments and intriguing pottery. Today, this centuries-old legacy of integration is viewed as the driving force behind Singapore's success as a major financial, maritime shipping and aviation hub, making it an economic powerhouse with a reach far beyond its borders. From humble beginnings in 2005, Julius Baer's operations in Singapore have grown from its first office in Asia to the Group's second largest location by employees. The country hosts one of our two booking centres sited in Asia, an important region now firmly established as our second home market (see page 18 f).

KEY FIGURES JULIUS BAER GROUP[1]

	H1 2022 *CHF m*	H1 2021 *CHF m*	H2 2021 *CHF m*	Change *to H1 2021 in %*
Consolidated income statement				
Operating income	1,865.0	1,992.9	1,864.9	-6.4
Adjusted operating expenses	1,323.0	1,250.8	1,278.1	5.8
Adjusted profit before taxes	542.0	742.2	586.8	-27.0
Adjusted net profit for the Group	476.3	636.3	507.5	-25.1
IFRS net profit for the Group	450.3	606.0	476.7	-25.7
Adjusted cost/income ratio	67.0%	61.2%	66.6%	-
Adjusted pre-tax margin (basis points)	23.7	32.3	24.3	-

	30.06.2022	30.06.2021	31.12.2021	Change *to 31.12.2021 in %*
Assets under management (CHF bn)				
Assets under management	427.9	485.9	481.7	-11.2
Net new money (in period)	-1.1	9.9	9.7	-
Consolidated balance sheet (CHF m)				
Total assets	115,835.2	113,578.3	116,305.8	-0.4
Total equity	6,087.7	6,725.6	6,743.3	-9.7
BIS total capital ratio	23.4%	22.8%	24.0%	-
BIS CET1 capital ratio	15.0%	16.7%	16.4%	-
Return on tangible equity (RoTE) annualised, adjusted (in period)	25%	32%	25%	
Return on common equity Tier 1 capital (RoCET1), adjusted (in period)	30%	38%	29%	
Personnel (FTE)				
Number of employees	6,798	6,667	6,727	1.1
Number of relationship managers	1,203	1,341	1,274	-5.5
Capital structure				
Number of shares issued	213,801,240	223,809,448	221,224,448	-
Market capitalisation (CHF m)	9,416	13,514	13,535	-30.4
Moody's rating Bank Julius Baer & Co. Ltd.				
Long-term deposit rating	Aa3	Aa3	Aa3	-
Short-term deposit rating	Prime-1	Prime-1	Prime-1	-

[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.

FOREWORD

Dear Reader

Russia's invasion of Ukraine was the dominating factor in the first half of this year – an unprovoked act of aggression thought impossible in today's Europe. The resulting geopolitical shake-up aggravated the pandemic-induced disruptions in resource availability and supply chains, pushed up energy and material prices, increased inflation and dampened economic growth prospects to the point of stagflation. Rising yields alongside monetary tightening by major central banks weighed on both fixed-income and risk assets, resulting in one of the worst six-month periods for capital markets.

In light of these extraordinary circumstances, Julius Baer's business model proved strong and resilient. Our risk management framework successfully mitigated market- and sanctions-induced risks and protected our capital base. We remained connected with our clients, helped them to put developments into perspective and provided advice and solutions. Clients adjusted their risk appetite and in many instances reduced their credit positions and stock market exposures. While this impacted net new money inflows, our overarching goal was to work with our clients to adjust to the new environment in order to preserve value and prevent losses.

At the same time, we continued to execute the final leg of the 2020–2022 strategic programme, working on reaching the targets we set to achieve by the end of this year (see page 25 f). Building on this strong foundation, we defined the priorities for the next three-year strategic cycle starting in 2023[1]: focus, scale and innovate. We will continue to *focus* on creating value for our clients through our pure wealth management business model while keeping our aim on generating sustainable profit growth. *Scale* is about driving the next phase of growth and development of our Group, by achieving or building on critical mass in key geographies. And *innovate* will ensure that we will remain relevant by driving the digitalisation of our business while continuing to push out the boundaries of wealth management. These priorities find their equivalent in the ambitious financial targets we set for the end of 2025. Underpinned by an engagement-led sustainability strategy and strong risk management, our next strategic cycle should create further value for all our stakeholders.

Along with our strategic priorities, we also updated our capital distribution policy by formalising the way we will return excess capital to shareholders via share buy-backs from 2023, introducing a BIS CET1 capital ratio floor of 14% as year-end hurdle rate. This complements the enhanced progressive dividend policy, including an increased payout ratio of at least 50% of adjusted[2] net profit, introduced at the beginning of the year. The cumulative effect that the execution of our distribution policy and market developments had on our capital base was largely balanced by the Group's continued strong capital

[1] See details at www.juliusbaer.com/strategy-update-2023-2025

[2] Cf. footnote 1 to the table on page 5

generation. At the end of June 2022, the BIS CET1 capital ratio stood at 15.0% and the BIS total capital ratio at 23.4%, well above our own floors and significantly in excess of regulatory minimums.

The launch of our new climate strategy at the end of 2021 (see page 13) is a testament to our intention to look beyond the boundaries of our core business of wealth management. In driving our diversity and inclusion agenda, we received the LGBTI Label in Switzerland earlier this year, underlining our constant efforts to make Julius Baer an equitable and inclusive place to work.

Shaping the future with foresight is central to our purpose of creating value beyond wealth. We realise the limitations of our influence and we therefore engage in a collective effort with our clients, sharing knowledge and experience in dedicated client communities, such as our recently inaugurated Sustainability Circle, and teaming up with them to co-create solutions that matter.

The transformational journey over the past two and a half years has strengthened Julius Baer's standing as the leading pure wealth management group. We have solidified our resilience to weather demanding market environments such as the present and at the same time are in a strong position to initiate the next leap in the advancement of our Group. To reach our ambitious targets, current and prospective, we are grateful that we can count on a dedicated and resourceful workforce, loyal clients and supportive share- and bondholders. We thank all our stakeholder groups for their continued trust and support.

Romeo Lacher
Chairman

Philipp Rickenbacher
Chief Executive Officer

FINANCIAL PERFORMANCE IN FIRST HALF 2022

The negative capital markets environment significantly impacted assets under management and client behaviour. As a result, operating income declined, despite the benefit of higher net interest income. While cost discipline remained strong, operating expenses were impacted by the settlement of a legacy legal claim.

Dieter A. Enkelmann, Chief Financial Officer

Evangelia Kostakis, Chief Financial Officer as of 1 July 2022

This Business Review and other communications to investors contain certain financial measures of historical and future performance and financial position that are not defined or specified by IFRS. Management believes that these alternative performance measures (APM), including adjusting the results consistently for items related to M&A activities, provide useful information regarding the Group's financial and operating performance. These APM should be regarded as complementary information to, and not as a substitute for, the IFRS performance measures. The definitions of APM used in this Business Review and other communications to investors, together with reconciliations to the most directly reconcilable IFRS line items, are provided in the Alternative Performance Measures document available at www.juliusbaer.com/APM.

In the first half of 2022, *assets under management* (AuM) declined by CHF 54 billion (11%) to CHF 428 billion. This decrease was driven by the significant corrections in global equity and bond markets, in one of the worst six-month periods for capital markets in decades. This negative development was only partly tempered by a small net positive currency impact resulting mainly from a strengthening of the US dollar against the Swiss franc, the benefit of which more than offset the negative currency effect of a weaker euro and British pound.

AuM related to corporate divestments represented CHF 6 billion, primarily the result of the completion of the divestments of Wergen & Partner Wealth Management Ltd. (Wergen), announced in January 2022, and Fransad Gestion SA (Fransad), announced in June 2022, as well as the deconsolidation of NSC Asesores, S.A. de C.V., Asesor en Inversiones Independiente (NSC), following the reduction of Julius Baer's participation from 70% to 19.9%, announced in February 2022.

Including assets under custody (AuC) of CHF 68 billion, total client assets declined by 12% to CHF 496 billion.

Net new money of CHF 1.5 billion since the end of April partly compensated for the CHF 2.7 billion net outflows recorded in the first four months of 2022 (as reported in the Interim Management Statement for the first four months of 2022). As a result, the Group recorded CHF 1.1 billion of net outflows in the first six months of 2022 (H1 2021: net inflows of CHF 10 billion). Clients domiciled in Western Europe, especially in Germany, Luxembourg, and the UK, continued to contribute meaningfully to inflows throughout the period, and net new money from clients domiciled in the Middle East turned positive after

ADJUSTED CONSOLIDATED INCOME STATEMENT[1]

	H1 2022 *CHF m*	H1 2021 *CHF m*	H2 2021 *CHF m*	Change *to H1 2021 in %*
Net interest income	341.7	308.4	318.7	10.8
Net commission and fee income	1,044.9	1,154.7	1,141.2	-9.5
Net income from financial instruments measured at FVTPL[2]	474.2	502.5	381.8	-5.6
Net credit losses/(recoveries) on financial assets	7.4	1.0	0.8	-
Other ordinary results	11.5	28.4	24.0	-59.5
Operating income	**1,865.0**	1,992.9	1,864.9	-6.4
Adjusted personnel expenses	841.6	848.7	808.8	-0.8
Adjusted general expenses	386.5	312.1	361.5	23.9
Adjusted depreciation and amortisation	94.9	90.0	107.8	5.4
Adjusted operating expenses	**1,323.0**	1,250.8	1,278.1	5.8
Adjusted profit before taxes	**542.0**	742.2	586.8	-27.0
Adjusted income taxes	65.7	105.8	79.2	-38.0
Adjusted net profit for the Group	**476.3**	636.3	507.5	-25.1
IFRS net profit for the Group	**450.3**	606.0	476.7	-25.7
Adjusted net profit attributable to:				
Shareholders of Julius Baer Group Ltd.	476.5	635.8	506.5	-25.0
Non-controlling interests	-0.2	0.6	1.0	-128.9
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	2.27	2.95	2.38	-23.0
Key performance ratios				
Adjusted cost/income ratio	67.0%	61.2%	66.6%	-
Gross margin (basis points)	81.4	86.7	77.3	-
Adjusted pre-tax margin (basis points)	23.7	32.3	24.3	-
Adjusted tax rate	12.1%	14.3%	13.5%	-

[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] FVTPL indicates fair value through profit or loss.

April. Earlier in the half-year period, a number of mainly Asian-domiciled clients started reacting to the environment of increased uncertainty by de-risking their investment portfolios and reducing leverage. The impact on net new money from this deleveraging peaked in March 2022, after which it diminished significantly. Based on the outlook at this time, net new money is currently expected to normalise further in the second half of the year.

Since Russia's invasion of Ukraine, Julius Baer has applied all relevant national and international sanctions and has not onboarded new clients with Russian residence. The Group has credit exposure to a single-digit number of clients subject to these sanctions. The exposure is in the form of mortgage loans at conservative lending values against residential properties in prime locations in Western Europe, as well as a marginal Lombard credit exposure fully covered by pledged liquid assets collateral. To date, Julius Baer has not recorded any credit losses directly related to the Russia/Ukraine situation.

Julius Baer's market risk exposure to Russia is not significant and is tightly managed. Julius Baer has initiated the wind-down of its advisory subsidiary in Moscow, in compliance with local regulations and contractual agreements. The net asset value of this entity on 30 June 2022 was CHF 1.2 million.

In the first six months of 2022, CHF 0.9 billion of AuM were reclassified to AuC following the asset freezes resulting from sanctions imposed on clients in connection with Russia's invasion of Ukraine.

At the end of June 2022, approximately 1.6% of Julius Baer's AuM were related to Russian persons neither entitled to residency in the European Economic Area nor in Switzerland. Under sanctions imposed by the European Union and Switzerland, the acceptance of deposits in excess of EUR 100,000 from such clients is prohibited.

Operating income decreased by 6% to CHF 1,865 million. The development of operating income benefitted from higher net interest income, increased advisory and management fees, and lower commission expenses. However, this benefit was more than outweighed by the combined impact of a decline in brokerage commissions, lower net income from financial instruments measured at FVTPL[1], a decrease in other ordinary results, and a small increase in net credit losses on financial assets. Towards the end of the period, the revenue support from rising US interest rates was more than offset by the effect on transaction- and trading-driven operating income from a more pronounced slowdown in client activity compared to the start of the period. As monthly average AuM were virtually unchanged year on year, the gross margin declined to 81 basis points (bp) (H1 2021: 87 bp).

Net interest income increased by 11% to CHF 342 million, reflecting the initial benefits of the first rises in US interest rates. Despite a slight decrease in average loan balances, interest income on loans grew by 18% to CHF 342 million. Higher interest rates also benefitted income from the treasury portfolio: the sum total of interest income on debt

BREAKDOWN OF ASSETS UNDER MANAGEMENT BY CURRENCY

	30.06.2022	30.06.2021	31.12.2021
USD	49%	49%	49%
EUR	18%	19%	19%
CHF	10%	9%	10%
GBP	4%	4%	4%
INR	4%	4%	4%
HKD	3%	4%	3%
SGD	2%	1%	1%
BRL	2%	2%	1%
Other	8%	8%	9%

[1] Fair value through profit or loss
[2] Fair value through other comprehensive income

ASSETS UNDER MANAGEMENT

	30.06.2022 CHF bn	30.06.2021 CHF bn	31.12.2021 CHF bn	Change to 31.12.2021 in %
Assets under management	427.9	485.9	481.7	-11.2
Change through net new money	*-1.1*	*9.9*	*9.7*	-
Change through market and currency impacts	*-45.7*	*42.5*	*-13.1*	-
Change through divestment[1]	*-6.2*	*-0.2*	*-0.8*	-
Change through other effects[2]	*-0.9*	-	-	-
Average assets under management (in period)	458.3	459.8	482.6	-5.0

[1] Assets under management were impacted by the Group's decision to discontinue its offering to clients from a number of selected countries as well as by the completed sale of Wergen & Partner Vermögensverwaltungs AG and Fransad Gestion SA, and the partial sale and deconsolidation of NSC Asesores, S.C., Asesor en Inversiones Independiente (all 2022).

[2] Includes assets which have been reclassified into assets under custody pertaining to sanctioned Russian clients.

instruments at FVOCI[2] and interest income on debt instruments at amortised cost rose by 39% to CHF 79 million. At the same time, due to an increase in average cash balances deposited with the Swiss National Bank, negative interest paid on financial assets went up by 98% to CHF 44 million. Interest expense on amounts due to customers rose by CHF 12 million to CHF 16 million, while income from negative interest received on financial liabilities remained at CHF 20 million.

Net commission and fee income fell by 10% to CHF 1,045 million, as a rise in recurring income was more than offset by a decline in client activity-driven income. Recurring income increased, as advisory and management fees rose by 1% to CHF 789 million and commission and fee income on other services by 4% to CHF 40 million. Lower client transaction-driven income was reflected in a 29% decline in brokerage commissions to CHF 335 million, the impact of which was partly offset by a 14% decline in commission expense to CHF 118 million.

Net income from financial instruments measured at FVTPL declined to CHF 474 million, a decrease of 6% from the very strong first half of 2021. The benefit from a rise in treasury swap income was more than offset by a decline in structured products-related income.

Other ordinary results decreased by CHF 17 million to CHF 12 million.

Despite the sharp deterioration in global markets in the first half of 2022, the development in operating income was only minimally affected by credit provisions of CHF 7 million booked as *net credit losses on financial assets* (H1 2021: CHF 1 million), reflecting the Group's careful management of credit risks and the high quality of its exposure.

Operating expenses according to IFRS rose by 5% to CHF 1,352 million. *Personnel* expenses decreased by 1% to CHF 842 million, *general expenses* increased by 23% to CHF 391 million (impacted by a rise in provisions and losses) and *amortisation and impairment of intangible assets* rose by 21% to CHF 50 million. *Depreciation of property and equipment* declined by 8% to CHF 45 million and *amortisation and impairment of customer relationships* by 16% to CHF 24 million.

Operating expenses were impacted by a significant increase in provisions and losses following the settlement of a legacy litigation case, as previously announced: on 30 June 2022, Bank Julius Baer & Co. Ltd. resolved a claim by the liquidator of a Lithuanian corporation filed with the first instance court in Geneva in 2019, related to matters dating back more than ten years. The claim was for a total amount in dispute of EUR 335 million plus 5% interest per annum since December 2011. Approximately half of the settlement of EUR 105 million was covered by provisions in place prior to 2022.

The balance of CHF 55 million was charged against the 2022 half-year financial results, under provisions and losses (in general expenses).

As in previous years, in the analysis and discussion of the results in the Business Review, *adjusted operating expenses* exclude M&A-related expenses (CHF 29 million in H1 2022 and CHF 35 million in H1 2021). M&A-related amortisation and impairment of customer relationships decreased to CHF 24 million (H1 2021: CHF 29 million), while other M&A-related expenses decreased to CHF 5 million (H1 2021: CHF 6 million). The reconciliations to the respective IFRS line items are provided in the Alternative Performance Measures document available at www.juliusbaer.com/APM.

Adjusted operating expenses rose by 6% to CHF 1,323 million. Excluding provisions and losses, adjusted operating expenses increased by 2% to CHF 1,249 million.

Adjusted personnel expenses declined by 1% to CHF 842 million. While the monthly average number of employees increased by 2% year on year, performance-related remuneration decreased. At the end of June 2022, the Group employed 6,798 full-time equivalents (FTEs), up by 71 from the end of 2021, mainly driven by the further internalisation of formerly external staff. The disposals of Wergen and Fransad and the deconsolidation of NSC led to 112 FTEs leaving the Group.

BREAKDOWN OF ASSETS UNDER MANAGEMENT BY ASSET MIX

	30.06.2022	30.06.2021	31.12.2021
Equities	31%	33%	33%
Investment funds	29%	28%	30%
Client deposits	19%	17%	17%
Bonds/convertibles	14%	15%	13%
Structured products	4%	4%	4%
Money market instruments	2%	2%	1%
Precious metals	1%	1%	2%

Adjusted general expenses increased by 24% to CHF 387 million, mainly as the result of a CHF 43 million rise in provisions and losses to CHF 74 million (largely driven by the settlement mentioned above). Excluding provisions and losses, adjusted general expenses went up by 11% to CHF 313 million. This latter increase was driven predominantly by a rise in IT-related expenses, as well as modestly higher costs related to travel and client events following the lifting or relaxation of Covid-related restrictions in many key jurisdictions.

While *depreciation of property and equipment* declined by 8% to CHF 45 million, *adjusted amortisation and impairment of intangible assets* grew by 21% to CHF 50 million, mainly reflecting the rise in IT-related investments in recent years.

The *adjusted cost/income ratio* (as always excluding adjusted provisions and losses) increased to 67% (H1 2021: 61%) and the *adjusted expense margin* (also excluding adjusted provisions and losses) to 55 bp (H1 2021: 53 bp).

The net-of-taxes impact on IFRS net profit and adjusted net profit of the aforementioned final CHF 55 million charge related to the settlement of a legacy claim was CHF 44 million.

IFRS *profit before taxes* declined by 27% to CHF 513 million. As income taxes fell by 38% to CHF 63 million, IFRS *net profit* decreased by 26% to CHF 450 million. IFRS net profit attributable to shareholders of Julius Baer Group Ltd. also decreased by 26%, to CHF 451 million, and IFRS EPS by 24% to CHF 2.15.

Adjusted profit before taxes declined by 27% to CHF 542 million and the adjusted pre-tax margin by 9 bp to 24 bp. The related adjusted income taxes fell by 38% to CHF 66 million, representing an adjusted tax rate of 12.1% (H1 2021: 14.3%).

Adjusted net profit for the Group decreased by 25% to CHF 476 million, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. also by 25% to CHF 477 million, and adjusted underlying EPS attributable to shareholders by 23% to CHF 2.27.

The adjusted return on CET1 capital (RoCET1) declined to 30% (H1 2021: 38%).

BALANCE SHEET AND CAPITAL DEVELOPMENT

In the first half of 2022, *total assets* remained essentially unchanged at CHF 116 billion. *Loans* declined by 6% to CHF 47 billion – comprising CHF 39 billion of Lombard loans (-7%, reflecting the deleveraging observed in the period) and CHF 8 billion of mortgages (marginally lower). As the *due to customers* position (client deposits) increased marginally to CHF 83 billion, the loan-to-deposit ratio fell to 57% (end 2021: 61%). *Cash,* largely held at central banks in Europe and Switzerland, declined by 1% to CHF 20 billion.

Until the end of 2021, the positions held in the treasury portfolio were all recorded as *financial assets measured at FVOCI* (up 4% to CHF 14 billion). Starting this year, and with a view to limiting the potential future fluctuations in capital, a significant number of newly acquired positions in this portfolio are recorded as *other financial assets measured at amortised cost* (CHF 3 billion on 30 June 2022). Taken together, the treasury portfolio positions increased by 27% to CHF 17 billion (end 2021: CHF 13 billion).

Equity attributable to shareholders of Julius Baer Group Ltd. declined by 10% to CHF 6.1 billion.

On 2 March 2022, Julius Baer launched a new 12-month programme to buy back up to CHF 400 million purchase value of Julius Baer Group Ltd. shares. By the end of June, a total of 2,522,072 shares had been repurchased at an aggregate cost of CHF 122 million.

The cancellation of the 7,423,208 shares repurchased under the previous share buy-back programme (launched in March 2021 and completed in December 2021) was executed effective 27 June 2022. Following this cancellation, the registered share capital of Julius Baer Group Ltd. amounts to CHF 4,276,024.80, divided into 213,801,240 registered shares with a par value of CHF 0.02 each.

In the first half of 2022, BIS CET1 capital declined by CHF 0.2 billion, or 7%, to CHF 3.1 billion, as the benefit of net profit generation was more than balanced by the combined effect of the dividend accrual (in line with the recently updated dividend policy), the start of the new share buy-back programme, and the impact of year-to-date changes in the value of financial assets measured at fair value through other comprehensive income (treasury portfolio). The latter impact was largely driven by the effect on financial assets measured at FVOCI from the fall in bond valuations in H1 2022.

On 20 April 2022, Julius Baer redeemed all of the outstanding perpetual Tier 1 bonds (AT1 bonds) issued in October 2016 at par value plus accrued interest. The bonds, with a coupon of 5.75% per annum, were issued by Julius Baer Group Ltd. in the aggregate nominal amount of SGD 325 million.

On 1 June 2022, despite a challenging fixed-income market environment, Julius Baer successfully placed AT1 bonds in the aggregate nominal amount of USD 400 million. The bonds carry a coupon of 6.875%, payable semi-annually, and have a First Reset Date on 9 December 2027.

As a result of the CET1 capital development and the AT1 bond redemption and new issuance, BIS tier 1 capital decreased by 1% to CHF 4.7 billion and BIS total capital by 1% to CHF 4.8 billion.

Risk-weighted assets (RWA) grew by CHF 0.3 billion, or 1%, to CHF 20.5 billion. While credit risk positions remained essentially unchanged at CHF 13.0 billion, market risk positions increased by 14% to CHF 1.0 billion, operational risk positions by 2% to CHF 6.1 billion, and non-counterparty-related risk positions by 7% to CHF 0.5 billion.

As a result, at the end of June 2022 the *BIS CET1 capital ratio* stood at 15.0% (end of 2021: 16.4%) and the *BIS total capital ratio* at 23.4% (end of 2021: 24.0%).

As the leverage exposure fell by 1% to CHF 117 billion, the Tier 1 leverage ratio remained at 4.0%.

At these levels, the Group's capitalisation remains robust: the CET1 and total capital ratios remained well above the Group's own floors of 11% and 15%, respectively, and significantly in excess of the regulatory minimums of 7.9% and 12.1%, respectively, applicable at the end of June 2022. The Tier 1 leverage ratio continued to be comfortably above the 3.0% regulatory minimum.

CONSOLIDATED BALANCE SHEET

	30.06.2022 CHF m	30.06.2021 CHF m	31.12.2021 CHF m	Change to 31.12.2021 in %
Assets				
Due from banks	6,224.4	5,019.0	4,598.4	35.4
Loans to customers[1]	47,296.0	51,021.9	50,417.1	-6.2
Financial assets measured at FVTPL[2]	11,135.6	13,753.2	14,589.1	-23.7
Financial assets measured at FVOCI[3]	13,918.2	13,994.2	13,360.6	4.2
Goodwill and other intangible assets	2,611.4	2,664.2	2,660.7	-1.9
Other assets	34,649.5	27,125.8	30,679.9	12.9
Total assets	**115,835.2**	113,578.3	116,305.8	-0.4
Liabilities and equity				
Due to banks	7,040.5	5,010.0	4,217.2	66.9
Deposits from customers	83,411.0	80,063.9	83,201.2	0.3
Financial liabilities designated at fair value	10,959.5	14,835.9	14,459.0	-24.2
Other liabilities	8,336.5	6,942.9	7,685.1	8.5
Total liabilities	109,747.5	106,852.6	109,562.5	0.2
Equity attributable to shareholders of Julius Baer Group Ltd.	6,084.4	6,717.3	6,734.4	-9.7
Non-controlling interests	3.3	8.3	9.0	-63.7
Total equity	6,087.7	6,725.6	6,743.3	-9.7
Total liabilities and equity	**115,835.2**	113,578.3	116,305.8	-0.4
Key performance ratios				
Loan-to-deposit ratio	57%	64%	61%	-
Book value per share outstanding (CHF)[4]	29.1	31.0	31.5	-7.7
Return on tangible equity (RoTE) annualised, adjusted (in period)	25%	32%	25%	-
Return on common equity Tier 1 capital (RoCET1), adjusted (in period)	30%	38%	29%	-
BIS statistics				
Risk-weighted assets	**20,548.3**	21,457.9	20,274.2	1.4
BIS total capital	**4,802.0**	4,889.8	4,859.2	-1.2
BIS CET1 capital	**3,074.8**	3,583.1	3,315.7	-7.3
BIS total capital ratio	**23.4%**	22.8%	24.0%	-
BIS CET1 capital ratio	**15.0%**	16.7%	16.4%	-

[1] Mostly Lombard lending and mortgages to clients.
[2] FVTPL indicates fair value through profit or loss.
[3] FVOCI indicates fair value through other comprehensive income.
[4] Based on shareholders' equity.

DEVELOPMENTS IN FIRST HALF 2022

The transformation undertaken over the past two and a half years proved its worth in the demanding environment of the first half of 2022. We stayed our course and continued to create value for and with clients along our strategic priorities.

STRATEGIC PRIORITIES

Halfway through the final leg of our three-year strategic plan launched in February 2020, we successfully weathered the demanding geopolitical and market environment in the first half of 2022. This confirms the plan's objectives to make Julius Baer more relevant for our clients, even more resilient as a corporation and more attractive for all our stakeholders.

We further sharpened our value proposition for high net worth and ultra-high net worth clients by refining the Group's coverage in products, mandates and services. Our accelerated investments in human advice and technology continued to profoundly alter our organisation and the way we create value for and interact with clients. And the shift of our leadership focus from a purely asset-gathering strategy to one of sustainable profit growth showed in sustained revenue generation capacity even in an adverse market environment.

All these efforts share one common goal: to transform Julius Baer into the most reputable and admired wealth manager in our industry.

TECHNOLOGY, PLATFORM AND INNOVATION

Julius Baer's IT strategy is powered by three operational hubs, located in Switzerland, Luxembourg and Asia. These platforms ensure utmost flexibility in adapting our business model to digital innovation, evolving client-specific preferences, changing local and regulatory requirements, as well as flexible interfaces to proprietary robotics, third-party FinTech solutions and products and services from external providers.

As the wealth manager of choice for the current and next generation of clients, we strive to establish a personalised and consistent client experience across all physical and digital touchpoints, at every stage of the client's relationship with us. The cornerstones are harmonised mobile and e-banking capabilities. These tools and channels enable personalised digital subscription management and content distribution, fully digital and seamless onboarding and modern chat functionalities. In H1 2022, our e-banking solution in Switzerland was upgraded to display intraday positions and trades, while our e-banking in Asia was enhanced with an equity trading function.

In order to deliver innovation in a faster, more user- and client-oriented and collaborative way, we are gradually shifting to agile working methods throughout the Group. After having concluded the first pilot projects of the Agile Transformation with 600 colleagues, we expect to have extended our agile ways of working to a total of about 800 people by the end of 2022. A dedicated internal Agile Transformation team is now in place with the mandate to support the agile change journey by shaping and refining processes and to provide bespoke training and coaching.

Through our partnership with the *F10 FinTech Incubator & Accelerator association* and as co-founding member of *F10 Singapore,* we remain close to the rapidly evolving FinTech ecosystem. We evaluate novel approaches and solutions in a growing number of application areas for possible integration into our business. We complement this with our Group-wide programme to identify relevant trends in our industry and ways to drive innovation on the back of them. The excellence of Julius Baer's in-house wealth management technology was acknowledged several times in H1 2022. At the end of March, we received the *Best Innovative Use of Artificial Intelligence* and *Best Innovative Client Solution* awards at the *WealthBriefing European Awards 2022*. And at the end of June, we were awarded *Best Private Bank for Digitally Empowering Relationship Managers, Europe* at the *Wealth Tech Awards 2022* by *Professional Wealth Management* (PWM), a Financial Times publication. To investigate trends that might disrupt financial services and to devise ways to harness their potential for the benefit of our clients and the Group, we set up our own innovation lab in Singapore (see page 17).

Our internal data is a vast resource for advancing our business, from the automation of operational processes via robots to augmenting our client value proposition. The resulting benefits range from risk reduction and harmonised processes to increased operational efficiency. The most visible effects of these improvements are in our front areas, where relationship managers (RMs) can dedicate more time resources to servicing clients and are supported by data-based tools that allow for client-specific 360-degree assessments at all times.

RISK CULTURE

Managing risks is at the centre of our business and is reflected in the Group's comprehensive risk management and risk tolerance frameworks. The Group-wide risk management function and the processes behind it are constantly required to prove their effectiveness and efficiency. The supporting tools are continuously upgraded in tune with the Group's evolving operating environment and in line with new use cases.

One of these emerging use cases relates to environmental, social and governance (ESG) risks. Newly set ESG standards ensure that sensitive areas or activities are addressed under consistent criteria, thus allowing us to avoid possible controversies and mitigate reputational risks (see next section). Digital assets are another emerging area that requires dynamic adaptation of our risk management framework and its application in tune with the rising acceptance of this new asset class.

The war against Ukraine triggered an international response at an unprecedented level. We established a comprehensive risk reporting framework to identify and monitor business relationships and activities potentially affected by sanctions. Strict processes and dedicated communication channels assure adherence to the different sanction regimes, thus protecting the Group's capital base and reputation.

The Group's compliance framework has been further strengthened, in particular its global anti-money laundering (AML) control framework. Complementing the recently introduced client risk rating methodology, we launched a strategic transaction monitoring solution in booking centres Switzerland and Luxembourg, with the remaining booking centres to follow later in the year. This additional layer will further lower the Group's AML risk profile. We continued to roll out compliance and AML training sessions to the entire Group – particularly to RMs and other client-facing staff – including mandatory certification programmes and corresponding refresher courses.

Information, IT and cyber security risks are constantly monitored and consistently mitigated. We complement organisational measures with technical means, which we increasingly develop by using an agile framework. Ongoing investments in countermeasures are complemented by a continuous awareness campaign for employees, making them ambassadors of smart and far-sighted handling of information security.

REGULATION

The EU Action Plan on financing sustainable growth introduces new regulations but also touches on various existing ones. Our aim is to achieve full compliance at Julius Baer Group entities in the EU by the end of 2022, while similar standards shall be implemented in other locations in line with applicable laws, regulatory expectations and timeframes. In applying the new standards, we introduced the Julius Baer ESG Investment Rating Methodology as well as enhanced client portfolio reporting based thereon, and we started the systematic gathering of client ESG preferences (see page 13). The necessary disclosures introduced by the Sustainable Finance Disclosure Regulation have been published. Further documentation is available at www.juliusbaer.com/legal.

A CLIMATE FOR CHANGE

Much has been said about the threat of climate change. What counts today are actions to address it – like the new climate strategy we introduced at the end of 2021. This strategy has three key objectives: achieving net-zero greenhouse gas emissions in our own operations by 2030; achieving net-zero greenhouse gas emissions on our treasury, lending and mortgage books by 2050[1]; and empowering our clients to make informed decisions and create a positive impact.

Besides measures like shifting energy consumption to renewable sources, Julius Baer went beyond the obvious and set an example in the wealth management industry by introducing an internal carbon price of CHF 100 per metric tonne of carbon dioxide equivalent for air travel. This price is aligned with the recommendations of the UN Global Compact's call for action on carbon pricing and designed to incentivise behaviours that contribute to the decarbonisation of the global economy.

On its treasury, lending and mortgage books, Julius Baer applies a comprehensive engagement approach that focuses on a structured dialogue with emissions-intensive companies that we and our clients invest in.

TEAMING UP WITH AND FOR OUR CLIENTS

The third pillar of our climate strategy is to empower our clients to define and reach their personal sustainability goals. The wealth management industry is uniquely positioned to drive forward sustainability change in the world, and Julius Baer aims to foster this potential and make it accessible with and for our clients.

Sharing our clients' concerns and their desire to contribute towards a more equitable future and healthier planet, we recently launched the Sustainability Circle. This is an exclusive client community united by the shared goal of fuelling the transition to a more sustainable world. To turn aim into action, we also provide a range of curated impact investment solutions and products related to our thematic focus areas such as greener food production and smart transport.

Sustainable finance goes far beyond single initiatives or investments, however. Whereas our overall investment process has considered financially material environmental, social and governance (ESG) factors for quite a while, they have more recently become a key guiding principle of Julius Baer's entire value chain for clients.

For example, personal ESG preferences now complement clients' investment profile and are matched against the ESG profile of investments considered, from mandates to single instruments. Portfolio analysis has been expanded by multiple ESG dimensions, adding critical transparency to client reporting. This deepens clients' understanding of how they invest, fosters awareness and thus contributes to a climate for change while creating value beyond wealth.

[1] In line with the relevant methodology of the Partnership for Carbon Accounting Financials, the net-zero target on lending only covers loans to corporate clients

GLOBAL PRESENCE

EUROPE

SWITZERLAND

OUR LOCATIONS IN OTHER PARTS OF THE WORLD

- Location
- Booking centre
- Julius Baer Family Office Brasil, a fully owned subsidiary
- Strategic partnerships in Bangkok, Thailand, with The Siam Commercial Bank, and in Tokyo, Japan, with Nomura Holdings Inc.
- Kairos Partners SGR S.p.A., a fully consolidated subsidiary
  Julius Baer is present in Milan with Julius Baer Fiduciaria S.p.A.

[1] Additional advisory locations in Bangalore, Chennai, Hyderabad, Kolkata and New Delhi

SWITZERLAND

Switzerland is Julius Baer's home market and the Group's main booking centre. As one of the largest domestic managers of Swiss private client assets, we serve a significant number of domestic clients as their principal banker and a diverse population of international wealthy individuals. Julius Baer enjoys high brand awareness in its targeted client segments of high and ultra-high net worth individuals (HNWIs/UHNWIs). Thanks to our presence in each of Switzerland's culturally and linguistically diverse regions, we speak the same language as our clients, literally and figuratively. We understand their mentality and their mindset. And we know what challenges cantonal legal, tax and inheritance regulations pose to specific client groups, from practitioners to pensioners and from business owners to homeowners.

Switzerland is a relatively saturated banking market. However, its high degree of wealth concentration and the level of sophistication that goes along with it provide ample opportunities for us as a pure wealth manager. To access this potential even better, we have aligned our market approach and are now in the midst of executing a multi-year strategic push for the Swiss market. Our effort centres on the value we can create for existing and prospective Swiss clients with solutions that are Swiss by nature and individual by design – covering the full spectrum of wealth management, from investing and financing to wealth planning.

To better meet and exceed the multifaceted requirements of our domestic HNWI and UHNWI client base, we initiated an explorative approach based on frank and creative interaction with a rising number of interested clients. The feedback we received resulted in region-specific upgrades to our open product and service platform, making the areas identified even more accessible and relevant. One particular area is our dedicated Swiss real estate advisory, which now reaches far beyond mortgage financing thanks to integrated real estate service provider KM&P, which we acquired last year. Other areas include pension fund solutions for professionals, structured finance solutions for business owners and mergers and acquisitions (M&A) advisory for entrepreneurs. Moreover, ESG investment opportunities and a guided exchange on sustainability issues drove client interest and dialogue.

By providing this kind of personalised client experience, we aim to foster new client acquisition, increase the share of wallet with existing clients and support our revenue margins. The measures implemented thus far took hold with clients and continued to show in our results. Net new money inflows further accelerated in H1 2022, contributing to well-maintained revenues.

EUROPE

Europe is a key region for our Group where we see good growth and future opportunities. In line with our clients' preferences, we serve the region both from international Group locations as well as locally from our advisory locations and branches across the continent. While our private client business in Germany is predominantly booked and operated locally, our booking centre in Luxembourg serves as the hub for our other European business.

We kept strong business momentum and further expanded our customer base and offering in H1 2022. We continued to see lively client interest in our value-added solutions, supported by our growing offering in areas such as private equity, direct private investments, M&A advisory, structured finance and wealth planning. We continued to achieve very attractive net new money inflows from our local European businesses. Despite market-induced lower asset levels and decreasing client activity, revenues held up well.

Germany, the largest and one of the most attractive wealth management markets in Europe, is served from a number of Group locations. Despite being fragmented and highly competitive, the German market continues to show sustainable growth rates. Our personal approach and international advisory competence, together with a rich, open product platform, stand out in a market increasingly characterised by digitally marketed standardised products.

Frankfurt-based *Bank Julius Bär Deutschland AG* enjoys a leading position in the market, built on our outstanding reputation, our solid financial foundation and the growing product and service offering accessible via our network of ten locations across the country. This makes us very attractive for existing and new clients, as well as for employees.

Our locally booked private client business continued to show robust momentum in H1 2022. Wealth and succession planning was a growing topic among clients, and we were able to assist them in this area thanks to our in-house expertise and our network of external experts. Interest in our expanding range of value-adding products such as loans, structured credit solutions and alternative investments remained high, which also benefitted our growing business with family offices and foundations. Discretionary mandate penetration further increased. Very healthy net new money inflows helped bolster assets under management and revenues, making our German business a sustainable profit contributor for the Group.

Our well-established advisory business conducted out of ***Luxembourg*** serves a substantial and growing domestic client base as well as private clients and intermediaries from selected markets in Western Europe. We rank among the largest local wealth managers and continued our growth path in H1 2022. Further raising net new money inflows contributed to higher asset levels and increased revenues.

In ***Spain*** as well as with Portuguese clients, we experienced continued positive business momentum in H1 2022. This helped us further increase our standing and profile in the Iberian Peninsula, most notably in the UHNWI segment. With offices in Madrid and Barcelona, we continued to enhance our lead offering specifically tailored to the Iberian market and broadened our base of experienced RMs. Our solution-driven qualities, especially for the wealthier clients, greatly differentiate us in a market seemingly dominated by a few large universal banks. Our growing client population and rising share of wallet resulted in healthy net new money inflows, which supported asset levels and contributed to growing revenues.

Julius Baer is the largest wealth manager in ***Monaco.*** We serve a substantial and growing domestic client base as well as private clients and intermediaries from selected markets in Western and Eastern Europe, the Middle East and Latin America. Business development was steady in H1 2022, with no meaningful changes in clients' risk appetite and only isolated deleveraging, benefitting stable revenues and profit contribution. At the end of April 2022, our Monaco business won the award *Best Private Banking and Wealth Management Services Overall 2022* in *Euromoney's Global Private Banking and Wealth Management Survey.*

Italian clients are served from various Swiss and international locations as well as locally in ***Italy*** through *Julius Baer Fiduciaria S.p.A.* in Milan, one of the largest fiduciary companies in the country. Italy is among the biggest European markets in terms of savings. Generational changes and liquidity events represent opportunities in the HNWI and entrepreneurial segments, particularly for a pure wealth manager like us with a focused business model, comprehensive offering and strong financial standing. Despite a competitive landscape, we rate Italy's business potential as positive. Although business development was challenging overall in H1 2022, asset levels and revenues remained broadly stable.

Under the new leadership and governance in place since the beginning of 2021, our specialised wealth and asset manager Kairos has made good progress in its strategy to position itself as a leading active asset manager. As part of this, the company successfully completed the fundraising for a European Long-Term Investment Fund (ELTIF) and finished consolidating the investment management function of the European equities investment strategies in collaboration with Kairos UK in London. In addition, the first commitments for the newly launched Venture Capital Fund were secured as planned. The strategic initiatives as well as the focus on strengthening the sales organisation resulted in Kairos returning to net new money generation in the last 18 months, especially with institutional investors. While asset levels retreated in line with negative overall market developments, the relative investment performance was particularly strong in the fixed income and European equities space in H1 2022.

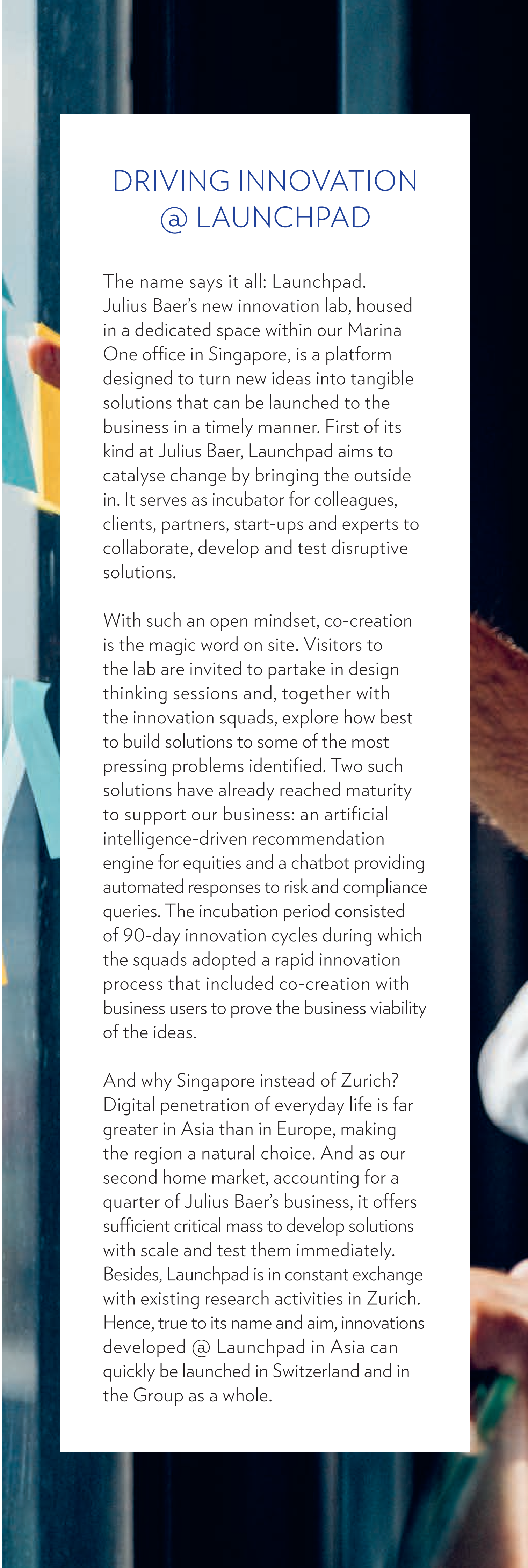
As one of the top ten private wealth managers in the ***United Kingdom***, we continued to expand our business with HNWIs in H1 2022, both out of London and from our four regional offices. Business momentum remained very positive, with attractive net new money inflows contributing to well supported asset levels and further improved profitability.

While clients welcomed the return to in-person interaction and events, our broad and growing roster of digital tools and channels remained strongly in favour with existing clients as well as with new clients, who enjoy the support they lend to onboarding them. Succession and wealth planning remained a high-priority issue on clients' minds, which played to our strengths as a focused wealth manager with international investment expertise. Our discretionary portfolio management with its strong long-term performance track record continued to attract client interest and asset flows. The scope of our offering keeps differentiating us in a market that shies away from the perceived complexities involved in providing personalised, proactive advice to clients. Interest in private market opportunities remained high.

Our business in the small yet dynamic wealth management market of ***Ireland*** is served from Dublin. Ranked among the top three local wealth managers, we continued to capitalise on our prime standing among business-linked HNWIs and UHNWIs in the market. We also benefitted from ongoing M&A activity and related liquidity events in H1 2022, but at a slower pace. On the back of continued net new money inflows, asset levels remained broadly stable and revenues increased.

RUSSIA, CENTRAL & EASTERN EUROPE

In H1 2022, business activity and client interaction in this region was dominated by Russia's invasion of Ukraine and the international sanctions imposed on Russia and Russian individuals. Our enforcement of these sanctions led to the reclassification of assets labelled assets under management to assets under custody. We decided to wind down the Group's advisory subsidiary in Moscow subject to local regulatory and contractual obligations.
In parallel, we started to close our Russian desks in a number of Group locations and to centralise the Russian client book, remaining fully transparent with



DRIVING INNOVATION @ LAUNCHPAD

The name says it all: Launchpad. Julius Baer's new innovation lab, housed in a dedicated space within our Marina One office in Singapore, is a platform designed to turn new ideas into tangible solutions that can be launched to the business in a timely manner. First of its kind at Julius Baer, Launchpad aims to catalyse change by bringing the outside in. It serves as incubator for colleagues, clients, partners, start-ups and experts to collaborate, develop and test disruptive solutions.

With such an open mindset, co-creation is the magic word on site. Visitors to the lab are invited to partake in design thinking sessions and, together with the innovation squads, explore how best to build solutions to some of the most pressing problems identified. Two such solutions have already reached maturity to support our business: an artificial intelligence-driven recommendation engine for equities and a chatbot providing automated responses to risk and compliance queries. The incubation period consisted of 90-day innovation cycles during which the squads adopted a rapid innovation process that included co-creation with business users to prove the business viability of the ideas.

And why Singapore instead of Zurich? Digital penetration of everyday life is far greater in Asia than in Europe, making the region a natural choice. And as our second home market, accounting for a quarter of Julius Baer's business, it offers sufficient critical mass to develop solutions with scale and test them immediately. Besides, Launchpad is in constant exchange with existing research activities in Zurich. Hence, true to its name and aim, innovations developed @ Launchpad in Asia can quickly be launched in Switzerland and in the Group as a whole.

affected clients, also regarding the sanctions-induced scope of service available to them. Asset levels were substantially lower, further intensified by clients deleveraging their portfolios, while revenues showed less impact.

ASIA

Given our large footprint in the region and hence its strategic importance for Julius Baer, we view Asia as our second home market. Our aspiration is to be the most admired and trusted Swiss global wealth partner to clients in Asia. Julius Baer is one of the region's largest wealth management providers and consistently ranks in the top tier in terms of assets under management.

Locally booked clients account for about a quarter of the Group's total assets under management. Our strong reputation as a pure wealth manager makes us a partner of choice for the targeted segments of UHNWIs and HNWIs. Julius Baer serves this diverse region from several Group locations, including local booking centres in ***Singapore*** and ***Hong Kong***, our representative office in Shanghai, our domestic presence in India, and via joint ventures in Bangkok and Tokyo.

Asia harbours the largest number of UHNWIs and HNWIs worldwide and is expected to outpace most other regions in the growth of these client segments' wealth. This long-term prospect was clouded in H1 2022 by the evolving pandemic situation in the region, with large-scale lockdowns particularly in China, and by the war in Ukraine. Thanks to our solid and client-centric business model, we weathered the impact of difficult financial markets well. Clients remained constructive overall but trimmed their equity exposure along our conservative risk metrics. This deleveraging together with the negative market impact resulted in lower asset levels. Declining transaction-based income weighed on revenues and profitability.

We continued to invest in people, product offering and platforms in the period under review. With pandemic restrictions relaxed in some of the jurisdictions we serve, we introduced a blend of physical and virtual interactions, which has been well received by clients. This allowed us to host events on emerging topics like digital assets and to address the concerns of the next generation of our clients in an educational manner. We further upgraded our e-Banking suite and extended its capabilities by introducing an e-trading function. This complemented similar upgrades of our suite of chat services. With wealth and succession planning a growing priority among our clients, we experienced increased interest in our Single Family Office offering in Asia. Our strong standing in the region was reflected in a number of accolades we received at the *Asia Money Private Banking Awards 2022* in April this year, namely *Best Pure Play Private Bank in Asia, Best Private Bank for HNW in Asia* and *Best Private Bank for Family Offices in Singapore*.

To complement our organic growth in the region and further leverage the breadth of our current franchise across the whole of Asia, we seek strategic opportunities via partnerships. Our joint venture with Siam Commercial Bank (SCB) in ***Thailand***, *SCB-Julius Baer Securities Co., Ltd.* (SCB JB), targets Thai UHNWIs and HNWIs and enjoys a unique and growing standing in the still nascent domestic wealth management market. In deepening the partnership, dedicated referral desks have recently been set up at SCB to showcase SCB JB's offering, which combines selected domestic products and services from SCB with Julius Baer's international wealth management expertise. *Julius Baer Nomura Wealth Management Ltd.* (JBNWM) is our strategic partnership with Nomura in ***Japan***. It gives Nomura's local UHNWI and HNWI client base access to our bespoke discretionary mandate services. To further leverage JBNWM and its potential for client referrals, the partnership strengthened its RM base and established dedicated service desks at a number of key Nomura locations.

Julius Baer has one of the largest integrated global ***India*** franchises. In our unique *Global India* approach, we serve HNWI and UHNWI Indian families directly in India as well as around the globe, offering them the best of both interlinked worlds. As the largest foreign wealth manager in India, we cover the domestic Indian market from the major cities of Mumbai, New Delhi, Kolkata, Chennai, Bangalore and Hyderabad. In broadening our dedicated offering, we recently launched a regional equity strategy portfolio that offers clients exposure to India's growth story. Our leading position in the country was recognised in the 2022 *Euromoney Private Banking & Wealth Management Survey* published in February 2022. Julius Baer India ranked first in 14 out of 17 categories, surpassing last year's excellent results, and won the *Best Private Banking Services Overall* award for the first time.

We also serve a large and rising global base of non- resident Indians (NRIs) from different Group locations in Asia, the Middle East and Europe. To accommodate the growing demand for a single point of entry in Asia, we recently established a Global India desk in Singapore. It provides NRI clients with specialised support from our Group's full global capabilities and international network of expertise.

EASTERN MEDITERRANEAN, MIDDLE EAST & AFRICA

We serve the Eastern Mediterranean region as well as our chosen markets in the Middle East and Africa primarily from our main regional hub in Dubai, complemented by local offices in Istanbul, Manama, Tel Aviv and Johannesburg, as well as from a growing number of Group locations in Europe and Asia. In order to drive the next phase of growth in the Middle East, we recently announced our plans to tap into the Qatar market by opening an Advisory Office in Doha.

What sets us apart is our reputation as a focused wealth manager and the international scope of our offering, which addresses the growing requirements of UHNWIs. The Ukraine situation together with regional geopolitical tensions and the heterogeneous nature of the region created a challenging business environment. However, these factors also influence the level of security and international diversification that clients seek for their assets, benefitting our global set-up. Asset levels retreated in tune with markets in H1 2022 while lower client activity weighed on revenues. At the end of April 2022, our Dubai business was named *Best Private Bank for United Arab Emirates High Net Worth Clients 2022* and our business in South Africa won the award as *Best Private Bank for South African Mega High Net Worth Clients 2022* in *Euromoney's Global Private Banking and Wealth Management Survey.*

Julius Baer is one of the top foreign wealth managers in ***Israel***. We serve this appealing and highly competitive market from a number of Group locations and locally from our Tel Aviv office. We target Israel's significant wealth creation both domestically and via the global Israeli community. While the volatile markets and some deleveraging weighed on asset levels in the period under review, revenues held up well. At the end of April 2022, our Israel business was named *Best Private Bank for High Net Worth Clients 2022 and Best Private Bank for Israel Family Office Services 2022* in *Euromoney's Global Private Banking and Wealth Management Survey.*

LATIN AMERICA

Julius Baer is a major international wealth manager in Latin America. We are maintaining close relationships with the region's HNWIs and UHNWIs locally from our locations in São Paulo, Rio de Janeiro, Belo Horizonte, Mexico City, Santiago de Chile, Montevideo and Bogotá as well as from other Group locations. This combination of local proximity and our international investment expertise differentiates us from most domestic competitors.

While the pandemic became less of a threat in H1 2022, the war in Europe has amplified the many economic and monetary shocks Latin America is facing. Higher commodity prices tend to have an initial positive impact on many of the continent's economies via improved terms of trade, but higher food and energy prices and the clouded global growth outlook dampen the region's prospects.

Against this backdrop, remaining close to clients and providing them with guidance, support and innovative solutions was paramount. Taking advantage of loosened pandemic restrictions, we established a hybrid model combining physical gatherings with live virtual content, addressing topical asset allocation questions, portfolio construction and alternative investments. Given the elevated market volatility, clients' interests centred on private equity, hedge funds and private market solutions. We also saw demand for products with regional exposure, such as actively managed certificates on domestic fixed income portfolios or products offering capital protection.

The transformation in the past years of our operations across the continent into a less complex, more integrated and inherently client-driven structure showed tangible results in H1 2022. We achieved gratifying net new money inflows and rising shares of wallet in several of our focus markets. The negative market impact resulted in lower asset levels overall while the decline in transaction-based revenues weighed on profitability.

We were able to increase market penetration and brand awareness in ***Colombia***, thus leveraging our local representative office licence. Brought under reinvigorated leadership, both our operations in ***Uruguay*** and ***Chile*** increased business momentum and economic viability, with the latter benefitting from its standing as the international wealth manager with the largest local presence in that country.

Our activities in ***Brazil*** continued to develop favourably. In serving Brazilian private clients, Julius Baer stands out through its proximity as well as its combination of global and domestic expertise and investment content. It operates through *Julius Baer Family Office Brasil,* serving domestic clients who have a preference for multicustodial and consolidation capabilities, on a discretionary or advisory basis. Those clients looking for sophisticated global investment content, advisory of international portfolios and access to holistic wealth management and wealth planning solutions are served by our *Julius Baer Advisory Office*.

Our activities in ***Mexico*** showed good business momentum thanks to our dedicated specialists with intimate knowledge of clients' expectations and needs as well as our growing brand recognition and reputation within the domestic market. As part of a review of its strategic participations, Julius Baer concluded that local independent asset manager NSC Asesores can best develop and grow under a different ownership structure. We thus reduced our 70% holding by selling 50.1% of the company while retaining a 19.9% financial stake as part of our ongoing commitment to the Mexican wealth management market.

INTERMEDIARIES BUSINESS

In the first half of 2022, the focus of the Intermediaries unit was on implementing our new business strategy. This new strategy builds on our achievements of the past two years by expanding and tailoring our range of products and services, by upgrading our technological capabilities and by making our processes more effective and efficient. At the heart of our new strategy are three service models: Premium Service, Professional Advice and Expert Advice. This differentiation in our offering allows us to tailor our services to the requirements of the intermediary clients we serve while nurturing sustainable, profitable growth through a customised approach.

Given the drastically changed market environment, the first six months of the year proved challenging. Nevertheless, we succeeded in maintaining our high level of service and close proximity to intermediaries and their clients. Additionally, our stringent, comprehensive risk management and corporate governance processes enabled us to sustain a high-quality client book.

Operationally, we were busy implementing further enhancements of our tech and digital solutions, placing emphasis on connectivity services, which allow intermediaries to connect their systems efficiently with ours to facilitate automated end-to-end processing. Along with upgrades to our e-Banking and e-Channels solutions for intermediaries booked in Luxembourg and Monaco, our change agenda also saw us implementing new trading and communication capabilities in Asia.

We made good progress on our journey of agile transformation in H1 2022, further extending the project's scope while achieving efficiency gains, for example through our strategic workforce planning.

JULIUS BAER'S HOLISTIC SERVICES AND SOLUTIONS OFFERING

We help our clients to protect and grow their wealth and support them in transferring it to future generations. Our holistic advisory approach *Julius Baer – Your Wealth* tailors financial solutions for clients based on their unique situations, encompassing wealth planning, investing and financing.

WEALTH PLANNING

Our *Wealth Planning* (WP) capability is one of the three main *Julius Baer – Your Wealth* pillars. A global network of internal and external specialists and a wide range of sophisticated solutions support our comprehensive range of WP services. Our holistic approach helps our clients to navigate every stage of their lives by addressing topics such as future financial needs, taxes, retirement, succession planning and relocation. With our Family Office Services, we aim to leverage our long-standing capabilities on wealth preservation and creation to benefit our larger clients and their families.

INVESTING

Our investment experts around the globe are important contributors to our holistic offering. They have decades of experience in managing wealth for our private clients, both on a discretionary and advisory basis.

Our Group *Chief Investment Officer (CIO)* steers a solid five-step investment process built on a set of key investment beliefs, safeguarded by our robust risk framework and incorporating a special focus on long-term secular trends. The Group's key investment experts revisit our strategic asset allocation annually to assess the developments that will shape the market environment of the next ten years. This proprietary investment process was put to the test during the challenging start of 2022 as the rapidly shrinking liquidity environment, record-breaking inflation, rate hikes and a war in Europe led to a massive rerating in financial markets. As a consequence, existing trends seem to be broken for the time being, and a potentially new investment super cycle might loom in the not too distant future. For now, it remains unclear which industries or regions will be the winners and losers going forward. However, these uncertainties reinforce our view that overall portfolio construction and diversification remain the keys to success and that regularly revisiting and understanding long-term trends is crucial for forward-looking wealth preservation.

While navigating the current economic and geopolitical environment has become increasingly challenging, our investment experts have been closer than ever to our clients to help them cope with the ongoing uncertainties.

Pursuing our ambition to transform our business while ensuring that our investment management and advisory solutions remain relevant for our clients, our dedicated teams have achieved significant milestones, by

- continuing the scrutiny of critical asset classes in an increasingly complex environment, in particular by closely monitoring the emergence of digital assets, developing expertise in this field and introducing the first use cases into our product offering, such as advice on digital assets for certain types of advisory mandates;
- enhancing the attractiveness of our private market offering;
- implementing the ambitious ESG roadmap in a proprietary approach that centres on our clients' best interests and in alignment with the European regulatory framework.

INVESTMENT RESEARCH: H1 2022 IN REVIEW

A remarkable, not to say historic, first half is in the books. To give some temporal perspective, US Treasury bonds (aka 'safe-haven assets') saw their worst start to the year since 1788. While that implied negative returns to the tune of almost -15%, some other assets were hammered even more. Unsurprisingly, emerging market assets yet again found themselves between a rock and a hard place. Hard-currency emerging market bonds lost more than 20%, emerging European stocks more than 80% and digital assets more than two thirds of their value. On the positive side, anything energy- or commodity-related did extremely well, with oil & gas stocks up more than 20% and some energy commodity indices up almost 70%. Beyond commodities, currency moves were the most noteworthy, as the USD appreciated in sync with commodities. In earlier cycles, commodity price jumps were preceded or accompanied by USD weakness. The reversal of this relationship shows you just how historic the first half of 2022 was.

Some of the drivers behind the moves mentioned above were also historic. Please do not bother to go back to the history books for 1788 – that was a true emerging market crisis with the US the emerging market under fire. This time the circumstances were different: at the outset of the year, the US Federal Reserve shocked markets by admitting that it was way 'behind the curve'. This was probably only voiced in response to massive public pressure and in the knowledge that elections are coming up in November.

The rule of thumb in US history is that no president (or his party) has ever been re-elected with gas prices above USD 4 per gallon – they are currently trading just shy of USD 5.50. Outside the US, the war on Ukraine has shattered confidence about the geopolitical order in Europe and has sent commodity prices skyrocketing. China has also raised fears about missing its growth targets due to its zero-Covid-19 strategy. So now the consensus has built up that a recession is imminent. It is interesting to see that bond markets hardly agree – neither do we.

We do admit that many opposing effects are at work currently. Monetary policy normalisation has begun, and we are witnessing the sharpest and fastest phase of monetary policy tightening on record. One unknown is the headwind for growth it poses and the impact on the economy and financial markets it will have. Overall though, we believe that the global economy will not be derailed. A number of factors support our view: 1) inflation has not destroyed demand so far, evidenced by consumers who are still spending even though prices have risen; 2) job creation is still solid; and 3) companies are continuing to invest across the board. It would need a major reversal in these drivers for the economy to suffer over the coming months. Hence, we believe that the near-term risk of a recession is currently low and will stay low as long as the demand destruction is moderate, employment keeps rising and capacity expansion continues.

INVESTMENT CONTENT

Markets proved tricky to navigate in H1 2022, to say the least. While we continuously highlighted opportunities arising from the market turmoil, our focus lay on supporting RMs in aftersales and retention activities. We did this through a series of client webcasts as well as regular updates on our house view, the positioning in discretionary mandates and our views on recommended instruments.

Responding to the ever-increasing client interest in digital assets, in May 2022 we went live with our inaugural Crypto Matters brochure. It provides an educational introduction to this emerging asset class, benefitting from our reinforced research capabilities in this area. In addition, we continued to further improve the distribution of our investment content. RMs in several locations can now manage their clients' subscriptions to important publications, such as Newsletters, the Market Outlook Campaign and Quarterly Mandate Updates.

FINANCING AND CREDIT

Our financing capabilities give our UHNW clients room to optimise their current holdings. As part of our holistic financing offering, our private clients have access to mortgages, to a wide range of standard credit products on a secured basis as well as to tailored structured finance solutions encompassing listed assets, private assets and combinations thereof. These bespoke monetisation and lending solutions include collateralised future cash flows, customised single stock lending, derivatives-based financing and multi-asset secured lending, bilaterally or as part of multi-bank facilities. A mergers & acquisitions advisory function for our entrepreneur and business-owner clients complements these capabilities. Our loan book is prudently managed using a sophisticated credit risk framework. This ensured continued high credit quality during the significant market volatility in H1 2022.

MARKETS

The primary focus of our Markets unit is to provide best-in-class execution and trading advice to our wealth management clients. Through our trading hubs in Zurich, Singapore and Hong Kong, we provide market access on a 24-hour basis. Direct channels to our product experts ensure that clients are comprehensively supported in all execution, trading and structuring-related matters.

The Markets unit also plays an important role as manufacturer and risk manager of structured products and derivative solutions issued from Julius Baer Group's balance sheet. Our structured products business provides both equity-related as well as debt-related structures and trading services for our clients and performed well in H1 2022. Together with the increased activity in precious metals and foreign exchange, the Markets unit again contributed significantly to the Group's revenues. Ongoing investments in a scalable trading and execution platform and the further expansion of our product offering across all asset classes continued to be key success factors, enabling us to meet the growing requirements of our clients.

Digital tools such as the *Markets Toolbox*, a real-time structuring, pricing and trading platform for equities, currencies and precious metals, are key enablers in achieving a high level of service experience. As of Q2 2022, the Toolbox allows for the execution of currently 14 Crypto coins, another step in bringing innovation closer to our RMs and clients. Such tools, paired with our ability to take on risk, make us an attractive partner for intermediaries, family offices and other professional clients who enjoy working with us and expanding their product universe.

DIRECT PRIVATE INVESTMENTS

Direct private investments are one of the fastest growing asset classes overall. They give UHNW clients and family offices access to investment opportunities in private equity, private debt and other unlisted or illiquid assets. Structured as single direct investments or as co-investments with an institutional lead investor, they allow clients to benefit from diversification and asymmetric returns while gaining exposure to the industries that best match their investment philosophy. Julius Baer's dedicated *Direct Private Investments* team operates out of Switzerland and Hong Kong and enjoys a growing standing in this competitive global field, with significant mandates won and placement power. In H1 2022, we saw two trends in the private market sector: a flight to quality with a focus on profitable or close to profitable companies and a shift to early-stage companies where there is opportunity for value creation. While the public market development dampened overall activity and weighed on valuations in the private market, demand for private market investments kept up, albeit more selectively and at a slower pace.

GLOBAL CUSTODY

As a dedicated provider of custodian banking services and solutions in Switzerland, this unit enjoys an excellent reputation as a best-in-class global custodian in its well-defined areas of specialised expertise for institutional clients, investment funds and private clients with institutional requirements. Thanks to our modular approach, clients benefit from a high degree of flexibility regarding daily business processes as well as tailored global custody and depositary bank services, customised reporting solutions and a full range of value-adding services to cover their needs.

OUR STRATEGY

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. We updated and refined our strategy at the beginning of 2020.

In its strategy, Julius Baer targets wealthy private clients, family offices and external asset managers through a client-centric business model, providing clients with holistic financial 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 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 sustainability ambition, which is to empower our clients, employees and other stakeholders to make a positive impact on society and the environment. Julius Baer will continue to enable shifts in capital flows towards a more equitable future and healthier planet and take environmental, social and governance (ESG) actions within the Group as a responsible corporate citizen.

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.

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 have been accelerated, creating new revenue opportunities and further improving efficiency. The main shift is away from the modernisation of the back-end towards investments in enhancing client value at the front-end.

To create new revenue opportunities, we are accelerating our investments in artificial intelligence and data. Predictive data analysis, for example,

Julius Baer Group Ltd.

Board of Directors

Romeo Lacher, **Chairman**

Executive Board[1]

Philipp Rickenbacher, **Chief Executive Officer**

Head Switzerland & EMEA	**Head Asia Pacific**	**Head Americas**
Yves Robert-Charrue	Jimmy Lee Kong Eng	Beatriz Sanchez
Chief Operating Officer & Head of Intermediaries	**Chief Financial Officer**	**Chief Risk Officer**
Nic Dreckmann	Dieter A. Enkelmann	Oliver Bartholet

Investment & Wealth Management Solutions

Head of Wealth Management Solutions	**Chief Investment Officer**
Nicolas de Skowronski	Yves Bonzon

[1] New Executive Board members effective 1 July 2022: Evangelia Kostakis will succeed Dieter A. Enkelmann as Chief Financial Officer and Luigi Vignola, long-standing Head Markets, will newly represent the Group's Markets unit.

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 Mandate Solution Designer and our proprietary advisory platform DiAS, which are already contributing to increased revenues and enhanced margins. And to increase quality and efficiency, we continue to re-engineer 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 that reflects the Group's purpose: creating value beyond wealth. 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 successfully rolled out the planned upgrade to its incentive and compensation systems in line with the Group's 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.

In view of the strongly capital-generative nature of Julius Baer's business model, the Group's dividend policy has been updated effective from financial year 2021 with an increase in the target ordinary dividend payout ratio from approximately 40% to approximately 50% of adjusted[1] net profit attributable to shareholders. As was the case in the previous dividend policy, in the absence of significant events the per-share ordinary distribution is intended to be at least equal to the previous year's dividend per share. As hitherto, ordinary annual dividend distribution 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.

Working towards delivering on the current strategy and financial targets by year-end 2022, we provided an update of the strategy on 19 May 2022, including a new set of financial targets for the three-year cycle starting in 2023. For a brief outline, see the foreword (page 2). More information is available at www.juliusbaer.com/strategy-update-2023-2025.

[1] For a definition of adjusted results, please refer to www.juliusbaer.com/APM

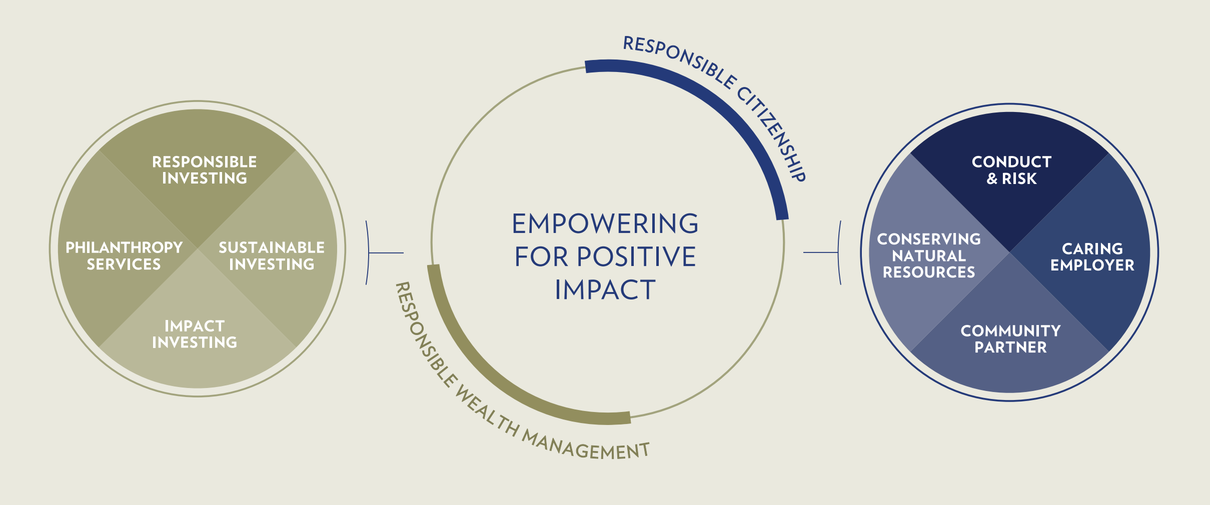
SUSTAINABILITY

Our sustainability ambition is to empower our clients, employees and broader stakeholder groups to make a positive impact on society and the environment. This ambition is echoed in our purpose to create value beyond wealth. We are enabling shifts in capital flows towards a more equitable future and healthier planet. At the same time, we are taking environmental, social and governance actions within the Group as a responsible corporate citizen.

As a financial institution, our success depends on stable economic, social, environmental and regulatory systems. Our sustainability framework helps us respond to – and share thought leadership around – diverse challenges, with a particular focus on climate change and wealth inequality. Alongside such environmental, social and governance (ESG) megatrends, we are also adapting continuously to regulatory developments around sustainable finance, such as the European Union Action Plan on Financing Sustainable Growth, and we take account of evolving standards in non-financial disclosure and reporting.

STRATEGIC FRAMEWORK

Our strategic framework, shown below, enables us to harness new market opportunities while mitigating risks and engaging stakeholders. It is centred on two main pillars: responsible wealth management and responsible citizenship. At the heart of our framework is a thematic focus on two major challenges: the overuse of natural resources as well as the underuse of human resources. In 2021, we rolled out a proprietary e-learning course on our sustainability approach and framework, mandatory for all employees, in addition to conducting a number of training sessions, e.g. through our in-house Learning Week, as well as ad hoc training for various departments and business units. We are continuing this work and reinforcing our training efforts in 2022.



RESPONSIBLE WEALTH MANAGEMENT

Our responsible wealth management ecosystem was refined further in 2021, integrating ESG into investment processes and delivering sustainable and impact investing solutions alongside philanthropy services. We continued to enhance our market-leading insights, introduced transparent portfolio reporting and bolstered our offering in networking. In particular, we launched the Sustainability Circle community for our clients and started to gauge their sustainability views in our global client surveys.

Julius Baer investment advisors and portfolio managers received specialist ESG training, with 44 colleagues gaining certification from the Chartered Financial Analyst Institute (UK). We also welcomed the first cohort of senior relationship managers and team heads to a new training programme on sustainability topics. It featured representatives of the Group's senior management and was designed in partnership with Redesigning Financial Services, an interdisciplinary think tank originally founded by representatives of the University of St Gallen and the Swiss Federal Institute of Technology ETH.

Furthermore, we conducted a number of education sessions related to responsible wealth management for dedicated client groups (e.g. sessions within our Women and Wealth seminar series) and for employees across the globe. We also launched an internal and external campaign explaining our approach to responsible wealth management, featuring a series of dedicated videos, podcasts and articles. In late 2021, we participated in the UN COP26 climate conference.

Responsible investing

Our investment process integrates the ESG perspective and has done so for many years. It has been and continues to be a journey of learning and extending. Our further refined approach to responsible investing now allows investors to take ESG factors into consideration, to weigh them against their ESG preferences as well as the ESG profile of the investments considered (see page 13).

Sustainable investing

We have a 16-year track record in managing discretionary sustainability mandates. In 2021, we increased assets under management within these mandates by 45% to CHF 3.6 billion. We also published a number of educational materials on sustainable investing and trends in this space.

Impact investing

In line with our thematic approach to responsible wealth management, we launched new products related to climate change mitigation, notably greener food production, renewable energy generation, smart transport and plant-based food systems. We also continued to engage with clients on topics such as the circular economy, green technology, smart agriculture and the blue economy.

Philanthropy services

Reflecting growing client demand (philanthropy advisory mandates have doubled since 2020), in 2021 Philanthropy Services became one element of our new Family Purpose offer, which represents one out of five Julius Baer Family Office services. We rolled out more internal training opportunities alongside engagement events on philanthropy, such as our Family Affairs masterclasses. Following these events, a number of clients identified projects reflecting their values that they intend to support, with some of these projects also supported by the *Julius Baer Foundation*.

RESPONSIBLE CITIZENSHIP

Conduct and risk

In 2021, we reinforced our commitment to being a trusted partner and to creating value beyond wealth. Remuneration reflects our corporate values and risk behaviour, integrating elements that measure not only what has been achieved but also how it has been achieved.

With regard to risk management, we established a transaction monitoring system as part of our efforts to combat money laundering. Moreover, responding to growing stakeholder interest and sustainable finance regulations, we established an interdisciplinary task force to further develop specific assessment criteria and guidelines on ESG-sensitive business activities. In addition, we addressed the merits of a dedicated reputational risk governance process covering ESG-related considerations.

Finally, we further reinforced our information security systems by adding an automated continuous assurance dashboard that measures important key risk indicators on a daily basis. On data privacy, we advanced collaboration between our diverse international locations to improve accountability and awareness regarding privacy risks.

Caring employer

We are on track to achieve our goal of 30% female representation in senior management by the end of 2023, with 28.5% at the end of 2021. The proportion of women on our Board of Directors was 40% at the end of 2021. In our regular employee engagement surveys, we managed to maintain an average global engagement score of 7.8 out of 10 at the end of 2021, and our employee net promoter score increased to 34 (+1 compared to 2020), slightly above the financial industry benchmark. New questions on diversity and inclusion as well as health and wellbeing were added during the year to better understand potential challenges and define measures for future improvement.

In 2021, we registered a 77% increase in training hours, leading to 34.1 average hours of training per employee. Supported by the JB Academy, we also expanded learning and development opportunities around the globe. Among other engagements, we extended our worldwide educational programmes for young talents and proposed different development opportunities for employees.

KEY RESPONSIBLE INVESTMENT INDICATORS

	2021	2020	Change *in %*
Discretionary assets with basic ESG integration (CHF m)[1]	66,148	55,242	*19.7*
As percentage of total assets under management (%)	*13.7*	*12.7*	-
Discretionary sustainability mandates (CHF m)[2]	3,579	2,468	45.0

[1] Based on assets under management in central mandates (only front regions, excluding intermediaries).

[2] Including various asset classes and currencies.

DRIVEN BY GOOD CAUSES – JULIUS BAER CARES

Our employees are resourceful, not only in their jobs but also when it comes to doing good. Founded by employees for employees, *Julius Baer Cares* (JB Cares) is the Group's grassroots organisation for social impact. It has charters in a growing number of locations and aims to have a direct positive impact in the local community by contributing resources and professional competencies to good causes.

While the organisation operates independently, it leverages its impact by cooperating with other internal subject matter experts as well as with external charitable societies. Over the years, it has supported a wide variety of projects close to Julius Baer employees' hearts, such as financing fresh-water infrastructure in developing nations, running job-integration workshops for teenagers and organising blood donation appeals. In addition, JB Cares coordinates the Group's volunteering activities.

FROM NEED TO ACTION

Besides its independence, short reaction time is one of the key characteristics of JB Cares. It adapts quickly to emerging situations and is ready to help when need arises – as was the case at the beginning of March 2022. Over a 10-day period, JB Cares' donation appeal to help civilians in Ukraine via the Swiss Red Cross was met with over CHF 290,000 from employees, which in turn was matched by the *Julius Baer Foundation*. Separately, the Julius Baer Group donated CHF 2 million for the same cause.

JB Cares' efforts did not stop there, however. For instance, the members are aiming to connect employees who are hosting Ukrainian refugees with employees seeking to offer their help. Be it in the form of goods collections, offering useful information or supporting social integration, JB Cares members embrace the drive to do good and find purpose in creating value beyond wealth.

Community partner
In 2021, Julius Baer's total community giving amounted to more than CHF 10 million[1], representing an 18% increase on 2020. Through our employee-led giving and volunteering network, *JB Cares* (see page 31), employees used their two paid days of annual volunteering to give 1,319 hours to their communities – a 205% increase on 2020, backed by new volunteering guidelines and greater volunteering awareness around the Group.

We responded to community needs globally via the *Julius Baer Foundation*, which collaborated with 27 partner organisations to disburse CHF 3.75 million, via multiple sponsorships, and via the *Julius Baer Art Collection*, which celebrated 40 years of promoting and preserving visual art in Switzerland.

Conserving natural resources
In 2021, we set out to complement our environmental efforts with a new climate strategy, including a net-zero CO_2 emission target (see page 13). We strive to meet this ambition with a framework that helps us to manage climate risks and harness net-zero opportunities for our clients and the Group. In parallel, we continue to look at the environmental impact by measuring the emissions related to the Group's own operations, its investments and our clients' investments. In developing the strategy, we conducted scenario analysis in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and committed to have our net-zero targets certified by the Science Based Targets initiative. Further information on our climate strategy can be found in our *Sustainability Report 2021.*

[1] This figure can be broken down into CHF 6.08 million from the Group, CHF 3.75 million from the Julius Baer Foundation (including matching contribution to JB Cares), CHF 60,100 from JB Cares Switzerland, CHF 64,500 from JB Cares Hong Kong, CHF 162,500 from JB Cares Singapore, CHF 2,000 from JB Cares UK and CHF 34,000 from Germany. These amounts exclude corporate sponsorships and other donations from any other international locations.

KEY HUMAN CAPITAL INDICATORS

	2021	2020	Change *in %*
Our people			
Total headcount (total workforce excl. externals)[1]	7,060	6,897	2.4
Of which regular staff	*6,845*	*6,762*	*1.2*
Number of employees (FTE) (total workforce excl. externals)[1]	6,727.3	6,606.5	1.8
Of whom in Switzerland (%)	*52.2*	*52.0*	-
Of whom in rest of Europe (%)	*17.6*	*18.0*	-
Of whom in Asia-Pacific (%)	*22.6*	*22.1*	-
Of whom in Latin America (%)	*5.2*	*5.0*	-
Of whom in Middle East and Africa (%)	*2.4*	*2.8*	-
Total net employee turnover (%)[2]	9.6	8.5	-
People and diversity			
Ratio of women (% of total regular staff headcount)	42.4	42.5	-
Women in senior management (% of total senior management headcount)[3]	28.5	27.9	-

[1] Total workforce includes regular staff (employees with an ordinary open-ended Julius Baer contract on a full or part-time basis), temporary staff, trainees, apprentices and graduates.
[2] Fluctuation rate / net turnover of regular staff in %, including resignations and terminations.
[3] Julius Baer defines senior management as all employees with the rank of Director to Managing Director.

SUSTAINABILITY DISCLOSURE AND RECOGNITION

We hold a strong position in many international sustainability benchmarks, including an AA rating in MSCI ESG[1] (upgraded from A in June 2022), a 92nd percentile position in S&P[2] Global Corporate Sustainability Assessment and a B score in CDP climate disclosure. The shares of Julius Baer Group Ltd. also remain a constituent of both the SXI Switzerland Sustainability 25 Index and FTSE4Good indices[3]. Since February 2021, our shares have been included in the new ESG equity indices of SIX[4].

Each year, we add further rigour and transparency to our sustainability and ESG disclosures. Our *Sustainability Report 2021*, available at www.juliusbaer.com/cosreport, takes account of international best practice reporting principles and standards, including the SDGs, the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the UN Principles for Responsible Banking (PRB) and Principles for Responsible Investing (PRI), CDP and the TCFD.

1 MSCI ESG ratings provide insight into ESG risks and opportunities within multi-asset class portfolios. Source: https://www.msci.com/esg-ratings
2 The S&P Global Corporate Sustainability Assessment (CSA) is an annual evaluation of companies' sustainability practices. The resulting ESG rating is used, among others, to create the Dow Jones Sustainability Index. Source: www.spglobal.com/esg/csa/
3 Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products. Source: https://www.ftse.com/products/indices/ftse4good
4 ESG Indices from SIX are new sustainable benchmarks for the Swiss Capital Market. The goal of SIX is to establish solid, sustainable and independent benchmarks for the Swiss bond and equity markets. Julius Baer shares are within the SPI ESG and SPI ESG Weighted indices.

KEY ENVIRONMENTAL INDICATORS[1]

	2021	2020	Change *in %*
Energy consumption (MWh)	37,302	37,406	-0.3
Electricity (MWh)	*24,411*	*25,795*	*-5.4*
Greenhouse gas emissions (tCO_2e)[3]	5,800	8,703	-33.4
Of which business travel (tCO_2e)[4]	*1,967*	*1,949*	*0.9*
Water consumption (m^3)	58,003	69,625	-16.7

1 2020 data was restated to account for additional business locations in Switzerland and Mexico.
2 Unless stated otherwise, the numbers in this table are based on information from Julius Baer's main business locations. These are Zurich, Geneva, Lausanne, Lugano, Basle and Bern in Switzerland, as well as our locations in Italy, Luxembourg, Brazil, Germany, India, Guernsey, Hong Kong, Monaco, Singapore, Spain, the UK, the UAE, Mexico and Uruguay. These locations cover approximately 94% of our total employees.
3 Greenhouse gas emissions were calculated according to guidelines issued by the WRI/WBCSD Greenhouse Gas Protocol. We offset all our CO_2 emissions through a certification scheme.
4 Business travel figures are a sum of emissions from air, rental car and train travel data provided by our central Global and Hong Kong travel offices (covering all employees globally), as well as emissions from company cars used at sites specified under footnote 2. Kilometres/FTE are calculated using the same input.

IMPORTANT DATES

Publication of Interim Management Statement: 21 November 2022
Publication of 2022 annual results: 2 February 2023
Publication of Annual Report (incl. Remuneration Report) 2022 and
Sustainability Report 2022: 20 March 2023
Annual General Meeting: 13 April 2023

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This brief report also appears in German. The English version is prevailing.

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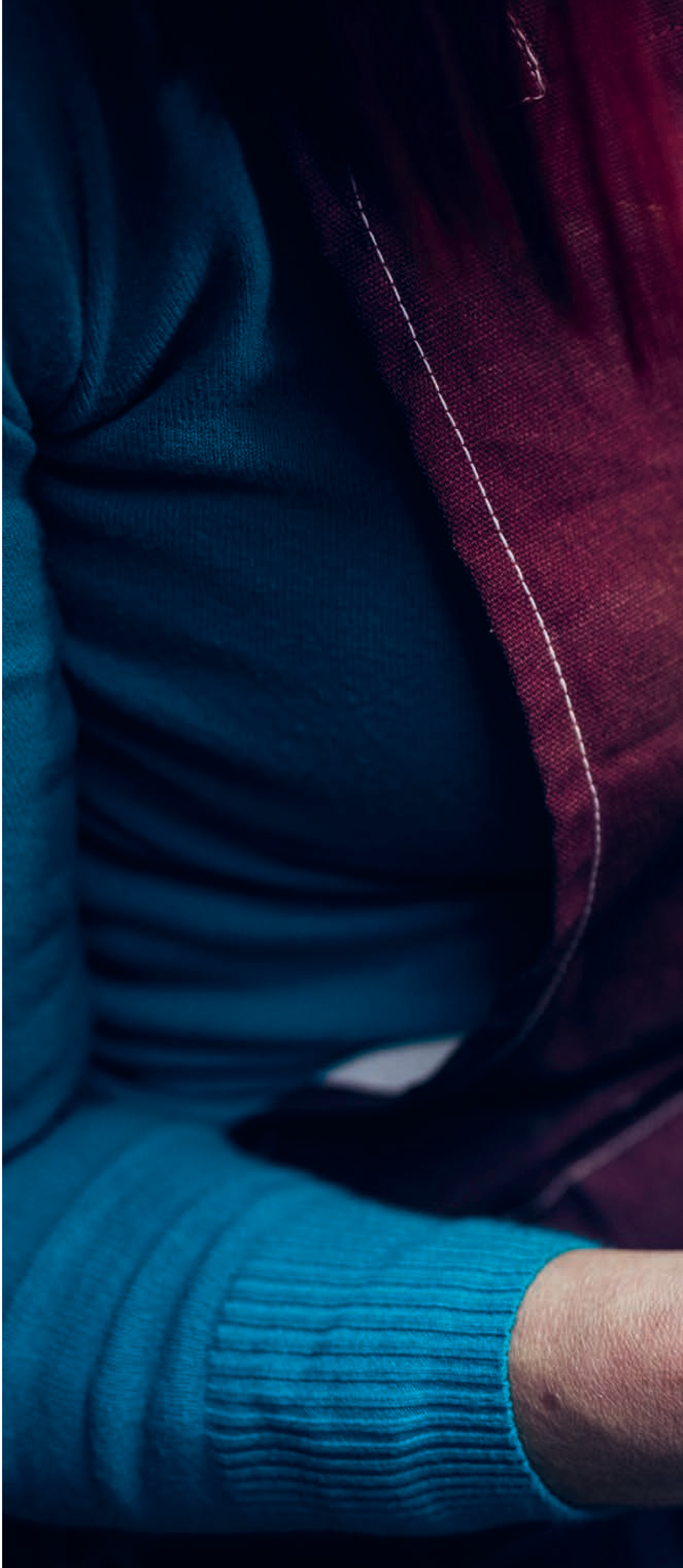

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60 locations worldwide,
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Bangkok, Dubai, Dublin,
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London, Luxembourg, Madrid,
Mexico City, Milan, Monaco, Mumbai,
Santiago de Chile, São Paulo, Shanghai,
Singapore, Tel Aviv and Tokyo.

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