Julius Bär

BUSINESS REVIEW 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 ff).

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 almost 6,900 employees, we stand for:

SOLID FOUNDATIONS

PURE WEALTH MANAGEMENT

PERSONAL CONNECTIONS

INTERNATIONAL NETWORK

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Cover picture:
India is said to be a melting pot. Its sheer size, combined with an eventful history, has formed it into a very ethnically diverse nation, rich in traditions of art, craft, culture and cuisine. One particular craft is Pipili appliqué, named after the small town of its origin. The local workshops have earned themselves a global reputation for their artful way of stitching together colourful pieces of fabric on a base cloth. While the Pipili technique derives from items produced to perform rituals, the focus today is on festive, decorative and household products such as lamp shades.
Julius Baer has been present in India since September 2015. The business integrated at the time has grown significantly since then, now covering the domestic market from a network of six locations. In addition, we serve a large and growing non-resident Indian client base from various international Group locations. Taken together, our India-related business is truly global (see pages 13 and 19).

KEY FIGURES JULIUS BAER GROUP[1]

	2022 CHF m	2021 CHF m	Change in %
Consolidated income statement			
Operating income	3,853.3	3,857.8	-0.1
Adjusted operating expenses	2,654.4	2,528.9	5.0
Adjusted profit before taxes	1,198.9	1,328.9	-9.8
Adjusted net profit for the Group	1,049.7	1,143.9	-8.2
IFRS net profit for the Group	949.1	1,082.7	-12.3
Adjusted cost/income ratio	65.9%	63.8%	-
Adjusted pre-tax margin (basis points)	27.0	28.2	-

	31.12.2022	31.12.2021	Change in %
Assets under management (CHF bn)			
Assets under management	424.1	481.7	-12.0
Net new money	8.7	19.6	-
Consolidated balance sheet (CHF m)			
Total assets	105,643.7	116,305.8	-9.2
Total equity	6,289.7	6,743.3	-6.7
BIS total capital ratio	21.7%	24.0%	-
BIS CET1 capital ratio	14.0%	16.4%	-
Return on tangible equity (RoTE), adjusted	28%	29%	-
Return on common equity Tier 1 capital (RoCET1), adjusted	34%	34%	-
Personnel (FTE)			
Number of employees	6,891	6,727	2.4
Number of relationship managers	1,248	1,274	-2.0
Capital structure			
Number of shares issued	213,801,240	221,224,448	-
Market capitalisation (CHF m)	11,515	13,535	-14.9
Moody's rating Bank Julius Baer & Co. Ltd.			
Long-term deposit rating	Aa3	Aa3	
Short-term deposit rating	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

2022 turned out to be one of the most challenging years our industry and our clients have ever experienced. Besides facing the strongest and fastest monetary tightening cycle in modern times, affecting both equity and bond markets, we are living through geopolitical uncertainty, social tensions and the mounting urgency to transition our economies to a less carbon-intensive future. We firmly believe that the apprehension induced by these paradigm shifts is best tackled through reason and foresighted action. We have therefore maintained a comprehensive and forward-looking dialogue with our clients, working closely with them on solutions suited to navigate this difficult environment. Thankfully, their satisfaction with our services remained high, as our latest client survey revealed (see page 17).

Following our record result of 2021, last year we still achieved the second-best annual result in more than 130 years of Julius Baer history. This is evidence that the diligent execution of the revenue and cost measures of the past three years was effective, defying the impact that the massive corrections in financial market valuations had on profitability and assets under management. We were able to achieve all financial targets we set for the 2020–2022 strategy cycle (see page 4 ff). Last year, we also made progress in solving legacy legal and regulatory issues, thus clearing the way forward towards further sustainable profit growth with a constant focus on risk management.

Adhering to our commitment to keep the ordinary dividend per share at least at the level of the previous year, the Board of Directors will propose to the Annual General Meeting on 13 April 2023 an unchanged dividend of CHF 2.60 per share for the financial year 2022. We also expect to conclude our ongoing share buy-back programme by the end of February 2023. Our distribution policy and the market-driven valuation changes of our treasury portfolio had an impact on the Group's capitalisation. At year-end 2022, the BIS CET1 capital ratio stood at 14.0% and the BIS total capital ratio at 21.7%. While lower than a year ago, both ratios are well above our own floors and significantly in excess of regulatory minimums. The Group therefore remains robustly capitalised.

Our financial strength is a prerequisite for our strategic progress. Last year marked the third and final stretch of our strategic cycle 2020–2022, which led to a successful transformation of our business. Along the three strategic pillars set out in February 2020, we *shifted* our leadership focus from a purely asset-gathering strategy to one of sustainable profit growth – effective even in adverse market environments. 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. And our *accelerated* investments in human advice and technology continued to profoundly refashion our organisation and the way we create value for and interact with clients.

Building on these achievements, we are now starting the next three-year strategic cycle from a position of strength (see page 25 ff). 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 through high-quality revenues and strategic and dynamic cost management. In the next phase of growth, we will *scale* our business where the opportunities to drive critical mass and profit growth are highest. And we aim to *innovate* by continuing to invest in the digitalisation of our business for the benefit of clients and the operational efficiency of our Group. These priorities find their equivalent in a new set of ambitious financial targets we intend to reach by the end of 2025. Underpinned by an engagement-led sustainability strategy and strong risk management, our next strategic cycle aims to create further value for all our stakeholders.

Thanks to our strong international positioning, our focused business model, our excellent standing with clients and, last but not least, our highly skilled and committed employees, we are confident that Julius Baer will successfully master the challenges ahead while also taking advantage of the growth opportunities in our industry. We sincerely thank all our clients and other stakeholders for their continued trust and support.

Romeo Lacher
Chairman of the Board of Directors

Philipp Rickenbacher
Chief Executive Officer

FINANCIAL PERFORMANCE IN 2022

In 2022, we reached the second highest adjusted[1] net profit in the history of Julius Baer Group Ltd., and with that, all targets for the 2020–2022 cycle were achieved. Operating income remained stable, as the benefit from rising interest rates offset the impact from weak markets and lower client activity.

Evangelia (Evie) Kostakis, Chief Financial Officer

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.

Net new money of CHF 10 billion in the second half of the year more than compensated for the client credit-deleveraging-driven net outflows of CHF 1 billion in the first half of the year. The full-year net new money inflow result of CHF 9 billion reflects a 2% growth rate, relative to assets under management (AuM) at the end of 2021, while the annualised growth rate for the second half relative to AuM at the end of June was 5%. Close to CHF 6 billion of the net inflows materialised in the last two months of the year.

Clients domiciled in Europe and the Middle East contributed meaningfully to the net new money result, with particularly strong inflows from clients domiciled in key markets Germany, the UK & Ireland, and the Iberian Peninsula, as well as Qatar, where Julius Baer opened its third Middle East advisory office towards the end of the year.

Net new money inflows from clients domiciled in Asia turned positive in the second half of the year, partly offsetting the net outflows registered in the first half, when a number of large clients reacted to the environment of increased uncertainty by de-risking their investment portfolios and reducing leverage. Net new money from clients domiciled in Latin America was slightly negative despite strong inflows from Mexican clients.

Assets under management decreased by CHF 58 billion (12%) to CHF 424 billion. This decline was mostly attributable to significant corrections in global equity and bonds markets, following the significant interest rate hikes by central banks around the world, as well as a net negative currency impact, mainly stemming from a further weakening of the euro and British pound against the Swiss franc.

[1] Cf. footnote 1 to the table on the next page

ADJUSTED CONSOLIDATED INCOME STATEMENT[1]

	2022 CHF m	2021 CHF m	Change in %
Net interest income	822.9	627.0	31.2
Net commission and fee income	1,962.0	2,295.9	-14.5
Net income from financial instruments measured at FVTPL[2]	1,051.2	884.3	18.9
Net credit losses/(recoveries) on financial assets	16.0	1.8	776.0
Other ordinary results	33.1	52.4	-36.8
Operating income	**3,853.3**	3,857.8	-0.1
Adjusted personnel expenses	1,683.7	1,657.5	1.6
Adjusted general expenses	766.0	673.5	13.7
Adjusted depreciation, amortisation and impairment	204.7	197.9	3.4
Adjusted operating expenses	**2,654.4**	2,528.9	5.0
Adjusted profit before taxes	**1,198.9**	1,328.9	-9.8
Adjusted income taxes	149.1	185.1	-19.4
Adjusted net profit for the Group	**1,049.7**	1,143.9	-8.2
IFRS net profit for the Group	**949.1**	1,082.7	-12.3
Adjusted net profit attributable to:			
Shareholders of Julius Baer Group Ltd.	1,050.1	1,142.3	-8.1
Non-controlling interests	-0.3	1.6	-
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	5.04	5.34	-5.6
Key performance ratios			
Adjusted cost/income ratio	65.9%	63.8%	-
Gross margin (basis points)	86.8	81.9	-
Adjusted pre-tax margin (basis points)	27.0	28.2	-
Adjusted tax rate	12.4%	13.9%	-

[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.

The AuM impact from corporate divestments amounted to CHF 7 billion, primarily the result of the completion of the sale 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 67 billion (a decrease of 16%), total client assets declined by 13% to CHF 491 billion.

Since Russia's invasion of Ukraine in February 2022, 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 conflict.

Julius Baer's market risk exposure to Russia is insignificant and tightly managed. Julius Baer has closed down its advisory subsidiary in Moscow.

BREAKDOWN OF ASSETS UNDER MANAGEMENT BY CURRENCY

	31.12.2022	31.12.2021
USD	48%	49%
EUR	19%	19%
CHF	9%	10%
GBP	4%	4%
INR	4%	4%
HKD	3%	3%
SGD	2%	1%
BRL	2%	1%
Other	9%	9%

By the end of 2022, CHF 2.2 billion of AuM had been reclassified to AuC primarily due to asset freezes and restricted client relationships as a consequence of Russia's invasion of Ukraine.

At the end of 2022, approximately 0.7% 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 declined marginally, by CHF 5 million, to CHF 3,853 million. Net interest income and net income from financial instruments measured at FVTPL[1] increased on the back of higher interest rates. This increase essentially compensated for the combined impact of a decline in net commission and fee income (following the market-driven fall in AuM and more muted client activity), a decrease in other ordinary results, and a slight uptick in net credit losses on financial assets. As monthly average AuM decreased by 6%, the gross margin improved to 87 basis points (bp) (2021: 82 bp).

Net commission and fee income shrank by 15% to CHF 1,962 million. Recurring income decreased, mainly through a 6% decline in advisory and management fees to CHF 1,550 million, in line with the reduction in monthly average AuM. A slowdown in client activity drove a 32% decline in brokerage commissions to CHF 575 million, the impact of which was partly offset by a 17% decline in commission expense to CHF 224 million.

Net income from financial instruments measured at FVTPL grew by 19% to CHF 1,051 million as the significant benefit from higher rates on treasury swap income more than offset a decline in structured-products-related income.

Net interest income rose by 31% to CHF 823 million following the sharp rise in interest rates during the year. Despite a decrease in average loan balances, interest income on loans grew by 57% to CHF 946 million. The combination of higher rates and increased volumes drove a significant rise in income from the treasury portfolio: the sum of net interest income on debt instruments at FVOCI[2] and interest income on

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

ASSETS UNDER MANAGEMENT

	31.12.2022 CHF bn	31.12.2021 CHF bn	Change in %
Assets under management	**424.1**	481.7	-12.0
Change through net new money	8.7	19.6	-
Change through market and currency impacts	-56.2	29.5	-
Change through divestment[1]	-7.5	-1.0	-
Change through other effects[2]	-2.6	-	-
Average assets under management	**443.7**	471.2	-5.8

[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] Reclassifications into assets under custody in 2022 result from externally imposed restrictions impacting the service offering to clients, including Russia-affected clients.

debt instruments at amortised cost rose by 107% to CHF 238 million. The cost of deposits rose too, as clients reallocated cash from current accounts to call and time deposits, resulting in interest expense on amounts due to customers going up by CHF 266 million to CHF 274 million. In the second half of the year, the era of negative interest rates came to an end. For the full year 2022, negative interest paid on financial assets fell by 7% to CHF 49 million and income from negative interest received on financial assets fell by 42% to CHF 23 million, in both cases mostly accounted for in the first half of the year.

Other ordinary results declined by 37% to CHF 33 million, mainly as a result of lower dividend income.

Operating income was only marginally affected by credit provisions of CHF 16 million booked as *net credit losses on financial assets* (2021: CHF 2 million), which were mainly related to model factor changes to IFRS 9 assumptions. These continued low levels reflect the Group's careful management of credit risks and the high quality of its exposure.

Operating expenses according to IFRS were CHF 2,770 million, an increase of 7%. They include a one-off impact of CHF 112 million from two previously disclosed items: the CHF 55 million charge under provisions and losses (in general expenses) from the settlement of a legacy litigation case related to a claim by the liquidator of a Lithuanian corporation, as well as the further impairment of M&A-related goodwill and amortisable customer relationships connected to the Group's investment in Kairos Investment Management SpA (Kairos), resulting in a CHF 57 million combined amortisation and impairment charge.

Personnel expenses increased by 1% to CHF 1,686 million, *general expenses* by 14% to CHF 775 million, *amortisation and impairment of customer relationships* by 7% to CHF 62 million, and *amortisation and impairment of intangible assets* by 51% to CHF 154 million. *Depreciation of property and equipment* declined by 2% to CHF 94 million.

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 116 million in 2022 and CHF 70 million in 2021). M&A-related amortisation and impairment of customer relationships increased to CHF 62 million (2021: CHF 58 million) and M&A-related amortisation and impairment of other intangible assets to CHF 43 million (2021: none), mainly reflecting the impairment related to Kairos. Other M&A-related expenses decreased to CHF 11 million (2021: CHF 12 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 5% to CHF 2,654 million. Excluding provisions and losses, adjusted operating expenses increased by 3% to CHF 2,541 million.

Adjusted personnel expenses grew to CHF 1,684 million, up 2%, in line with the year-on-year increase in the monthly average number of employees. Performance-related remuneration fell, and while salaries grew in line with the rise in the average number of staff, other personnel expenses increased faster, partly driven by higher recruitment- and pension fund-related costs. At the end of 2022, the Group employed 6,891 full-time equivalents (FTEs), up by 164, mainly driven by the further internalisation of formerly external staff. This included 1,248 relationship managers (RMs), a net decline of 26 FTEs. The disposals of Wergen and Fransad and the deconsolidation of NSC led to 112 FTEs leaving the Group, including 36 RM FTEs. Excluding the latter impact, the total number of RMs grew by 11 FTEs in 2022.

Adjusted general expenses increased by 14% to CHF 766 million, mainly as the result of a CHF 47 million rise in provisions and losses to CHF 114 million (of which CHF 55 million related to the settlement mentioned above). Excluding provisions and losses, adjusted general expenses went up by 8% to CHF 652 million. This latter increase was driven predominantly by higher costs related to travel and client events following the lifting or relaxation of COVID-19-related restrictions in many key jurisdictions as well as a rise in IT-related expenses.

BREAKDOWN OF ASSETS UNDER MANAGEMENT BY ASSET MIX

	31.12.2022	31.12.2021
Equities	31%	33%
Investment funds	28%	30%
Client deposits	16%	17%
Bonds/convertibles	15%	13%
Money market instruments	5%	1%
Structured products	4%	4%
Precious metals	1%	2%

While *depreciation of property and equipment* declined by 3% to CHF 93 million, *adjusted amortisation and impairment of intangible assets* grew by 9% to CHF 111 million, mainly reflecting the rise in IT-related investments in recent years.

The *adjusted cost/income ratio* (which excludes adjusted provisions and losses) increased to 65.9% (2021: 63.8%), thereby clearly meeting the 2022 target of <67%. The *adjusted expense margin* (also excluding adjusted provisions and losses) went up to 57 bp (2021: 52 bp).

IFRS profit before taxes decreased by 14% to CHF 1,083 million. As income taxes fell by 24% to CHF 134 million, *net profit* declined by 12% to CHF 949 million. Net profit attributable to shareholders of Julius Baer Group Ltd. also declined by 12%, to CHF 950 million, and EPS by 10% to CHF 4.56.

Adjusted profit before taxes decreased by 10% to CHF 1,199 million and the adjusted pre-tax margin by 1 bp to 27 bp, towards the upper end of the 25–28 bp target range for 2022. Over the 2020–2022 strategic cycle, adjusted profit before taxes grew by 10.3% on average, ahead of the >10% target.

The related income taxes fell by 19% to CHF 149 million, representing a tax rate of 12.4% (2021: 13.9%).

Both *adjusted net profit for the Group* and adjusted net profit attributable to shareholders declined by 8% to CHF 1,050 million, and adjusted EPS attributable to shareholders by 6% to CHF 5.04.

Notwithstanding the impact of the aforementioned larger one-off expense items, both the IFRS and the adjusted results represent the second-highest net profit in the history of Julius Baer Group Ltd. and were achieved despite the challenging market environment encountered in 2022.

The adjusted return on CET1 capital (RoCET1) was 34% (2021: 34%), thereby clearly beating the >30% target for 2022.

BALANCE SHEET AND CAPITAL DEVELOPMENT

Mainly driven by an 8% decline in the *due to customers* position (client deposits) and a 20% decline in the *financial liabilities designated at fair value* position (issued structured products), the size of the balance sheet shrank by 9% to CHF 106 billion. *Loans* declined by 12% to CHF 45 billion – comprising CHF 37 billion of Lombard loans (-14%) and CHF 8 billion of mortgages (-1%), resulting in the loan-to-deposit ratio dropping to 58% (end 2021: 61%). *Cash*, largely held at central banks in Europe and Switzerland, declined by 40% to CHF 12 billion.

Until the end of 2021, the positions held in the treasury portfolio were all recorded as *financial assets measured at FVOCI* (in 2022 up 1% to CHF 13 billion). Starting in 2022, and with a view to limiting the potential future fluctuations in capital, a significant number of newly acquired positions in this portfolio were for the first time recorded as *other financial assets measured at amortised cost* (CHF 4 billion at the end of 2022). Taken together, the treasury portfolio positions increased by 29% to CHF 17 billion (end 2021: CHF 13 billion).

Equity attributable to shareholders of Julius Baer Group Ltd. declined by 7% to CHF 6.3 billion.

BIS CET1 capital declined by CHF 0.3 billion, or 8%, to CHF 3.0 billion, as the benefit of net profit generation was more than balanced by the combined effect of the dividend accrual, the share buy-back programme, and the impact of year-to-date changes in the value of financial assets measured at FVOCI (treasury portfolio). The latter impact was largely driven by the effect of the market declines in 2022 on the value of the bonds held in the treasury portfolio. This impact will reverse over the next years as the bonds mature.

As a result of the CET1 capital development as well as the redemption and successful new issuance of perpetual tier 1 bonds during the year, BIS tier 1 capital decreased by 3% to CHF 4.6 billion and BIS total capital by 3% to CHF 4.7 billion.

Risk-weighted assets (RWA) grew by CHF 1.4 billion, or 7%, to CHF 21.7 billion. Credit risk positions rose marginally to CHF 13.0 billion, operational risk positions by 4% to CHF 6.2 billion, market risk positions by 121% to CHF 1.9 billion, and non-counterparty-related risk positions by 18% to CHF 0.6 billion. As a result, at the end of 2022 the *BIS CET1 capital ratio* stood at 14.0% (end of 2021: 16.4%) and *the BIS total capital ratio* at 21.7% (end of 2021: 24.0%).

As the leverage exposure fell by 10% to CHF 106 billion, the tier 1 leverage ratio strengthened to 4.3% (end of 2021: 4.0%).

At these levels, the Group's BIS CET1 and BIS 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 8.2% and 12.4%, respectively. The tier 1 leverage ratio continued to be comfortably above the 3.0% regulatory minimum.

Under the Group's capital distribution policy, Julius Baer targets an ordinary dividend payout ratio of approximately 50% of adjusted net profit attributable to shareholders. Under the same policy, in the absence of significant events, the per-share ordinary distribution is intended to be at least equal to the previous year's ordinary dividend per share. Consequently, despite the decline in adjusted net profit attributable to shareholders, for the financial year 2022 the Board of Directors of Julius Baer Group Ltd. will propose an unchanged ordinary dividend of CHF 2.60 per share. Subject to shareholder approval at the Annual General Meeting of shareholders on 13 April 2023, the dividend will be paid on 19 April 2023. The dividend will be subject to 35% Swiss withholding tax.

On 2 March 2022, Julius Baer launched a 12-month programme to buy back up to CHF 400 million purchase value of Julius Baer Group Ltd. shares. By the end of 2022, a total of 5,724,572 shares had been repurchased at an aggregate cost of CHF 276 million. The Group currently expects to complete the buy-back programme by the end of February 2023 at the maximum approved amount of CHF 400 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.

CONSOLIDATED BALANCE SHEET

	31.12.2022 CHF m	31.12.2021 CHF m	Change in %
Assets			
Due from banks	4,108.9	4,574.2	-10.2
Loans to customers[1]	44,584.2	50,417.1	-11.6
Financial assets measured at FVTPL[2]	13,032.6	14,589.1	-10.7
Financial assets measured at FVOCI[3]	13,492.8	13,360.6	1.0
Goodwill and other intangible assets	2,536.2	2,660.7	-4.7
Other assets	27,889.1	30,704.0	-9.2
Total assets	**105,643.7**	116,305.8	-9.2
Liabilities and equity			
Due to banks	2,933.5	3,860.3	-24.0
Deposits from customers	76,438.9	83,201.2	-8.1
Financial liabilities designated at fair value	11,571.4	14,459.0	-20.0
Other liabilities	8,410.3	8,042.0	4.6
Total liabilities	99,354.1	109,562.5	-9.3
Equity attributable to shareholders of Julius Baer Group Ltd.	6,287.2	6,734.4	-6.6
Non-controlling interests	2.5	9.0	-
Total equity	6,289.7	6,743.3	-6.7
Total liabilities and equity	**105,643.7**	116,305.8	-9.2
Key performance ratios			
Loan-to-deposit ratio	58%	61%	-
Book value per share outstanding (CHF)[4]	29.8	31.5	-5.5
Return on tangible equity (RoTE), adjusted	28%	29%	-
Return on common equity Tier 1 capital (RoCET1), adjusted	34%	34%	-
BIS statistics			
Risk-weighted assets	**21,700.8**	20,274.2	7.0
BIS total capital	**4,719.0**	4,859.2	-2.9
BIS CET1 capital	**3,046.3**	3,315.7	-8.1
BIS total capital ratio	**21.7%**	24.0%	-
BIS CET1 capital ratio	**14.0%**	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 2022

The successful transformation of our business over the past three years proved its worth again in the demanding environment of 2022. We stayed our course and continued to create value for and with our clients along our strategic priorities.

STRATEGIC PRIORITIES

In the final stage of our three-year strategic plan launched in early 2020, we successfully mastered the challenging geopolitical and market environment we faced in 2022. This further validated the objectives to make Julius Baer more relevant for our clients, even more resilient as a corporation and more attractive for all our stakeholders. Along the three strategic pillars, we *shifted* our leadership focus from a purely asset-gathering strategy to one of sustainable profit growth – effective even in adverse market environments. We further *sharpened* our value proposition for high net worth and ultra-high net worth clients by refining the Group's offering of products, mandates and services. And our *accelerated* investments in human advice and technology continued to profoundly refashion and strengthen our organisation and improve the way we create value for and interact with clients. Building on this strong foundation, we defined the priorities for the next three-year strategic cycle starting in 2023: *focus*, *scale* and *innovate* (see page 25 ff).

Highlighting our Group's winning strategies and initiatives globally, driven by 'exceptional performance at home and abroad', Julius Baer was named *Outstanding Global Private Bank – Global* for the second consecutive year by renowned *Private Banker International* at their *Global Wealth Awards 2022* in October last year.

TECHNOLOGY, PLATFORM AND INNOVATION

Julius Baer's IT strategy is powered by three operational platforms, located in Switzerland, Luxembourg and Asia. These platforms have ensured regional 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.

The Group's technology infrastructure is an important enabler to reach our ambitions for the 2023–2025 strategic cycle (see above). Over this period, we plan to spend an additional CHF 400 million on technology, thus bringing the total technology investments to more than CHF 1 billion over the full cycle.

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 technical 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, scalable advice and customisation of mandates as well as modern chat functionalities. In 2022, our e-banking solutions in Switzerland were upgraded to display intraday positions and transactions. In Asia, the e-trading capabilities were further enhanced and extended to a wider range of instruments and asset classes.

In order to deliver innovation in a faster, more user- and client-oriented and collaborative way, we are gradually shifting to agile working methods tailored to the specific requirements of the Group. After having concluded the first pilot projects of the Agile Transformation with 600 colleagues, we extended our agile ways of working to a total of about 800 people at the end of 2022, representing 48% of colleagues in scope. 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 2022. In March, we received the *Best Innovative Use of Artificial Intelligence* and *Best Innovative Client Solution* awards at the *WealthBriefing European Awards 2022.* And in 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 explore 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.

Our internal data represents a vast resource for advancing our business, from augmenting our client value proposition to automating operational processes via robots. The resulting benefits range from risk reduction and harmonised processes to increased operational efficiency. The most visible effects of these improvements are in client interfaces, where the efficiency gained by the use of data-based tools allows relationship managers (RMs) to dedicate more time to servicing clients.

RISK CULTURE

Managing risks is integral to our business and 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 tested for 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 consistently applied criteria, thus allowing us to avoid possible controversies and mitigate reputational risks (see next section). Digital assets are another emerging area necessitating continuous adaptation of our risk management and its application in tune with the changing dynamics inherent in this new asset class, including a newly introduced digital asset onboarding framework.

Geopolitical developments are another area. 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 client risk rating methodology introduced earlier, we launched a strategic transaction monitoring solution. Our globally harmonised drive to further lower the Group's AML risk profile, initially implemented in Switzerland and Luxembourg, was completed in H2 2022 with the rollout to the remaining booking centres. 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.

GROWTH TO SCALE IN ASIA-PACIFIC

Julius Baer's business development in Asia-Pacific reads like a textbook success story. From humble beginnings in 2005 and propelled by the banking licences we obtained in Singapore in 2007 and in Hong Kong in 2010, and the expansion into India in 2015, the Group has grown to be one of the largest wealth managers in the region. Today, we manage well over CHF 100 billion of assets from clients domiciled in Asia-Pacific, representing around a quarter of the Group's total assets under management. The region also harbours 24% of Julius Baer's workforce, covering all parts of the value chain – from front office roles to IT, and from market experts to investment specialists.

The economic rise of the Asia-Pacific region to a centre of great wealth creation – along with the growing sophistication of local high and ultra-high net worth individuals – continues to make it an attractive market that holds immense potential for a dedicated wealth manager like Julius Baer – validating our unwavering commitment to the region across different market cycles. The past few years have reminded wealthy individuals and families of the need to plan ahead and address generational change. Difficult markets have underscored the benefits of diversifying wealth beyond traditional geographies or asset classes. And the rising complexity of financial market regulation has increased the attractiveness of discretionary solutions and family office services.

SEIZING GROWTH OPPORTUNITIES

Over the coming years, we intend to accelerate our efforts to capture our industry's potential for growth along our three strategic priorities of *focus*, *scale* and *innovate* (see also page 25 ff). We aspire to *scale* our Asia-Pacific businesses in all those key markets where we can build on a strong existing position – in particular our hubs and local booking centres in Singapore and Hong Kong, from where we serve clients across the region, focusing on the upper wealth tiers. Both locations benefit from the dynamic wealth creation in the Chinese market. Hong Kong, as a bridge between the Mainland and the international financial markets, remains central to our expansion strategy, whereas our presence in Singapore capitalises on its geographic location in the heart of Southeast Asia, its open economy and its vibrant FinTech scene.

In India, we have been present since the acquisition of Merrill Lynch's International Wealth Management business in 2015. Building on our local footprint comprising six offices in the country, we have recently launched a major transformation plan to capture growth opportunities domestically and by serving Indian clients abroad. This plan will see us invest in people, distribution, infrastructure and new premises. Adding the Indian-focused teams in Dubai and Singapore, Julius Baer has one of the largest integrated franchises for resident and non-resident Indian clients. Thanks to our in-depth knowledge of Indian culture and values, we offer a unique combination of local investment expertise as well as international perspective and diversification opportunities.

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 Siam Commercial Bank, and in Tokyo, Japan, with Nomura Holdings Inc.
- Kairos Partners SGR S.p.A., Milan, and Kairos Investment Management Limited, London, fully consolidated subsidiaries; Julius Baer is present in Milan with Julius Baer Fiduciaria S.p.A.

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

Information, IT and cybersecurity 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. We achieved full compliance at Julius Baer Group entities in the EU at 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. In line with the related new MiFID II standards, personal ESG preferences now complement clients' investment profiles and are matched against the ESG profiles of investments considered, thus providing clients with transparency and additional choices. The necessary disclosures introduced by the Sustainable Finance Disclosure Regulation have been published. Further documentation is available at www.juliusbaer.com/legal.

SWITZERLAND

Switzerland is Julius Baer's home market and houses 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 the 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 efforts centre on the value we can create for existing and prospective Swiss-domiciled 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. In parallel, we initiated the strengthening of our regional organisation and the related broadening of our RM base, in line with the Group's strategic ambition to grow to scale, thus also bolstering our standing in the Swiss market.

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 business, which now reaches far beyond mortgage financing thanks to integrated real estate service provider KM&P, which we acquired in 2021, and additional key positions filled. The expansion of our real estate brokerage offering to western Switzerland has been successfully implemented with the opening of a KM&P branch in Geneva. Other areas include pension fund solutions for professionals, structured finance solutions for business owners as well as mergers and acquisitions (M&A) advisory for entrepreneurs, supported by our new corporate finance services team. Moreover, ESG investment opportunities and a guided exchange on sustainability issues drove client interest and dialogue. Leveraging our professional expertise in the field, we now offer cyber security health checks for clients who operate an IT infrastructure.

By providing this kind of personalised client experience, we aim to foster new client acquisition and retention, increase the share of wallet with existing clients and support our revenue margins. The measures implemented thus far have taken hold with clients and continued to show in our results. Net new money inflows substantially accelerated further year on year, partly countering the market impact on assets under management, and revenue margins continued to improve.

EUROPE

Europe is a key region for our Group where we see good growth and future opportunities to scale our business in tune with the Group's strategic ambitions. 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 primary hub for our other European business, complemented by our booking centres in Guernsey and Monaco.

In 2022, we kept strong business momentum and further expanded our customer base and offering. 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. The war in Ukraine, together with geopolitical tensions, created a challenging business environment. However, these factors also influenced the level of security and international diversification that clients seek for their assets, benefitting our expertise and global set-up. While asset levels generally retreated in line with markets, we were able to further accelerate the substantial net new money inflows from our local European businesses, and we maintained our profitability.

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 top-tier 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 its long-term growth trend in 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 increasing 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. Additionally, M&A advisory was introduced in Germany and is to be expanded. The healthy net new money inflow further accelerated year on year, largely compensating for the negative market impact on asset levels. Revenues held up well, confirming the position of our German business as 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 2022. Net new money inflows, originating largely from UHNWIs, accelerated year on year, benefitting revenue margins.

In ***Spain***, from where we also serve an increasing number of Portuguese clients, we experienced continued positive business momentum in 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 broaden our product and services offering specifically tailored to the Iberian market and welcomed a new team to develop the local intermediaries market (see page 21). Our growing client population and rising share of wallet further accelerated net new money inflows year on year, which supported asset levels and contributed to higher revenues.

Julius Baer is the largest wealth manager in ***Monaco***. We serve a substantial 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 2022, with no meaningful changes in clients' risk appetite and only isolated deleveraging. Stable revenues in combination with active cost control improved profit contribution. In 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,* as well as additional awards in the subcategories *High Net Worth Clients, Investment Management, Family Office Services* and *Capital Markets and Advisory.*

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.

With new leadership and governance in place since the beginning of 2021, our specialised wealth and asset manager *Kairos* made good progress in 2022 in its strategy to position itself as a leading active asset and wealth manager. After completing the fundraising for a European Long-Term Investment Fund (ELTIF), the company successfully launched a fixed maturity bond fund (labelled Target 2026). The consolidation of the investment management function of the European equities investment strategies with Kairos UK in London has proven beneficial, with strong relative performance of the European Equities Long/Short products in

THE VALUE WE CREATE

The impression could not have been more different: markets just felt normal in summer 2021 but quite depressing in summer 2022. In both periods, we conducted a global client survey. What was the bottom line? There was even greater participation in 2022, and client satisfaction was undiminished – with relationship management and quality of advice still the utmost drivers. We take this as a great compliment and affirmation that the consistency and strength of our advice represents value for our clients, regardless of market circumstances.

Does this indicate that our clients are detached from the markets? No – but their planning horizon is. When we engage with wealthy clients, we address what matters most to them – personally, as a family, and for the long term. The solutions we craft provide them with the perspective, stability and peace of mind they are looking for, often in a multigenerational context. From the pandemic to armed conflict in Europe, the disruptions of the past years have certainly altered our clients' views and the way they intend to align their wealth with their goals, as our latest *Julius Baer Family Barometer*[1] has confirmed.

Not surprisingly, health and access to robust healthcare systems remained a top priority. Another topic high on clients' minds is responsible wealth management, in particular sustainability. Until recently, sustainability considerations were often confined to specific investments or philanthropy. This is changing. Clients increasingly take a broader view on sustainability and want to see their values reflected more widely across investment portfolios. Their desire to act now in order to shape their future is reflected in the spirit of Julius Baer's brand message of *how we invest today is how we live tomorrow.*

[1] www.juliusbaer.com/family-barometer-2022

particular. In addition, the first commitments for the newly launched Venture Capital Fund were secured as planned. While asset levels retreated in line with negative overall market developments, the relative investment performance was particularly strong in the European equities space and in selected fixed income products. In December 2022, the remaining intangible assets of the Group's investment in Kairos were fully impaired (see page 7).

As one of the top ten private wealth managers in the ***United Kingdom***, we continued to expand our business with HNWIs in 2022, both out of London and from our four regional offices in Manchester, Leeds, Edinburgh and Belfast.

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 and also proved a winner with new clients, who enjoy the support these features lend to their onboarding. To scale the wealth planning proposition more effectively, the focus in the second half of 2022 was on delivering digital solutions to RMs. Our discretionary portfolio management continued to be a key driver of growth. We achieved gratifying net new money inflows and were able to improve profitability. 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 HNWIs and UHNWIs in the market. Clients remained largely invested, demonstrating risk appetite despite volatile periods, and client activity remained mostly unchanged. On the back of continued net new money inflows and well maintained asset levels, revenues and profitability increased.

CENTRAL & EASTERN EUROPE

In 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 under management to assets under custody. We decided to wind down the Group's advisory subsidiaries in Moscow and Vienna 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 affected clients, also regarding the sanctions-induced reduction in the scope of services available to them.

ASIA-PACIFIC

Given our large footprint in the region and hence its strategic importance for Julius Baer, we view Asia-Pacific as our second home market. Our aspiration is to be the most admired and trusted Swiss global wealth partner to clients in the Asia-Pacific region. 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.

Clients domiciled in Asia-Pacific 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.

The Asia-Pacific region 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 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 and Lombard credit 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.

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 presentations and panels 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-Pacific, which was expanded through a portal giving privileged access to private equity, impact investing and other investments of approved providers. 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, namely *Best Pure Play Private Bank in Asia, Best for HNW in Asia* and *Best for Family Offices in Singapore*.

In line with the Group's strategic ambition to grow to scale, also in Asia-Pacific (see page 13), we started to broaden our base of RMs across the region and continued to evaluate external growth opportunities. The investment into the Chinese start-up GROW Investment Group announced at the end of September 2022 is indicative of our strategic approach to bolstering our exposure in promising markets via value-adding transactions. In addition, we continue to 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. The partnership provides clients with relevant and impactful advice and solutions, combining SCB's strong brand and local expertise with Julius Baer's full offering of international wealth management capabilities. This resulted in the launch of two joint fund structures and fund-based insurance solutions. In January 2023, SCB JB won in the new category *Best International Private Bank – Thailand* at the *Private Banker Awards for Distinction 2022*.

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 mandates and 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 UHNW and HNW 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, Bengaluru and Hyderabad. In broadening our dedicated offering, we recently launched a regional equity strategy portfolio that offers clients exposure to India's growth story. To reinforce our leading position in the country, we embarked on a profound business transformation (see page 13). Julius Baer's strong domestic standing 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. Furthermore, Julius Baer won the *Asian Private Banker Awards for Distinction 2022* in the category *Best Private Bank – Global Indians* for the third consecutive year.

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 the Asia-Pacific region, 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 opened an Advisory Office in Doha, ***Qatar***, in October 2022. The opening echoed positively within the Middle East, and the office got off to a strong start.

In addition to the Ukraine situation, the region continues to be impacted by its heterogeneous nature and regional geopolitical tensions. What sets us apart is our reputation as a focused wealth manager and the international scope of our offering, which addresses our UHNWIs' growing need for security and diversification. Net new money inflows remained healthy, despite some deleveraging impacts, and profitability improved. In 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, net new money inflows improved as the year progressed, revenues remained stable and profitability improved. In April 2022, our Israeli 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 representative and advisory offices 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 most Latin American countries enjoyed robust economic growth in 2022 and regained pre-pandemic GDP levels, the slowdown in the US, the tighter financial conditions and the stronger US dollar are clouding the region's prospects. The political situation was dynamic in a number of countries, but its overall impact on our business activities was limited.

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. Establishing a common understanding with clients by sharing knowledge and expertise is key in wealth management. To further support our clients and their families, we leveraged the Group's wealth and portfolio management education programme to develop a dedicated programme focused on family wealth management in collaboration with top universities in various countries.

In the past years, we transformed our operations across the continent into a less complex, more integrated and inherently client-driven structure, which helped us weather the demanding market environment in 2022. Asset gathering was challenging overall, despite net new money inflows and rising shares of wallet in several of our focus markets, including Mexico and Colombia. The positive foreign exchange development partly countered the financial market impact on asset levels, while higher net interest income partially made up for the overall decline in transaction-based income.

We were able to scale our business and increase 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.

The activities in our growth market ***Brazil*** continued to develop favourably, with positive currency effects contributing to higher assets under management. 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 multi-custodial 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 growing rank of 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 could best develop and grow under a different ownership structure. We thus reduced our 70% holding by selling 50.1% of the company. The retention of a 19.9% financial stake underlines our ongoing commitment to the Mexican wealth management market and our full dedication to our clients and prospects.

INTERMEDIARIES BUSINESS

Leveraging the Intermediaries unit's new business strategy, implemented in the first half of 2022, we achieved various key milestones in the remainder of the year. In line with our efforts to foster our presence in strategic growth markets, we strengthened our Intermediaries business in various markets, such as Spain where we onboarded a new team, thus underlining the Group's overall commitment to the Iberian market. We also introduced a new harmonised compensation framework for the Intermediaries unit's RMs. Aligned with the Group's strategic goal of sustainable profit growth, this new framework encourages truly impartial advice and teamwork with experts to achieve the best possible solutions for our intermediaries and compensates our RMs for their performance. Moreover, we further built upon our achievements of the past two years by expanding and tailoring our range of products and services, upgrading our technological capabilities and making our processes even more effective and efficient.

At the heart of our new strategy lie different coverage models designed to accommodate the evolving needs of the intermediary clients we serve. These coverage models have helped us to navigate the current difficult market environment and further sharpen our value proposition. They allow us to tailor our products and services to the ever-changing realities intermediaries face and will continue to face. This high level of service has ultimately been well received by clients and brought us closer to them, instilling a strong foundation of trust and understanding in our relationships with them. This proximity also showed in the pleasing net new money we achieved across most of our key markets in 2022.

In light of the Swiss Financial Institutions Act requiring external asset managers to apply for a licence from Swiss Financial Market Supervisory Authority FINMA by the end of 2022 to carry out their activities, we provided much appreciated licencing support and solutions to our Intermediaries community.

INVESTMENT RESEARCH: 2022 IN REVIEW

2022 will go down in financial history as an exceptional year on many levels. First, it was one of the worst years in history for bonds and a bad one for stocks. In fact, for US Treasuries, the first few months of the year were worse than anything witnessed since 1788, which emphasises the historical dimension the difficult environment posed investors in 2022. On top of that, 2022 marks a year in which almost all financial assets, not only bonds and equities, lost value in sync, which again is quite a rare occurrence.

This leads to the year's second peculiarity: the economic mix that financial markets had to face. Global real growth, at around 3%, fell only slightly short of the average of the pre-pandemic years. Yet the global inflation rate approached a staggering 8%, which is higher than any number seen in past decades. The combination of lacklustre growth and record inflation suggests that 2022 was a year of stagflation – a mix rarely seen since the 1970s. This brings us to the third peculiarity of the year: monetary policy, or rather the tightening thereof. The growth-inflation mix pushed central banks – first and foremost the US Federal Reserve – to tighten the money supply at an unprecedented pace. Central banks were perceived as being behind the curve early on, and they struggled to catch up. This created shocks in the financial system that led to the asset price declines outlined above.

Fourth, the geopolitical landscape triggered even more jolts and pitfalls than in recent years. Most importantly, the war in Ukraine shocked the world and led to a spike in commodity prices that took most of the year to ebb off. Tensions between the US and China kept investors on their toes as well. Furthermore, at a national level, the looming gridlock in the US Congress following the midterm elections and the turmoil around the changes in the UK government added to uncertainties. The fifth peculiarity relates to the sky-high divergence between different sub-asset classes triggered by the many disruptions in the system: for example, oil & gas stocks soared by more than 50%, while former high-flyers in communications lost almost a third of their value. The US dollar was strong during most of the year driven by a flight to safety, creating another pain point for the global financial system. Overall, oil & gas stocks, safe-haven cash and energy commodity stocks were the best performing assets in 2022, while communications stocks, safe-haven bonds and digital assets suffered the most.

Looking ahead, economic growth will slow considerably in 2023, but inflation will slow even more, in our view. Against this backdrop, we suggest capturing attractive yields in quality areas, such as high-investment-grade bonds and quality stocks. At the same time, investors should watch out for cyclical opportunities, as markets may start to price in an economic recovery in 2024 as the year progresses.

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. It incorporates long-term secular trends and is safeguarded by our robust risk framework. 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 year 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. In our view, we have entered a new market paradigm in which former trends seem to be broken, implying the need to adapt both investment behaviour and reaction functions. We believe the key to withstand this new environment is to favour real assets over nominal claims and to invest in economies that have a strong track record in defending property rights and foster shareholder value creation. Therefore, while overall portfolio construction and diversification remain the keys to sustainable investment success, regularly revisiting and understanding long-term trends is crucial for forward-looking wealth preservation.

Apprehending the challenges posed by the current economic and geopolitical environment, our investment experts were closer than ever to our clients to help them cope with the ongoing uncertainties. Pursuing our ambition to trans-form our business while ensuring that our investment and advisory solutions remain relevant for our clients, our dedicated teams 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;
- improving the quality and distribution of supporting client material for mandates;
- enhancing the attractiveness of our private market offering.

INVESTMENT CONTENT

The market environment remained challenging during all of 2022. While we continuously highlighted opportunities arising from the market turmoil and related volatility, our focus lay on supporting relationship managers (RMs) in client interactions. We did this through a complete revamp of our regular Market Outlook campaigns, by providing topical investment publications on an ongoing basis as well as by regularly updating our views on recommended instruments.

Responding to the continued client interest in digital assets, in May 2022 we went live with our inaugural Crypto Matters publication. It provided an educational introduction to this emerging asset class, benefitting from our reinforced research capabilities in this area. With sustainability becoming an ever-more important investment topic, we released a digital Sustainable Finance publication in July. Beyond raising basic awareness, it was aimed at supporting discussions on ESG preferences with clients (see also page 29). In addition, we continued to further advance the ‘direct to client’ distribution of our investment content and the decentralised management of client subscriptions by RMs. This increasingly comprises non-written content such as the newly launched daily *Moving Markets Podcast*.

FINANCING & CORPORATE FINANCE ADVISORY

Our financing capabilities give our wealthy clients room to optimise their current holdings. As part of our holistic financing advisory and 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 portfolio and 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 in Switzerland and Germany 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 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.

Despite adverse market conditions and subdued client activity throughout most of the year, the Markets unit once again performed strongly and contributed significantly to the Group’s result in 2022. 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.

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. Since Q2 2022, the Toolbox has allowed for the execution of transactions in currently 14 crypto coins. 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 2022, we saw a flight to quality among private market investors as they selected companies that are profitable or close to becoming profitable and showed a preference for targets that have an asset-light business model like consumer internet and software companies. The public market development also dampened private market valuations. This weighted on activity levels, as investors became more selective and the deal process lengthened.

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. After the successful conclusion of the 2020–2022 cycle, we have now entered the 2023–2025 strategic cycle.

In 2022, Julius Baer concluded a three-year phase of transition and consolidation. At the beginning of 2020, the Group had updated and refined its strategy for the 2020–2022 strategic cycle built on the three pillars of *shift*, *sharpen* and *accelerate*. With that step, the leadership focus *shifted* from an asset-gathering strategy to one of sustainable profit growth while the Group commenced a *sharpening* of its value proposition for high net worth (HNW) and ultra-high net worth (UHNW) clients and *accelerated* investments in human advice and technology. Following the successful execution of the 2020–2022 strategic cycle, the Group now has a solid basis from which to engage in the next cycle of profitable, high-quality growth starting in 2023.

In line with its purpose, Julius Baer aims to deliver value in and through wealth management by growing, protecting and helping to pass on wealth. The Group will stick to what makes it strong today, pure wealth management, pursuing a business model that pairs manageable complexity with steady and predictable returns. Julius Baer will continue to focus on HNW and UHNW clients and on serving intermediaries. A business built and delivered around personal connections will continue to be of paramount importance. This will be enriched by technology and digital advancements.

The Group will further drive critical mass in its business, not just overall but also at individual market level. Julius Baer clients see access to the best solutions on the market. The Group's open solution platform provides this on a global scale. At the same time, Julius Baer will continue to strengthen its deep bench of in-house solution capabilities in those areas where the Group can add value for clients. These principles, along with Julius Baer's proven safety and stability as a bank, lay the foundations for the Group's future strategic development. In all this, the people at Julius Baer are inspired by the Group's purpose: creating value beyond wealth.

In this next 2023–2025 cycle of its long-term strategy, Julius Baer will *focus*, *scale* and *innovate*.

FOCUS

Julius Baer will continue to *focus* on creating value for its clients through its pure wealth-management business model while keeping its aim on generating profitable growth.

The Group will strive to enhance the quality of its earnings by stepping up its ability to increase recurring income. This will entail an increase of its discretionary mandate penetration, thus positioning delegated solutions as a strong value proposition to complement its market-leading advisory offering. Further, it will include an evolution of its product mix and continued value-based pricing.

Through strategic and dynamic cost management, Julius Baer anticipates gross expense savings of CHF 120 million by 2025, materialising linearly over the 2023–2025 cycle. These savings will be achieved by further streamlining the Group's geographic footprint and market coverage, by greater efficiency through the use of technology and agile working methods as well as by optimising its organisational structure and legal entity portfolio.

SCALE

Scale is about driving the next phase of growth and development of the Group, by achieving or building on critical mass in key geographies.

In an acceleration of its core market strategy, Julius Baer will place particular emphasis on scaling its business where the opportunities to drive critical mass and exponential profit growth are highest. In Europe, Julius Baer will leverage its outstanding onshore footprint in Germany, the UK and Iberia, as well as the leading position it enjoys in its home market of Switzerland. Asia Pacific, where it has an excellent standing with very wealthy clients, will continue to be served out of the Singapore and Hong Kong hubs. In the growth markets of Brazil, the Middle East and India, the Group will build on its well-established presence to seize further attractive business opportunities.

Growth in these markets will be pursued through three routes. Firstly, Julius Baer will recruit the best talent and highest-quality client-facing staff (relationship managers and their assistants, investment advisers, and wealth planners). Secondly, the Group will push the development of its in-house talent from front to back. And thirdly, it will additionally seek to grow through a disciplined approach to acquisitions, building on its proven track record of forging value-creating transactions and their successful integration.

INNOVATE

Innovate will ensure that Julius Baer will remain relevant by driving the digitalisation of its business for the benefit of its clients.

Across the next strategic cycle 2023–2025, Julius Baer foresees an additional investment into technology of about CHF 400 million in total, on top of today's investment budget, to be achieved incrementally and largely capitalised. The impact of this on expenses will be mitigated by the targeted cost savings of CHF 120 million mentioned above.

Substantial front-to-back technology investments will be dedicated to operational efficiency, the support of relationship managers as well as the further digital facilitation along the value chain underlying Julius Baer's state-of-the-art client delivery. Further external technology partnerships will also be considered. The Group will continue to invest in its alternative assets offering, such as private markets and real estate, and will continue to explore the longer-term potential of the emerging, albeit volatile, class of digital assets.

Julius Baer Group Ltd.[1]

Board of Directors

Romeo Lacher, **Chairman of the Board of Directors**

Executive Board

Philipp Rickenbacher, **Chief Executive Officer**

Head Switzerland & EMEA Yves Robert-Charrue	**Head Asia Pacific** Jimmy Lee Kong Eng	**Head Americas** Beatriz Sanchez
Chief Operating Officer & Head of Intermediaries Nic Dreckmann	**Chief Financial Officer** Evangelia (Evie) Kostakis	**Chief Risk Officer** Oliver Bartholet

Investment & Wealth Management Solutions

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

[1] Operational Group structure as at 31 December 2022

SUSTAINABILITY FOR ALL STAKEHOLDERS

The pursuit of the new strategic programme will be underpinned by an engagement-led sustainability strategy whereby Julius Baer acts as responsible wealth manager for its clients and operates as a responsible corporate citizen. For clients, the Group's focus is centred on creating transparency through client reports, investment choices and offerings, as well as on impact investing and philanthropy. ESG is deeply embedded in Julius Baer's risk management framework. The Group has also embarked on a net-zero climate strategy by 2050, including ambitious interim targets and the de-carbonisation of the Group's treasury and proprietary portfolios.

STRONG RISK MANAGEMENT

Julius Baer's focus on sustainability encompasses prudent and conservative management of its balance sheet and risk profile, with continuous investment in risk management across the Group. Prudent risk management is the foundation on which Julius Baer's business is built. The Group has invested significant amounts of human resources and more than CHF 200 million since 2017, reinforcing this foundation. Julius Baer will continue to concentrate on standards and processes and invest further into capacities such as know your client and anti-money laundering. Julius Baer has always had a low-risk credit book and outstanding credit risk management, and the Group will continue on that path with an unchanged conservative risk appetite in its operations over the coming strategic cycle. At the same time, Julius Baer will continue to actively pursue the resolution of legacy legal matters.

FINANCIAL TARGETS 2023–2025

At the start of 2023, Julius Baer's ambitious new three-year targets took effect, subject to no meaningful deterioration in markets or foreign exchange rates:

- Adjusted[1] pre-tax margin of 28 to 31 basis points by 2025;
- Adjusted[1] cost/income ratio of below 64% by 2025;
- Over 10% annual growth in adjusted[1] pre-tax profit over the cycle;
- Adjusted[1] return on BIS CET1 capital of at least 30% over the 2023–2025 cycle.

CAPITAL MANAGEMENT AND CAPITAL DISTRIBUTION

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 over the cycle, the Group's dividend policy has been updated, effective from financial year 2022, with an increase in the target ordinary dividend pay-out ratio from approximately 40% to approximately 50% of adjusted[1] net profit attributable to shareholders. As was the case under 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.

In addition, while the Group's BIS CET1 capital ratio floor remains at 11%, all capital meaningfully exceeding a BIS CET1 capital ratio of 14% at the end of the financial year will be distributed through a share buy-back programme to be launched in the subsequent year, unless there are opportunities for M&A transactions that would fit the Group's strategic and financial criteria.

EXECUTIVE COMPENSATION

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.

This section of the Business Review is an excerpt from the yearly updated Corporate Governance chapter of the Group's Annual Report. Details on the implementation of the updated strategy can be found in the remaining sections of this publication.

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

SUSTAINABILITY

In 2022, we delivered further on our sustainability ambition – empowering clients, employees and broader stakeholder groups to make a positive impact on society and the environment. Our sustainability framework is helping to support shifts in capital flows towards a more equitable future and healthier planet.

Numerous developments shaped the Group's operating environment in 2022. These included energy security and market volatilities arising from the Ukraine crisis, socioeconomic repercussions from the COVID-19 pandemic, and rising concerns around climate change and ecosystem depletion. Meanwhile, regulatory developments around sustainable finance continued at pace, notably in the EU.

SUSTAINABILITY STRATEGY

In an evolving sustainability and regulatory landscape, our strategic framework enables us to both mitigate risk and harness new market opportunities. Based on our ambition to empower for positive impact, we refined the framework in 2022 to fully reflect our ecosystem of services in responsible wealth management. The framework also covers our efforts as a corporation in the area of corporate citizenship. Reflecting our successful sustainability efforts, our MSCI ESG rating[1] was upgraded from A to AA in 2022.

A key enabler of Julius Baer's overall strategy and of the Group's purpose to create value beyond wealth, our results-oriented sustainability strategy is rooted in stakeholder engagement and an in-depth assessment of material sustainability issues, which was updated and expanded in 2022. The materiality assessment revealed 16 salient issues, of which the top five are: climate change and low carbon; sustainable and impact investing; data privacy and security; responsible business conduct; and ESG integration, data and transparency.

[1] MSCI ESG ratings provide insight into ESG risks and opportunities within multi-asset class portfolios. Source: https://www.msci.com/esg-ratings.

RESPONSIBLE WEALTH MANAGEMENT

Methodology and client reporting
We have implemented a structured, measurable and transparent ESG investment rating methodology based on a combination of data from external providers and our own proprietary research for categorising equities, bonds and traditional funds. It generates a set of theme scores to determine how well a company is performing in ESG-related subjects. In 2022, we also began issuing annual ESG client reports to clients booked in Switzerland and Luxembourg, with category breakdowns for clients' entire portfolios and for each asset class, showing proportions of different categories of investments according to ESG criteria.

Products and solutions
Our investment process takes the ESG perspective into account, and has done so for many years. With the full integration of the ESG investment rating methodology into the advisory process, we now offer advice that is in line with clients' ESG preferences, regardless of the type of mandate. In 2022, we further expanded our range of responsible and sustainable investments, including mandates and funds. Further details will be disclosed in the Sustainability Report 2022, which will be published on 20 March 2023.

In impact investing, our efforts in 2022 had a particular focus on FinTech opportunities in emerging markets. Philanthropy advisory mandates further increased during the financial year. We were proud to welcome investors at our first Family Philanthropy Day and to participate in a podcast on impact investing and philanthropy. Several clients visited their personal philanthropic projects alongside the Julius Baer Foundation.

Research and thought leadership
Next Generation is our investment philosophy of a future shaped by megatrends. Over the past decade, we have built up extensive experience in thematic research and in investing based on such megatrends, which help us define areas of focus where we believe we can make a targeted contribution through research activities and investment views based thereon. Our sustainability-related research is designed to address the two critical current challenges we have identified: the overuse of natural resources and the underuse of human resources. Our Next Generation themes related to sustainability thus cover topics such as *Energy Transition*, *Future Cities* as well as *Feeding the World*, and we engage our clients in different ways and through different formats.

Client community and ESG knowledge
We delivered a rising number of networking events and client engagement programmes in 2022. At the same time, we built up and expanded our Sustainability Circle client community, which brings together Julius Baer clients motivated to support the shift towards a more equitable future and healthier planet for generations to come. Our second global client survey, conducted in the summer of 2022, indicated ongoing interest in sustainability, which we continued to meet via various formats that provide ESG knowledge as well as more in-depth insights through access to internal and external experts.

RESPONSIBLE CITIZENSHIP

Conduct and risk

Our commitment to transparent, ethical conduct is enshrined in our *Code of Ethics and Business Conduct*. In 2022, we reinforced this commitment with the establishment of a Sustainability Risk Committee as well as the introduction of reputational risk guidelines for environmental and social risks. Data protection and information security were further enhanced with a new Data Protection Board, continuous monitoring of security compliance, improved cross-border data exchange, and the issuance of a new client cybersecurity product.

Climate and natural resources

Having defined and published our climate strategy in early 2022, we began taking actions to progress towards our targets during the past year. In our own operations, we want to achieve net-zero carbon emissions (Scope 1 and 2) by 2030. To this end, we are continuing to reduce emissions wherever possible. We have also set an internal carbon price on air travel and introduced a 30% reduction target on the resulting carbon emissions for 2025 (relative to 2019). In addition, we have transitioned from carbon offsetting to carbon removal for remaining emissions.

For our treasury, mortgage and lending book, we aim to achieve net-zero emissions by 2050. In 2022, we therefore started to develop a structured stewardship strategy that promotes active voting on ESG aspects across Julius Baer funds, and sets the framework to engage in a dialogue with selected emission-intensive companies that we and our clients invest in.

Caring employer and training

We are on track to achieve our goal of at least 30% female representation in senior management by the end of 2023 (29% at the end of 2022). Our employee engagement score averaged 7.9 out of 10 during 2022, an increase of +0.1 compared to the previous year, while the employee net promoter score increased to 35 (+1 compared with 2021), slightly above the financial industry benchmark. In 2022, we registered an average of 40.0 hours of training per employee. This represents an increase of 17% compared with the previous year. The training was provided by our internal Julius Baer Academy and external cooperation partners. Sustainability was a particular focus in 2022, with 200 senior relationship managers, investment advisors and portfolio managers completing specialist sustainability training and building up our new Sustainability Ambassador community. In addition, all frontline employees received training on regulatory developments in sustainable finance, and over 100 relationship managers participated in deep-dive sessions on the topic.

LAYING A FRESH FOUNDATION

As one of the oldest corporate foundations in Switzerland, serving nearly 60 years as the philanthropic arm of Julius Baer, the *Julius Baer Foundation* has seen society change profoundly. Today, new societal challenges have arisen that require different approaches and solutions. This has led the Julius Baer Foundation to review and refocus its strategy. Building on its past fields of activity, it now concentrates primarily on reducing inequalities, with a focus on wealth and education inequality.

Inequality is one of the most pressing issues of our times. It deteriorates trust in societies, fosters violence and undermines cohesion in communities, thus affecting the world at large. That is where we, as an international wealth manager, can make a difference. Through our Foundation, we can connect the privileged with the disadvantaged. We can help building bridges and motivate both groups to leave aside prejudices and meet each other with mutual respect – to create a better future for all.

A MORE EQUITABLE WORLD

By substantially increasing the Group's financial contribution to the Foundation's mission, we are setting an example. In addition, we target to top our contribution by matching every donation the Foundation receives going forward.

The Foundation's fresh drive goes deeper, however. To foster wider interest and impact, its approach will be transformed from traditional grants into a more participatory process. We will do this by increasing the engagement of our almost 6,900 Julius Baer employees – by motivating other stakeholders, including clients, to commit to projects designed to create a more equal society, and by developing and leveraging the institutional capacities and networks of our partner organisations. Because a more equitable world can only be achieved by joint effort.

Julius Baer Foundation and community partner
Total community giving amounted to CHF 6.6 million in 2022[1]. Donations included CHF 2.0 million to support Ukrainian refugees via the Swiss Red Cross and the Swiss Refugee Council. *Julius Baer Cares* (JB Cares), the Group's grassroots organisation for social impact, ran a donation appeal for the same cause, raising over CHF 290,000 from employees, which in turn was matched by the *Julius Baer Foundation.* In addition, JB Cares enabled 5,968 hours of volunteering. This means more than three times as many hours as in 2021, driven in particular by our *Volunteering Month* initiative, which took place in June 2022.

The *Julius Baer Foundation* collaborated with 28 partner organisations to disburse CHF 4.2 million, an increase of 9% on 2021, and we maintained generous sponsorships for innovative, sustainable and pioneering initiatives across sports and culture. Finally, the *Julius Baer Art Collection* represented a diverse range of artists in 2022, while internally the Julius Baer Art Club was created for employees in Switzerland.

[1] This figure can be broken down into CHF 2.0 million from the Bank, CHF 4.2 million from the Julius Baer Foundation (including contributions matching JB Cares contributions), CHF 337,000 from JB Cares Switzerland, CHF 85,600 from JB Cares Hong Kong, CHF 21,900 from JB Cares Singapore, CHF 21,800 from JB Cares Guernsey, CHF 1,600 from JB Cares UK and CHF 700 from JB Cares Germany. These amounts exclude corporate sponsorships and other donations from any other international locations.

KEY HUMAN CAPITAL INDICATORS

	2022	2021	Change *in %*
Our people			
Total headcount (total workforce excl. externals)[1]	7,236	7,060	2.5
Of which regular staff	*7,006*	*6,845*	*2.4*
Number of employees (FTE) (total workforce excl. externals)[1]	6,890.8	6,727.3	2.4
Of whom in Switzerland (%)	*52.7*	*52.2*	-
Of whom in rest of Europe (%)	*17.1*	*17.6*	-
Of whom in Asia-Pacific (%)	*23.6*	*22.6*	-
Of whom in Latin America (%)	*4.0*	*5.2*	-
Of whom in Middle East and Africa (%)	*2.6*	*2.4*	-
Total net employee turnover (%)[2]	10.8	9.6	-
People and diversity			
Ratio of women (% of total regular staff headcount)	42.4	42.4	-
Women in senior management (% of total senior management headcount)[3]	28.9	28.5	-

[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 maintain a strong position in international ratings, including an AA rating from MSCI ESG[1], a 20.8 ESG Risk Rating by Sustainalytics (12th percentile in the category of asset management and custody services, with a lower percentile indicating lower risk) and a B score in CDP climate disclosure. The shares of Julius Baer Group Ltd. remained a constituent of both the SXI Switzerland Sustainability 25 Index and FTSE4Good indices[2]. Our shares are included in the ESG equity indices of SIX[3], and at the end of January 2023, they also became part of the Bloomberg Gender-Equality Index[4].

Each year, we add further rigour and transparency to our sustainability and ESG disclosures. Our Sustainability Report 2022, available from 20 March 2023 at www.juliusbaer.com/sustainability, takes account of international best practice principles, including the United Nations' Sustainable Development Goals and its Principles for Responsible Banking, and Principles for Responsible Investing, and aligns with the reporting standards of the Global Reporting Initiative, the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures.

[1] MSCI ESG ratings provide insight into ESG risks and opportunities within multi-asset class portfolios. Source: https://www.msci.com/esg-ratings.
[2] Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (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.
[3] 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.
[4] The Bloomberg Gender-Equality Index is a modified market capitalisation-weighted index that aims to track the performance of public companies committed to transparency in gender-data reporting.

KEY ENVIRONMENTAL INDICATORS[1, 2]

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

[1] The figures in this table are for the reporting years 2020 and 2021. The 2022 data will be included in the Sustainability Report 2022.
[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] 2020 data was restated to account for additional business locations in Switzerland and Mexico.
[4] 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.
[5] 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 Annual Report (incl. Remuneration Report) 2022 and Sustainability Report 2022: 20 March 2023
Annual General Meeting: 13 April 2023
Publication of Interim Management Statement: 23 May 2023
Publication of 2023 half-year results: 24 July 2023

CORPORATE CONTACTS

GROUP COMMUNICATIONS
Larissa Alghisi Rubner
Chief Communications Officer
Telephone +41 (0) 58 888 5777

INVESTOR RELATIONS
Alexander C. van Leeuwen
Telephone +41 (0) 58 888 5256

MEDIA RELATIONS
Jan Vonder Muehll
Telephone +41 (0) 58 888 8888

INTERNATIONAL BANKING RELATIONS
Oliver H. Basler
Telephone +41 (0) 58 888 4923

CORPORATE SUSTAINABILITY AND RESPONSIBLE INVESTMENT
Yvonne Suter
Telephone +41 (0) 58 888 4292

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

Once published, the Annual Report 2022 of Julius Baer Group Ltd. containing the audited IFRS financial accounts of the Julius Baer Group for the year 2022 is available at www.juliusbaer.com/reporting.

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Neidhart + Schön Print AG, Zurich, is an FSC- as well as ClimatePartner-certified climate-neutral printer.

JULIUS BAER GROUP

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

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