Supporting material for the full-year results presentation of 2 February 2023.

EXTRACT OF 2022 AUDITED CONSOLIDATED FINANCIAL STATEMENTS JULIUS BAER GROUP

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2022** CHF m	2021 CHF m	Change %
Interest income on financial instruments measured at amortised cost or FVOCI		**1,248.3**	758.6	64.6
Interest expense on financial instruments measured at amortised cost		**425.4**	131.6	223.4
Net interest income	1	**822.9**	627.0	31.2
Commission and fee income		**2,185.7**	2,566.9	-14.9
Commission expense		**223.6**	271.0	-17.5
Net commission and fee income	2	**1,962.0**	2,295.9	-14.5
Net income from financial instruments measured at FVTPL		**1,051.2**	884.3	18.9
Net credit losses/(recoveries) on financial assets		**16.0**	1.8	776.0
Other ordinary results	3	**33.1**	52.4	-36.8
Operating income		**3,853.3**	3,857.8	-0.1
Personnel expenses	4	**1,685.6**	1,660.7	1.5
General expenses	5	**775.0**	682.6	13.5
Depreciation of property and equipment	11	**93.7**	95.7	-2.1
Amortisation and impairment of customer relationships	12	**62.0**	57.9	6.9
Amortisation and impairment of intangible assets	12	**154.0**	102.2	50.7
Operating expenses		**2,770.2**	2,599.1	6.6
Profit before taxes		**1,083.0**	1,258.7	-14.0
Income taxes	6	**134.0**	176.1	-23.9
Net profit		**949.1**	1,082.7	-12.3
Attributable to:				
Shareholders of Julius Baer Group Ltd.		**949.6**	1,082.0	-12.2
Non-controlling interests		**-0.5**	0.7	-
		949.1	1,082.7	-12.3

	Note	**2022** CHF	2021 CHF	Change %
Share information				
Basic earnings per share (EPS)	18	**4.56**	5.06	-9.9
Diluted earnings per share (EPS)	18	**4.56**	5.06	-9.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 *CHF m*	2021 *CHF m*
Net profit recognised in the income statement	**949.1**	1,082.7
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**-590.9**	-101.5
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-1.2**	-9.8
Effective portion of changes in fair value of hedging instruments designated as cash flow hedges	**-45.8**	-8.7
Cost of hedging related to cash flow hedges	**1.7**	-
Translation differences	**-63.3**	-7.8
Realised (gains)/losses on translation differences reclassified to the income statement	**0.2**	-1.4
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**-1.6**	32.1
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**0.8**	3.1
Remeasurement of defined benefit obligation	**-4.5**	56.8
Other comprehensive income	**-704.7**	-37.1
Total comprehensive income	**244.4**	1,045.6
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**244.9**	1,044.8
Non-controlling interests	**-0.5**	0.7
	244.4	1,045.6

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2022** *CHF m*	31.12.2021 *CHF m*
Assets			
Cash and balances at central banks		**11,906.0**	19,851.2
Due from banks		**4,108.9**	4,574.2
Receivables from securities financing transactions	22	**1,300.0**	24.1
Loans	25	**44,584.2**	50,417.1
Financial assets measured at FVTPL	8/24	**13,032.6**	14,589.1
Derivative financial instruments	23	**2,825.7**	2,086.6
Financial assets designated at fair value	24	**277.7**	322.9
Financial assets measured at FVOCI	9/25	**13,492.8**	13,360.6
Other financial assets measured at amortised cost	10	**3,802.3**	-
Investments in associates	30	**28.3**	28.9
Property and equipment	11	**607.7**	514.6
Goodwill and other intangible assets	12	**2,536.2**	2,660.7
Accrued income and prepaid expenses		**535.6**	418.9
Deferred tax assets	6	**45.4**	28.3
Other assets	16	**6,560.3**	7,428.5
Total assets		**105,643.7**	116,305.8

	Note	**31.12.2022** CHF m	31.12.2021 CHF m
Liabilities and equity			
Due to banks		**2,933.5**	3,860.3
Payables from securities financing transactions	22	**339.6**	356.9
Due to customers		**76,438.9**	83,201.2
Financial liabilities measured at FVTPL	8/24	**601.8**	749.5
Derivative financial instruments	23	**2,994.5**	2,547.1
Financial liabilities designated at fair value	24	**11,571.4**	14,459.0
Debt issued	14	**2,697.5**	2,644.3
Accrued expenses and deferred income		**842.5**	768.9
Current tax liabilities		**277.8**	291.6
Deferred tax liabilities	6	**65.6**	84.5
Provisions	15	**42.5**	96.8
Other liabilities	16	**548.5**	502.3
Total liabilities		**99,354.1**	109,562.5
Share capital	17	**4.3**	4.4
Retained earnings		**7,536.0**	7,615.8
Other components of equity		**-900.2**	-200.0
Treasury shares		**-352.9**	-685.8
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,287.2**	6,734.4
Non-controlling interests		**2.5**	9.0
Total equity		**6,289.7**	6,743.3
Total liabilities and equity		**105,643.7**	116,305.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF m	Retained earnings[1] CHF m	OCI related to equity instruments at FVOCI CHF m	OCI related to debt instruments at FVOCI CHF m
At 1 January 2021	4.5	6,931.9	120.4	124.2
Net profit	-	1,082.0	-	-
Items that may be reclassified to the income statement	-	-	-	-111.3
Items that will not be reclassified to the income statement	-	56.8	32.1	-
Total other comprehensive income	-	56.8	32.1	-111.3
Total comprehensive income	-	1,138.7	32.1	-111.3
Capital reduction	-0.1	-113.2	-	-
Changes in non-controlling interests	-	-0.5	-	-
Dividends	-	-385.8[2]	-	-
Dividend income on own shares	-	6.7	-	-
Share-based payments expensed for the year	-	93.3	-	-
Share-based payments vested	-	-62.0	-	-
Changes in derivatives on own shares	-	-10.6	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	17.2	-	-
At 31 December 2021	4.4	7,615.8	152.5	12.9

	Share capital CHF m	Retained earnings[1] CHF m	OCI related to equity instruments at FVOCI CHF m	OCI related to debt instruments at FVOCI CHF m
At 1 January 2022	**4.4**	**7,615.8**	**152.5**	**12.9**
Net profit	-	949.6	-	-
Items that may be reclassified to the income statement	-	-	-	-592.1
Items that will not be reclassified to the income statement	-	-4.5	-1.6	-
Total other comprehensive income	-	-4.5	-1.6	-592.1
Total comprehensive income	-	945.1	-1.6	-592.1
Capital reduction	-0.1	-449.9	-	-
Changes in non-controlling interests	-	-0.1	-	-
Dividends	-	-554.1[3]	-	-
Dividend income on own shares	-	5.7	-	-
Share-based payments expensed for the year	-	88.4	-	-
Share-based payments vested	-	-82.5	-	-
Changes in derivatives on own shares	-	-25.1	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	-7.4	-	-
At 31 December 2022	**4.3**	**7,536.0**	**150.9**	**-579.2**

1 Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
2 Dividend payment per share CHF 1.75
3 Dividend payment per share CHF 2.60
4 Includes the effective portion of changes in fair value of hedging instruments designated as cash flow hedges as well as cost of hedging related to cash flow hedges.

Other components of equity						
Cash flow hedges[4] CHF m	Own credit risk on financial liabilities designated at FV CHF m	Translation differences CHF m	Treasury shares CHF m	Equity attributable to shareholders of Julius Baer Group Ltd. CHF m	Non-controlling interests CHF m	**Total equity** CHF m
-	-3.9	-346.9	-404.7	6,425.6	8.6	6,434.1
-	-	-	-	1,082.0	0.7	1,082.7
-8.7	-	-9.1	-	-129.1	0.0	-129.1
-	3.1	-	-	92.0	-	92.0
-8.7	3.1	-9.1	-	-37.1	0.0	-37.1
-8.7	3.1	-9.1	-	1,044.8	0.7	1,045.6
-	-	-	113.2	-	-	-
-	-	-	-	-0.5	2.3	1.7
-	-	-	-	-385.8	-2.6	-388.4
-	-	-	-	6.7	-	6.7
-	-	-	-	93.3	-	93.3
-	-	-	62.0	-	-	-
-	-	-	13.7	3.1	-	3.1
-	-	-	-659.3	-659.3	-	-659.3
-	-	-	189.2	206.5	-	206.5
-8.7	-0.8	-356.0	-685.8	6,734.3	9.0	6,743.3
-8.7	**-0.8**	**-356.0**	**-685.8**	**6,734.3**	**9.0**	**6,743.3**
-	-	-	-	**949.6**	-0.5	**949.1**
-44.1	-	-63.2	-	**-699.3**	0.0	**-699.3**
-	0.8	-	-	**-5.3**	-	**-5.3**
-44.1	0.8	-63.2	-	**-704.7**	0.0	**-704.7**
-44.1	0.8	-63.2	-	**244.9**	-0.5	**244.4**
-	-	-	450.0	**-**	-	**-**
-	-	-	-	**-0.1**	-4.8	**-4.9**
-	-	-	-	**-554.1**	-1.1	**-555.2**
-	-	-	-	**5.7**	-	**5.7**
-	-	-	-	**88.4**	-	**88.4**
-	-	-	82.5	**-**	-	**-**
-	-	-	-54.3	**-79.3**	-	**-79.3**
-	-	-	-465.9	**-465.9**	-	**-465.9**
-	-	-	320.5	**313.2**	-	**313.2**
-52.8	**-0.0**	**-419.2**	**-352.9**	**6,287.2**	**2.5**	**6,289.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 *CHF m*	2021 *CHF m*
Net profit	**949.1**	1,082.7
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
– Depreciation of property and equipment	**93.7**	95.7
– Amortisation and impairment of intangible assets	**215.9**	160.1
– Change in loss allowance	**16.0**	1.8
– Deferred tax expense/(benefit)	**9.5**	-12.3
– Net loss/(gain) from investing activities	**-20.0**	-4.5
– Other non-cash income and expenses	**88.2**	93.3
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-992.6**	-849.0
– Net financial assets measured at FVTPL and derivative financial instruments	**1,073.0**	-846.8
– Net loans/due to customers	**-945.1**	2,203.2
– Issuance and repayment of financial liabilities designated at fair value	**-2,841.6**	1,254.0
– Accrued income, prepaid expenses and other assets	**745.9**	-1,127.3
– Accrued expenses, deferred income, other liabilities and provisions	**-174.9**	-51.9
Adjustment for income tax expenses	**124.4**	188.4
Income taxes paid	**-135.0**	-105.3
Cash flow from operating activities	**-1,793.5**	2,081.9
Purchase of property and equipment and intangible assets	**-196.7**	-196.8
Disposal of property and equipment and intangible assets	**3.3**	0.2
Net (investment in)/divestment of financial assets measured at FVOCI	**-566.2**	497.4
Net (investment in)/divestment of other financial assets measured at amortised cost	**-3,786.1**	-
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-**	-18.5
Disposal in subsidiaries, net of cash and cash equivalents disposed	**42.5**	-
Deferred payments of acquisition of subsidiaries and associates	**-0.7**	-25.0
Cash flow from investing activities	**-4,503.8**	257.2
Net movements in treasury shares and own equity derivative activity	**-226.3**	-443.0
Dividend payments	**-554.1**	-385.8
Changes in debt issued	**147.5**	1,201.5
Changes in non-controlling interests	**-0.3**	-
Dividend payment to non-controlling interests	**-1.1**	-2.6
Cash flow from financing activities	**-634.3**	370.1
Net (decrease)/increase in cash and cash equivalents	**-6,931.6**	2,709.3

	2022 *CHF m*	2021 *CHF m*
Cash and cash equivalents at the beginning of the year	**25,799.7**	23,062.8
Cash flow from operating activities	**-1,793.5**	2,081.9
Cash flow from investing activities	**-4,503.8**	257.2
Cash flow from financing activities	**-634.3**	370.1
Effects of exchange rate changes on cash and cash equivalents	**44.2**	27.6
Cash and cash equivalents at the end of the year	**18,912.4**	25,799.7

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Cash and cash equivalents are structured as follows:		
Cash and balances at central banks	**11,906.0**	19,851.2
Debt instruments measured at FVOCI (original maturity of less than three months)	**1,781.6**	1,485.8
Due from banks (original maturity of less than three months)	**3,924.7**	4,454.8
Receivables from securities financing transactions (original maturity of less than three months)	**1,300.0**	8.0
Total	**18,912.4**	25,799.7

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Additional cash flow information		
Interest received in cash	**1,127.9**	702.5
Interest paid in cash	**517.1**	86.7
Dividends on equities received (including associates) in cash	**224.2**	205.1

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Leases		
Cash payments – leases	**58.0**	61.7
Cash payments – interest paid	**4.9**	4.9
Short-term lease payments	**2.2**	2.5
Total	**65.1**	69.1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Julius Baer Group Ltd. is a Swiss corporation that is committed to the wealth management business. The consolidated financial statements as at 31 December 2022 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 1 February 2023. In addition, they are submitted for approval to the Annual General Meeting on 13 April 2023.

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

USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

ACCOUNTING POLICIES

All Group companies apply uniform accounting and measurement principles, which have remained the same as in the previous year.

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

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

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

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

A complete list of these companies is provided in Note 31A. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

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

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

Foreign currency translation

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

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

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2022	31.12.2021	**2022**	2021
USD/CHF	**0.9252**	0.9111	**0.9539**	0.9150
EUR/CHF	**0.9875**	1.0362	**1.0020**	1.0795
GBP/CHF	**1.1129**	1.2341	**1.1729**	1.2580

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As part of its treasury activities, the Group holds a portfolio of bonds, which are accounted for at amortised cost.

Fair value through other comprehensive income (FVOCI): A debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

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

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

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

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

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

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

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

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

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

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

Financial liabilities may initially be designated as at FVTPL (the fair value option – see conditions above).

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

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

Expected credit losses (ECL)

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

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

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

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

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

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

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

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

Generally, ECL calculations are based on four components:

– probability of default (PD)
– exposure at default (EAD)
– loss given default (LGD)
– discount rate (IR)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hedging
An entity may choose to designate a hedging relationship between a hedging instrument and a hedged item in order to achieve hedge accounting. Prior to the application of hedge accounting, all of the following steps must have been completed:

- identification of eligible hedged item(s) and hedging instruments;
- identification of an eligible hedged risk;
- verification that the hedge relationship meets the definition of one of the permitted types (see below);

– verification that the qualifying criteria for hedge accounting are met; and
– formal designation of the hedge relationship.

The Group applies the following hedge accounting models:

Fair value hedge (FVH) accounting: The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability, or an unrecognised firm commitment that is attributable to a particular risk and could affect the income statement. The changes in fair value might arise through changes in interest rates, foreign exchange rates or equity prices, i.e. the item to hedge is ‘some fixed item’, which however underlies variability due to market changes, which shall be prevented.

For an FVH, an adjustment is made to the carrying value of the hedged item to reflect the change in the value due to the hedged risk, with an offset to the income statement for the change in value of the hedging instrument. Where the offset is not complete, this will result in ineffectiveness to be recorded in the income statement.

Cash flow hedge (CFH) accounting: The risk being hedged in a cash flow hedge is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, an unrecognised firm commitment or a highly probable forecast transaction, and could affect the income statement. The item to hedge is ‘some variable item’, i.e. producing some variable cash amount, which shall be stabilised (the amount shall be fixed).

For a CFH, the carrying amount of the hedged item, which may not even be recognised yet, is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument in other comprehensive income. Any ineffective portion remains in the income statement as ineffectiveness.

Net investment hedge (NIH) accounting: The risk being hedged in a net investment hedge is the currency risk associated with the translation (into the consolidated financial statements) of the net assets of subsidiaries reporting in a different currency. The item to hedge is a net investment in a foreign operation.

For an NIH, the carrying amount of the hedged item is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument (i.e. the change in the foreign exchange rate of the derivative) in other comprehensive income. Any ineffective portion remains in the income statement as ineffectiveness.

Remaining hedge accounting under IAS 39: As permitted under IFRS 9, the Group continues to apply the hedge accounting requirements of IAS 39 to fair value hedges of portfolio interest rate risk related to Lombard loans.

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

Property and equipment
Property and equipment includes bank premises, IT, communication systems, leasehold improvements as well as other equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. IT hardware is depreciated over three years, and other items of property and equipment generally over five to ten years.

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

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

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

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

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

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

The Group is a lessor in a very limited number of lease contracts, with all the leases qualifying as operating leases, meaning that the underlying assets remain on the balance sheet of the lessor and the lease payments are recognised on a straight-line basis.

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

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

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

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

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

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

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

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

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

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

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

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

Post-employment benefits
For defined benefit plans, the net defined benefit liability recognised in other liabilities in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ('asset ceiling').

The Group applies the projected unit credit method to determine the present value of the defined benefit obligation, and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

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

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

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

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

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

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

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

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

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2022, the Group did not apply any material new or amended standards.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

The following amendments may be relevant to the Group:

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
These amendments regarding the application of materiality to disclosure of accounting policies require companies to disclose their material accounting policies, rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of an entity's financial statements make on the basis of those financial statements.

The amendments are effective as of 1 January 2023. They are not expected to have a material impact on the Group's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8
Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty, meaning that the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy.

The amendments are effective as of 1 January 2023. They are not expected to have a material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	2022 CHF m	2021 CHF m	Change %
Interest income on amounts due from banks	**42.3**	3.0	-
Interest income on loans	**945.5**	601.6	57.2
Interest income on debt instruments at FVOCI	**180.5**	114.7	57.3
Interest income on debt instruments at amortised cost	**57.1**	-	-
Negative interest received on financial liabilities	**22.9**	39.2	-41.7
Interest income on financial instruments measured at amortised cost or FVOCI	**1,248.3**	758.6	64.6
Interest expense on amounts due to banks	**25.7**	9.6	168.3
Interest expense on amounts due to customers	**274.1**	8.1	-
Interest expense on debt issued	**71.6**	56.2	27.3
Negative interest paid on financial assets	**49.2**	52.7	-6.6
Interest expense on lease liabilities	**4.8**	4.9	-3.7
Interest expense on financial instruments measured at amortised cost	**425.4**	131.6	223.4
Total	**822.9**	627.0	31.2

NOTE 2 NET COMMISSION AND FEE INCOME

	2022 CHF m	2021 CHF m	Change %
Advisory and management fees	**1,550.4**	1,643.7	-5.7
Brokerage commissions and income from securities underwriting	**574.6**	839.0	-31.5
Commission and fee income on other services	**60.7**	84.1	-27.9
Total commission and fee income	**2,185.7**	2,566.9	-14.9
Commission expense	**223.6**	271.0	-17.5
Total	**1,962.0**	2,295.9	-14.5

NOTE 3 OTHER ORDINARY RESULTS

	2022 *CHF m*	2021 *CHF m*	Change *%*
Dividend income on equity instruments at FVOCI	**11.9**	21.0	-43.5
Result from disposal of debt instruments at FVOCI	**2.1**	9.4	-77.7
Real estate income	**5.7**	6.0	-4.1
Other ordinary income	**17.8**	21.7	-18.1
Other ordinary expenses	**4.4**	5.6	-22.9
Total	**33.1**	52.4	-36.8

NOTE 4 PERSONNEL EXPENSES

	2022 *CHF m*	2021 *CHF m*	Change *%*
Salaries and bonuses	**1,295.7**	1,296.4	-0.1
Contributions to staff pension plans (defined benefits)	**87.2**[1]	80.3	8.6
Contributions to staff pension plans (defined contributions)	**41.2**	38.7	6.4
Other social security contributions	**113.4**	112.0	1.2
Share-based payments	**88.4**	93.3	-5.3
Other personnel expenses	**59.8**	40.0	49.5
Total	**1,685.6**	1,660.7	1.5

[1] Includes the loss from an amendment to the Swiss pension plan in the amount of CHF 6.6 million.

NOTE 5 GENERAL EXPENSES

	2022 *CHF m*	2021 *CHF m*	Change *%*
Occupancy expense	**33.0**	30.8	7.3
IT and other equipment expense	**93.8**	86.3	8.7
Information, communication and advertising expense	**187.2**	164.2	14.0
Service expense, fees and taxes	**337.8**	324.6	4.1
Provisions and losses	**113.6**	66.6	70.4
Other general expenses	**9.6**	10.1	-4.6
Total	**775.0**	682.6	13.5

NOTE 6A INCOME TAXES

	2022 *CHF m*	2021 *CHF m*
Income tax on profit before taxes (statutory tax expense)	**205.8**	239.2
Effect of tax rate differences in foreign jurisdictions	**4.7**	-19.8
Effect of domestic tax rate differences	**5.1**	5.1
Income subject to a reduced tax rate	**-75.1**	-26.6
Effect of change in applicable tax rate on temporary differences	**0.1**	0.2
Effect of utilisation of prior-year losses	**-16.8**	-17.7
Effect from unrecognised tax losses	**5.2**	3.4
Adjustments related to prior years	**-17.3**	-36.4
Non-deductible expenses	**24.3**	30.9
Other	**-2.2**	-2.0
Actual income tax expense	**134.0**	176.1

The basis for the above table is the statutory income tax rate of 19% (2021: 19%), which corresponds to the average Group tax rate in Switzerland.

The Group applies management judgement in identifying uncertainties related to income tax treatments and the respective interpretations by local tax authorities. It operates in an international tax environment that has become more complex and challenging in recent years because of multinational (e.g., Base Erosion and Profit Shifting project by OECD/G20) and unilateral initiatives. Among other things, the Group applies transfer pricing arrangements among different Group entities due to its cross-border operations to correctly align taxable profits with value creation. Therefore, the Group subsidiaries' tax filings in different jurisdictions include deductions related to such transfer pricing arrangements and the local tax authorities may challenge the applied tax treatment. However, based on its ongoing analysis of the tax regulations and the respective application in the different locations as well as the benchmarking process, the Group is of the opinion that its transfer pricing arrangements will be accepted by the tax authorities. Moreover, the tax treatment of various items requires an interpretation of local tax law and practice in many jurisdictions to the best of the Group's knowledge. In addition, the Group books provisions where adequate to cover future potential tax. After considering the above, the Group is of the opinion that the tax expense and tax liabilities in the financial statements are adequate and based on reasonable judgements by tax professionals.

The OECD/G20 plans to introduce a new minimum taxation regime under GloBE Model Rules (Global Anti-Base Erosion – Pillar 2), which applies to multinational groups that have consolidated revenues of EUR 750 million or more. The Group is expected to be in scope of this new regime. No countries have finalised changes to their tax law (incl. Switzerland, which will hold the public vote on 18 June 2023) and many aspects under the GloBE Model Rules are unclear. The effective date is expected to be 1 January 2024 or later. Additionally, it may be unclear how the top-up tax will be accounted for under IAS 12 Income Taxes. The Group is currently assessing the draft rules, but the quantitative impact is not yet known and cannot reasonably be estimated at present.

The Group has cumulative unrecognised loss carryforwards of CHF 33.3 million (2021: CHF 43.0 million) that expire and CHF 97.0 million (2021: CHF 130.1 million) that do not expire.

	2022 *CHF m*	2021 *CHF m*	Change *%*
Domestic income taxes	**62.4**	99.3	-37.2
Foreign income taxes	**71.6**	76.8	-6.8
Total	**134.0**	176.1	-23.9

Current income taxes	**124.4**	188.4	-33.9
Deferred income taxes	**9.5**	-12.3	-
Total	**134.0**	176.1	-23.9

NOTE 6B TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

			2022
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-633.3	42.4	-590.9
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-1.3	0.1	-1.2
Cash flow hedges	-45.8	-	-45.8
Cost of hedging related to cash flow hedges	1.7	-	1.7
Translation differences	-63.3	-	-63.3
Realised (gains)/losses on translation differences reclassified to the income statement	0.2	-	0.2
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	-2.1	0.5	-1.6
Own credit on financial liabilities designated at fair value	0.8	-	0.8
Remeasurement of defined benefit obligation	-6.0	1.5	-4.5
Other comprehensive income	**-749.2**	**44.6**	**-704.7**

			2021
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-108.7	7.2	-101.5
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-10.1	0.3	-9.8
Cash flow hedges	-8.7	-	-8.7
Translation differences	-7.8	-	-7.8
Realised (gains)/losses on translation differences reclassified to the income statement	-1.4	-	-1.4
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	39.8	-7.7	32.1
Own credit on financial liabilities designated at fair value	3.1	-	3.1
Remeasurement of defined benefit obligation	69.8	-13.0	56.8
Other comprehensive income	-23.9	-13.2	-37.1

NOTE 6C DEFERRED TAX ASSETS

	31.12.2022 CHF m	31.12.2021 CHF m
Balance at the beginning of the year	**28.3**	20.1
Income statement – credit	**10.2**	10.9
Income statement – charge	**-12.0**	-4.5
Recognised directly in OCI	**19.3**	2.4
Translation differences and other adjustments	**-0.4**	-0.6
Balance at the end of the year	**45.4**	28.3

The components of deferred tax assets are as follows:

Operating loss carryforwards	**12.9**	16.9
Employee compensation and benefits	**13.2**	16.3
Financial assets measured at FVOCI	**34.3**	0.6
Property and equipment	**1.5**	2.3
Other	**3.8**	0.2
Deferred tax assets before set-off[1]	**65.7**	36.3
Offset	**-20.3**	-8.0
Total	**45.4**	28.3

[1] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability for each consolidated company if that company is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax assets) into the single components may result in negative amounts (in this case deferred tax liabilities), which are disclosed as offsetting amounts.

Deferred tax assets related to operating loss carryforwards are assessed at each year-end with regard to their sustainability based on the actual three-year business forecast.

NOTE 6D DEFERRED TAX LIABILITIES

	31.12.2022 CHF m	31.12.2021 CHF m
Balance at the beginning of the year	**84.5**	74.5
Income statement – charge	**13.4**	2.1
Income statement – credit	**-5.7**	-8.0
Acquisition/disposal of subsidiaries	**-1.4**	0.7
Recognised directly in OCI	**-25.3**	15.6
Translation differences and other adjustments	**0.0**	-0.4
Balance at the end of the year	**65.6**	84.5

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

Provisions	**5.8**	5.4
Property and equipment	**28.5**	27.3
Financial assets measured at FVOCI	**42.6**	43.9
Intangible assets	**3.1**	10.2
Pension asset	**3.2**	2.0
Employee compensation and benefits	**0.1**	0.1
Other	**2.5**	3.6
Deferred tax liability before set-off[2]	**85.9**	92.5
Offset	**-20.3**	-8.0
Total	**65.6**	84.5

[1] The temporary differences associated with investments in subsidiaries do not lead to deferred tax liabilities since the Group is able to control the timing of the reversal of the temporary difference and since it is probable that the temporary differences will not reverse in the foreseeable future.

[2] For balance sheet purposes, the Group recognises either a deferred tax asset or a deferred tax liability for each consolidated company if that company is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax liabilities) into the single components may result in negative amounts (in this case deferred tax assets), which are disclosed as offsetting amounts.

NOTE 7 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

						31.12.2022
	FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	**Total** *CHF m*
Financial assets						
Cash and balances at central banks	-	-	-	-	11,906.0	**11,906.0**
Due from banks	-	-	-	-	4,108.9	**4,108.9**
Receivables from securities financing transactions	-	-	-	-	1,300.0	**1,300.0**
Lombard loans	-	-	-	-	36,517.2	**36,517.2**
Mortgages	-	-	-	-	8,066.9	**8,066.9**
Financial assets measured at FVTPL	13,032.6	-	-	-	-	**13,032.6**
Derivative financial instruments	2,825.7	-	-	-	-	**2,825.7**
Financial assets designated at fair value	-	277.7	-	-	-	**277.7**
Financial assets measured at FVOCI	-	-	13,152.1	340.6	-	**13,492.8**
Other financial assets measured at amortised cost	-	-	-	-	3,802.3	**3,802.3**
Accrued income/other assets	-	-	-	-	502.4	**502.4**
Total	**15,858.3**	**277.7**	**13,152.1**	**340.6**	**66,203.8**	**95,832.5**
Financial liabilities						
Due to banks	-	-	-	-	2,933.5	**2,933.5**
Payables from securities financing transactions	-	-	-	-	339.6	**339.6**
Due to customers	-	-	-	-	76,438.9	**76,438.9**
Financial liabilities measured at FVTPL	601.8	-	-	-	-	**601.8**
Derivative financial instruments	2,994.5	-	-	-	-	**2,994.5**
Financial liabilities designated at fair value	-	11,571.4	-	-	-	**11,571.4**
Debt issued	-	-	-	-	2,697.5	**2,697.5**
Accrued expense/other liabilities	-	-	-	-	338.0	**338.0**
Deferred payments related to acquisitions	4.1	-	-	-	-	**4.1**
Total	**3,600.4**	**11,571.4**	**-**	**-**	**82,747.5**	**97,919.3**

31.12.2021	FVTPL CHF m	Designated as at FVTPL CHF m	FVOCI – Debt instruments CHF m	FVOCI – Equity instruments CHF m	Amortised cost CHF m	Total CHF m
Financial assets						
Cash and balances at central banks	-	-	-	-	19,851.2	19,851.2
Due from banks	-	-	-	-	4,574.2	4,574.2
Receivables from securities financing transactions	-	-	-	-	24.1	24.1
Lombard loans	-	-	-	-	42,240.6	42,240.6
Mortgages	-	-	-	-	8,176.5	8,176.5
Financial assets measured at FVTPL	14,589.1	-	-	-	-	14,589.1
Derivative financial instruments	2,086.6	-	-	-	-	2,086.6
Financial assets designated at fair value	-	322.9	-	-	-	322.9
Financial assets measured at FVOCI	-	-	13,017.9	342.8	-	13,360.6
Accrued income/other assets	-	-	-	-	412.5	412.5
Total	16,675.7	322.9	13,017.9	342.8	75,279.1	105,638.4
Financial liabilities						
Due to banks	-	-	-	-	3,860.3	3,860.3
Payables from securities financing transactions	-	-	-	-	356.9	356.9
Due to customers	-	-	-	-	83,201.2	83,201.2
Financial liabilities measured at FVTPL	749.5	-	-	-	-	749.5
Derivative financial instruments	2,547.1	-	-	-	-	2,547.1
Financial liabilities designated at fair value	-	14,459.0	-	-	-	14,459.0
Debt issued	-	-	-	-	2,644.3	2,644.3
Accrued expense/other liabilities	-	-	-	-	239.5	239.5
Deferred payments related to acquisitions	3.2	-	-	-	-	3.2
Total	3,299.8	14,459.0	-	-	90,302.2	108,061.0

NOTE 8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FVTPL

	31.12.2022 *CHF m*	31.12.2021 *CHF m*	Change *CHF m*
Financial assets measured at FVTPL			
Trading securities – debt FVTPL	**4,283.5**	3,253.6	1,029.9
of which quoted	***2,137.0***	*2,125.8*	*11.2*
of which unquoted	***2,146.5***	*1,127.8*	*1,018.7*
Trading securities – equity FVTPL	**8,594.0**	11,239.4	-2,645.4
of which quoted	***6,987.2***	*9,002.1*	*-2,014.9*
of which unquoted	***1,606.9***	*2,237.3*	*-630.5*
Other financial assets mandatorily measured at FVTPL	**155.1**	96.1	59.0
Total	**13,032.6**	14,589.1	-1,556.5

	31.12.2022 *CHF m*	31.12.2021 *CHF m*	Change *CHF m*
Financial liabilities measured at FVTPL			
Short positions – debt instruments FVTPL	**113.7**	174.0	-60.3
of which quoted	***106.2***	*133.1*	*-26.8*
of which unquoted	***7.5***	*41.0*	*-33.5*
Short positions – equity instruments FVTPL	**488.1**	575.5	-87.4
of which quoted	***429.4***	*548.3*	*-118.9*
of which unquoted	***58.7***	*27.2*	*31.5*
Total	**601.8**	749.5	-147.7

NOTE 9 FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2022 *CHF m*	31.12.2021 *CHF m*	Change *CHF m*
Government and agency bonds	**4,456.5**	4,480.5	-24.0
Financial institution bonds	**6,055.6**	5,308.2	747.3
Corporate bonds	**2,640.1**	3,229.1	-589.1
Debt instruments at FVOCI	**13,152.1**	13,017.9	134.3
of which quoted	***8,296.0***	*8,957.6*	*-661.6*
of which unquoted	***4,856.1***	*4,060.3*	*795.9*
Equity instruments at FVOCI	**340.6**	342.8	-2.1
of which unquoted	***340.6***	*342.8*	*-2.1*
Total	**13,492.8**	13,360.6	132.1

NOTE 10 OTHER FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2022 *CHF m*	31.12.2021 *CHF m*	Change *CHF m*
Government and agency bonds	**2,098.1**	-	2,098.1
Financial institution bonds	**1,334.5**	-	1,334.5
Corporate bonds	**369.8**	-	369.8
Total	**3,802.3**	-	3,802.3
of which quoted	***3,287.3***	-	*3,287.3*
of which unquoted	***515.0***	-	*515.0*

NOTE 11 PROPERTY, EQUIPMENT AND LEASES

	Bank premises *CHF m*	Leases *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost				
Balance on 01.01.2021	428.1	372.0	225.5	1,025.6
Additions	6.3	8.6	15.8	30.6
Changes	-	1.2	0.1	1.3
Additions from business combinations	-	-	0.1	0.1
Disposals/transfers[1]	-	9.3	50.5	59.8
Translation differences	-	-3.7	-0.7	-4.4
Balance on 31.12.2021	434.4	368.8	190.3	993.5
Additions	5.3	148.7	36.5	**190.5**
Changes	-	2.1	-	**2.1**
Disposal of subsidiaries	-	4.0	1.1	**5.1**
Disposals/transfers[1]	-	19.1	28.6	**47.8**
Translation differences	-	-5.3	-1.8	**-7.1**
Balance on 31.12.2022	**439.6**	**491.1**	**195.3**	**1,126.1**
Depreciation and impairment				
Balance on 01.01.2021	147.0	124.3	173.8	445.1
Charge for the period	9.1	63.5	23.1	95.7
Disposals/transfers[1]	-	9.4	50.3	59.6
Translation differences	-	-1.6	-0.6	-2.2
Balance on 31.12.2021	156.1	176.9	146.0	479.0
Charge for the period	8.8	61.9	23.0	**93.7**
Disposal of subsidiaries	-	1.5	0.6	**2.2**
Disposals/transfers[1]	-	19.1	28.3	**47.5**
Translation differences	-	-2.9	-1.7	**-4.7**
Balance on 31.12.2022	**164.9**	**215.1**	**138.3**	**518.3**
Carrying value				
Balance on 31.12.2021	278.3	192.0	44.3	514.6
Balance on 31.12.2022	**274.7**	**276.0**	**57.0**	**607.7**

[1] Includes also derecognition of fully depreciated assets.

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

	31.12.2022 CHF m	31.12.2021 CHF m
Amounts recognised in the income statement		
Depreciation charge	**61.9**	63.5
Interest expense on lease liabilities	**4.8**	4.9
Expense related to short-term/low-value leases	**2.2**	2.5
Total	**68.9**	71.0
Total cash outflows for leases (excluding short-term/low-value leases)	**62.8**	66.7
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**63.3**	65.4
One to five years	**162.7**	115.0
More than five years	**170.3**	85.6
Total undiscounted lease liabilities	**396.3**	266.0

NOTE 12 GOODWILL AND INTANGIBLE ASSETS

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Historical cost				
Balance on 01.01.2021	2,071.7	1,438.0	1,161.0	4,670.6
Additions	-	-	174.7	174.7
Additions from business combinations	10.6	3.4	0.1	14.1
Disposals/transfers[1]	-	-	67.2	67.2
Translation differences	-3.1	-3.9	-1.9	-9.0
Balance on 31.12.2021	2,079.2	1,437.4	1,266.6	4,783.2
Additions	-	-	155.0	**155.0**
Disposal of subsidiaries	40.9	23.7	0.2	**64.8**
Disposals/transfers[1]		-	21.0	**21.0**
Translation differences	1.1	-0.7	-1.2	**-0.8**
Balance on 31.12.2022	**2,039.3**	**1,413.1**	**1,399.3**	**4,851.6**

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Amortisation and impairment				
Balance on 01.01.2021	278.2	1,273.3	481.7	2,033.2
Charge for the period	-	57.9	102.2[3]	160.1
Disposals/transfers[1]	-	-	67.2	67.2
Translation differences	-	-2.9	-0.7	-3.7
Balance on 31.12.2021	278.2	1,328.4	515.9	2,122.5
Charge for the period	39.0	62.0[2]	115.0[4]	**215.9**
Disposal of subsidiaries	-	-	0.1	**0.1**
Disposals/transfers[1]	-	-	20.9	**20.9**
Translation differences	-0.0	-1.4	-0.5	**-1.9**
Balance on 31.12.2022	**317.2**	**1,388.9**	**609.4**	**2,315.5**

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Carrying value				
Balance on 31.12.2021	1,800.9	109.1	750.7	2,660.7
Balance on 31.12.2022	**1,722.1**	**24.2**	**789.8**	**2,536.2**

[1] Includes also derecognition of fully amortised assets.
[2] Includes impairment of CHF 17.6 million related to Kairos.
[3] Includes impairment of CHF 18.7 million related to software not used anymore.
[4] Includes impairment of CHF 12.6 million related to software not used anymore.

	Balance on 01.01.2022 *CHF m*	Disposals *CHF m*	Impairment *CHF m*	Translation differences *CHF m*	**Balance on 31.12.2022** *CHF m*
Goodwill					
Julius Baer Wealth Management	1,638.4	6.7	-	-5.2	**1,626.5**
Julius Baer Family Office Brasil	89.3	-	-	6.3	**95.6**
Kairos	39.0	-	39.0	-0.0	**-**
NSC Asesores	34.2	34.2	-	-	**-**
Total	1,800.9	40.9	39.0	1.1	**1,722.1**

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generates cash inflows independently from other assets) and is subsequently compared with the carrying amount of that unit. Within the Group, cash inflows are not attributable to either any dimension (e.g. geographical areas, booking centres, clients or products) or group of assets. In addition, management makes operating decisions based on information at the Group level (see also Note 19 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested at the level of the Group, except for the subsidiaries Julius Baer Family Office Brasil and Kairos, which are tested on a stand-alone basis. Julius Baer Family Office Brasil and Kairos are each regarded to be a cash-generating unit (CGU) since their cash inflows are generated independently from other assets.

The Group uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the CGUs based on its regular financial planning, taking into account the following key parameters and their single components that are relevant to all CGUs:

– assets under management;
– return on assets (RoA) on the average assets under management (driven by fees and commissions, trading income and net interest income);
– operating income and expenses; and
– tax rate applicable.

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows for the next five years, whereof the first three years are based on the detailed budgeting and the remaining two years on the less detailed mid-term planning (particularly net new money). The Group expects in the medium and long term a favourable development of the wealth management activities, which is reflected in the respective growth of the key parameters, although the Group cannot exclude short-term market disruptions. The Group also takes into consideration its relative strength as a pure wealth management provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments that are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.9% (2021: 9.8%) for Julius Baer Wealth Management. For Julius Baer Family Office Brasil, the pre-tax discount rate used is 19.1% (2021: 19.8%); for Kairos, it is 15.2% (2021: 14.5%). NSC Asesores was disposed of in 2022 (2021: 19.2%). The discount rates used in the calculation represent the Group's specific risk-weighted rates for the respective CGU and are based, depending on the specific unit, on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

The Group's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned and/or started business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of the Group vis-à-vis its respective competitors and in its industry. The long-term growth rate beyond management's planning horizon of five years for assets under management is assumed at 1% for all CGUs. This growth rate is considerably below the actual average rate of the last five years.

Changes in key assumptions

Deviations of future actual results achieved vs. forecast/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific personnel cost development and/or changes in the implementation of known, or the addition of new, business initiatives, and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount, or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions (i.e. discount rate and growth rate) would not result in the carrying amount significantly exceeding the recoverable amounts for Julius Baer Wealth Management and Julius Baer Family Office Brasil. Therefore, no impairment resulted from the ordinary analyses of these two CGUs. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market and business-specific environment.

Kairos goodwill impairment

Over the past few years, the Group applied several measures to stabilise the Italian asset and wealth management company Kairos Investment Management S.p.A. (Kairos). Among other things, a new entrepreneurial ownership structure was developed, with a select number of key investment managers of Kairos acquiring a minority interest in Kairos and Julius Baer retaining a majority of the legal ownership. Although the Kairos team in conjunction with the Group developed and implemented a revised business plan with a solid foundation, the negative market development in 2022, and basically no performance fees coming through with Kairos, did not support the plan.

The related asset outflows at Kairos affected the financial performance; and as a result, the value in use decreased below the carrying value of the CGU. Therefore, the remaining goodwill on the investment in Kairos has been fully impaired in 2022. In addition, the remaining client relationships in Kairos have also been fully impaired. The goodwill charge of CHF 39.0 million and the charge related to client relationships of CHF 17.6 million (CHF 16.3 million net of tax) are recognised in the respective line items in the income statement (in total CHF 56.6 million before tax).

NOTE 13 FINANCIAL ASSETS PLEDGED OR CEDED

	31.12.2022 Carrying value *CHF m*	Effective commitment *CHF m*	31.12.2021 Carrying value *CHF m*	Effective commitment *CHF m*
Securities	**2,724.5**	**2,724.5**	3,449.4	3,449.4
Other	**30.1**	**22.3**	34.9	19.7
Total	**2,754.6**	**2,746.9**	3,484.3	3,469.1

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in over-the-counter (OTC) derivatives trading. Not included in these numbers are financial assets provided as collateral in securities transactions (refer to Note 22 for details).

NOTE 14 DEBT ISSUED

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Money market instruments	**217.7**	236.6
Bonds	**2,479.8**	2,407.7
Total	**2,697.5**	2,644.3

Changes in bonds

	2022 *CHF m*	2021 *CHF m*
Balance at the beginning of the year	**2,407.7**	1,342.7
Changes from financing cash flows:		
– Proceeds from issuance of new bonds	**389.2**	1,100.4
– Repayment of bonds	**-222.7**	-
Total changes from financing cash flows	**166.5**	1,100.4
Changes related to amortisation of premiums/discounts	**2.3**	1.8
Changes related to foreign exchange	**-28.9**	-13.5
Changes related to offsetting own bonds	**6.8**	-1.0
Changes related to hedge accounting	**-74.5**	-22.7
Balance at the end of the year	**2,479.8**	2,407.7

Bonds

Issuer/Year of issue	Stated interest rate/ effective interest rate %		Currency	Notional amount m	31.12.2022 Carrying value[1] CHF m	31.12.2021 Carrying value[1] CHF m
Julius Baer Group Ltd.						
2016	5.750/5.951	Perpetual tier 1 subordinated bond	SGD	325.0	-	220.2
Julius Baer Group Ltd.						
2017	4.750/4.910	Perpetual tier 1 subordinated bond	USD	300.0	**272.0**	271.5
Julius Baer Group Ltd.						
2017	0.375/0.324	Domestic senior unsecured bond	CHF	200.0	**193.1**	201.4
Julius Baer Group Ltd.						
2019	2.375/2.487	Perpetual tier 1 subordinated bond	CHF	350.0	**349.1**	348.8
Julius Baer Group Ltd.						
2020	4.875/5.242	Perpetual tier 1 subordinated bond	USD	350.0	**282.1**	303.7
Bank Julius Baer & Co. Ltd.						
2021	0.125/0.103	Domestic senior unsecured bond	CHF	260.0	**231.1**	257.4
Bank Julius Baer & Co. Ltd.						
2021	0.000/0.092	Senior unsecured bond	EUR	500.0	**493.1**	516.9
Julius Baer Group Ltd.						
2021	3.625/3.743	Perpetual tier 1 subordinated bond	USD	320.0	**292.3**	287.9
Julius Baer Group Ltd.						
2022	6.875/7.033	Perpetual tier 1 subordinated bond	USD	400.0	**367.2**	-
Total					**2,479.8**	2,407.7

[1] The Group applies fair value hedge accounting for certain bonds based on specific interest rate swaps. The changes in the fair value that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the bond.

Perpetual tier 1 subordinated bonds
The maturities of the perpetual tier 1 subordinated bonds issued by Julius Baer Group Ltd. are essentially perpetual. These bonds are unsecured, subordinate to all borrowings (with the exception of the remainder of the tier 1 capital), fully paid up, capable of sustaining losses and devoid of any voting rights. The bonds can first be redeemed, at the issuer's discretion, five to seven years after their issue date, and at yearly or half-yearly intervals thereafter, provided the regulator approves such redemption. In addition, the bonds may also be redeemed upon a regulatory event or tax event, as described in the prospectus. In the case of a viability event occurring, i.e. at a point in time where there is a threat of insolvency ('Point of non-viability' or 'PONV'), as described in Article 29 of the Capital Adequacy Ordinance of the Swiss Financial Market Supervisory Authority FINMA (CAO), all monies (including par value and any interest) due on the bonds will automatically cease to be payable and the bonds will be completely written off (i.e. their value will be written down to zero). Should a trigger event occur – i.e. should tier 1 common equity (under Basel III) fall below 5.125% (2019, 2021 and 2022 issues) or 7.0% (2016, 2017 and 2020 issues) – the value of the bonds will be written down to ensure that the write-down threshold ratio that originally triggered the event is restored to a level equal to or exceeding its trigger level. Here, too, in a worst-case scenario all monies due on the bonds will cease to be payable in their entirety. In the event of the monies payable on the bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the bonds is envisaged or permitted. From the issue date to the reset date, the bonds will pay interest at a fixed rate. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate and a margin. Interest on the bonds is payable, in arrears on a 30/360-day basis, until the bonds have either been redeemed or fully written off. Interest payments on the bonds are prohibited in the event of this being ordered by the regulator (FINMA) or should there be insufficient retained earnings on the balance sheet of Julius Baer Group Ltd. to finance the payment of interest on tier 1 capital and to make any distributions already planned in respect of the previous financial year. Once suspended, any interest payments will permanently cease to be payable. Such interest payments are not cumulative, nor will they be paid at any future date. In the event of interest payments on the bonds being suspended, the Board of Directors of Julius Baer Group Ltd. will not be permitted to recommend any dividend payments to the Annual General Meeting until such time as interest payments on the bonds are resumed. Moreover, in the event of interest payments on the bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

2016 issue
The perpetual tier 1 subordinated bond, which was denominated in SGD, was issued by Julius Baer Group Ltd. on 20 October 2016. From the issue date to the reset date (20 April 2022), the bonds paid interest at a fixed rate of 5.75% per annum, payable semi-annually in arrears on 20 April and 20 October each year. The bond was paid back on the first possible redemption date (20 April 2022) at par value plus accrued interest.

2017 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 12 September 2017. The bonds can first be redeemed, at the issuer's discretion, on 12 September 2024 and on every semi-annual interest payment date thereafter. From the issue date to the first reset date (12 September 2024), the bonds will pay interest at a fixed rate of 4.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year USD constant maturity treasury rate) and a margin of 2.844%. Interest on the bonds is payable semi-annually in arrears on 12 March and 12 September in each year.

2019 issue
The perpetual tier 1 subordinated bond, which is denominated in CHF, was issued by Julius Baer Group Ltd. on 25 June 2019. The bonds can be redeemed at the issuer's discretion anytime in the three months prior to and including the first reset date (25 September 2025) and on every annual

interest payment date thereafter. From the issue date to the first reset date (25 September 2025), the bonds will pay an annual interest at a fixed rate of 2.375% on 25 September of each year (first long coupon on 25 September 2020). Thereafter, the interest payable on the bonds will be refixed for the next five years equal to the sum of the benchmark rate (i.e. the five-year CHF mid-market swap rate) and a margin of 2.861%. Interest on the bonds is payable annually on 25 September of each year.

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

2021 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 23 September 2021. The bonds can be redeemed at the issuer's discretion anytime in the six months prior to and including the first reset date (23 September 2028) and on every semi-annual interest payment date thereafter. From the issue date to the first reset date, the bonds will pay interest at a fixed rate of 3.625% per annum. Thereafter, the interest payable on the bonds will be reset for the next five years at a rate equal to the sum of the benchmark rate (i.e. the yield for US Treasury Securities at 'constant maturity' for a designated maturity of five years) and a margin of 2.539%. Interest on the bonds is payable semi-annually in arrears on 23 March and 23 September each year.

2022 issue
The perpetual tier 1 subordinated bond, which is denominated in USD, was issued by Julius Baer Group Ltd. on 9 June 2022. The bonds can be redeemed at the issuer's discretion anytime in the six months prior to and including the first reset date (9 December 2027) and on every semi-annual interest payment date thereafter. From the issue date to the first reset date, the bonds will pay interest at a fixed rate of 6.875% per annum. Thereafter, the interest payable on the bonds will be reset for the next five years at a rate equal to the sum of the benchmark rate (i.e. the yield for US Treasury securities at 'constant maturity' for a designated maturity of five years) and a margin of 3.940%. Interest on the bonds is payable semi-annually in arrears on 9 December and 9 June each year.

Senior unsecured issues
2017 issue
The senior unsecured bond, which is denominated in CHF, was issued by Julius Baer Group Ltd. on 6 December 2017. The bonds have a final maturity on 6 December 2024 and pay interest at a fixed rate of 0.375% per annum paid annually on 6 December each year.

2021 issues
The senior unsecured bond, which is denominated in CHF, was issued by Bank Julius Baer & Co. Ltd. on 27 April 2021. The bonds have a final maturity on 27 April 2028 and pay interest at a fixed rate of 0.125% per annum payable annually in arrears on 27 April.

The senior unsecured bond, which is denominated in EUR, was issued by Bank Julius Baer & Co. Ltd. on 25 June 2021. The bonds have a final maturity on 25 June 2024 and pay interest at a fixed rate of 0.000% per annum.

NOTE 15 PROVISIONS

	Legal risks *CHF m*	Other *CHF m*	**2022** **Total** *CHF m*	2021 Total *CHF m*
Balance at the beginning of the year	**95.2**	**1.6**	**96.8**	115.9
Utilised during the year	**-149.4**	**-**	**-149.4**	-78.2
Provisions made during the year	**101.0**	**-**	**101.0**	58.8
Provisions reversed during the year	**-3.7**	**-**	**-3.7**	-1.9
Translation differences	**-2.2**	**-**	**-2.2**	2.1
Balance at the end of the year	**40.9**	**1.6**	**42.5**	96.8

Maturity of provisions				
Up to one year	**29.5**	**0.5**	**30.0**	29.2
Over one year	**11.4**	**1.1**	**12.5**	67.6

Introduction

The Group operates in a legal and regulatory environment that exposes it to significant litigation, compliance, reputational and other risks arising from disputes and regulatory proceedings.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action or initiating criminal proceedings against the Group and/or its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the order to suspend or limit certain activities, the suspension or expulsion from a particular jurisdiction or market of any of the Group's business organisations or their key personnel, the imposition of fines, the disgorgement of profit as well as claims for restitution, and censures on companies and employees with respective impact on the reputation of the Group and its relation with clients, business partners and other stakeholders. In certain markets, authorities, such as regulatory or tax authorities, may determine that industry practices, e.g. regarding the provision and charging of services, are or have become inconsistent with their interpretations of existing local and/or international laws and regulations. Also, from time to time, the Group is and may be confronted with information and clarification requests, and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions, etc.) as well as with enforcement procedures relating to certain topics (such as environmental, social, governance, sustainability, suitability or disclosure issues). As a matter of principle, the Group cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own and other stakeholders' interests.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known, or risks and proceedings currently deemed immaterial, may also impair the Group's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually, or together with other circumstances, have a materially adverse impact on the Group's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities

The Group is involved in various legal, regulatory and administrative proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Group – depending on the status of related proceedings – is difficult to assess.

The Group establishes provisions for pending and threatened legal proceedings if management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgement of any liability on the part of the Group and if the amount of such obligation or loss can already be reasonably estimated.

In rare cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is recorded as a contingent liability as of 31 December 2022. The contingent liabilities may result in a materially adverse effect on the Group or may for other reasons be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), which funds had served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including approximately USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over approximately USD 110 million in the courts of New York (including approximately USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee appealed this decision, and, in February 2019, the Court of Appeal reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continued with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which were appealed by the Liquidators. The Bankruptcy Court additionally decided on certain other aspects in the Bank's favour in late 2020. That decision was also appealed by the Liquidators. Both appeals were consolidated. In August 2022, the U.S. District Court for the Southern District of New York ruled on the pending appeals and confirmed the Bankruptcy Court's decision. The Liquidators have appealed the decision to the Court of Appeals, where the appeal is currently pending. Further, in October 2021, the Bank filed a motion to dismiss for lack of personal jurisdiction. In response, the Liquidators requested jurisdictional discovery, which has been completed.

In a landmark decision on so-called retrocessions, the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss mandate law, a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived the right to reclaim such fees. Bank Julius Baer & Co. Ltd. has assessed this decision by the Swiss Federal Supreme Court and other court decisions relevant in this context – i.e. the Group continues to assess such court decisions and developments, the mandate structures to which the Court decisions might be applicable, and the documentation as well as the impact of respective waivers and communicated bandwidths that were introduced in the past on an ongoing basis – and has implemented appropriate measures to address the matter.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate-trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions/money laundering was initiated against Bank Julius Baer & Co. Ltd. in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine was accordingly reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter. A trial in the matter took place in December 2021 at which a fine of EUR 5 million and a restitution amount of EUR 2 million was proposed to be charged against the Bank. The competent court of First Instance issued its decision on 14 March 2022 and found the Bank guilty of aggravated money laundering and confirmed the fine of EUR 5 million but reduced the claimed restitution amount to EUR 0.4 million. The Bank has appealed this decision and continues to protect its interests.

Bank Julius Baer & Co. Ltd. has been confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which between 2017 and 2021 was supported with yearly payment orders ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of approximately CHF 139 million (plus accrued interest). The Bank has been contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by Bank Julius Baer & Co. Ltd. in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total amount claimed to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequent upon the liquidation of almost their entire portfolio of assets in May 2010 and argues that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims in principle are subject to acquisition-related representation and warranties provisions.

In 2018 and 2019, Bank Julius Baer & Co. Ltd. had received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focused on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad had, in addition to the corruption and bribery allegations against third parties, opened investigations and inquired whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. FINMA's related enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. was closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities. At the end of March 2021, FINMA lifted an acquisition ban that had initially been imposed with the closing of the enforcement procedure. This ban was lifted as a consequence of the Bank's material progress in the implementation of remediation measures, which was completed at the end of 2022. Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer has been contesting the claim and seizure request while taking appropriate measures to defend its interests.

In May 2021, Bank Julius Baer & Co. Ltd. became aware that a Writ of Summons ('the Writ') had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited ('SRC') claiming the sum of approximately USD 112 million from the Bank, alleging the Bank was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. On 4 May 2022, the amended writ and statement of claim in the amount of USD 112.5 million was served on the Bank. The Bank is contesting the claim while taking appropriate measures to defend its interests.

NOTE 16A OTHER ASSETS

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Precious metals (physical)	**3,405.8**	4,174.4
Tax receivables	**3,030.0**	3,092.2
Accounts receivable	**22.4**	36.1
Deposits	**23.7**	21.3
Pension asset	**12.1**	10.8
Other	**66.4**	93.7
Total	**6,560.3**	7,428.5

NOTE 16B OTHER LIABILITIES

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Lease liability	**289.3**	204.7
Pension liability	**6.3**	15.1
Other tax payable	**58.4**	82.1
Accounts payable	**34.2**	39.3
Deferred payments related to acquisitions	**4.1**	3.2
Other	**156.2**	157.9
Total	**548.5**	502.3

NOTE 17 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF m*
Balance on 01.01.2021	223,809,448	4.5
of which entitled to dividends	*223,809,448*	*4.5*
Decrease	2,585,000	0.1
Balance on 31.12.2021	221,224,448	4.4
of which entitled to dividends	*221,224,448*	*4.4*
Decrease	7,423,208	0.1
Balance on 31.12.2022	**213,801,240**	**4.3**
of which entitled to dividends	***213,801,240***	***4.3***

NOTE 18 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2022	2021
Basic earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**949.6**	1,082.0
Weighted average number of shares outstanding	**208,312,058**	213,971,833
Basic earnings per share (CHF)	**4.56**	5.06

Diluted earnings per share		
Net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	**949.6**	1,082.0
Less (profit)/loss on equity derivative contracts (CHF m)	**-0.3**	-0.2
Net profit attributable to shareholders of Julius Baer Group Ltd. for diluted earnings per share (CHF m)	**949.3**	1,081.8
Weighted average number of shares outstanding	**208,312,058**	213,971,833
Dilution effect	**1,905**	169
Weighted average number of shares outstanding for diluted earnings per share	**208,313,963**	213,972,002
Diluted earnings per share (CHF)	**4.56**	5.06

	31.12.2022	31.12.2021
Shares outstanding		
Total shares issued at the beginning of the year	**221,224,448**	223,809,448
Cancellation	**7,423,208**	2,585,000
Share buy-back programme	**5,724,572**	7,423,208
Treasury shares	**1,471,794**	4,568,738
Total	**206,604,874**	209,232,502

NOTE 19 REPORTING BY SEGMENT

The Group engages exclusively in wealth management activities primarily in Switzerland, Europe, Asia and South America. This focus on pure-play wealth management includes certain internal supporting functions that serve entirely the core business activities. Revenues from wealth management activities primarily encompass commissions charged for servicing and advising wealth management clients as well as net interest income on financial instruments.

The Group's external segment reporting is based on the internal reporting to the chief operating decision maker, which is responsible for allocating resources and assesses the financial performance of the business. The Executive Board (ExB) has been identified as the chief operating decision maker since it is responsible for the implementation of the overall strategy and the operational management of the whole Group. The ExB is composed of the Chief Executive Officer, Chief Financial Officer, Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas), Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries, Chief Risk Officer and Head Markets.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the ExB reviews and uses for its management decisions the consolidated financial reports at the Group level only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Group consists of a single reportable segment. This is in line with the strategy and business model of the Group, and reflects the management structure and the use of information by management in making operating decisions. Although Julius Baer Family Office Brasil and Kairos represent separate cash-generating units for the purpose of the goodwill impairment testing (refer to Note 12 for details), they do not constitute segments on their own.

Therefore, and given that the external reporting in these financial statements reflects the internal management accounting, the Group does not disclose separate segment information.

Entity-wide disclosures

	31.12.2022 Non-current assets *CHF m*	31.12.2021 *CHF m*	**2022** Operating income *CHF m*	2021 *CHF m*
Switzerland	**2,374**	2,318	**2,177**	2,121
Europe (excl. Switzerland)	**230**	283	**809**	813
Americas	**121**	171	**71**	71
Asia and other countries	**448**	432	**1,027**	1,085
Less consolidation items	**-**	-	**231**	233
Total	**3,172**	3,204	**3,853**	3,858

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

NOTE 21 PENSION PLANS

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions under the Swiss pension law. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the Group or retiring and in the event of death or invalidity. These benefits are the result of the conversion rate applied to the accumulated balance of the individual plan participant's pension account at the retirement date. The accumulated balance equals the sum of the regular employer's and employee's contributions that were made during the employment period, including the accrued interest on these amounts. However, these plans do not fulfil all the criteria of a defined contribution pension plan according to IAS 19 and are therefore treated as defined benefit pension plans for the purpose of the Group's financial statements.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. In case the plans become significantly underfunded over an extended period as per the Swiss pension law, the Group and the employees share the risk of additional payments into the pension fund. The pension funds are managed by a board of trustees consisting of representatives of the employees and the employer. Managing the pension funds includes pursuing a medium- and long-term consistency and sustainability balance between the pension plans' assets and liabilities, based on a diversified investment strategy correlating with the maturity of the pension obligations. The organisation, management, financing and investment strategy of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations.

	2022 *CHF m*	2021 *CHF m*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-3,527.7**	-3,331.0
Acquisitions	**-**	-7.6
Current service cost	**-78.0**	-81.9
Employees' contributions	**-48.0**	-46.0
Interest expense on defined benefit obligation	**-41.4**	-8.0
Past service cost, curtailments, settlements, plan amendments	**13.5**	4.5
Benefits paid (including benefits paid directly by employer)	**75.4**	109.2
Transfer payments in/out	**2.0**	0.0
Experience gains/(losses) on defined benefit obligation	**-19.0**	-208.2
Actuarial gains/(losses) arising from change in demographic assumptions[1]	**22.2**	87.4
Actuarial gains/(losses) arising from change in financial assumptions	**602.8**	-45.0
Translation differences	**10.3**	-0.9
Present value of defined benefit obligation at the end of the year	**-2,987.8**	-3,527.7
whereof due to active members	***-2,046.9***	*-2,368.9*
whereof due to deferred members	***-30.5***	*-57.0*
whereof due to pensioners	***-910.4***	*-1,101.7*
Fair value of plan assets at the beginning of the year	**3,621.0**	3,235.1
Acquisitions	**-**	7.8
Interest income on plan assets	**47.2**	7.8
Employees' contributions	**48.0**	46.0
Employer's contributions	**101.5**	101.0
Curtailments, settlements, plan amendments	**-21.3**	-1.5
Benefits paid by fund	**-74.6**	-108.2
Transfer payments in/out	**-2.0**	-0.0
Administration cost (excluding asset management cost)	**-1.1**	-1.1
Return on plan assets (excluding interest income)	**-395.4**	333.1
Translation differences	**-9.3**	1.0
Fair value of plan assets at the end of the year	**3,313.9**	3,621.0

[1] In 2021, the Group switched from the BVG 2015 mortality table – with future improvements determined by calibrating the Continuous Mortality Investigation ('CMI') 2016 model to Swiss population data – to the BVG 2020 CMI mortality table.

	2022 *CHF m*	2021 *CHF m*
2. Development of effect of asset ceiling		
Effect of asset ceiling at the beginning of the year	**-97.6**	-
Interest income/(expenses) on effect of asset ceiling	**-6.0**	-
Change in effect of asset ceiling excluding interest expense/(income)	**-216.6**	-97.6
Effect of asset ceiling at the end of the year	**-320.2**	-97.6

3. Balance sheet	**31.12.2022** *CHF m*	31.12.2021 *CHF m*
Fair value of plan assets	**3,313.9**	3,621.0
Present value of funded defined benefit obligation	**-2,981.8**	-3,520.7
Surplus/(deficit)	**332.1**	100.2
Effect of asset ceiling	**-320.2**	-97.6
Present value of unfunded defined benefit obligation	**-6.1**	-6.9
Net defined benefit asset/(liability)	**5.8**	-4.3

4. Income statement	**2022** *CHF m*	2021 *CHF m*
Current service cost	**-78.0**	-81.9
Interest expense on defined benefit obligation	**-41.4**	-8.0
Past service cost, curtailments, settlements, plan amendments	**-7.9**	3.0
Interest income on plan assets	**47.2**	7.8
Interest income/(expense) on effect of asset ceiling	**-6.0**	-
Administration cost (excluding asset management cost)	**-1.1**	-1.1
Defined benefit cost recognised in the income statement	**-87.2**	-80.3
whereof service cost	***-87.0***	*-80.0*
whereof net interest on the net defined benefit (liability)/asset	***-0.2***	*-0.3*

5. Movements in defined benefit asset/(liability)	**2022** *CHF m*	2021 *CHF m*
Net defined benefit asset/(liability) at the beginning of the year	**-4.3**	-95.9
Acquisitions	**-**	0.1
Translation differences	**1.1**	0.1
Defined benefit cost recognised in the income statement	**-87.2**	-80.3
Benefits paid by employer	**0.8**	1.0
Employer's contributions	**101.5**	101.0
Remeasurements of the net defined benefit asset/(liability)	**-6.0**	69.7
Net defined benefit asset/(liability) at the end of the year	**5.8**	-4.3

Remeasurements of the net defined benefit asset/(liability)	**2022** *CHF m*	2021 *CHF m*
Actuarial gains/(losses) of defined benefit obligation	**606.0**	-165.8
Return on plan assets (excluding interest income)	**-395.4**	333.1
Effect of asset ceiling	**-216.6**	-97.6
Total recognised in other comprehensive income	**-6.0**	69.7

6. Composition of plan assets	**2022** CHF m	2021 CHF m
Cash	**168.9**	133.6
Debt instruments	**801.0**	894.6
Equity instruments	**1,247.7**	1,448.2
Real estate	**668.2**	638.5
Alternative investments	**387.7**	433.4
Other	**40.3**	72.7
Total	**3,313.9**	3,621.0

7. Aggregation of plan assets – quoted market prices in active markets	**2022** in %	2021 in %
Cash	**5.1**	3.7
Debt instruments	**21.0**	21.8
Equity instruments	**37.7**	40.0
Real estate	**7.4**	7.0
Other	**2.7**	5.5
Total	**73.8**	78.0

8. Sensitivities	**2022** CHF m	2021 CHF m
Decrease of discount rate -0.25%		
Effect on defined benefit obligation	**-60.7**	-99.1
Effect on service cost	**-1.8**	-3.2
Increase of discount rate +0.25%		
Effect on defined benefit obligation	**57.5**	86.9
Effect on service cost	**1.7**	3.0
Decrease of salary increase -0.25%		
Effect on defined benefit obligation	**7.7**	10.8
Effect on service cost	**0.8**	1.0
Increase of salary increase +0.25%		
Effect on defined benefit obligation	**-7.9**	-11.1
Effect on service cost	**-0.8**	-1.0
Life expectancy		
Increase in longevity by one additional year	**-50.0**	-84.3

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2022. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 98% (2021: 97%) of all benefit obligations and plan assets:

	2022	2021
Discount rate	**2.25%**	0.25%
Average future salary increases	**1.75%**	0.50%
Future pension increases	**0.00%**	0.00%
Duration (years)	**12**	15

Investment in Julius Baer Group Ltd. shares

The pension plan assets are invested in accordance with local laws and do not include shares of Julius Baer Group Ltd.

Expected employer contributions

The expected employer contributions for the 2023 financial year related to defined benefit plans are estimated at CHF 96.8 million.

Outstanding liabilities to pension plans

The Group had outstanding liabilities to various pension plans in the amount of CHF 21.6 million (2021: CHF 7.0 million).

Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 41.2 million for the 2022 financial year (2021: CHF 38.7 million).

NOTE 22 SECURITIES FINANCING TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2022 CHF m	31.12.2021 CHF m
Receivables		
Receivables from cash provided in reverse repurchase transactions	**1,300.0**	24.1
of which with central banks	***1,300.0***	-
of which with banks	**-**	*24.1*
Payables		
Obligations to return cash received in securities lending transactions	**66.7**	60.0
of which with banks	***66.7***	*60.0*
Obligations to return cash received in repurchase transactions	**272.9**	296.9
of which with banks	***272.9***	*296.9*
Total	**339.6**	356.9
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1,529.0**	2,411.4
of which the right to pledge or sell has been granted without restriction	***1,529.0***	*2,411.4*
of which recognised in financial assets measured at FVTPL	***1,335.1***	*2,411.1*
of which recognised in financial assets measured at FVOCI	***2.9***	*0.3*
of which recognised in other financial assets measured at amortised cost	***191.0***	-
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**6,589.5**	5,792.7
of which repledged or resold securities	***5,423.1***	*5,361.8*

The Group enters into fully collateralised securities borrowing and securities lending transactions, and repurchase and reverse repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfil the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets that continue to be recognised on the balance sheet are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	91,726.6	1,011.8	1,389.5
Futures	61.9	0.1	6.6
Cross-currency swaps	174.0	1.6	1.4
Options (OTC)	22,161.3	307.5	254.7
Total foreign exchange derivatives 31.12.2022	**114,123.8**	**1,320.9**	**1,652.2**
Total foreign exchange derivatives 31.12.2021	130,220.5	832.8	974.7
Interest rate derivatives			
Swaps	25,390.7	346.7	277.6
Futures	197.3	0.5	4.8
Options (OTC)	674.3	3.3	4.4
Options (traded)	41.2	-	0.1
Total interest rate derivatives 31.12.2022	**26,303.5**	**350.5**	**286.8**
Total interest rate derivatives 31.12.2021	38,949.4	128.3	139.7
Precious metals derivatives			
Forward contracts	4,017.1	76.5	83.1
Futures	39.3	0.5	1.0
Options (OTC)	4,232.6	104.9	49.1
Options (traded)	1,866.3	2.2	86.9
Total precious metals derivatives 31.12.2022	**10,155.3**	**184.1**	**220.1**
Total precious metals derivatives 31.12.2021	7,382.0	71.9	113.4
Equity/indices derivatives			
Total Return Swaps	11.4	1.1	-
Futures	1,021.1	10.4	27.4
Options (OTC)	10,102.0	241.9	142.3
Options (traded)	18,777.2	669.9	482.4
Total equity/indices derivatives 31.12.2022	**29,911.7**	**923.3**	**652.0**
Total equity/indices derivatives 31.12.2021	37,715.8	1,002.5	1,241.5
Other derivatives			
Total Return Swaps	1,984.6	23.9	47.1
Futures	168.4	7.7	1.6
Total other derivatives 31.12.2022	**2,152.9**	**31.6**	**48.7**
Total other derivatives 31.12.2021	325.2	3.9	2.6

Derivatives held for trading (continued)

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Credit derivatives			
Credit default swaps	66.7	1.4	1.1
Total credit derivatives 31.12.2022	**66.7**	**1.4**	**1.1**
Total credit derivatives 31.12.2021	1,468.7	29.9	48.6
Total derivatives held for trading 31.12.2022	**182,713.9**	**2,811.8**	**2,861.0**
Total derivatives held for trading 31.12.2021	216,061.5	2,069.3	2,520.5

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as fair value hedges			
Interest rate swaps	1,216.4	4.0	78.1
Derivatives designated as cash flow hedges			
Interest rate swaps	599.5	-	55.2
Foreign exchange derivatives	305.3	2.4	0.3
Derivatives designated as net investment hedges			
Foreign exchange forward contracts	712.7	7.4	-
Total derivatives held for hedging 31.12.2022	**2,834.0**	**13.8**	**133.5**
Total derivatives held for hedging 31.12.2021	3,189.5	17.2	26.6
Total derivative financial instruments 31.12.2022	**185,547.8**	**2,825.7**	**2,994.5**
Total derivative financial instruments 31.12.2021	219,251.0	2,086.6	2,547.1

NOTE 24A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	31.12.2022 Carrying value CHF m	31.12.2022 Fair value CHF m	31.12.2021 Carrying value CHF m	31.12.2021 Fair value CHF m
Financial assets at amortised cost				
Cash and balances at central banks	**11,906.0**	**11,906.0**	19,851.2	19,851.2
Due from banks	**4,108.9**	**4,108.3**	4,574.2	4,574.9
Receivables from securities financing transactions	**1,300.0**	**1,300.0**	24.1	24.1
Loans	**44,584.2**	**44,832.7**	50,417.1	50,821.3
Debt instruments	**3,802.3**	**3,682.5**	-	-
Accrued income/other assets	**502.4**	**502.4**	412.5	412.5
Total	**66,203.8**	**66,331.9**	75,279.1	75,684.1
Financial assets at FVTPL				
Financial assets measured at FVTPL	**13,032.6**	**13,032.6**	14,589.1	14,589.1
Derivative financial instruments	**2,825.7**	**2,825.7**	2,086.6	2,086.6
Financial assets designated at fair value	**277.7**	**277.7**	322.9	322.9
Total	**16,136.0**	**16,136.0**	16,998.6	16,998.6
Financial assets at FVOCI				
Financial assets measured at FVOCI	**13,492.8**	**13,492.8**	13,360.6	13,360.6
Total	**13,492.8**	**13,492.8**	13,360.6	13,360.6
Total financial assets	**95,832.5**	**95,960.7**	105,638.4	106,043.3

Financial liabilities

	31.12.2022 Carrying value CHF m	31.12.2022 Fair value CHF m	31.12.2021 Carrying value CHF m	31.12.2021 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**2,933.5**	**2,934.3**	3,860.3	3,860.6
Payables from securities financing transactions	**339.6**	**339.6**	356.9	356.9
Due to customers	**76,438.9**	**76,524.1**	83,201.2	83,204.9
Debt issued	**2,697.5**	**2,541.6**	2,644.3	2,674.7
Accrued expenses/other liabilities	**338.0**	**338.0**	239.5	239.5
Total	**82,747.5**	**82,677.5**	90,302.2	90,336.6
Financial liabilities at FVTPL				
Financial liabilities measured at FVTPL	**601.8**	**601.8**	749.5	749.5
Derivative financial instruments	**2,994.5**	**2,994.5**	2,547.1	2,547.1
Financial liabilities designated at fair value	**11,571.4**	**11,571.4**	14,459.0	14,459.0
Deferred payments related to acquisitions	**4.1**	**4.1**	3.2	3.2
Total	**15,171.7**	**15,171.7**	17,758.8	17,758.8
Total financial liabilities	**97,919.3**	**97,849.3**	108,061.0	108,095.4

Financial liabilities designated at fair value
The Group issues to its wealth management clients structured notes for investment purposes. As the redemption amount on the structured debt issues is linked to changes in stock prices, indices, currencies or other assets, the Group cannot determine the difference between the carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the structured debt issues.

Changes in the fair value of financial liabilities designated at fair value are primarily attributable to changes in the market risk factors of the embedded derivatives. The impact of the credit rating of the Bank on the fair value changes of these liabilities amounted to CHF -0.0 million (2021: CHF -0.8 million).

The following methods are used in measuring the fair value of financial instruments:

Short-term financial instruments
Financial instruments measured at amortised cost with a maturity or a refinancing profile of one year or less are generally classified as short-term. This includes the balance sheet items cash and, depending on the maturity, due from banks, loans, due to banks, due to customers and debt issued. For short-term financial instruments that do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the carrying value generally approximates the fair value.

Long-term financial instruments
Financial instruments measured at amortised cost with a maturity or refinancing profile of over one year are included in the following balance sheet items: due from banks, loans, due to banks, due to customers and debt issued. The fair value of these long-term financial instruments, which do not have a market price, is derived by using the net present value method. For loans, generally, the SARON rate is used to calculate the net present value of the loans, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement. For amounts due to banks and due to customers, a SARON-based internal rate is used. For debt issued, the quoted prices of the bonds determine the fair value.

Financial assets and liabilities measured at FVTPL, financial assets measured at FVOCI, derivative financial instruments and financial liabilities designated at fair value
Refer to Note 24B for details regarding the valuation of these instruments.

NOTE 24B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

For financial instruments measured at fair value through profit or loss (FVTPL) as well as for financial assets measured at fair value through other comprehensive income (FVOCI), the fair values are determined as follows:

Level 1
For financial instruments for which prices are quoted in an active market, the fair value is determined directly from the quoted market price.

Level 2
For financial instruments for which quoted market prices are not directly available or are not derived from active markets, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for most OTC derivatives, most unquoted financial instruments, the vast majority of the Group's issued structured notes and other items that are not traded in active markets. The main pricing models and valuation techniques applied to these financial instruments include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility or credit risk.

Level 3
For certain financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions that reflect market conditions.

Financial assets measured at FVTPL and *financial assets measured at FVOCI:* The Group holds a number of shares in companies in related business areas, which are measured at FVTPL. Additionally, the Group holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income.

The determination of the fair value of these equity instruments is either based on the reported or published net asset value of the investees, or recent similar transactions in the instruments. The net asset values, as well as the transaction prices, are adjusted by management for any necessary impacts from events that may have an influence on the valuation (adjusted net asset method, and market approach, respectively). Changes in the net asset value of the equity instruments result in corresponding changes in the fair values. However, reasonably realistic changes to these values have no material impact on the consolidated financial statements of the Group.

In 2022, dividends related to the investments measured at FVOCI in the amount of CHF 11.9 million (2021: CHF 21.0 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Group issues to its wealth management clients a limited number of specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Group's balance sheet due to the strict derecognition criteria required by IFRS. Therefore, the private equity investments as well as the money market instruments are recorded as financial assets designated at fair value. Any changes in the fair value or any other income from the private equity investments or the money market instruments are recorded in the income statement. However, as the clients are entitled to all rewards related to the investments, these amounts net out in the respective line item in the income statement.

Hence, any change in the valuation inputs has no impact on the Group's income statement or shareholders' equity.

To measure the fair values of the private equity investments, the Group generally relies on the valuations as provided by the respective private equity funds managing the investments. These funds in turn use their own valuation techniques, such as market approaches or income approaches, including their own input factors into the applied models. Therefore, the private equity investments are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The related issued notes are reported as financial liabilities designated at fair value and classified as level 3 instruments, since the related private equity investments are part of the valuation of the notes.

Deferred payments related to acquisitions: Payments related to the deferred purchase price portion of acquisitions may be dependent on certain conditions to be achieved and also contingent on future growth rates of the businesses. Since these fair value inputs are not observable, the outstanding balances are reported in level 3.

The fair value of financial instruments measured at fair value is determined as follows:

	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**31.12.2022** **Total** *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,334.7	1,653.2	295.5	4,283.5
Trading – equity instruments at FVTPL	7,020.3	1,470.9	102.8	8,594.0
Other securities mandatorily measured at FVTPL	0.0	122.3	32.8	155.1
Total financial assets measured at FVTPL	**9,355.1**	**3,246.4**	**431.1**	**13,032.6**
Foreign exchange derivatives	0.1	1,330.7	-	1,330.7
Interest rate derivatives	0.5	354.0	-	354.5
Precious metal derivatives	0.5	183.6	-	184.1
Equity/indices derivatives	10.4	912.9	-	923.3
Credit derivatives	-	1.4	-	1.4
Other derivatives	7.7	18.6	5.2	31.6
Total derivative financial instruments	**19.2**	**2,801.3**	**5.2**	**2,825.7**
Financial assets designated at fair value	**14.5**	**102.6**	**160.5**	**277.7**
Debt instruments at FVOCI	9,326.0	3,826.1	-	13,152.1
Equity instruments at FVOCI	-	0.9	339.7	340.6
Total financial assets measured at FVOCI	**9,326.0**	**3,827.1**	**339.7**	**13,492.8**
Total assets	**18,714.8**	**9,977.4**	**936.5**	**29,628.7**
Short positions – debt instruments at FVTPL	108.6	5.1	-	113.7
Short positions – equity instruments at FVTPL	428.6	57.8	1.7	488.1
Total financial liabilities measured at FVTPL	**537.2**	**62.9**	**1.7**	**601.8**
Foreign exchange derivatives	6.6	1,645.9	-	1,652.5
Interest rate derivatives	4.8	415.2	-	420.0
Precious metal derivatives	1.0	219.1	-	220.1
Equity/indices derivatives	27.4	624.6	-	652.0
Credit derivatives	-	1.1	-	1.1
Other derivatives	1.6	2.8	44.2	48.7
Total derivative financial instruments	**41.5**	**2,908.8**	**44.2**	**2,994.5**
Financial liabilities designated at fair value	**-**	**11,253.5**	**317.9**	**11,571.4**
Deferred payments related to acquisitions	**-**	**-**	**4.1**	**4.1**
Total liabilities	**578.7**	**14,225.2**	**367.8**	**15,171.7**

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2021 Total CHF m
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,252.0	715.6	285.9	3,253.6
Trading – equity instruments at FVTPL	9,125.7	2,108.4	5.3	11,239.4
Other securities mandatorily measured at FVTPL	1.5	60.9	33.7	96.1
Total financial assets measured at FVTPL	11,379.2	2,885.0	324.9	14,589.1
Foreign exchange derivatives	0.9	840.9	-	841.7
Interest rate derivatives	0.9	135.7	-	136.6
Precious metal derivatives	2.0	70.0	-	71.9
Equity/indices derivatives	32.8	969.6	-	1,002.5
Credit derivatives	-	29.9	-	29.9
Other derivatives	3.9	-	-	3.9
Total derivative financial instruments	40.5	2,046.1	-	2,086.6
Financial assets designated at fair value	22.1	97.1	203.8	322.9
Debt instruments at FVOCI	9,899.8	3,118.1	-	13,017.9
Equity instruments at FVOCI	-	1.4	341.3	342.8
Total financial assets measured at FVOCI	9,899.8	3,119.5	341.3	13,360.6
Total assets	21,341.6	8,147.7	870.0	30,359.2
Short positions – debt instruments at FVTPL	132.7	41.4	-	174.0
Short positions – equity instruments at FVTPL	548.3	27.2	-	575.5
Total financial liabilities measured at FVTPL	680.9	68.6	-	749.5
Foreign exchange derivatives	0.4	975.3	-	975.7
Interest rate derivatives	0.7	164.5	-	165.2
Precious metal derivatives	2.0	111.4	-	113.4
Equity/indices derivatives	6.5	1,235.0	-	1,241.5
Credit derivatives	-	48.6	-	48.6
Other derivatives	2.6	-	-	2.6
Total derivative financial instruments	12.2	2,534.9	-	2,547.1
Financial liabilities designated at fair value	-	14,122.3	336.7	14,459.0
Deferred payments related to acquisitions	-	-	3.2	3.2
Total liabilities	693.1	16,725.8	339.9	17,758.8

The fair value of financial instruments disclosed at fair value is determined as follows:

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	**31.12.2022** **Total** CHF m
Financial assets and liabilities disclosed at fair value				
Cash and balances at central banks	11,906.0	-	-	11,906.0
Due from banks	-	4,108.3	-	4,108.3
Receivables from securities financing transactions	-	1,300.0	-	1,300.0
Loans	-	44,832.7	-	44,832.7
Other financial assets measured at amortised cost	3,682.5	-	-	3,682.5
Accrued income/other assets	-	502.4	-	502.4
Total assets	**15,588.5**	**50,743.4**	**-**	**66,331.9**
Due to banks	-	2,934.3	-	2,934.3
Payables from securities financing transactions	-	339.6	-	339.6
Due to customers	-	76,524.1	-	76,524.1
Debt issued	2,541.6	-	-	2,541.6
Accrued expenses/other liabilities	-	338.0	-	338.0
Total liabilities	**2,541.6**	**80,136.0**	**-**	**82,677.5**

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2021 Total CHF m
Financial assets and liabilities disclosed at fair value				
Cash and balances at central banks	19,851.2	-	-	19,851.2
Due from banks	-	4,575.0	-	4,575.0
Receivables from securities financing transactions	-	24.1	-	24.1
Loans	-	50,821.3	-	50,821.3
Accrued income/other assets	-	412.5	-	412.5
Total assets	19,851.2	55,832.9	-	75,684.1
Due to banks	-	3,860.6	-	3,860.6
Payables from securities financing transactions	-	356.9	-	356.9
Due to customers	-	83,204.9	-	83,204.9
Debt issued	2,674.7	-	-	2,674.7
Accrued expenses/other liabilities	-	239.5	-	239.5
Total liabilities	2,674.7	87,661.9	-	90,336.6

NOTE 24C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN FAIR VALUE LEVEL 1 AND LEVEL 2

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Transfers from level 1 to level 2		
Financial assets measured at FVTPL	**28.1**	35.7
Financial assets measured at FVOCI	**-**	16.7
Financial liabilities	**0.0**	0.9
Transfers from level 2 to level 1		
Financial assets measured at FVTPL	**6.6**	46.0
Financial assets measured at FVOCI	**62.0**	63.7
Financial liabilities	**0.7**	0.4

The transfers from level 1 to level 2, and vice versa, occurred due to changes in the direct availability of quoted market prices. Transfers between the levels are deemed to have occurred at the end of the reporting period.

NOTE 25A FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

An entity is required to recognise expected credit losses (ECL) at initial recognition of any financial instrument and to update the amount of ECL recognised at each reporting date to reflect changes in the credit risk of the respective instruments. Refer to the Comment on Risk Management (credit risk section) and the Summary of Significant Accounting Policies for more background information on the recognition of ECL.

ECL stage allocation
Credit exposure is classified in one of the three ECL stages. At initial recognition, the Group classifies all financial assets in stage 1 because it does not acquire or originate credit-impaired debt instruments. If a significant risk increase has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination.

The Group generally originates loans and balances due from banks in its internal rating classes R1–R4, which reflect balances with low to medium credit risk. The same applies to the investment grade debt instruments held for investment purposes, which are also classified as R1–R4. Therefore, the Group determined that moves within these rating classes do not qualify as indicators of an increase in credit risk, whereas a move from R4 to R5 generally triggers such a credit risk increase. Hence, under this approach, moves from R4 to a higher risk class (R5–R6) generally trigger a move from stage 1 ECL to stage 2 ECL. For example, a counterparty moving from R1 to R2 would not trigger a significant increase in credit risk, whereas a counterparty moving from R1 to R5 would.

In addition, and to supplement this quantitative criterion, qualitative criteria based on other available internal data are applied to identify increased risk situations. These qualitative criteria are specific to the respective financial asset types (Lombard loans, mortgages, due from banks, debt instruments). For example, if payments are 30 days past due, the counterparty is moved to stage 2 and lifetime ECL are applied.

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

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. These ratings are applied to positions with high credit risk; they are carried in the Group's internal list of exposures that are in a loss position. Such positions show objective evidence of impairment and are referred to as defaulted. Generally, Lombard loans and mortgages are moved to these rating classes if the respective position is not fully covered anymore, i.e. the market value of the collateral is lower than the credit exposure, (critical) credit covenants are not complied with, or any payments are 90 days past due, to name some of the criteria.

ECL measurement
The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements for stage 1 ECL and stage 2 ECL. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD). These models have been tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the treasury portfolio as outlined below.

For the credit-impaired financial assets in stage 3, the loss allowances are not measured based on a model, but determined individually according to the specific facts and circumstances.

Wherever the Group uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside scenario. Expected probabilities are allocated to the respective scenario; the weightings used for the current year's ECL calculation are 60% for the baseline scenario, 35% for the downside scenario and 5% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Group's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stages 1 and 2.

To apply the expected future economic conditions in the models, the Group determined the forecast world gross domestic product (GDP) as the main economic input factor for the expected credit losses on its financial asset portfolios, since the counterparties have fully collateralised Lombard loans or mortgages with the Group or the portfolios consist of investment grade debt instruments. Other forward-looking main macroeconomic factors proved to be of lesser relevance to the Group's portfolios as a whole. A decrease in the expected GDP would have a negative impact on the ECL in stages 1 and 2.

In addition, for each portfolio, supplementary product-specific factors are used as outlined in the following paragraphs. These scenario factors are based on the assessment of the credit department and the risk department for current and expected market developments in the respective product areas. These factors are updated and confirmed on a regular basis by the Group's ECL committee, which comprises officers from the risk, credit risk and treasury departments.

Due from banks
For due-from-banks positions, the input factors are determined as follows:

Probability of default: For amounts due from banks, publicly available PDs per rating class are applied, using the same PDs for stage 1 and stage 2, since the outstanding balances have a term of maximum 12 months. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction. The ratings and the related PDs are shifted up and down by one notch of the internal rating, using publicly available data sources for the respective PDs. The three scenarios are weighted based on the generally applied probabilities.

Exposure at default: For amounts due from banks, the EAD equals either the nominal value (money market issues, time accounts) or the carrying value (current and transactional accounts).

Loss given default: For amounts due from banks, an average LGD per rating class is applied. This factor is derived from publicly available data sources.

Lombard loans
For Lombard loans, the input factors are determined as follows:

Probability of default: For Lombard loans, PD factors are derived from the Group-internal 'margin call process' in Lombard lending. This process reflects internal procedures to avoid loan losses and is based on

- the probability that the credit position gets into a significant shortfall within one year;
- the probability that the credit position becomes unsecured within 10 days; and
- the liquidation process to cover the exposure,

taking into consideration their respective probabilities.

This margin call process is simulated for each rating class (R1–R6) and for stage 1 and stage 2 separately. The resulting PDs are then applied uniformly across all counterparties and related Lombard loans in the respective rating class.

Exposure at default: For Lombard loans, the EAD equals the higher of a) the current exposure (based on data from the internal credit supervision system comprising the following credit exposures: cash exposure, derivative exposure, credit guarantees and reservations) and b) the lower of the lending value or approved limit. The Group therefore assumes the highest possible risk (i.e. the highest outstanding) in determining the EAD, including any unused credit commitments. Consequently, even if no exposure is drawn under the limit, an ECL is calculated.

Loss given default: For Lombard loans, the LGDs are formula-based, including the market value of the collateral at a client pledge group level. Scenario calculations on the market value of the collateral are performed, resulting in different LGDs per scenario. Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process.

Mortgages
For mortgages, the input factors are determined as follows:

Probability of default: For mortgages, the PD factor is specifically determined for each counterparty and the related property based on the following input criteria:

- economic area of the counterparty domicile;
- counterparty domicile and property location (country) is the same;
- sufficient assets/collateral within the Group to pay interest/amortisation;
- counterparty self-used vs. rented-out real estate; and
- stage 1 or stage 2.

For each of these criteria, fixed parameters are determined (based on experience), which then add up to the mortgage counterparty-specific PD factors. These criteria have been selected because they are assumed to influence directly the default behaviour of the counterparty behind the mortgages.

Exposure at default: For mortgages, the carrying value (exposure) equals the EAD.

Loss given default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (loan-to-value ratio; LTV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. However, instead of applying a fixed percentage for the negative scenario to all real estate uniformly, the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate-specific criteria:

- property location (country/region);
- property size as a function of the property market value;
- property type (e.g. residential, office, commercial); and
- holiday home regions.

For each of these criteria, fixed parameters (based on experience) are determined, which then add up to the mortgage-specific negative scenario. These criteria are selected because the resulting different characteristics of the real estate market generally respond differently to market fluctuations and hence the achievable collateral liquidation value. The total simulated market value is then compared with the exposure to determine the LGD.

Treasury portfolio
For the treasury portfolio (debt instruments measured at FVOCI and at amortised cost), the input factors are determined as follows:

Probability of default: For financial instruments in the treasury portfolio (debt securities, including money market instruments), publicly available PDs per rating class are applied, separately for stage 1 (one-year PD or shorter) and stage 2 (respective PD according to expected life). These ratings and the related PDs are shifted by two notches up and down, using publicly available data sources for the respective PDs. The three scenarios are then weighted based on the generally applied probabilities. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction.

Exposure at default: For debt instruments, the EAD equals the amortised cost value plus discounted outstanding interest payments.

Loss given default: For debt instruments, an average LGD per rating class is applied. These factors are derived from publicly available data sources.

Credit quality analysis
The following tables provide an analysis of the Group's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Group's internal credit systems.

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2022 **Total** CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		3,886.1	-	-	**3,886.1**
R5–R6: Increased risk		221.4	1.4	-	**222.8**
R7–R10: Impaired		-	-	-	**-**
Total		4,107.5	1.4	-	**4,108.9**
Loss allowance		-0.1	-0.0	-	**-0.1**
Carrying amount		**4,107.4**	**1.4**	**-**	4,108.9
Lombard loans, at amortised cost[1]					
R1–R4: Low to medium risk		34,460.6	31.2	-	**34,491.8**
R5–R6: Increased risk		1,884.4	143.1	-	**2,027.5**
R7–R10: Impaired		-	-	97.4	**97.4**
Total		36,345.0	174.3	97.4	**36,616.7**
Loss allowance		-11.3	-0.9	-87.3	**-99.5**
Carrying amount		**36,333.6**	**173.5**	**10.1**	36,517.2
Mortgages, at amortised cost[1]					
R1–R4: Low to medium risk		7,409.7	346.3	-	**7,756.0**
R5–R6: Increased risk		-	242.6	-	**242.6**
R7–R10: Impaired		-	-	82.3	**82.3**
Total		7,409.7	588.9	82.3	**8,080.9**
Loss allowance		-6.3	-1.3	-6.3	**-13.9**
Carrying amount		**7,403.4**	**587.6**	**76.0**	8,066.9
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,152.1	-	-	**13,152.1**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Unrated		-	-	-	**-**
Carrying amount		**13,152.1**	**-**	**-**	13,152.1
Loss allowance		-1.5	-	-	**-1.5**
Debt instruments, at amortised cost					
R1–R4: Low to medium risk	Aaa – Baa3	3,702.7	-	-	**3,702.7**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Unrated		100.0	-	-	**100.0**
Total		3,802.7	-	-	3,802.7
Loss allowance		-0.4	-	-	-0.4
Carrying amount		**3,802.3**	**-**	**-**	**3,802.3**

[1] Loss allowance on overdue interest payments and cancelled credit-impaired facilities on certain mortgages (CHF 8.8 million), as well as their corresponding exposures (CHF 33.4 million), were reported – as commented in the respective footnote – as Lombard loans in 2021. Thereof, CHF 4.3 million loss allowance on overdue interest payments and their corresponding exposures (CHF 28.3 million) are now reported under mortgages.

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	31.12.2021 Total *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		4,484.1	-	-	4,484.1
R5–R6: Increased risk		114.3	-	-	114.3
R7–R10: Impaired		-	-	-	-
Total		4,598.4	-	-	4,598.4
Loss allowance		-0.0	-	-	-0.0
Carrying amount		4,598.4	-	-	4,598.4
Lombard loans, at amortised cost[1]					
R1–R4: Low to medium risk		40,631.5	33.0	-	40,664.5
R5–R6: Increased risk		1,306.9	226.1	-	1,533.0
R7–R10: Impaired		-	-	130.7	130.7
Total		41,938.4	259.0	130.7	42,328.2
Loss allowance		-3.9	-0.1	-83.6	-87.6
Carrying amount		41,934.5	259.0	47.1	42,240.6
Mortgages, at amortised cost[1]					
R1–R4: Low to medium risk		7,704.7	364.8	-	8,069.5
R5–R6: Increased risk		1.8	44.7	-	46.5
R7–R10: Impaired		-	-	63.0	63.0
Total		7,706.5	409.5	63.0	8,179.1
Loss allowance		-1.3	-0.3	-1.0	-2.5
Carrying amount		7,705.2	409.3	62.1	8,176.5
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,972.3	-	-	12,972.3
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	-	-	-	-
Unrated		45.6	-	-	45.6
Carrying amount		13,017.9	-	-	13,017.9
Loss allowance		-1.3	-	-	-1.3

[1] Loss allowance on overdue interest payments and cancelled credit-impaired mortgages (CHF 8.8 million), as well as their corresponding exposures (CHF 33.4 million) were allocated to Lombard loans.

The macroeconomic scenarios used in the ECL calculation models have been reviewed in light of the major changes in geopolitical realities and macroeconomic data and expectations. As a consequence, the growth assumption (based on the gross domestic products) used in the baseline scenario has been lowered for the year-end reporting 2022; this after the Group had increased it for the year-end reporting 2021. For the same reasons, the Group increased the weighting of the down scenario at the expense of the base and the up scenarios. The other input factors applied in the ECL calculation models did not have to be adjusted, as they generally proved to be reliable and robust. Likewise, the models used for the ECL calculation were not modified.

The ECL calculations did not reveal any material losses to be recognised for year-end reporting 2022.

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

Expected credit losses
The following tables present the development of the Group's expected credit losses by stage; they are based on the Group's internal credit systems.

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2022	0.0	-	-	**0.0**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	**-**
Net remeasurement of loss allowance	0.0	0.0	-	**0.0**
New/increase financial assets	0.0	0.0	-	**0.0**
Financial assets that have been derecognised	-0.0	-	-	**-0.0**
Changes in models/risk parameters	0.0	0.0	-	**0.0**
Balance at 31 December 2022	**0.1**	**0.0**	**-**	**0.1**
Lombard loans, at amortised cost				
Balance at 1 January 2022	3.9	0.1	83.6	**87.6**
Transfer to/(from) 12-month ECL	0.0	-0.0	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	**-**
Net remeasurement of loss allowance	1.0	0.3	0.7	**2.0**
New/increase financial assets	7.3	0.4	7.2[1]	**15.0**
Financial assets that have been derecognised	-2.0	-0.0	-0.3	**-2.3**
Write-offs	-	-	-1.0	**-1.0**
Changes in models/risk parameters	1.1	0.0	0.0	**1.2**
Foreign exchange and other movements	-	-	-2.9	**-2.9**
Balance at 31 December 2022	**11.3**	**0.9**	**87.3**	**99.5**

[1] Including outstanding accumulated interest

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Mortgages, at amortised cost				
Balance at 1 January 2022	1.3	0.3	1.0	**2.5**
Transfer to/(from) 12-month ECL	0.0	-0.0	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.1	0.1	-	**-**
Net remeasurement of loss allowance	0.9	0.2	0.3	**1.4**
New/increase financial assets	1.9	0.2	1.8	**3.9**
Financial assets that have been derecognised	-0.2	-0.0	-	**-0.3**
Changes in models/risk parameters	2.4	0.6	-	**3.1**
Foreign exchange and other movements	-	-	3.3	**3.3**
Balance at 31 December 2022	**6.3**	**1.3**	**6.3**	**13.9**
Debt instruments, at FVOCI				
Balance at 1 January 2022	1.3	-	-	**1.3**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New financial assets purchased	0.2	-	-	**0.2**
Financial assets that have been derecognised	-0.1	-	-	**-0.1**
Changes in models/risk parameters	0.2	-	-	**0.2**
Foreign exchange and other movements	-0.0	-	-	**-0.0**
Balance at 31 December 2022	**1.5**	**-**	**-**	**1.5**
Debt instruments, at amortised cost				
Balance at 1 January 2022	-	-	-	**-**
New financial assets purchased	0.4	-	-	**0.4**
Balance at 31 December 2022	**0.4**	**-**	**-**	**0.4**

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	Total *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2021	0.1	-	-	0.1
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.0	-	-	-0.0
Balance at 31 December 2021	0.0	-	-	0.0

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	Total *CHF m*
Lombard loans, at amortised cost				
Balance at 1 January 2021	1.6	0.3	75.2	77.1
Transfer to/(from) 12-month ECL	0.2	-0.2	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-0.0	-
Transfer to/(from) lifetime ECL credit-impaired	-	-0.0	0.0	-
Net remeasurement of loss allowance	-3.2	-0.0	0.8	-2.4
New/increase financial assets	5.9	0.0	6.8[1]	12.7
Financial assets that have been derecognised	-0.5	-0.0	-0.9	-1.5
Write-offs	-	-	-1.8	-1.8
Changes in models/risk parameters	0.1	0.0	0.0	0.1
Foreign exchange and other movements	-	-	3.5	3.5
Balance at 31 December 2021	3.9	0.1	83.6	87.6

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	Total *CHF m*
Mortgages, at amortised cost				
Balance at 1 January 2021	1.8	0.3	2.7	4.8
Transfer to/(from) lifetime ECL credit-impaired	-	-0.0	0.0	-
Net remeasurement of loss allowance	-0.0	-0.0	2.7	2.7
New/increase financial assets	0.4	0.1	0.1	0.7
Financial assets that have been derecognised	-1.0	-0.2	-2.7	-3.8
Changes in models/risk parameters	0.1	0.0	-	0.1
Foreign exchange and other movements	-	-	-1.9	-1.9
Balance at 31 December 2021	1.3	0.3	1.0	2.5

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	Total *CHF m*
Debt instruments, at FVOCI				
Balance at 1 January 2021	1.8	-	-	1.8
Net remeasurement of loss allowance	-0.1	-	-	-0.1
New financial assets purchased	0.3	-	-	0.3
Financial assets that have been derecognised	-0.7	-	-	-0.7
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2021	1.3	-	-	1.3

[1] Including outstanding accumulated interest

NOTE 25B FINANCIAL INSTRUMENTS – CREDIT RISK ANALYSIS

Maximum exposure to credit risk
The following table shows the Group's theoretical maximum exposure to credit risk as of the balance sheet date, which represents the exposure in the event of other parties failing to perform their obligations, without taking account of any collateral held or other credit enhancements. For financial assets, these exposures are typically the carrying amount.

Maximum exposure to credit risk

	31.12.2022 Gross maximum exposure *CHF m*	31.12.2021 Gross maximum exposure *CHF m*
Due from banks	**4,108.9**	4,574.2
Receivables from securities financing transactions	**-**	24.1
Loans	**44,584.2**	50,417.1
Financial assets measured at FVTPL	**4,283.5**	3,253.6
Derivative financial instruments	**2,825.7**	2,086.6
Financial assets designated at fair value	**277.7**	322.9
Financial assets measured at FVOCI	**13,152.1**	13,017.9
Other financial assets measured at amortised cost	**3,802.3**	-
Accrued income/other assets	**502.4**	412.5
Total[1]	**73,536.7**	74,108.9
Off-balance sheet		
Irrevocable commitments[2]	**810.0**	818.6
Total maximum exposure to credit risk	**74,346.7**	74,927.5

[1] Cash, including balances held with central banks, is not considered a credit risk and hence excluded from all credit risk analysis.
[2] These amounts reflect the maximum payments the Group is committed to making.

Refer to the Comment on Risk Management (credit risk section) for discussions on concentration of credit risk.

NOTE 25C FINANCIAL INSTRUMENTS – COLLATERAL ANALYSIS

Collateral analysis
For Lombard loans, the principal types of collateral are readily marketable debt and equity securities as well as other eligible assets; for mortgages, residential properties serve as main collateral. The following table provides information regarding the loan-to-value (market value) ratio for the respective credit products.

	31.12.2022	31.12.2021
	CHF m	*CHF m*
Loan-to-value ratio (LTV)		
Lombard loans (not credit-impaired)		
Less than 50%	19,197.7	24,340.2
51–70%	10,121.4	11,705.2
71–90%	6,050.8	5,175.1
91–100%	1,111.4	930.1
More than 100%	25.8	42.9
Total	**36,507.1**	42,193.4
Mortgages (not credit-impaired)		
Less than 50%	4,350.6	4,477.6
51–70%	3,136.4	3,100.9
71–90%	503.0	528.7
91–100%	0.9	7.3
More than 100%	-	-
Total	**7,990.9**	8,114.5
Credit-impaired Lombard loans[1]		
Less than 50%	-	0.1
51–70%	-	3.9
71–100%	-	20.1
More than 100%	10.1	23.1
Total	**10.1**	47.1
Credit-impaired mortgages[1]		
Less than 50%	17.9	22.6
51–70%	32.9	32.8
71–100%	-	4.6
More than 100%	25.2	2.1
Total	**76.0**	62.1

[1] Loss allowance on overdue interest payments and cancelled credit-impaired facilities on certain mortgages (CHF 8.8 million), as well as their corresponding exposures (CHF 33.4 million), were reported – as commented in the respective footnote – as Lombard loans in 2021. Thereof, CHF 4.3 million loss allowance on overdue interest payments and their corresponding exposures (CHF 28.3 million) are now reported under mortgages.

NOTE 25D FINANCIAL INSTRUMENTS – OFFSETTING

As a wealth manager, the Group enters into securities transactions and derivative financial instruments. In order to control the credit exposure and reduce the credit risk related to these transactions, the Group applies credit mitigation strategies in the ordinary course of business. The Group enters into master netting agreements with counterparties to mitigate the credit risk of securities lending and borrowing transactions, repurchase and reverse repurchase transactions, and OTC derivative transactions. Such arrangements include Global Master Securities Lending Agreements or Global Master Repurchase Agreements, as well as ISDA Master Agreements for derivatives.

The majority of exposures to securities transactions and OTC derivative financial instruments are collateralised, with the collateral being prime financial instruments or cash.

However, under IFRS, to be able to offset transactions with the same counterparty on the balance sheet, the Group must have a legally enforceable right to set off the recognised amounts, and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. In addition, the offsetting right must not only be legally enforceable in the normal course of business, but must also be enforceable for all counterparties in the event of default, insolvency or bankruptcy. Since the Group's arrangements may not fulfil the strict offsetting criteria as required by IFRS, the Group does not offset the respective amounts related to these transactions on the balance sheet. Consequently, the remaining credit risk on securities lending and borrowing as well as on repurchase and reverse repurchase transactions is fully mitigated.

Securities transactions: Since the Group does not apply netting on its balance sheet, the cash collateral provided in securities borrowing and reverse repurchase transactions in the amount of CHF 1,300.0 million (2021: CHF 24.1 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 339.6 million (2021: CHF 356.9 million), as disclosed in Note 22, are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of OTC as well as exchange-traded derivatives. The majority of OTC derivatives in the total amount of CHF 2,132.7 million (positive replacement values) and CHF 2,382.3 million (negative replacement values) are subject to an enforceable netting agreement. Transactions with other banks are generally collateralised with other financial instruments (derivatives) that are recognised on the Group's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet.

NOTE 26 MARKET RISK MEASURES

Market risk refers to the potential losses from changes in the valuation of the Group's assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors. Refer to the Comment on Risk Management (market risk section) for the relevant background information related to the Group's market risk.

Market risk measurement, market risk limitation, back-testing and stress testing

The following methods are used to measure and limit market risk: value-at-risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period.

Whereas VaR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings. Limits are set for both these risk metrics, and their utilisation is monitored on a daily basis. The daily stress tests are periodically complemented by additional tests based on historical scenarios. Additional stress tests, reflecting specific market and political situations, are also carried out.

The following table is a summary of the VaR positions of the Group's trading portfolios (one day holding period, 95% confidence interval):

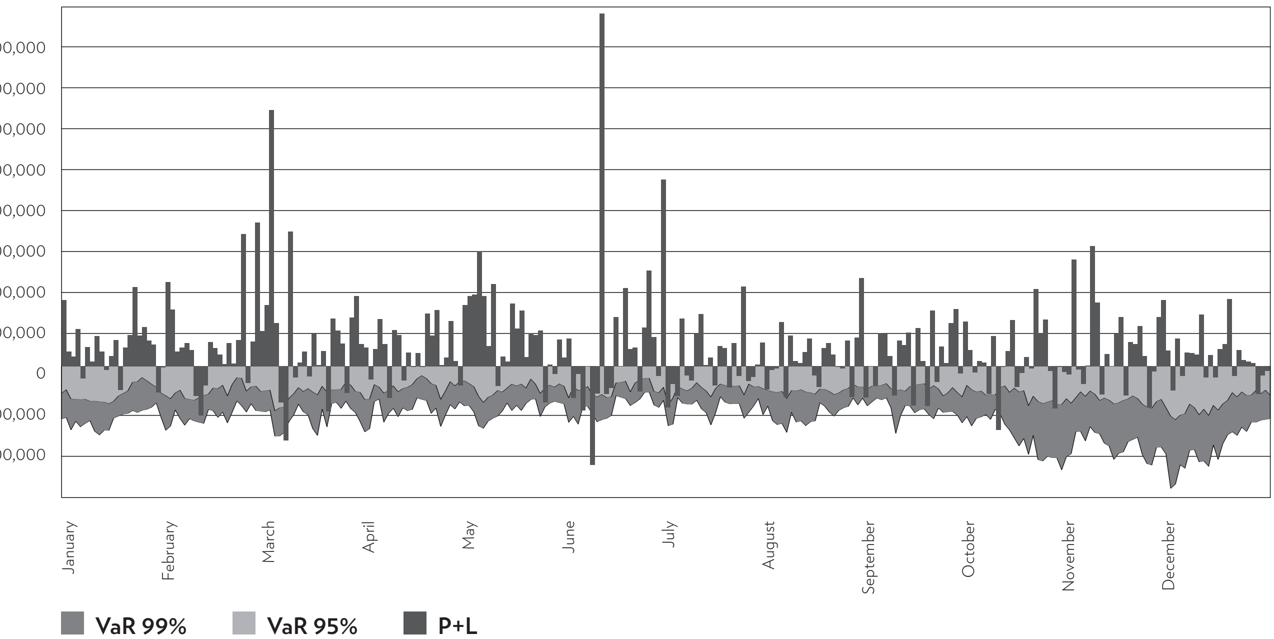
Market risk – VaR positions by risk type

				2022
	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	Minimum *CHF m*
Equities	**-1.4**	**-1.2**	**-2.7**	**-0.3**
Interest rates	**-2.0**	**-1.4**	**-3.0**	**-0.6**
Foreign exchange/precious metals	**-0.2**	**-0.4**	**-2.0**	**0.0**
Effects of correlation	**1.8**			
Total	**-1.9**	**-1.9**	**-3.9**	**-0.7**

				2021
	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	Minimum *CHF m*
Equities	-0.6	-0.7	-3.0	-0.0
Interest rates	-0.7	-1.3	-2.5	-0.6
Foreign exchange/precious metals	-0.1	-0.4	-1.6	-0.0
Effects of correlation	-0.6			
Total	-1.9	-1.8	-3.3	-0.9

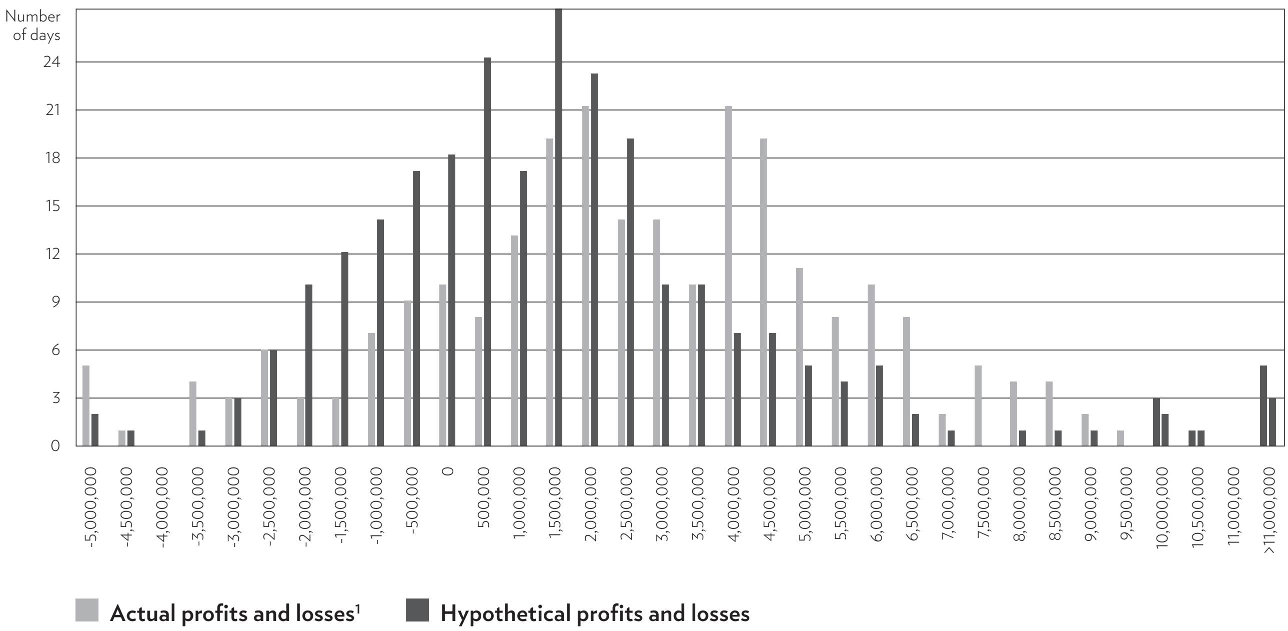
The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back-testing. This involves the comparison of the VaR values calculated each day with the hypothetical gains or losses that would have occurred if the end-of-day positions had been left unchanged on the next trading day. The following chart shows the daily calculations of VaR in 2022 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with these hypothetical gains or losses. A back-testing exception occurs when the change in overall position value resulting from the back-testing simulation is negative and its absolute value is greater than the VaR (at a confidence interval of 99%) for the relevant day's closing positions.

Back-testing of Julius Baer Group trading book positions in 2022 (CHF)



The following chart compares these hypothetical gains and losses with the actual profit and loss generated by the trading operations of the Group. To ensure comparability, pure commission income has been removed from these income statement results.

Distribution of daily revenues from trading activities of Julius Baer Group for 2022 (CHF)



[1] Pure trading revenues excluding commissions and fees

At the beginning of 2022, the preceding 12-month period contained four back-testing exceptions that fell out of the observation period during 2022. For the 12-month period starting on 1 January 2022 and ending on 31 December 2022, we have registered additional back-testing exceptions:

– On 9 March 2022, a back-testing loss was recorded at the correlation desk. The desk has multi-asset or basket put options with knock-in feature combined with short vanilla put options on the components of the basket. A large simultaneous increase of underlying prices impacts the multi-asset options to a larger extent than the single underlying options.
– We noted two consecutive exceptions on 9 June and 13 June 2022, due to the strong rise of USD interest rates negatively affecting positions held in the Treasury unit.
– On 10 October 2022, a back-testing loss was recorded in the Treasury unit. The main losses come from the positive USD yield rate sensitivity of positions held in the Treasury unit and an exceptional increase in the USD SOFR rates.

As of 31 December 2022, the overall number of back-testing exceptions stands therefore at four. As such, the VaR capital multiplier applied by the Group was at 3.2.

All back-testing violations are examined individually, and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors, and the Swiss Financial Market Supervisory Authority (FINMA).

VaR method and regulatory capital

For its VaR calculation, the Group uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the last 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the Group fulfil the relevant regulatory requirements and have been approved by FINMA for use in determining the capital requirement for market risks in the trading book.

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period).

Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

The specific risk of the Group's fixed-income trading positions is calculated according to the standard method. The incremental risk charge and comprehensive risk-capital charge requirements are not applicable.

In 2022, FINMA requested adjustments to the VaR model calibration to account for the time decay effect, certain model deficiencies and the gap between current risk-weighted assets (RWA) and anticipated RWA after the "Fundamental Review of the Trading Book (FRTB)" go-live (which is also driven by the transition from the current internal model to the standard approach under FRTB), currently expected for 1 July 2024. The incremental RWA and resulting capital implications will be phased in over five quarters (until the second quarter 2023).

For additional information regarding the calculation of the Group's minimum regulatory capital requirements under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2023).

NOTE 27 INTEREST RATE RISK MEASURES

One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2022. Negative values under this scenario reflect a potential drop in fair value within the respective maturity band; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. Since there are no material option structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of a similar magnitude but with the opposite sign, although such outcomes are mitigated by the fact that the yield curves for the markets in which the Group carries out most of its activities are currently close to zero.

Interest-rate-sensitive positions

Interest sensitivity by time bands and 100 bp parallel increase	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total** *CHF m*
CHF						
2022	**4.8**	**3.2**	**29.5**	**27.6**	**-30.7**	**34.4**
2021	10.3	8.3	45.1	29.6	-38.9	54.4
USD						
2022	**6.7**	**-3.3**	**1.3**	**-107.1**	**-22.6**	**-125.0**
2021	15.0	-11.3	1.0	15.0	-88.3	-68.5
EUR						
2022	**3.9**	**-6.7**	**-2.3**	**34.2**	**-11.5**	**17.5**
2021	8.6	-8.3	-4.1	36.0	-20.7	11.5
Other						
2022	**2.1**	**-2.5**	**-2.4**	**18.2**	**0.0**	**15.3**
2021	4.0	-3.9	-2.7	31.8	-0.0	29.2

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above, and further assuming that the Group took no mitigating action, the modelled effect on interest earnings would have been CHF -125.3 million at the end of 2022 (2021: CHF -239.7 million).

Interest Rate Benchmark Reform

During 2022, the Group continued the transition from IBORs to alternative reference rates (ARRs) according to its timetable. The remaining minor positions will be switched in line with the timelines provided by regulatory authorities.

NOTE 28A FAIR VALUE HEDGES

Fair value hedges of interest rate risk
The Group hedges part of its interest rate exposure from fixed rate CHF-denominated mortgages to changes in fair value by using interest rate swaps on a portfolio basis. Such portfolio hedges are based on mortgages with similar maturities, and the hedge relationships are rebalanced on a monthly basis. The amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses are amortised over the remaining terms to maturity of the hedged items using the straight-line method.

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the bonds issued by the Group that are denominated in USD, CHF or SGD, as well as a very limited number of individual mortgages and debt instruments measured at FVOCI. The fixed legs of these swaps are in correspondence to the respective (fixed rate) bonds and mortgages. As such, the interest rate risk of each financial instrument is substantially reduced to the interest rate risk of the floating-rate leg of the respective swap.

The counterparties of the swap transactions used for portfolio hedges as well as those used for single hedges are investment-grade counterparties. However, the Group does not incur any credit risk with these derivative instruments as all credit risk is eliminated through clearing or because of collateral agreements in place. Prior to committing to a hedge relationship, an assessment takes place in order to justify that the fair value of the hedged item and the hedging instrument do offset their interest rate risks, and that the economic hedge relationships meet the hedge accounting criteria. Besides this qualitative assessment, regular quantitative assessments are carried out based on prospective (i.e. forward-looking, using regression analysis) as well as retrospective effectiveness tests. These tests allow assessing whether the hedging instrument is expected to be or has been highly effective in offsetting changes in the fair value of the hedged item. Hedge ineffectiveness may arise from minor differences in the core data of the bond and swap fixed leg, or the interest rate sensitivities of the floating leg of the swap.

				31.12.2022
	Hedges of bond issues (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	Hedges of mortgages (portfolio hedges) *CHF m*	Hedges of bonds (single hedges) *CHF m*
Hedged items				
Amortised cost value	**917.2**	**19.9**	**189.4**	**41.3**
Accumulated amount of fair value hedge adjustment on the hedged item, included in the carrying amount of the hedged item	**78.3**	**-2.7**	**17.5**	**-0.3**
Carrying amount hedged items	**995.6**	**17.2**	**206.9**	**41.0**
Hedging instruments – interest rate swaps				
Notional amount (overall average fixed interest rate: 0.56%)	**916.8**			
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.91%)	***656.8***			
– whereof remaining maturity > 5 years (average fixed interest rate: 0.33%)	***260.0***			
Notional amount (overall average fixed interest rate: -0.31%)		**18.0**		
– whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		***18.0***		
Notional amount (overall average fixed interest rate: 0.85%)			**240.0**	
– whereof remaining maturity < 1 year (average fixed interest rate: 1.00%)			***190.0***	
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.27%)			***50.0***	
Notional amount (overall average fixed interest rate: 3.63%)				**41.6**
– whereof remaining maturity > 5 years (average fixed interest rate: 3.63%)				***41.6***
Positive replacement value	**-**	**3.0**	**0.9**[1]	**0.1**
– related notional amount	**-**	***18.0***	***140.0***	***41.6***
Negative replacement value	**78.1**	**-**	**0.0**[1]	**-**
– related notional amount	***916.8***	**-**	***100.0***	**-**
Hedge effectiveness testing and related ineffectiveness				
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**78.3**	**-2.7**	**-0.4**	**-0.3**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**-78.1**	**3.0**	**0.3**[1]	**0.1**
Amount of hedge ineffectiveness recognised in the income statement	**0.3**	**0.3**	**-0.1**	**-0.2**
Termination of hedge relationship				
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	**-**	**-**	**17.8**	**-**

[1] The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness of the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

	Hedges of bond issues (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	31.12.2021 Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	1,127.4	20.2	399.1
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	3.8	0.0	25.2
Carrying amount hedged items	1,131.3	20.2	424.3
Hedging instruments – interest rate swaps			
Notional amount (overall average fixed interest rate: 0.80%)	1,127.5		
– whereof remaining maturity < 1 year (average fixed interest rate: 1.83%)	217.6		
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.90%)	*649.8*		
– whereof remaining maturity > 5 years (average fixed interest rate: -0.33%)	*260.0*		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
– whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		*18.0*	
Notional amount (overall average fixed interest rate: 0.77%)			410.0
– whereof remaining maturity < 1 year (average fixed interest rate: 0.90%)			*220.0*
– whereof remaining maturity 1–5 years (average fixed interest rate: 0.68%)			*190.0*
Positive replacement value	7.8	0.5	-[1]
– related notional amount	*554.3*	*18.0*	-
Negative replacement value	12.1	-	4.5[1]
– related notional amount	*573.2*	-	*410.0*
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	3.8	0.0	-1.0
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	-4.3	0.5	0.7[1]
Amount of hedge ineffectiveness recognised in the income statement	-0.5	0.6	-0.3
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	25.4

[1] The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness of the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

NOTE 28B CASH FLOW HEDGES

The Group applies cash flow hedge accounting to protect its recurring fees in foreign currencies. These fees represent a foreign currency (FX) transaction risk for the Group since it charges the clients for their fees based on the currency mix of the assets under management on a quarterly basis; hence, the forward-looking FX hedge transaction has the risk objective to protect the Group's earnings from changes in the CHF (the functional currency of the Group) against the respective currency of the fee charged. The Group uses zero cost risk reversal (or collar) structures consisting of puts and calls; the maturity of the hedges falls on the same day as the hedged item (fees in foreign currency) is charged to the clients.

The effectiveness of the hedges is measured on the monthly change of the intrinsic value of the option against the FX spot moves of the hedged item. The monthly change of the intrinsic value of the options is recognised in other comprehensive income (OCI) as hedge result as long as the hedge is effective. The time value of the option is allocated to the income statement over the lifetime of the option. A possible ineffective portion of the hedge is also recognised in the income statement.

In addition, the Group uses longer-term interest rate swaps to hedge the variability of future interest rate payments on selected Lombard loans with short maturities (and roll-over assumption). These loans share the same currency and type of risk.

The following table relates to the derivatives (FX options, interest rate swaps) used for the cash flow hedges and the related amounts recognised in OCI and the income statement:

		31.12.2022		31.12.2021
	Interest rate hedges *CHF m*	FX hedges *CHF m*	Interest rate hedges *CHF m*	FX hedges *CHF m*
Hedging instrument – Derivatives				
Positive replacement value of derivatives	**-**	**2.4**	-	1.0
Negative replacement values of derivatives	**55.2**	**0.3**	8.9	1.1
Nominal value of derivatives	**599.5**	**305.3**	544.9	464.7
Amounts recognised in OCI				
OCI on cash flow hedges	**-54.9**	**2.1**	-8.7	0.0
Amounts recognised in the income statement				
Hedge ineffectiveness recognised in net income from financial instruments measured at FVTPL	**0.2**	**-**	-0.2	-
Amortisation of time value of the derivatives into income statement	**4.1**	**-**	-	-0.0

NOTE 28C NET INVESTMENT HEDGES

The Group applies net investment hedge accounting on part of the foreign currency risks related to its foreign operations. A net investment hedge is a specific type of a foreign currency cash flow hedge used to eliminate the foreign currency exposures arising from translating the Group's net investment in a foreign operation (with a different functional currency than the CHF) into the Group currency CHF. Upon consolidation of the net investment in a foreign operation into the Group financial statements, the foreign currency gain or loss is recognised in OCI under the respective accounting treatment.

The Group uses rolling FX forwards as hedging instrument applying the forward rate method, which means the full marked-to-market on the hedge is booked to OCI, provided the hedge is effective.

The amount of net investment hedges designated to hedge the foreign currency investment should, for each hedging period, be less than or equal to the hedged item at the end date of the hedged period. This critical term matching is proven on a prospective period for each month-end. Hedges are allocated to specific foreign currency net investments at inception of the hedge. Ineffectiveness is recognised only to the extent that the periodic change in the fair value of the derivative instrument exceeds the periodic change in the FX translation ('overhedge'). Given that only a fraction of foreign currency investments are hedged, hedge effectiveness should be obtained at all times.

The following table relates to FX forwards used for net investment hedges in foreign operations and the related amounts recognised in OCI:

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Hedging instruments – FX forwards		
Positive replacement values of FX forwards	**7.4**	7.9
Negative replacement values of FX forwards	**-**	-
Nominal value of FX forwards	**712.7**	624.5
Amounts recognised in OCI		
OCI on foreign currency operations hedged with net investment hedges	**-85.4**	-77.4
OCI on net investment hedges	**2.2**	7.9

NOTE 29 LIQUIDITY ANALYSIS

The following table shows an analysis of the Group's financial liabilities by remaining contractual maturities as of the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual undiscounted interest payments related to these financial liabilities. Liabilities without a stated maturity, i.e. that can be called for repayment at any time, are classified as on demand. All derivative financial instruments held for trading are classified as on demand since there are no single derivatives or classes of derivatives for which the contractual maturities are relevant to the timing of the total cash flows of the Group.

Remaining contractual maturities of financial liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial liabilities recognised on the balance sheet						
Due to banks	2,911.6	22.8	0.0	0.0	-	**2,934.4**
Payables from securities financing transactions	66.7	272.9	-	-	-	**339.6**
Due to customers	53,204.3	21,172.9	2,238.8	0.9	-	**76,616.9**
Financial liabilities measured at FVTPL	601.8	-	-	-	-	**601.8**
Derivative financial instruments	2,861.2	0.0[1]	-[1]	104.0[1]	29.2[1]	**2,994.5**
Financial liabilities designated at fair value	2,522.8	4,663.7	2,944.8	1,482.3	120.6	**11,734.2**
Debt issued	-	207.2	85.0	1,813.5	901.6	**3,007.3**
Accrued expenses/other liabilities	-	338.0	-	-	-	**338.0**
Deferred payments related to acquisitions	-	-	1.1	3.0	-	**4.1**
Total 31.12.2022	**62,168.6**	**26,677.4**	**5,269.8**	**3,403.6**	**1,051.4**	**98,570.7**
Due to banks	3,858.7	1.8	0.1	0.0	-	3,860.6
Payables from securities financing transactions	60.0	296.9	-	-	-	356.9
Due to customers	80,124.1	2,230.4	445.0	405.5	-	83,205.1
Financial liabilities measured at FVTPL	749.5	-	-	-	-	749.5
Derivative financial instruments	2,521.6	0.3[1]	0.5[1]	20.8[1]	3.9[1]	2,547.1
Financial liabilities designated at fair value	3,361.5	4,985.3	3,738.9	2,321.2	283.1	14,690.1
Debt issued	-	243.4	274.5	1,799.2	568.4	2,885.6
Accrued expenses/other liabilities	-	239.5	-	-	-	239.5
Deferred payments related to acquisitions	-	-	0.7	2.5	-	3.2
Total 31.12.2021	90,675.5	7,997.5	4,459.7	4,549.3	855.5	108,537.5

Financial liabilities not recognised on the balance sheet (irrevocable commitments)[2]

Total 31.12.2022	259.7	468.9	30.5	49.5	1.4	**810.0**
Total 31.12.2021	338.5	402.9	23.5	53.6	0.0	818.6

[1] These derivatives are not held for trading but for hedging purposes.
[2] These amounts reflect the maximum payments the Group is committed to making.

NOTE 30A COMPANIES CONSOLIDATED

Listed company that is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.2022 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.3	11,515
Swiss securities number: 10 248 496, Ticker symbol: BAER					

Unlisted operational companies that are consolidated as at 31 December 2022

	Head Office	Currency	Share capital m	Equity interest %
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion,				
St. Gallen, St. Moritz, Verbier, Zurich				
Representative Offices in Abu Dhabi, Bogotá, Istanbul, Johannesburg,				
Mexico City, Santiago de Chile, Shanghai				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*
Bank Julius Bär Deutschland AG	Frankfurt	EUR	15.000	100
Branches in Berlin, Duesseldorf, Hamburg, Hanover, Kiel,				
Mannheim, Munich, Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer Europe S.A.	Luxembourg	EUR	95.734	100
Branches in Dublin, Madrid, Barcelona				
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	160.000	100

	Head Office	Currency	Share capital *m*	Equity interest *%*
JB Funding (Hong Kong) Limited	Hong Kong	USD	0.000	100
JB Participations Ltd.	Zurich	CHF	15.000	100
Julius Baer Brasil Consultoria de Valores Mobiliários Ltda.	São Paulo	BRL	5.242	100
Julius Baer (Chile) SpA	Santiago de Chile	CLP	498.928	100
Julius Baer CIS Ltd.	Moscow	RUB	18.000	100
Julius Baer Family Office & Trust Ltd.	Zurich	CHF	0.100	100
Julius Baer Family Office Brasil Gestão de Patrimônio Ltda.	São Paulo	BRL	722.016	100
Offices in Belo Horizonte, Rio de Janeiro				
Julius Baer Fiduciaria S.p.A.	Milan	EUR	0.100	100
Julius Baer Financial Services (Channel Islands) Limited	Jersey	GBP	0.025	100
Julius Baer Financial Services (Israel) Ltd.	Tel Aviv	ILS	11.000	100
Julius Baer Gestión, SGIIC, S.A.U.	Madrid	EUR	2.100	100
Julius Baer International Limited	London	GBP	110.200	100
Branches in Belfast, Edinburgh, Leeds, Manchester				

	Head Office	Currency	Share capital m	Equity interest %
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (Singapore) Limited	*Singapore*	*SGD*	*2.812*	*100*
Julius Baer Trust Company (Channel Islands) Limited	Guernsey	CHF	0.350	100
Julius Baer (Singapore) GBP Pte. Ltd.	Singapore	GBP	6.300	100
Julius Baer (Singapore) Pte. Ltd.	Singapore	USD	10.000	100
Julius Baer (South Africa) Proprietary Limited	Johannesburg	ZAR	22.357	100
Julius Baer Wealth Advisors (India) Private Limited	Mumbai	INR	11,148.635	100
Offices in Bangalore, Chennai, Hyderabad, Kolkata, New Delhi				
including				
Julius Baer Capital (India) Private Limited	*Mumbai*	*INR*	*3,145.441*	*100*
Office in New Delhi				
Julius Baer Nomura Wealth Management Ltd.	Zurich	CHF	5.700	60
Branch in Tokyo				
Julius Baer Wealth Management (Monaco) S.A.M.	Monaco	EUR	0.465	100
Julius Baer (Bahrain) B.S.C. (c)	Manama	BHD	1.000	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Julius Baer (QFC) LLC	Doha	QAR	25.500	100
Kairos Investment Management S.p.A.	Milan	EUR	2.479	100[1]
including				
Kairos Investment Management B.V.	*Amsterdam*	*EUR*	*1.000*	*100*
– including Kairos Investment Management Limited	*London*	*GBP*	*5.884*	*100*
Kairos Partners SGR S.p.A.	*Milan*	*EUR*	*5.084*	*100*
– Representative Offices in Rome, Turin				

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

	Head Office	Currency	Share capital *m*	Equity interest *%*
KM&P Holding Ltd.	Zurich	CHF	0.117	87
including				
Kuoni Mueller und Partner Holding Ltd.	*Zurich*	*CHF*	*0.530*	*100*
Kuoni Mueller und Partner Consulting Ltd.	*Zurich*	*CHF*	*0.400*	*100*
Kuoni Mueller und Partner Investment Ltd.	*Zurich*	*CHF*	*0.100*	*100*
Kuoni Mueller und Partner Management Ltd.	*Zurich*	*CHF*	*0.250*	*100*
Kuoni Mueller und Partner Residential Ltd.	*Zurich*	*CHF*	*0.200*	*100*
Maklando Ltd.	*Zurich*	*CHF*	*0.100*	*100*
K.REM Ltd.	Zurich	CHF	0.100	100
Three Rock Capital Management Limited	Dublin	EUR	5.073	100
LOTECO Foundation	Zurich	CHF	0.100	100

Major changes in the companies consolidated (2022):

- Wergen & Partner Vermögensverwaltungs Ltd, Zurich, sold
- NSC Asesores, S.C., Asesor en Inversiones Independiente, Mexico City, sold
- Fransad Gestion SA, Geneva, sold
- Julius Baer (QFC) LLC, Doha, new

NOTE 30B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
SCB-Julius Baer Securities Co., Ltd.	Bangkok	THB	2.650	40

	31.12.2022 *CHF m*	31.12.2021 *CHF m*
Balance at the beginning of the year	**28.9**	21.2
Additions	**-**	10.1
Translation differences	**-0.6**	-2.4
Balance at the end of the year	**28.3**	28.9

NOTE 30C UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved in the set-up and operation of a limited number of structured entities such as segregated portfolio companies, private equity feeder funds and umbrella funds as well as similar vehicles in the legal form of limited partnerships (LPs), which are invested in segregated portfolios or feeder funds. All the LPs serve as investment vehicles for the Group's clients. The Group generally acts as investment manager and custodian bank and generally also holds the management shares of the LPs. These shares are equipped with voting rights, but do not provide any participating rights in the underlying investments. The Group receives a market-based fixed fee for its services and has no interests in the underlying segregated portfolios or feeder funds. Therefore, due to the missing exposure, or rights, to variable returns from its involvement with the segregated portfolios or feeder funds, the Group does not have control over the underlying investments, but only consolidates the LPs.

NOTE 31 ACQUISITIONS AND DISPOSALS

The following transactions were executed:

Wergen & Partner Vermögensverwaltungs Ltd. (2022)
On 3 January 2022, the Group announced that it would dispose of Wergen & Partner Vermögensverwaltungs Ltd. to the current management in the first quarter of 2022. In February 2022, the management buyout was closed. The transaction price was composed of a base amount and a profit adjustment; related goodwill and customer relationships were allocated to the disposed entity. No material gain or loss resulted from the transaction.

NSC Asesores, S.C., Asesor en Inversiones Independiente (2022)
On 25 February 2022, the Group announced to dispose of 50.1% of its 70% participation in Mexico-based NSC Asesores, S.C., Asesor en Inversiones Independiente ('NSC Asesores') to Stratos Wealth Partners Ltd, a US-based registered investment advisor. The Group retains a 19.9% interest in NSC Asesores, which is recognised as a financial asset measured at FVTPL.

The transaction was closed at the announcement date. The difference between the proceeds from the disposal and the book value of the 50.1% shares disposed of (including goodwill of CHF 34.2 million and customer relationships of CHF 11.7 million), as well as the remeasurement of the retained shares to fair value, is recognised in the Group's income statement, resulting in an immaterial gain reported in Other ordinary income.

Fransad Gestion SA (2022)
On 2 June 2022, the Group announced that it had sold Geneva-based Fransad Gestion SA to the management team of the independent wealth manager. The transaction was closed on 1 June 2022. The difference between the proceeds from the disposal and the book value, including allocated goodwill and customer relationships, is recognised in the Group's income statement. No material gain or loss resulted from the transaction.

Kuoni, Müller & Partner AG (KM&P) (2021)
In July 2021, the Group announced the acquisition of a 82.73% stake in Kuoni Müller & Partner AG (KM&P), including a 100% stake in K.REM Ltd., together a leading integrated real estate service provider based in Zurich. The purchase price amounted to CHF 19.0 million, with a resulting customer relationships of CHF 3.4 million and goodwill of CHF 10.6 million.

As part of the transaction, the remaining equity partners in KM&P (holding the 17.27% shares) received contractually agreed put options to redeem their shares to the Group at their request. At the same time, the Group received call options to purchase the outstanding shares under certain circumstances.

The assets and liabilities of KM&P have been recorded as follows (unchanged):

	Fair value *CHF m*
Purchase price	
in cash	16.1
deferred purchase price (liabilities)	2.9
Total	19.0
Due from banks	7.6
All other assets	1.0
Assets acquired	8.5
Deferred tax liabilities	0.7
All other liabilities	1.2
Liabilities assumed	1.8
Goodwill and other intangible assets and non-controlling interests	
Goodwill	10.6
Customer relationships	3.4
Non-controlling interests	1.7
Total	12.3

Kairos (2021)

In January 2021, the CEO and another key manager of Kairos acquired minority interests in Kairos. The managers entered into put contracts to redeem their shares under certain conditions. In line with the relevant IFRS accounting rules, and contrary to the legal view, the managers' shares do not qualify for treatment of non-controlling interests due to the put option structure. Therefore, the Group continues to fully consolidate Kairos without attributing equity or net profit to non-controlling interests.

NOTE 32 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2022. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Group's overall compensation landscape is described in the chapter Remuneration Report of this Annual Report.

Deferred variable compensation plans
Cash-based variable compensation – Deferred Cash Plan
The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DCP grant is generally made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

These annually granted deferred cash awards vest in equal tranches over at least three years subject to continued employment. The DCP may be granted outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long-Term Incentive Plan award (as described below), or in other situations where deemed reasonable and appropriate to apply cash-based deferral. In such cases vesting terms may vary.

Deferred Bonus Plan
Similar to the DCP, the Deferred Bonus Plan (DBP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DBP grant is made once per year and is determined in reference to the annual variable compensation awarded to the individual concerned.

Eligibility for the DBP is based on various factors, including nomination by the CEO, overall role within Julius Baer, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and the employees defined as risk takers of the Group by virtue of their function within the organisation are considered for the DBP based on their specific role.

These annually granted deferred cash awards vest in equal tranches over at least four years subject to continued employment.

Equity-based variable compensation – Premium Share Plan
The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Group. A PSP grant is made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. The employee is granted a number of shares equal in value to the deferred element. These awards vest in equal tranches over at least three years. At the end of the plan period, subject to continued employment, the employee then receives an additional premium award representing a further one-third of the number of awards granted to him or her at the beginning of the plan period.

Equity Performance Plan
The Equity Performance Plan (EPP) is a robust long-term incentive mechanism for the participants. It is an equity plan that seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Group.

Eligibility for the EPP, similar to that of the DBP (as described above), is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and employees defined as risk takers of the Group by virtue of their function within the organisation are considered for the EPP based on their specific role. An EPP grant is made once a year and is determined in reference to the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

The EPP is an annual rolling equity grant (made in February each year) that awards performance units to eligible participants subject to individual performance in the reporting period and future performance-based requirements.

The goal of the EPP is to incentivise participants in two ways:

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the performance units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant generally remains with the Group for three to five years after the grant (plans granted through 2021 vest in one tranche over three years; plans granted thereafter vest pro rata in years three, four, and five following the grant date). Under all plans, the performance of the two KPIs is assessed during the three-year performance period to determine the number of shares the participant ultimately receives.

The number of shares delivered under the EPP is between 0% and 150% of the number of performance units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cap serves to limit EPP awards so as to avoid any unforeseen outcome of the final EPP multiplier resulting in unintentionally high or excessive levels of compensation. A high level of performance is required to attain a maximum share delivery (creating a maximum uplift of 50% of the performance units granted), while low-level performance potentially leads to nil compensation.

The KPI targets are set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. Extremely high (and, thus, unrealistic) performance targets are avoided, so as not to incentivise excessive risk-taking by executives and other managerial staff.

Long-Term Incentive Plan (LTI)
In certain specific situations, the Group may also offer incentives outside the annual compensation cycle by granting an equity-based LTI. These may include such items as compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer or retention payments to key employees during extraordinary or critical circumstances. The LTI may also be used as a replacement of the PSP where required for regulatory reasons.

An LTI granted in these circumstances generally runs over a three-year plan period. The Group typically operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff-vesting of all granted shares in one single tranche at the end of a three-year period.

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

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

Movements in shares/performance units granted under various participation plans are as follows:

	31.12.2022 Number of units Economic Profit	31.12.2022 Number of units Total Shareholder Return	31.12.2021 Number of units Economic Profit	31.12.2021 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding at the beginning of the year	**1,129,136**	**1,129,136**	1,089,808	1,089,808
Granted during the year	**320,434**	**320,434**	304,315	304,315
Exercised during the year	**-486,946**	**-486,946**	-254,610	-254,610
Forfeited during the year	**-3,455**	**-3,455**	-10,377	-10,377
Unvested units outstanding at the end of the year	**959,169**	**959,169**	1,129,136	1,129,136

	31.12.2022	31.12.2021
Premium Share Plan		
Unvested shares outstanding at the beginning of the year	**1,442,133**	1,344,197
Granted during the year	**923,471**	707,116
Vested during the year	**-637,820**	-550,575
Forfeited during the year	**-53,315**	-58,605
Unvested shares outstanding at the end of the year	**1,674,469**	1,442,133
Weighted average fair value per share granted (CHF)	**59.37**	54.88
Fair value of outstanding shares at the end of the year (CHF 1,000)	**90,187**	88,230

	31.12.2022	31.12.2021
Long-Term Incentive Plan		
Unvested shares outstanding at the beginning of the year	**802,360**	874,904
Granted during the year	**228,489**	206,633
Vested during the year	**-465,064**	-220,766
Forfeited during the year	**-11,213**	-58,411
Unvested shares outstanding at the end of the year	**554,572**	802,360
Weighted average fair value per share granted (CHF)	**52.21**	56.86
Fair value of outstanding shares at the end of the year (CHF 1,000)	**29,869**	49,088

	31.12.2022	31.12.2021
Staff Participation Plan		
Unvested shares outstanding at the beginning of the year	**151,948**	150,081
Granted during the year	**59,936**	42,218
Vested during the year	**-47,589**	-35,006
Forfeited during the year	**-4,393**	-5,345
Unvested shares outstanding at the end of the year	**159,902**	151,948
Weighted average fair value per share granted (CHF)	**47.60**	58.75
Fair value of outstanding shares at the end of the year (CHF 1,000)	**8,612**	9,296

Compensation expense recognised for the various participation plans:

	2022 *CHF m*	2021 *CHF m*
Compensation expense		
Equity Performance Plan	**31.2**	43.5
Premium Share Plan	**42.8**	33.0
Long-Term Incentive Plan	**11.9**	14.5
Staff Participation Plan	**2.4**	2.3
Total	**88.4**	93.3

NOTE 33 OFF-BALANCE SHEET ITEMS

	31.12.2022 *CHF m*	31.12.2021 *CHF m*	Change *CHF m*
Contingent liabilities	**1,132.4**	1,167.3	-34.9
Irrevocable commitments	**810.0**	818.6	-8.6
Total	**1,942.4**	1,985.8	-43.5

Contingent liabilities mainly include credit guarantees. The irrevocable commitments relate to unused irrevocable credit lines and the commitments to the Swiss deposit guarantee institution.

NOTE 34 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2022 financial year.

ADDITIONAL INFORMATION

NOTE 35 ASSETS UNDER MANAGEMENT

Assets under management include all bankable assets managed by or deposited with the Group for investment purposes. Assets included are portfolios of wealth management clients for which the Group provides discretionary or advisory asset management services. Assets deposited with the Group held for transactional or safekeeping/custody purposes, and for which the Group does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with a discretionary mandate are defined as assets for which the investment decisions are made by the Group, and cover assets deposited with Group companies as well as assets deposited at third-party institutions. Other assets under management are defined as assets for which the investment decision is made by the clients themselves. Both, the assets with a discretionary mandate and other assets under management, take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Group.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money flows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of a Group subsidiary or business are stated separately. Generally, reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management that are managed by or deposited with associates of the Group are not considered assets managed by or deposited with the Group and are therefore not included in the respective numbers.

Assets under management are disclosed according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2022 *CHF m*	2021 *CHF m*	Change %
Assets with discretionary mandate	**70,276**	82,062	-14.4
Other assets under management	**351,430**	396,326	-11.3
Assets in collective investment schemes managed by the Group[1]	**2,414**	3,353	-28.0
Total assets under management (including double counting)	**424,120**	481,741	-12.0
of which double counting	***15,962***	*17,663*	*-9.6*
Change through net new money	**8,681**	19,617	
Change through market and currency impacts	**-56,204**	29,455	
Change through divestment[2]	**-7,483**	-1,003	
Change through other effects	**-2,615**[3]	-	
Client assets	**490,896**	561,275	-12.5

1 Collective investment schemes are related to Kairos Investment Management S.p.A., Milan and to Three Rock Capital Management Limited, Dublin.

2 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).

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

Client assets are defined as all bankable assets managed by or deposited with the Group companies for investment purposes and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services – e.g. analysis and reporting or securities lending and borrowing – are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

Breakdown of assets under management

	2022 %	2021 %
By types of investment		
Equities	**31**	33
Bonds (including convertible bonds)	**15**	13
Investment funds	**28**	30
Money market instruments	**5**	1
Client deposits	**16**	17
Structured products	**4**	4
Precious metals	**1**	2
Total	**100**	100
By currencies		
USD	**48**	49
EUR	**19**	19
CHF	**9**	10
GBP	**4**	4
SGD	**2**	1
HKD	**3**	3
INR	**4**	4
BRL	**2**	1
Other	**9**	9
Total	**100**	100

NOTE 36 REQUIREMENTS OF SWISS BANKING LAW

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Switzerland-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is based on the regulations of the Swiss Code of Obligations, on Swiss Banking Law and the Ordinance thereto, on the FINMA Accounting Ordinance (RelV-FINMA) and the Guidelines of the FINMA Circular 2020/1 'Accounting Banks'.

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

Under IFRS, goodwill is not amortised but tested for impairment annually, and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Under IFRS, changes in the fair value of financial instruments measured at fair value through other comprehensive income (FVOCI) are directly recognised in equity. Under Swiss GAAP, such financial instruments are measured at the lower of cost or market (LOCOM), with the changes in fair value where required recognised in the income statement.

Swiss GAAP allows the application of IAS 19 for the accounting for defined benefit plans. However, the remeasurement of the net defined benefit liability is recognised in the income statement and comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost). Under IFRS, these components are recognised directly in equity.

Under IFRS, a lessee recognises right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Under Swiss GAAP, no right-of-use assets or lease liabilities are recognised, but operating lease expenses are expensed as incurred.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, income and expenses are classified as extraordinary if they are from non-operating transactions and are non-recurring.

NOTE 37A MANAGEMENT OF CAPITAL, INCLUDING REGULATORY CAPITAL

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

Ensuring compliance with minimum regulatory capital requirements and targeted capital ratios is central to capital adequacy management. In this ongoing process, the Group manages its capital on the basis of target capital ratios for common equity tier 1 (CET1) capital and total capital. In the target-setting process, the Group takes into account the regulatory minimum capital requirements and regulatory expectations that the Group will hold additional capital above the minimum required for each capital category, the Group's internal assessment of aggregate risk exposure requiring equity capital provision, the views of rating agencies, and comparison with peer institutions based on the Group's business mix and market presence.

In 2022 (and 2021), the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 30A provides an overview of the Group's consolidated companies.

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

The Basel III international standard approach requires CET1 capital equivalent to be at least 4.5% of risk-weighted assets, plus a CET1 capital buffer of 2.5%, plus 1.5% of additional tier 1 (AT1) capital (or better-quality capital), plus 2% of supplementary tier 2 capital (or better-quality capital). In aggregate, this amounts to an overall capital requirement of at least 10.5% of risk-weighted assets. FINMA minimum capital requirements for the Group are 7.8% for CET1, 1.8% for AT1 and 2.4% for tier 2, which puts its overall minimum capital requirement at 12% of risk-weighted assets. At present, the Group is also required to hold an additional anticyclical CET1 capital buffer. This adds a further 0.4% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2022 and at 31 December 2021 was sufficient to meet the relevant Bank for International Settlements (BIS) and FINMA requirements as well as internal capital thresholds and buffers set by the ExB and BoD.

Capital ratios

	31.12.2022 *Basel III* *CHF m*	31.12.2021 *Basel III* *CHF m*
Risk-weighted positions		
Credit risk	**12,985.7**	12,935.7
Non-counterparty-related risk	**607.7**	514.6
Market risk	**1,876.5**	850.5
Operational risk	**6,230.8**	5,973.4
Total	**21,700.8**	20,274.2
Eligible capital		
CET1 capital	**3,046.3**	3,315.7
Tier 1 capital	**4,608.9**	4,747.7
of which hybrid tier 1 capital instruments[1]	***1,562.6***	*1,432.0*
Tier 2 capital	**110.1**	111.4
Total capital	**4,719.0**	4,859.2
CET1 capital ratio	**14.0%**	16.4%
Tier 1 capital ratio	**21.2%**	23.4%
Total capital ratio	**21.7%**	24.0%

[1] The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. (see Note 14 Debt issued).

Further details regarding tier 1 capital instruments can be found in the Capital Instruments section of www.juliusbaer.com. Also refer to Note 14.

The principal adjustment to the Group's total equity under IFRS for the purpose of determining total eligible capital is the deduction of intangible assets. These and other capital components are shown in the following table. In addition to the table below, a separately prepared Basel III Pillar 3 Report shows the full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 31 December 2022. This report, which is published in the Financial Reporting section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure of the composition of eligible regulatory capital and will be publicly available at the end of April 2023.

Capital components

	31.12.2022 *Basel III* *CHF m*	31.12.2021 *Basel III* *CHF m*
Gross CET1 capital	**6,289.7**	6,743.3
of which non-controlling interests	***2.5***	*9.0*
Goodwill and other intangible assets	**-2,533.0**	-2,651.3
Other deductions	**-710.4**	-776.3
CET1 capital	**3,046.3**	3,315.7
Tier 1 capital instruments	**1,562.6**	1,432.0
of which tier 1 bonds (Basel III-compliant capital instruments)	***1,562.6***	*1,432.0*
Additional tier 1 capital	**1,562.6**	1,432.0
Tier 1 capital	**4,608.9**	4,747.7
Tier 2 capital	**110.1**	111.4
of which other tier 2 capital	***110.1***	*111.4*
Total capital	**4,719.0**	4,859.2

Required capital (see table below) for credit risks arising from amounts due from banks, loans, financial assets measured at FVOCI, debt financial assets measured at amortised cost and derivative financial instruments accounts for 60% (2021: 64%) of the total required capital. Capital required for non-counterparty risk (2022: 3%; 2021: 3%) is of minor significance. The capital required to cover market risk accounts for 9% (2021: 4%) and operational risk accounts for 29% (2021: 29%) of total required capital.

Minimum capital requirement

	31.12.2022 *Basel III* *CHF m*	31.12.2021 *Basel III* *CHF m*
Credit risk	**1,038.9**	1,034.9
Non-counterparty-related risk	**48.6**	41.2
Market risk	**150.1**	68.0
Operational risk	**498.5**	477.9
Total	**1,736.1**	1,621.9

NOTE 37B LEVERAGE RATIO

In addition to the existing requirement for banks to hold eligible capital proportionate to their risk-weighted assets, the leverage ratio is a non-risk-based metric. The leverage ratio is defined as the ratio between eligible (tier 1) core capital and total exposure. Total exposure encompasses all balance sheet and off-balance sheet positions, and the Leverage Ratio circular defines how these are to be calculated. The minimum leverage ratio requirement is 3% for 2022 (and 2021).

Basel III regulations also require the publication of the leverage ratio. The relevant qualitative and quantitative information is contained in a separate disclosure report (Basel III Pillar 3 Report). The report will be published on the www.juliusbaer.com website and will be available at the end of April 2023.

ABBREVIATIONS

AT1 bonds	additional tier 1 bonds
ARR	alternative reference rates
BoD	Board of Directors
CCP	central counterparty
CET1	common equity tier 1
CFH	cash flow hedge
CGU	cash-generating unit
EAD	exposure at default
ECL	expected credit loss(es)
EPS	earnings per share
ExB	Executive Board
FINMA	Swiss Financial Market Supervisory Authority
FVH	fair value hedge
FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss
FX	foreign currency
GDP	gross domestic product
IAS	International Accounting Standards (part of IFRS)
IBOR	interbank offered rate
ICS	internal control system
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association
KPI	key performance indicator
LGD	loss given default
NIH	net investment hedge
OCI	other comprehensive income
OTC	over-the-counter
PD	probability of default
RoA	return on assets
R1–R10	risk classes in the Group’s internal rating system
SIX	Swiss Exchange
SARON	Swiss Average Rate Overnight
SWIFT	Society for Worldwide Interbank Financial Telecommunication
VaR	value-at-risk