Julius Bär

BUSINESS REVIEW 2023

Julius Baer Group

About Julius Baer

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

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

Our strategy is driven by the desire to achieve unparalleled client satisfaction, to further strengthen the reputation and standing of our Group, and to realise sustainable, profitable growth.

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

With more than 7,000 employees, we stand for:

SOLID FOUNDATIONS

PURE WEALTH MANAGEMENT

PERSONAL CONNECTIONS

INTERNATIONAL NETWORK

Contents

Cover picture:
The German art of creating handcrafted musical instruments draws on a centuries-old tradition and is world renowned. In view of their exceptional quality, the instruments are valued by professional musicians and amateurs alike. One such instrument is the lute. Unlike the guitar, its sound hole is not open but, instead, features an intricate rosette. Carving the abstract, geometrical, or floral patterns of the rosette requires the utmost skill and precision.
Julius Baer has been present in Germany since 1989 and has offices in ten locations. With its holistic expertise and advice, it has become one of the most successful wealth managers in the country and has a long-term commitment to this key market.

Key figures Julius Baer Group[1]

	2023 CHF m	2022 CHF m
Consolidated income statement		
Operating income	3,239.6	3,853.3
Adjusted operating expenses	2,705.2	2,654.4
Adjusted profit before taxes	534.3	1,198.9
Adjusted net profit	471.7	1,049.7
excluding specific loss allowances[2]	946.9	1,049.7
IFRS net profit	453.4	949.1
Adjusted cost/income ratio	81.6%	65.9%
Adjusted pre-tax margin (basis points)	12.2	27.0

	31.12.2023	31.12.2022
Assets under management (CHF bn)		
Assets under management	427.4	424.1
Net new money	12.5	8.7
Consolidated balance sheet (CHF m)		
Total assets	96,786.3	105,643.7
Total equity	6,163.2	6,289.7
Total capital ratio	24.0%	21.7%
CET1 capital ratio	14.6%	14.0%
Return on tangible equity (RoTE), adjusted	13%	28%
Return on common equity tier 1 capital (RoCET1), adjusted	15%	34%
Personnel (FTE)		
Number of employees	7,425	6,891
Number of relationship managers	1,343	1,248
Capital structure		
Number of shares issued	206,001,780	213,801,240
Market capitalisation (CHF m)	9,713	11,515
Moody's rating Bank Julius Baer & Co. Ltd.		
Long-term deposit rating	A1	Aa3
Short-term deposit rating	Prime-1	Prime-1

[1] The document Alternative Performance Measures available at www.juliusbaer.com/APM provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.
[2] Excluding the CHF 475.1 million impact (net of tax, CHF 585.9 million before tax) on the adjusted net profit due to the increase in specific loss allowances against the single largest exposure in the Group's private debt loan book.

Foreword

Dear Reader,

2023 presented numerous challenges for markets as geopolitical tensions intensified rather than lessened, adding to the sense of unease that has persisted ever since the pandemic. Below the surface, however, the post-pandemic normalisation is well underway, and most central banks appear to have reached the peak of their current cycle of rate hikes. Investors nevertheless remained cautious through the year, weighing soft growth prospects against yield levels last seen two decades ago.

In this complex environment, our business model proved highly relevant. We remained focused on partnering with our clients and their families, supporting them in all matters relating to wealth management: investing, financing, and wealth planning. Client satisfaction remained strong, as evidenced by the gratifying net new assets entrusted to us by our clients and the continued positive results from our annual global client survey.

2023 marked the start of our new strategic cycle, which is aimed at driving sustainable profitable growth by building on the three pillars of *focus*, *scale*, and *innovate*. We are continuing to *focus* on our clients, developing our value proposition further while sharpening the quality of our revenues. We are further *scaling* our business in our focus markets to drive critical mass and accelerate growth in profits in the areas that offer the most opportunities. Our final strategic priority is *innovation*. We aim to achieve this through the digitalisation of our operating model to drive growth and by upgrading the client experience by offering harmonised services.

The Group's financial results for 2023 were impacted by the full loan loss allowance for the largest exposure in the Group's private debt loan book. The Board of Directors and Senior Management deeply regret the need for and the magnitude of this measure. This isolated credit situation did not result from breaches in regulations or internal policies but was, instead, the outcome of an ill-judged business decision for which we take full responsibility and apologise unreservedly to all our stakeholders.

We have taken decisive steps to eliminate all uncertainty around the future impact of the private debt business on our financials by winding down the remaining loan book of CHF 0.8 billion (less than 2% of Julius Baer's total loan portfolio). Going forward, we will refocus our lending activity on traditional areas, which are an important part of our wealth management offering, and will use this opportunity to strengthen our credit framework. The Board of Directors will focus on reinforcing our risk culture, in line with our overarching objective to use our solid balance sheet with the utmost prudence for the benefit of our clients.

In support of the Group's commitment to taking ownership, former CEO Philipp Rickenbacher has stepped down in mutual agreement with the Board of Directors. The Board has launched an external search for his successor and appointed Deputy CEO and Chief Operating Officer Nic Dreckmann as CEO ad interim. With his extensive knowledge of Julius Baer, which he has gained in various leadership positions over the last two decades both in Switzerland and abroad, Nic Dreckmann will help us to ensure the greatest possible continuity for all our stakeholders during this period.

Excluding the above-mentioned credit event, the Group's underlying operating performance was robust. Thanks to the highly cash-generative nature of our business model, the Group's balance sheet and capitalisation remained very healthy. Based on the reported result, the Group's CET1 capital ratio was 14.6% and the total capital ratio was 24.0% at the end of 2023. Both ratios remain well above our own floors and significantly exceed the regulatory minimum requirements. Reflecting our commitment to maintaining the ordinary dividend per share at least at the level of the previous year, the Board of Directors will propose to the Annual General Meeting on 11 April 2024 an unchanged dividend of CHF 2.60 per share for the financial year 2023.

Julius Baer's financial solidity and stability are prerequisites for delivering on our strategy and creating value for our stakeholders. We are therefore entirely committed to preserving the fundamental strength of our company for the benefit of our clients, shareholders, and employees. We wish to thank all our stakeholders for their ongoing support.

Romeo Lacher
Chairman of the Board of Directors

Financial performance in 2023

While our net profit was impacted by the full loss allowance for our largest private debt exposure, our underlying performance remained robust with a stable year on year operating income development. The Group's capital position improved, and our balance sheet remained highly liquid.

Evangelia (Evie) Kostakis, Chief Financial Officer

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

Assets under management (AuM) grew by CHF 3 billion (+1%) to CHF 427 billion. Excluding the CHF 11 billion combined impact from divestments and a policy-related net reclassification of AuM to assets under custody (AuC), the growth in AuM was CHF 14 billion (+3%). This increase was driven by net new money inflows and strong market performance (especially from the rise in equity markets, as well as a recovery in bond markets), which more than offset the significant negative currency impact from the stronger Swiss franc, especially against the US dollar.

Net new money inflows totalled CHF 12.5 billion (2.9% growth rate), a year-on-year increase of 43%. Excluding the impact of client deleveraging, net new money amounted to CHF 16.2 billion (3.8% growth rate). This reflects solid net inflows from clients throughout the year, with a particularly strong contribution from clients domiciled in Europe, including in Julius Baer's home market of Switzerland.

Monthly average AuM decreased by 2% to CHF 437 billion.

Adjusted consolidated income statement[1]

	2023 CHF m	2022 CHF m
Consolidated income statement		
Net interest income	841.9	822.9
Net commission and fee income	1,929.5	1,962.0
Net income from financial instruments measured at FVTPL[2]	1,057.8	1,051.2
Net credit losses/(recoveries) on financial instruments	606.3	16.0
Other ordinary results	16.7	33.1
Operating income	3,239.6	3,853.3
Adjusted personnel expenses	1,707.4	1,683.7
Adjusted general expenses	765.8	766.0
Adjusted depreciation and amortisation	232.0	204.7
Adjusted operating expenses	2,705.2	2,654.4
Adjusted profit before taxes	534.3	1,198.9
Adjusted income taxes	62.6	149.1
Adjusted net profit	471.7	1,049.7
excluding specific loss allowances[3]	946.9	1,049.7
IFRS net profit	453.4	949.1
Adjusted net profit attributable to:		
Shareholders of Julius Baer Group Ltd.	472.1	1,050.1
Non-controlling interests	-0.4	-0.3
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	2.30	5.04
excluding specific loss allowances[3]	4.61	5.04
Key performance ratios		
Adjusted cost/income ratio	81.6%	65.9%
Gross margin (basis points)	74.2	86.8
Adjusted pre-tax margin (basis points)	12.2	27.0
Adjusted tax rate	11.7%	12.4%

1 The document Alternative Performance Measures available at www.juliusbaer.com/APM provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.
2 FVTPL indicates fair value through profit or loss.
3 Excluding the CHF 475.1 million impact (net of tax, CHF 585.9 million before tax) on the adjusted net profit due to the increase in specific loss allowances against the single largest exposure in the Group's private debt loan book.

Operating income was impacted by a significant increase in specific loss allowances against the previously reported single largest exposure in the Group's private debt loan book, resulting in net credit losses of CHF 586 million (CHF 475 million, net of taxes) ('large private debt credit loss'). Mainly as a result of that impact, operating income declined by 16% (CHF 614 million) to CHF 3,240 million.

Excluding the large private debt credit loss, operating income decreased by CHF 28 million to CHF 3,825 million, as the benefit of the year-on-year rise in interest rates was offset by the strengthening of the Swiss franc and the negative impact of lower volatility and reduced client trading activity on net income from financial instruments at FVTPL[1]. The underlying gross margin rose by 1 basis point (bp) to 88 bp.

Net commission and fee income declined by 2% to CHF 1,930 million. Recurring income[2] decreased by 1%, a slightly smaller reduction than the 2% decline in average AuM, resulting in a marginal increase in the recurring fee gross margin. Client activity did not improve year on year, driving a 1% decline in brokerage commissions and income from securities underwriting, while commission expense rose by 2%.

Net income from financial instruments measured at FVTPL grew by 1% to CHF 1,058 million. Treasury swap income benefitted from a rise in differentials between (mainly) US and Swiss interest rates. However, this increase was largely offset by the negative effect of lower volatility and reduced client activity on trading income.

Net interest income grew by 2% to CHF 842 million, as the benefit of higher interest income, which more than doubled year on year, was largely offset by a more than fourfold increase in interest expense. The year-on-year rise in interest rates drove a CHF 1,345 million (108%) increase in interest income to CHF 2,593 million. This included an CHF 811 million (86%) rise in interest income on loans, a CHF 295 million (697%) leap in interest income on due from banks, as well as a CHF 261 million (110%) increase in income from the treasury portfolio[3]. At the same time, interest expense rose by CHF 1,326 million (312%) to CHF 1,751 million, mainly on the back of a CHF 1,270 million (463%) increase in interest expense on amounts due to customers, as clients continued to reallocate cash from current accounts to call and time deposits.

Other ordinary results declined by 50% to CHF 17 million, following a decrease in income from dividends and participations.

Net credit losses on financial assets increased to CHF 606 million (2022: CHF 16 million), mainly as a result of the large private debt credit loss of CHF 586 million. Excluding this impact, the year-on-year increase was CHF 4 million.

The successful increase in cost efficiency achieved in the 2020–2022 strategic cycle has created scope to fund growth investments in the current cycle, with an increased focus on attracting top talent to scale the Group's presence in key markets and on investments in technology and innovation.

Breakdown of assets under management by currency

	31.12.2023	31.12.2022
USD	50%	48%
EUR	19%	19%
CHF	10%	9%
Other	21%	24%

1 Fair value through profit or loss
2 The sum of advisory and management fees and commission and fee income on other services
3 The sum of net interest income on debt instruments at FVOCI (fair value through other comprehensive income) and interest income on debt instruments at amortised cost

Assets under management

	31.12.2023 CHF bn	31.12.2022 CHF bn
Assets with discretionary mandate	75.6	70.3
Other assets under management[1]	331.9	351.4
Assets in collective investment schemes managed by the Group[1,2]	19.8	2.4
Total assets under management (including double counting)[1]	427.4	424.1
of which double counting[1]	*16.7*	*16.0*

	2023 CHF bn	2022 CHF bn
Balance at the beginning of the period	424.1	481.7
Net new money	12.5	8.7
Market performance and currency impacts	1.8	-56.2
Acquisitions/(divestments)[3]	-2.7	-7.5
Other effects[4]	-8.3	-2.6
Balance at the end of the period	427.4	424.1
Average assets under management	436.9	443.7

	31.12.2023 CHF bn	31.12.2022 CHF bn
Client assets	511.3	490.9

[1] In 2023, the Group conducted a review of its policy and guidelines concerning assets under management in light of regulatory requirements and market practice. The review focused on i) the categorisation of investment products as assets in collective investment schemes managed by the Group and ii) the criteria for the recognition of double counting of assets under management. As a result of the review, certain investment products managed by the Group were categorised primarily as assets in collective investment schemes (previously categorised as other assets under management). In addition, one class of funds was double counted for the first time and one category of service offering was reclassified as assets under custody. Figures from prior periods have not been adjusted.

[2] In 2022, assets in collective investment schemes were related to Kairos Investment Management S.p.A., Milan and to Three Rock Capital Management Limited, Dublin.

[3] In both 2023 and 2022, assets under management were impacted by the Group's decision to discontinue its offering to clients from selected countries, in particular Russia. The decline in 2022 was primarily due to the completed sales of Wergen & Partner Vermögensverwaltungs AG and of Fransad Gestion SA, as well as the partial sale and deconsolidation of NSC Asesores, S.C., Asesor en Inversiones Independiente.

[4] In 2023, one category of service offering was reclassified as assets under custody, and one class of funds was double counted for the first time and reclassified as assets under management. In both 2023, to a lesser extent, and 2022, reclassifications into assets under custody resulted from externally imposed restrictions impacting the service offering to clients, including Russia-affected clients.

Operating expenses according to IFRS decreased by 2% to CHF 2,726 million, as a 1% increase in *personnel expenses* to CHF 1,709 million and a 10% increase in *depreciation of property and equipment* to CHF 103 million, were more than offset by a 79% decrease in *amortisation and impairment of customer relationships* to CHF 13 million, a 16% decrease in *amortisation and impairment of intangible assets* to CHF 129 million, and a small (CHF 3 million) decline in general expenses to CHF 772 million.

As in previous years, in the analysis and discussion of the results in the Business Review, *adjusted operating expenses* exclude M&A-related expenses (CHF 21 million in 2023 and CHF 116 million in 2022). M&A-related amortisation and impairment of customer relationships fell to CHF 13 million (2022: CHF 62 million), while there was no M&A-related amortisation and impairment of other intangible assets (2022: CHF 43 million). Other M&A-related expenses decreased to CHF 8 million (2022: CHF 11 million). The reconciliations to the respective IFRS line items are provided in the Alternative Performance Measures document available at www.juliusbaer.com/APM.

Adjusted operating expenses rose by 2% to CHF 2,705 million.

Adjusted personnel expenses grew by 1% to CHF 1,707 million, well below the 5% year-on-year growth in the monthly average number of employees, as performance-related remuneration was reduced. At the end of 2023, the Group employed 7,425 full-time equivalents (FTEs), up by 535 FTEs, of which 147 from the further internalisation of formerly external staff. The number of relationship managers rose by 95 (net) to 1,343.

Adjusted general expenses were unchanged at CHF 766 million, helped by a CHF 52 million decrease in provisions and losses to CHF 62 million. Excluding provisions and losses, adjusted general expenses rose by 8% to CHF 704 million, driven predominantly by higher IT-related expenses.

While *depreciation of property and equipment* went up by 10% to CHF 103 million, *adjusted amortisation and impairment of intangible assets* increased by 16% to CHF 129 million, mainly reflecting the rise in IT-related investments in recent years.

The *adjusted cost/income ratio* (which excludes adjusted provisions and losses as usual) increased to 81.6% (2022: 65.9%). Excluding the large private debt credit loss from operating income, the underlying cost/income ratio rose to 69.1%. The *adjusted expense margin* (also excluding adjusted provisions and losses) increased to 61 bp (2022: 57 bp).

Breakdown of assets under management by asset mix

	31.12.2023	31.12.2022
Investment funds	30%	28%
Equities	29%	31%
Bonds (including convertible bonds)	16%	15%
Client deposits	14%	16%
Structured products	5%	4%
Money market instruments	5%	5%
Precious metals	1%	1%

The Group increased its gross savings target for the current strategic cycle from CHF 120 million to CHF 130 million, with the full impact of savings materialising on a run-rate basis by the end of 2025. By the end of 2023, the achievement of run-rate savings was CHF 45 million, approximately half of which benefitted the 2023 pre-tax results. The large majority of the remaining savings are already expected to be realised by the end of 2024 through further efficiency measures planned for the current year. Restructuring costs related to the programme are expected to total approximately CHF 35 million, of which CHF 15 million was booked in 2023.

IFRS *profit before taxes* declined by 53% to CHF 514 million. As income taxes decreased by 55% to CHF 60 million, IFRS *net profit* decreased by 52% to CHF 453 million. IFRS net profit attributable to shareholders of Julius Baer Group Ltd. decreased to CHF 454 million (-52%), and IFRS EPS declined to CHF 2.21 (-52%).

Adjusted profit before taxes fell by 55% to CHF 534 million and the adjusted pre-tax margin decreased by 15 bp to 12 bp. The related adjusted income taxes declined to CHF 63 million (-58%), resulting in an adjusted tax rate of 11.7% (2022: 12.4%). *Adjusted net profit for the Group* and adjusted net profit attributable to shareholders of Julius Baer Group Ltd. decreased by 55% to CHF 472 million, and adjusted EPS attributable to shareholders declined by 54% to CHF 2.30. The adjusted return on CET1 capital (RoCET1) decreased to 15% (2022: 34%).

Excluding the large private debt credit loss from operating income: Underlying profit before taxes declined by 7% to CHF 1,120 million, reflecting higher operating expenses due to significant investments in growth, while underlying operating income was largely stable. The related underlying taxes rose by 16% to CHF 173 million, representing an effective underlying tax rate of 15.5% (2022: 12.4%). The increase in the effective tax rate was the result of a larger underlying pre-tax profit contribution from higher-tax jurisdictions. Underlying net profit for the Group and underlying net profit attributable to shareholders of Julius Baer Group Ltd. both declined by 10% to CHF 947 million, and underlying EPS attributable to shareholders decreased by 9% to CHF 4.61. The underlying return on CET1 capital (RoCET1) declined to 30% (2022: 34%).

Highly liquid balance sheet

Partly as a result of the significant strengthening of the Swiss franc against key currencies (especially the US dollar), the balance sheet shrank by 8%. *Total assets* decreased by 8% to CHF 96.8 billion. *Loans* declined by 13% (or by 8% on an FX-neutral basis) to CHF 38.9 billion – of which CHF 30.7 billion comprised Lombard loans[1] (-16%, reflecting further deleveraging observed in the period, as well as a significant FX impact) and CHF 8.2 billion comprised mortgages (+2%). The *due to customers* position (client deposits) decreased to CHF 63.2 billion, a decline of 17% (but limited to 11% on an FX-neutral basis), as clients continued to react to the rising interest rate environment by reallocating cash from current accounts to more attractive alternatives. As a result, the loan-to-deposit ratio rose to 62% (end of 2022: 58%).

The treasury portfolio, recorded under *financial assets measured at FVOCI* (down 4% to CHF 12.9 billion) and *other financial assets measured at amortised cost* (up 47% to CHF 5.6 billion), rose by 7% to CHF 18.5 billion.

[1] Including private debt loans

Equity attributable to shareholders of Julius Baer Group Ltd. declined by 2% to CHF 6.2 billion.

Balance sheet liquidity improved further, with the liquidity coverage ratio rising to 291% (end 2022: 233%), significantly above the 100% minimum regulatory requirement. At the end of 2023, 10% (CHF 9.7 billion) of the balance sheet was held in cash, largely at central banks in Switzerland and Europe.

The share buy-back programme launched in March 2022 was completed, as planned, on 28 February 2023 at the maximum approved amount of CHF 400 million. Under this programme, Julius Baer bought back 7,799,460 registered shares, of which 2,074,888 shares (at a combined value of CHF 124 million) were repurchased in the first two months of 2023. The cancellation of the repurchased shares was executed effective 29 June 2023.

CET1 capital declined by CHF 0.1 billion, or 3%, to CHF 3.0 billion, as the combined benefit of net profit generation and the initial 'pull-to-par' reversal of the decline in 2022 of the value of bonds held in the Group's treasury portfolio (financial assets measured at FVOCI) exceeded the impacts of the dividend accrual and the completion of the 2022–2023 share buy-back programme.

As a result of the development of CET1 capital, and additionally supported by the successful placement of EUR 400 million of perpetual non-cumulative additional tier 1 (AT1) securities in February 2023, tier 1 capital increased by CHF 0.2 billion, or 4%, to CHF 4.8 billion, and total capital rose by CHF 0.2 billion, or 3%, to CHF 4.9 billion.

Risk-weighted assets decreased by CHF 1.4 billion, or 6%, to CHF 20.3 billion. While credit risk positions declined by 10% to CHF 11.7 billion and market risk positions decreased by 11% to CHF 1.7 billion, operational risk positions increased by 1% to CHF 6.3 billion and non-counterparty-related risk positions rose by 7% to CHF 0.6 billion.

As a result, the *CET1 capital ratio* improved to 14.6% (end-2022: 14.0%) and the *total capital ratio* to 24.0% (end-2022: 21.7%).

As the leverage exposure fell by 8% to CHF 98 billion, the tier 1 leverage ratio improved to 4.9% (end-2022: 4.3%).

At these levels, the Group's capitalisation remains robust: the CET1 and total capital ratios remained well above the Group's own floors of 11% and 15%, respectively, and significantly exceeded the regulatory minimums of 8.3% and 12.5%, respectively, applicable at the end of 2023. The tier 1 leverage ratio continued to be comfortably above the 3.0% regulatory minimum.

In line with the Group's capital distribution policy, the Board of Directors of Julius Baer Group Ltd. will propose an unchanged ordinary dividend of CHF 2.60 per share for the financial year 2023. Subject to shareholder approval at the Annual General Meeting (AGM) on 11 April 2024, the dividend will be paid on 17 April 2024. The dividend will be subject to 35% Swiss withholding tax.

While the CET1 capital ratio of 14.6% at the end of 2023 is modestly above the 14% share buy-back floor as defined in the Group's capital distribution policy, the Board of Directors has decided not to pursue the launch of a new share buy-back programme at this point in time. However, in light of the Group's significant organic capital generation potential of the business, the Board of Directors will consider a potential buy-back later in 2024.

Exit from the private debt business

The Board of Directors of Julius Baer has decided that the Group will exit the private debt business. Going forward, Julius Baer will refocus all lending activities on mortgage and Lombard lending solutions where the Group has a successful long-term track record, as demonstrated by its ratio of net credit losses over its loan book that remained consistently below 0.2% in any year prior to 2023 (since the creation of Julius Baer Group Ltd. in 2009). In addition to exiting the private debt business, Julius Baer will take this opportunity to strengthen its credit framework.

The total of CHF 586 million in specific loss allowances on the private debt loan book, as reported above, reflects the full amount of the largest combined exposure. This exposure – comprising three loans to different entities within a European conglomerate active in commercial real estate and luxury retail – was already reported on 27 November 2023, since when the notional value has decreased mainly due to currency movements.

Following the credit event in the fourth quarter of 2023, the Group launched a comprehensive review of its remaining private debt loan book. This review, announced in November of last year, was performed by an independent third party and overseen by Julius Baer's Board of Directors, which concluded that the remaining book is well diversified and performing.

Private debt encompasses financing solutions provided against future cash flows and non-listed securities. Julius Baer built up its private debt offering gradually over the past five years, in the context of its holistic wealth management proposition for ultra-high net worth (UHNW) clients.

The notional value of the remaining private debt book after loan loss allowances at the end of 2023 was CHF 0.8 billion, representing 2% of the Group's total loan book of CHF 38.9 billion and is now subject to an orderly wind down.

Changes in the Executive Board and in the Board of Directors

CEO Philipp Rickenbacher is stepping down from his role in mutual agreement with the Board of Directors.

The Board is launching an external search for his successor which will be concluded in due course. In the meantime, to ensure strategic continuity in the firm's leadership, Deputy CEO and Chief Operating Officer Nic Dreckmann will step in as ad interim CEO.

In addition to these changes, David Nicol, member of the Board of Directors and Chairman of its Governance and Risk Committee, will not stand for re-election at the upcoming 2024 AGM. The entire Board of Directors thanks David Nicol for his service and contributions.

The Board of Directors has appointed Richard M. Campbell-Breeden, non-executive Board member since 2018, as Vice-Chair.

Executive and Board Compensation in 2023

The Board of Directors and the Executive Board have jointly decided that the CEO and the five members of the Executive Board directly involved in credit decisions will not receive any variable compensation for 2023. The compensation of the other members of the Executive Board members for 2023 will be substantially reduced and entirely share-based and deferred.

The Chairman of the Board of Directors as well as the members of the Governance and Risk Committee, will forego the share-based fees for their current term of office ending at the AGM on 11 April 2024 and awarded at the AGM 2023.

Full details of executive compensation are published in Julius Baer's Annual Report.

Consolidated balance sheet

	31.12.2023 CHF m	31.12.2022 CHF m
Assets		
Due from banks	3,848.1	4,108.9
Loans to customers[1]	38,907.4	44,584.2
Financial assets measured at FVTPL[2]	12,180.5	13,032.6
Financial assets measured at FVOCI[3]	12,922.5	13,492.8
Goodwill and other intangible assets	2,565.0	2,536.2
Other assets	26,362.7	27,889.1
Total assets	96,786.3	105,643.7
Liabilities and equity		
Due to banks	2,323.8	2,933.5
Deposits from customers	63,235.8	76,438.9
Financial liabilities designated at fair value	10,187.4	11,571.4
Other liabilities	14,876.2	8,410.3
Total liabilities	90,623.1	99,354.1
Equity attributable to shareholders of Julius Baer Group Ltd.	6,161.3	6,287.2
Non-controlling interests	1.9	2.5
Total equity	6,163.2	6,289.7
Total liabilities and equity	96,786.3	105,643.7
Key ratios		
Loan-to-deposit ratio	62%	58%
Book value per share outstanding (CHF)[4]	30.2	29.8
Return on tangible equity (RoTE), adjusted	13%	28%
Return on common equity tier 1 capital (RoCET1), adjusted	15%	34%
BIS statistics		
Risk-weighted assets	20,312.4	21,700.8
Total capital	4,877.9	4,719.0
CET1 capital	2,961.8	3,046.3
Total capital ratio	24.0%	21.7%
CET1 capital ratio	14.6%	14.0%

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

Developments in 2023

2023 was the first year of our new three-year strategic cycle. During this period, we increased our focus on targeted growth investments, including the accelerated hiring of top talent in our key markets.

Strategic priorities

After the successful conclusion of the 2020–2022 strategic cycle, we launched our 2023–2025 strategic cycle from a position of strength. Over three years, Julius Baer will continue to *focus* on our pure wealth management business model. In stepping up our core market strategy, we will place a particular emphasis on *scaling* our business in the areas that offer the most opportunities to drive critical mass and accelerate growth in profits. And we aim to *innovate* by continuing to invest in the digitalisation of our business for the benefit of our clients and to enhance the operational efficiency of our Group (see page 30 ff).

Julius Baer was named 'The world's best private bank for high-net-worth individuals' at the Euromoney Global Private Banking Awards 2023 and received the accolade 'Outstanding Global Private Bank – Global' for the third consecutive year at the 2023 Global Wealth Awards hosted by Private Banker International. These awards are a testament to the consistency, unwavering dedication, and excellence that are the hallmarks of our offering.

This favourable outside view strongly corresponds to the findings of our annual client survey 2023, which reached 100% of our client base for the first time. Close to 80% of the more than 6,800 responding clients indicated a very high level of satisfaction with Julius Baer, while almost 60% shared that they would recommend Julius Baer to their network. The 2023 survey further revealed that 40% of responding clients intend to increase the assets they hold with Julius Baer over the following 12 months.

Our clients' appreciation of our relationship managers (RMs), the quality of our support and advice, and the trustworthiness and independence of our institution continued to be among the top drivers of client satisfaction.

Technology, platforms, and innovation

Julius Baer's IT currently operates three banking hubs, which are located in Switzerland and Luxembourg, as well as in Asia, where the platform is split between Singapore and Hong Kong. These platforms have given us regional flexibility when adapting our business model in response to digital innovations, evolving client-specific preferences, and changing local and regulatory requirements. The platforms also provide flexible interfaces to proprietary robotics, third-party fintech solutions, and products and services from external partners.

The Group's technology infrastructure will be an important enabler to realise our ambitions for the 2023–2025 strategic cycle. Over this period, we plan to spend an additional CHF 400 million on technology, bringing our total technology investments to more than CHF 1 billion over the full cycle. In 2023, we defined the main framework for our project to renew our operational core with the goal of better serving our clients and working more efficiently across the Group. The design of our target operating model – from the technological backbones of core banking operations, Markets, and Finance to the digital experience of our clients – forms the basis for the framework. In parallel, we started to develop the solution design for the front-to-back value chains to harmonise processes and identify requirements for the implementation phase.

As the wealth manager of choice for the current and next generation of clients, we strive to offer them best-in-class digital banking services. In 2023, we began implementing an e-trading platform for equities and exchange-traded funds (ETFs) in Switzerland. Other highlights during the year included the launch of a new e-banking and mobile banking solution for clients booked in Luxembourg and Monaco, as well as the introduction of our multi-e-signature solution in Switzerland and Asia that allows clients to sign account opening documents and other agreements electronically in a secure, convenient, and legally compliant manner. Demonstrating the way in which technology has allowed us to rapidly accelerate the evolution of our unique wealth management model, Julius Baer was named 'Best Private Bank – Digital Innovation' at the Global Private Banking Innovation Award 2023 by Global Private Banker and The Digital Banker. In addition, Julius Baer received the award for 'Best Private Bank for Technology for ESG Reporting (Global)' at the 2023 Professional Wealth Management (PWM) Wealth Tech Awards.

To further accelerate technology-driven business modernisation from within the Group, we consolidated all our innovation initiatives around the world under the lead of our proprietary innovation lab 'Launchpad' in Singapore. Building on our initial work and guided by our evolving holistic artificial intelligence (AI) governance, Launchpad has developed generative AI solutions by testing pre-trained Large Language Models (LLM) on our internal knowledge base. It has delivered efficiencies in the synthesis of knowledge, transcription, translation, and text generation. Our suite of LLM solutions reached the finals in the Singapore Fintech Awards 2023 in the Thematic AI category.

To deliver innovation in a faster, more user- and client-oriented, and collaborative way, we are further developing and expanding the application of agile working methods tailored to the specific requirements of the Group for our approximately 800 employees who are trained in agile ways of working. Our dedicated internal Agile Transformation team continues to support the agile change journey by optimising our agile framework, simplifying governance, increasing the focus on outcomes, and providing experiential in-house training and ongoing team coaching to boost performance. Throughout 2023, we strengthened support capabilities in our major agile delivery centres in Switzerland, Luxembourg, and Singapore.

We remain close to the rapidly evolving fintech ecosystem through various external collaborations and partnerships. One of our partners is Tenity (formerly F10), an accelerator and investor focusing on fintech and insurtech. In cooperation with Tenity, we started the 'Global Web 3.0 Program' in 2023. It aims to link external start-ups with internal bank-related queries. And in Singapore, we launched the 'Julius Baer x Tenity Intrapreneurship Program', which is designed to upskill teams of students with innovation approaches and methodologies based on a 'hackathon' approach. The members of the winning team will be offered roles in our innovation lab in Singapore.

Julius Baer's new data strategy was finalised in 2023. This marks an important step towards using data analytics in a regulatory and ethically compliant way, ultimately delivering business value for clients, shareholders, and employees. The Chief Data Office organisation that we established in parallel is responsible for further strengthening the Group's already robust data management and data governance framework and, at the same time, ensuring compliance with evolving regulatory requirements (see page 19).

Risk culture

Managing risks is an integral part of our business. Julius Baer therefore has comprehensive risk management and risk tolerance frameworks in place. In light of the financial impact from the full specific loan loss allowance for the largest exposure in the Group's private debt loan book recorded in 2023 (see page 4), we will focus on reinforcing a strong risk culture. In addition, Julius Baer will take this opportunity to strengthen its credit framework and is committed to make the changes necessary to guard against similar incidents in the future.

Scaling our business in growth markets

Ever since the 1940s, Julius Baer has ventured beyond the borders of its Swiss home market to stay close to its clients, enter new markets, and seek growth opportunities. In the strategic cycle 2023–2025, we aim to scale our strong presence and secure a leading position in our most important markets. This ambition applies to several established markets but also to growth markets such as Brazil and the Middle East.

Growing to scale in Brazil

By far the largest country in Latin America by size, population, and economic power, Brazil is also one of the world's fastest-growing wealth markets. In the next five years, its number of high and ultra-high net worth (HNW/UHNW) individuals is expected to almost double. The creation of this wealth is driven by a comparatively young and tech-savvy population with an entrepreneurial mindset.

Brazil has always been an important cross-border market for Julius Baer. In 2011, the Group acquired its first local business and has since become the largest independent wealth manager in the country. We want to maintain this strong position and to rank among the top-five providers in the local wealth management industry in the next five years, seeking double-digit growth and market share gains.

To achieve this goal, we will build on our position as the most trusted independent advisor and solution partner for HNW and UHNW clients and their families. We will further streamline and develop our operating model, focus on our value proposition, and leverage our unique global Julius Baer franchise. In addition, we will continue to hire top talent and consider merger and acquisition opportunities.

Growing to scale in the Middle East

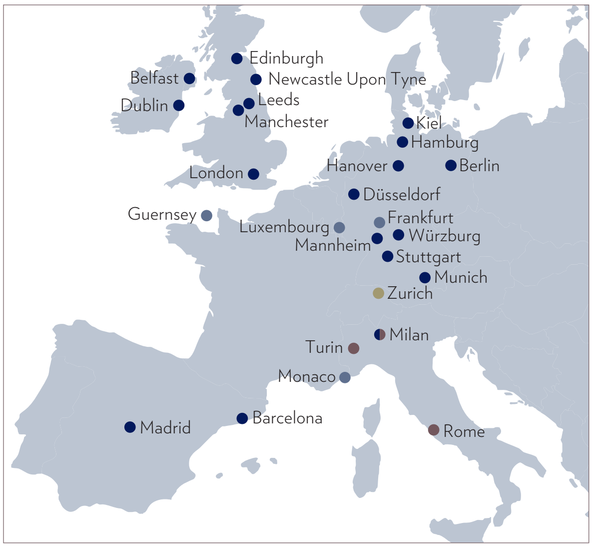
Over the last decade, the Middle East has made significant strides in driving economic diversification, thus reducing its reliance on hydrocarbon resources. The region and especially the countries of the Gulf Cooperation Council – the United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Kuwait, and Oman – have been successful in building future cities with a modern infrastructure, and a competitive knowledge economy with a digital future and excellent connectivity.

Julius Baer recognised the region's potential at an early stage and established its first office at the Dubai International Financial Centre in 2004. Two decades later, we are the oldest company in the financial centre and hold the first licence issued by the Dubai Financial Services Authority. Alongside Dubai, our Middle East business has local offices in Manama and Doha and we also cover the region from traditional hubs such as Zurich, Geneva, and London.

Given the strong focus in the Middle East on family-owned businesses and Julius Baer's own heritage as a family business, we are in a unique position to support our HNW and UHNW clients in the transfer of wealth that is currently underway in the region. We are in the process of expanding our locally adapted offering from private equity and digital assets to Islamic finance in response to growing client demand.

Global presence

Europe



Switzerland

Our locations in other parts of the world

- Head Office and booking centre
- Location
- Location and booking centre
- Strategic partnerships in Bangkok, Thailand, with Siam Commercial Bank (40%), and in Tokyo, Japan, with Nomura Holdings Inc. (60%)
- Kairos Partners SGR S.p.A., Milan, fully consolidated subsidiary[2]

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

[2] Julius Baer Group and Kairos' co-shareholders have agreed to sell 100% of Kairos to Anima Holding. Closing of the transaction is expected in the first half of 2024.

The tools that support our risk management efforts are continuously upgraded in line with the Group's evolving operating environment and new use cases. 2023 was marked by the central banks' continued tightening of monetary policy and the resulting stress in the financial system, which led to the failure of several US regional banks and the acquisition of Credit Suisse by UBS in Switzerland. Rising interest rates caused turmoil in the commercial real estate sector in both Europe and China, with several real estate developers failing to pay bond coupons or repay loans, and/or appointing a restructuring advisor. We are using these events as an opportunity to critically review our own risk processes and methods and to make adjustments where necessary.

Geopolitical developments, as well as the introduction of new sanctions in different jurisdictions, continue to present significant challenges for the Group when analysing new rules and developments, identifying in-scope populations and products, and implementing adequate measures. Strict processes and dedicated communication channels assured adherence to the different evolving sanction regimes during the year, thus protecting the Group's capital base and reputation.

To further lower any money laundering risk to Julius Baer, the Group is implementing a new media screening solution that provides improved visibility of relevant and potentially controversial news about prospects and clients. In the initial phase of rolling out this new screening solution, a partial go-live involving the booking centres in Switzerland, Guernsey, Hong Kong, and Singapore took place in 2023.

Julius Baer constantly monitors and consistently mitigates information, IT, and cybersecurity risks. In addition to our organisational measures to manage risks, our efforts are geared towards further enhancing the Group's resilience. Ongoing investments in various information and cyber security measures are complemented by an ongoing awareness campaign for employees to promote a smart and farsighted approach to information security.

To further reduce the risks arising from Julius Baer's cross-border service offering and the resulting complexity for front staff when managing the client book, Julius Baer has strengthened its cross-border risk management framework, including its comprehensive cross-border strategy and market purity.

Regulation

The 2023 Qualified Intermediary (QI) Agreement, which was issued by the US Internal Revenue Service (IRS) and replaces the 2017 QI Agreement, came into effect on 1 January 2023. It includes withholding and reporting obligations for distributions and amounts related to interests in publicly traded partnerships. The new QI Agreement and its impact on the Group have been assessed in detail and the necessary changes were promptly implemented.

The revised Swiss Federal Act on Data Protection (revFADP) entered into force on 1 September 2023. Its main objective is to incorporate and translate the EU's General Data Protection Regulation (GDPR) requirements into Swiss law to ensure the same level of data protection in Switzerland as in all EU countries. Most aspects of the revFADP had previously already been implemented by Julius Baer, given its presence in the EU and the respective cross-border business conducted out of Switzerland. The revFADP contains a small number of requirements that go beyond or differ from the EU GDPR. Julius Baer has implemented those requirements in accordance with the revFADP.

In response to new regulatory initiatives around transaction reporting in Switzerland, Europe, and Asia, we established a holistic programme to ensure that the new requirements are implemented fully and efficiently. Many jurisdictions in which Julius Baer operates intend to introduce new rules on non-financial reporting (e.g. Swiss Ordinance on Climate Disclosure, EU Corporate Sustainability Reporting Directive). To ensure a smooth transition to this new era of corporate reporting, Julius Baer conducted a global impact assessment and began preparations for the timely implementation of future regulatory requirements.

Switzerland

Switzerland is Julius Baer's home market and is where the Group's main booking centre is located. As the second-largest manager of Swiss private client assets, we serve a significant number of domestic clients as their principal banker, as well as a diverse international group of wealthy individuals. Julius Baer continues to achieve a high level of brand awareness in its target client segments of high and ultra-high net worth individuals (HNWIs/UHNWIs). Thanks to our presence in Switzerland's culturally and linguistically diverse regions, we speak the same language as our clients and understand their cultural background and mindset. We also know the challenges that specific cantonal legal, tax, and inheritance regulations pose for individual client groups – from practitioners to pensioners and from business owners to homeowners.

In line with the Group's strategic thrust, we focused on significantly expanding our client-facing staff and enhancing their skills and expertise in 2023. In particular, we further strengthened our position in Switzerland by establishing new teams and making significant hires in various locations during the year. With our new teams covering the cantons of Aargau and Solothurn, as well as key hires at our branch in Basel, we can now serve our clients even more effectively at a regional level. In Geneva, we established a new team to deliver a dedicated offering tailored to the needs of local entrepreneurs and executives, and we successfully expanded our real estate offering with the opening of a Geneva branch of KM&P – the Zurich-based real estate service provider that we acquired in 2021. To better meet and exceed the diverse needs and expectations of our domestic HNW and UHNW clients, we continued to focus on areas such as pension fund solutions for professionals, financing solutions for business owners as part of our holistic wealth management approach, and mergers and acquisitions (M&A) advisory for entrepreneurs, supported by our new Corporate Finance Services team. In addition, we have built a team to advise Swiss non-profit foundations.

The measures implemented thus far have gained traction with our clients and are reflected in our results. In 2023, net new money (NNM) inflows significantly accelerated year on year, particularly into advisory and discretionary mandates. This contributed to higher assets under management (AuM) and a higher penetration of mandate-based solutions.

Europe and Eastern Mediterranean

Europe is a key region for our Group where we are seeing good growth and opportunities to scale our business in the future, in line with our strategic ambitions. Reflecting their needs and preferences, we serve our clients from international Group locations as well as locally from our advisory locations and branches across Europe. While our private client business in Germany is predominantly booked and operated locally, our booking centre in Luxembourg serves as the primary hub for our other European business, complemented by our booking centres in Guernsey and Monaco.

In 2023, we continued to see strong client interest in our value-adding products and mandate-based solutions, supported by our offering in areas such as private equity, direct private investments, M&A advisory, tailored financing solutions, and wealth planning. Ongoing geopolitical tensions and the tightening of monetary policy by central banks generally increased our clients' risk awareness. These developments also influenced the level of security and international diversification that clients are seeking for their assets, and they were able to benefit from our expertise and global set-up. Despite some deleveraging impacts due to the rising interest rate environment, NNM inflows from our European businesses and AuM developed favourably.

In **Germany**, the largest and one of the most attractive wealth management markets in Europe, we serve our clients from a number of Group locations. *Bank Julius Bär Deutschland AG*, which is based in Frankfurt, has a top-tier position in the market, built on our outstanding reputation, our solid financial foundations, and our wide product and service offering, which is accessible to clients via our network of ten locations across the country. This makes Julius Baer very attractive for existing clients and prospects, as well as for employees. In 2023, as part of our growth strategy for Germany, Julius Baer expanded the range of real estate services and specific market information and insights for private individuals, complemented by strategic partnerships with leading local real estate service providers. Our offering now includes advisory, brokerage, and financing, as well as related services such as property valuation and portfolio optimisation. Our locally booked private client business achieved a robust performance in 2023. In the current environment of geopolitical and monetary uncertainty, interest in our value-adding products and advisory services remained high and showed in positive NNM. The proportion of discretionary mandates increased, and AuM held up well.

Our well-established advisory business, which we operate out of **Luxembourg**, serves a substantial and growing domestic client base, as well as private clients and intermediaries from selected markets in Western Europe. We rank among the largest local wealth managers in Luxembourg and we continued on our growth path in this market in 2023. NNM inflows remained favourable, contributing to higher AuM.

In 2023, Julius Baer celebrated ten years of success in **Spain**. The past decade saw our number of employees and assets under management increase significantly. In the year under review, we experienced further positive business momentum. We continued to broaden our product and service offering, which is tailored specifically to the Iberian market, and we hired additional RMs at our locations in Madrid and Barcelona. This helped us to strengthen our position and profile in the Iberian Peninsula, most notably in the UHNWI segment. NNM inflows from our growing client base contributed to higher AuM.

Julius Baer is the largest wealth manager in **Monaco**, where we serve a substantial domestic client base, as well as private clients and intermediaries from selected markets in Western and Eastern Europe, the Middle East, and Latin America. In 2023, we increased our number of RMs and the penetration of discretionary mandates.

Italian clients are served from international locations as well as at a local level in **Italy** through *Julius Baer Fiduciaria S.p.A.* in Milan, one of the country's largest fiduciary companies. Italy ranks among the biggest European markets in terms of savings. Generational changes and liquidity events create opportunities in the HNWI and entrepreneurial segments, particularly for a pure wealth manager like Julius Baer with a focused business model, a comprehensive offering, and a strong financial position. To better exploit these opportunities and to achieve further growth, we strengthened our coverage of Italy and Ticino with the appointment of a new Market Head Italy and new teams in 2023. In line with Julius Baer's strategic focus on our core business and in order to place an

Attracting and developing top talent

Our more than 7,000 employees at over 60 locations worldwide are our most valuable asset and are the principal enablers of Julius Baer's strategy of *focus*, *scale*, and *innovate*. To achieve our ambitious growth targets, we drive the development of in-house talent and, at the same time, strive to attract proven specialists as well as young professionals who are at the start of their career.

True to our strategy, our hiring activities focus primarily on the geographies where we want to grow to scale and on accelerating our digital business transformation. We seek to attract experienced employees both in client-facing roles and support functions, as well as professionals with analytical or creative mindsets. In 2023, 535 new colleagues joined Julius Baer, of which 95 were relationship managers (RMs). This strong hiring momentum underscores our reputation as an employer of choice and our excellent position within the wealth management industry.

Our training and development offering for existing employees is designed to foster internal mobility and to promote professional learning and development across all functions. At present, our international Graduate Programme is preparing over 50 university graduates for a career at Julius Baer. Our recently launched Associate RM Programme with its first batch of 20 participants provides best-in-class training for the next generation of RMs. And a wide range of Leadership Development Programmes ensures that managers at all levels have the right expertise to master challenges in the rapidly evolving world of finance.

even greater emphasis on the business with Italian clients served out of various locations, we have agreed to sell *Kairos,* our majority-owned Italian asset and wealth management company, to Anima Holding. The closing of the transaction is expected in the first half of 2024, subject to regulatory approval.

Julius Baer is one of the most respected private wealth managers in the **UK**. As part of our commitment to offering bespoke services to our clients, while providing an attractive working environment for our employees, and reducing our carbon footprint, we relocated our London office to a new, state-of-the-art building in the vibrant and well-connected area of Farringdon in mid-2023. Complementing our four existing regional offices, we established a new presence in Newcastle in October with the aim of delivering tailored services for clients in the north-east of England and driving forward our growth strategy in the UK. Discretionary portfolio management continues to be the primary offering in this market, while our advisory business remains a core offering. We experienced headwinds in 2023 due to rising interest rates, which prompted clients to favour cash holdings and reduce their risk appetite, resulting in some deleveraging within existing portfolios. In addition, the declining volume of liquidity events in the market led to longer lead times between initial contact and client investment. Nevertheless, thanks to our rising number of RMs, we achieved pleasing NNM inflows, contributing to higher AuM, particularly in mandate-based solutions.

In the small yet dynamic wealth management market of **Ireland,** we run our business from our office in Dublin. In July 2023, we relocated from Hume Street to Stephen's Green in the city's Central Business District. Our new offices allow us to showcase the Julius Baer brand and ensure our continued growth while demonstrating our commitment to Ireland. Ranking among the top-three local wealth managers, we continued to capitalise on our leading position among HNWIs and UHNWIs in this market in 2023. Rising interest rates were reflected by increased cash holdings and deleveraging in client portfolios. However, NNM inflows and AuM continued to develop very favourably.

In Central and Eastern Europe, the application of sanctions imposed in the aftermath of Russia's invasion of Ukraine continued to dominate activities in 2023. We moved ahead with the related closure of our Russian desks in a number of Group locations, and the centralisation of our Russian client book. These measures have enabled us to reduce the complexity of our operations in this market and to lower risk exposures. Providing full transparency for affected clients has been a priority for us at all times.

The Eastern Mediterranean region continued to be impacted by domestic issues as well as long-running geopolitical tensions, such as the Israel-Hamas conflict that reignited in October 2023. Julius Baer serves the global Israeli community from international Group locations and is present in **Israel** with a branch in Tel Aviv. The increase in new business with Israel-based clients recorded in the first half of 2023 intensified in the second half of the year, reflecting our clients' growing need for security and Julius Baer's reputation as a solid and trusted international wealth manager. We are monitoring the situation in the region closely to protect the interests of our clients and the wellbeing of local employees as effectively as possible.

Middle East and Africa

We serve our chosen markets in the Middle East and Africa primarily from our main regional hub in Dubai in the **United Arab Emirates** (UAE). In addition, we have local offices in **Qatar**, **Bahrain**, and **South Africa,** and we also cover the region from our traditional hubs in Switzerland and from London.

Middle East and Africa is a diverse region that is evolving rapidly as a result of the economic and political transformation that is underway. This is creating the potential for growth despite current geopolitical tensions. The Arab nations, in particular, are playing an increasingly important role in this context, given their position as economically advanced countries in pursuit of innovation and entrepreneurship. The difficult markets in 2023 led to a decrease in transaction volumes and to client deleveraging. Thanks to our strong positioning and excellent coverage across different locations, we nevertheless recorded positive NNM inflows, contributing to higher AuM at the end of 2023.

Julius Baer has been present in the Middle East for almost two decades. We opened our first office in Dubai at the Dubai International Financial Centre (DIFC) in 2004, which makes us the oldest company in the DIFC and the holder of the first-ever licence issued by the Dubai Financial Services Authority. Today, we have one of the largest private client franchises of any foreign wealth manager in the country. Reflecting our leading position in this market, we were named 'Best Private Bank in the Middle East' for the third consecutive year at the 2023 Global Private Banking Awards presented by Professional Wealth Management and The Banker.

Asia-Pacific

Julius Baer is one of Asia-Pacific's largest wealth managers and consistently ranks in the top tier in terms of AuM, which account for about a quarter of the Group's total AuM. Asia-Pacific continues to be of strategic importance to the Julius Baer Group and we view it as our second home market. This is reflected in our significant footprint and solid reputation amongst our HNWI and UHNWI target segments in the region. In 2023 – for the 14th consecutive year – we were named 'Best Boutique Private Bank Asia' by The Asset magazine. The award reflects the consistency, unwavering commitment, and outstanding quality of service that Julius Baer provides. Furthermore, our efforts to address the needs of the next generation of clients have also been recognised externally with Julius Baer named 'Best for next-gen/millennials in Asia' at the Asiamoney Private Banking Awards 2023.

To stay at the leading edge of wealth management in Asia-Pacific and maximise our grasp of the strong client potential resulting from the region's rising concentration of wealth and continued momentum in the creation of new wealth, we focused on investing in our people, product offering, platforms, and processes in alignment with our commitment to delivering high-quality services and a first-class client experience. Our dedication to a client-centric business model was further reflected in the meaningful growth of our RM base in 2023, which contributed to very gratifying NNM inflows.

Singapore and Hong Kong are our key hubs and local booking centres in the region. While both locations offer significant synergies for Julius Baer through economies of scale generated by our platform and process enhancements, they each pursue their own specific regional growth strategies and have different geographic roles to play. **Hong Kong** is considered the main financial centre for North Asia and has a close proximity to mainland China and the Greater Bay Area. Early 2023, the Group announced the opening of its new office at Two Taikoo Place, bringing together all Hong Kong employees in a single location. This move further demonstrates Julius Baer's strong commitment to the region. In addition, Julius Baer, together with Cornell University and the consulting firm RSM Hong Kong, launched a Family Wealth Planning Certificate Programme. The first of its kind, the programme is designed to provide interested clients and the next generation of their families with the skills needed to navigate cross-generational transitions and preserve their family legacy. **Singapore**, as an important banking hub for Southeast Asia, is increasingly seen as a technology centre and it also hosts the largest outlet of our Group-wide innovation lab. Highlights in Singapore in 2023 included the positive expansion of our RM base through the selective hiring of individual professionals as well as entire teams. In addition, our strong position in this market was reflected by the two accolades we received at the Asiamoney Private Banking Awards 2023, where Julius Baer was named 'Best for Discretionary Portfolio Management in Singapore' and 'Best for Family Office Services in Singapore'.

India is on a steep economic growth trajectory that is set to transform the local wealth management market. Reflecting a deep culture of entrepreneurship within the country, nearly three individuals each day join the ranks of UHNWs as their start-ups go public. To meet the growing and evolving demand for professional wealth management, Julius Baer – the largest foreign wealth manager in India – embarked on a five-year transformation journey that entails investments in people, products, operations, technology, and infrastructure. In 2023, we moved our New Delhi office to new state-of-the-art premises. As part of the firm's strategic hub-and-spoke coverage model, this office also functions as a satellite location, playing a crucial role in serving clients in the Delhi region and various locations across North India. In addition, we opened a new office in Pune, increasing our domestic coverage to seven locations. In August 2023, we were granted an Alternative Investment Funds licence, which makes our existing product offering for HNWIs and UHNWIs more innovative and diverse. Our local offering is supplemented by specialised support and solutions that leverage our Group's global capabilities and international network of expertise with a particular focus on the needs of non-resident Indian (NRI) clients. We serve this large and growing global client base through our teams in Singapore, Hong Kong, Dubai, and Switzerland. To meet the growing interest from NRI clients and other international investors to participate in India's growth story, we successfully launched a dedicated India equity fund. For the fourth consecutive year, Julius Baer was named 'Best Private Bank – Global Indians' in the 2023 edition of the Asian Private Banker Awards for Distinction.

Our presence and activities in Asia-Pacific are complemented by dedicated local partnerships and participations. In the second half of 2022, we became a strategic investor and business partner of GROW Investment Group (GROW), a private equity fund management company located in **Shanghai**, where Julius Baer also has a representative office. Together we will establish a distribution network providing GROW's eligible domestic clients with access to selected Julius Baer products under the Qualified Domestic Limited Partnership status that GROW was granted in November 2023. At the same time, Julius Baer's global clients will gain access to local investment expertise and assets via the Qualified Foreign Institutional Investor products of a renowned and trusted Chinese partner. We further deepened our collaboration with GROW in 2023 by offering comprehensive training for GROW's employees and inviting GROW's clients to Julius Baer's private client events.

Our joint venture with Siam Commercial Bank (SCB) in **Thailand**, *SCB-Julius Baer Securities Co., Ltd.* (SCB JB), targets Thai HNWIs and UHNWIs and has a unique and growing position in the country's domestic wealth management market, which is still in its infancy. The partnership provides clients with a seamless experience, combining SCB's strong brand and local expertise with Julius Baer's full offering of international wealth management capabilities. Complementing our expanding range of products and services, we launched a new outreach programme focusing on generational wealth transfer in 2023.

Julius Baer Nomura Wealth Management Ltd. (JBNWM) is our strategic partnership with Nomura in **Japan**. It gives Nomura's local HNW and UHNW client base access to our bespoke discretionary mandates and services. In a significant push to further advance the venture and its benefits for clients, Nomura delegated its organisational responsibilities, appointed a new and experienced liaison officer, and started an initiative to further promote the JBNWM offering to Nomura's RMs.

Latin America

Julius Baer is a major international wealth manager in Latin America. We maintain close relationships with the region's HNWIs and UHNWIs at a local level through our offices in São Paulo, Rio de Janeiro, Belo Horizonte, Mexico City, Santiago de Chile, Montevideo, and Bogotá, as well as from other Group locations. This strong local presence, combined with our international investment expertise, differentiates us from many of our competitors.

Our business in Latin America has been transformed in the past few years. While the initial focus was on simplifying and de-risking our business, we made significant progress in 2023 in building the foundations for and sharpening our focus on sustainable growth. We added further hires to our local operations – with a particular focus on Brazil – to drive business growth. This was complemented by the hiring of new colleagues in international locations. Asset gathering remained challenging in Brazil, mostly due to the restructuring of local businesses. We nevertheless recorded NNM inflows in several other of our focus markets in the region. At the same time, we continued our educational offering as well as wealth management and family office programmes, delivered in collaboration with renowned universities in various countries. These initiatives have helped to improve our brand perception and to increase the understanding of our offering and value proposition, as well as creating opportunities for lead generation. Discretionary mandates penetration increased.

Brazil is an important wealth management market and offers vast potential for us as the country's largest independent wealth manager. When serving Brazilian private clients, Julius Baer stands out due to our local presence as well as our combination of global and domestic expertise and investment content. In 2023, we welcomed a large number of new talents, including RMs, allowing us to expand our local presence. November 2023 represented a milestone for Julius Baer in Brazil, with the merger of *Julius Baer Family Office* and *Julius Baer Advisory Office*. The combined commercial teams offer complementary services, with the advisory and portfolio management licences now integrated in one legal entity. The changes will create synergies and scale by unlocking many of Julius Baer's international capabilities going forward, while clients will be able to receive advisory services and portfolio management services from the same RM. The client experience will be further strengthened by the RMs' enhanced access to Julius Baer's internal tools and services. Also in November 2023, we achieved the distinction 'Highly Commended' in the category of 'Best Private Bank in Brazil' for the first time at this year's Global Private Banking Awards by Professional Wealth Management, a Financial Times publication.

Our activities in **Mexico** generated good momentum, driven in part by our growing number of RMs covering this market. We continued to successfully deliver on the needs of existing and new clients thanks to our dedicated team of specialists with a deep knowledge of our clients' expectations and wishes, as well as our growing brand recognition and reputation within the local market. Our representative office in Mexico City, which inaugurated new premises in July 2023, strategically positions Julius Baer in the heart of the capital's thriving financial district.

In **Colombia**, we successfully increased the scale of our business and strengthened brand awareness, leveraging our local representative office licence. In **Uruguay**, our refurbished Montevideo office has undergone significant personal and organisational changes in the last twelve months. In Santiago, in the heart of **Chile**, we continued to develop our business and generated good momentum, benefitting from our position as the international wealth manager with the largest local presence in the country.

Intermediaries business

Our Intermediaries business once again experienced sustained growth in 2023. In line with the Group's overall strategic objective to grow to scale, we further strengthened our presence in key strategic markets, especially the UK and Spain, while expanding our capabilities in the Middle East and Latin America. As a result of these efforts, we saw pleasing NNM inflows across most of our key markets, making this business an important and consistent contributor to Julius Baer's overall growth and financial success.

Our strategic approach builds on adaptable coverage frameworks that are carefully crafted to meet the evolving requirements of our diverse clientele. These frameworks provide our intermediary clients with a robust foundation in a challenging market environment, helping them to deliver the targeted level of service to their end-clients.

To maintain our leading position in this important global B2B business, we continued to broaden our suite of products and services in 2023, tailoring it to the needs of our intermediary clients. We also reinforced our technological infrastructure and further strengthened the efficiency and effectiveness of our operational workflows. In addition, we continued to enhance our connectivity platform Baer®Connect. Its latest update, launched at the beginning of the year, particularly focused on the client experience, customisation, and the integration of new trading capabilities.

In line with our clients' growing awareness of and concerns around environmental, social, and governance (ESG) matters, we further expanded our ESG-related offerings and services. This included providing comprehensive training on regulations, guidance on how to identify ESG-related opportunities, and support to help clients navigate the evolving ESG space. By offering sustainable investment opportunities, we aim to address the long-term challenges facing both our intermediary clients and society in general. In this way, we are demonstrating our commitment to generating positive social impact and, at the same time, underscoring the pivotal role that financial institutions can play in supporting the transition to a more sustainable and resilient economy.

Investment research: 2023 in review

2023 was a turbulent year for investors. Fixed income markets spent most of the first six months treading water, followed by quite a marked sell-off into October before a massive rally in November and December. The US treasury market in particular was burdened by the country's economic woes in the third quarter and reached a decade-long high with a yield of more than 5% by mid-October. Worries alternated between the risk of the debt ceiling conflict in Congress triggering a US government shutdown and the oversupply of US debt leading to further price erosion.

Towards year-end, the easing of political fears and more muted macro data calmed the bond market. In contrast, equity markets soared during the first months of the year, driven by beaten-down cyclical stocks as recession fears ebbed. The rally ended abruptly, however, amid turmoil in the banking sector, bringing back memories of the Global Financial Crisis of 2007–2008. The containment of the comparatively much smaller 2023 crisis by policymakers, as well as the emergence of generative artificial intelligence, soon provided the next leg up for equity markets, driven by mega-cap technology stocks. At the end of July, the focus of investors shifted back to monetary policy. To be precise, the market started to price in the prospect of interest rates staying higher for longer, given the still solid economic backdrop and stubborn inflation, which continued to hover above the central banks' comfort zone. Weak seasonal patterns exacerbated the situation, sending equities into correction territory. However, this development was short-lived. A sharp drop in bond yields alongside softer inflation and strong seasonal effects helped lift equity markets from their lows at the end of October, setting the stage for a year-end rally.

At the start of 2024, the burden of earlier monetary tightening will keep growth under pressure globally. However, inflation should keep falling until it comes close to the comfort zone of central banks, either by petering out or with a sudden 'bang'. This should open the way for central banks to cut rates. In terms of timing, this will most likely happen sometime in the second or third quarter of 2024. Financial markets usually start to price in rate cuts six to nine months in advance. Depending on whether financial markets are right about the timing and extent of rate cuts – and depending on the landing scenario (hard, soft, or no landing) – the end-of-cycle environment could, however, still cause some jitters in the first few months of the year. After that, risk assets should begin to stabilise to some degree as economic and rate uncertainties wane.

Julius Baer's holistic services and solutions offering

We help our clients to protect and grow their wealth and to transfer it to the next generation. With our holistic advisory approach, we create tailored financial solutions for our clients based on their personal circumstances and wishes. These solutions encompass wealth planning, investing, and financing.

Wealth planning

Our wealth planning capabilities build on the deep understanding we develop with each of our clients. A global network of internal and external specialists delivers our comprehensive range of wealth planning services, together with a variety of sophisticated solutions, to our clients. In this way, we help them to address topics such as their future financial needs, taxes, retirement, succession planning, or relocation as they navigate the different stages of life. Further, we strive to support our clients in creating value beyond wealth by offering solutions related to philanthropy or family governance. With our family office services, we aim to leverage our long-standing wealth preservation and wealth creation capabilities to benefit our clients and their families.

Investing

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

Our Chief Investment Officer steers our five-step proprietary investment process, which incorporates long-term secular trends and is supported by our robust risk framework. The Group's most senior investment experts review our strategic asset allocation annually, taking account of developments that are likely to shape the market environment for the next ten years. After the challenging environment in 2022, conditions in 2023 proved just as difficult to navigate. In our view, we have entered a new market paradigm in which former trends seem to be broken, creating the need to adapt both investment behaviour and reaction functions. We believe that the key to success in this new environment is to favour real assets over nominal assets and to invest in economies that have a strong track record in defending property rights and fostering the creation of shareholder value.

In the Group's current strategic cycle, we are increasingly focusing on our fiduciary capabilities through discretionary mandates and our in-house fund offering in an effort to give access to superior investment solutions that are aligned with our clients' needs and goals.

Market conditions in the last two years highlighted the importance of staying close to our clients and delivering exceptional service even in challenging times. The establishment of a dedicated Mandate Advisors team is further enhancing our sales and after-sales capabilities. Pursuing our ambition to transform our business, while ensuring that our investment and advisory solutions remain relevant for our clients, our dedicated teams achieved significant milestones by:

- continuing to closely monitor critical asset classes in an increasingly complex environment, in particular by observing the emergence of digital assets and developing expertise in this field, as well as integrating additional use cases into our product offering;
- improving the quality and distribution of supporting client material for mandates;
- enhancing the attractiveness of our private market offering; and
- expanding our expertise and coverage to direct and indirect real estate investments, with a focus on Switzerland and Germany.

Investment content

As a result of continued geopolitical tensions and discussions about peak interest rates, investors and markets have remained cautious in recent months. To facilitate the smooth and timely communication of the Bank's views on these and other relevant topics, including rapid advances in artificial intelligence (AI) or the role of real estate as the world's biggest store of value in the fight against climate change, we have provided continuous investment updates in various formats across multiple channels.

In 2023, we broadened the reach of our fully digital Targeted Investment Ideas post, which we now also deliver to Advisory Premium Mandate clients outside Switzerland. The individual investment solutions that it proposes are aligned with our clients' preferences based on their individual investment behaviour. Further, the number of our automatically distributed client-friendly discretionary mandate updates more than doubled in 2023. With their clear and informative content and attractive visual elements, these mandate-specific insights into current market developments have met with a very positive response from clients.

Financing advisory and product offering

Our financing capabilities give our wealthy clients the flexibility to optimise their current holdings, manage their liquidity needs, or obtain bespoke financing solutions. As part of our holistic financing advisory and product offering, our private clients have access to mortgages and to a wide range of standard credit products on a secured basis, as well as to tailored financing solutions. A Mergers & Acquisitions Advisory function for our entrepreneur and business-owner clients in selected European markets complements these capabilities.

Our loan book continued to be prudently managed overall, ensuring the high credit quality of our Lombard and mortgage exposure during a period of persistent market uncertainty and rising interest rates in 2023. This is demonstrated by the Group's ratio of net credit losses over its loan book that remained consistently below 0.2% in any year prior to 2023 (since the creation of Julius Baer Group Ltd. in 2009). In light of the financial impact from the full specific loan loss allowance for the largest exposure in the Group's private debt loan book recorded in 2023 (see page 4), Julius Baer has decided to exit the private debt business, and we will use this opportunity to strengthen our credit framework.

Markets

The primary focus of our Markets unit is on providing best-in-class execution and trading advice to our wealth management and institutional clients. Through our trading hubs in Zurich, Singapore, and Hong Kong, we offer access to all major financial markets on a 24-hour basis. Direct channels to our product experts ensure that clients receive comprehensive support in all execution, trading, and structuring-related matters. The Markets unit also plays an important role as a manufacturer and risk manager of structured products and derivative solutions issued from Julius Baer Group's balance sheet.

Our digital tools, such as the Markets Toolbox – a real-time structuring, pricing, and trading platform for equities, currencies (FX), and precious metals – have an increasingly important part to play in the delivery of services, helping to ensure the best possible client experience. The latest additions to our digital offering include access to our full FX product universe for sophisticated private clients with trading experience, as well as intermediaries and custody clients. Other product-related innovations include the expansion of our universe of actively managed certificates (AMCs) to include FX as an underlying, and the expansion of our funds secondary trading capabilities to BX Swiss.

Thanks to the broad diversification of its business lines – and despite challenging market conditions throughout 2023 – the Markets unit was again able to make a significant contribution to the Group's results.

Direct private investments

Direct private investments are one of the fastest-growing asset classes overall. They give UHNW clients and family offices access to investment opportunities in private equity, private debt, and other unlisted or illiquid assets. Structured as single direct investments or as co-investments with an institutional lead investor, they allow clients to benefit from diversification and asymmetric returns while gaining exposure to the industries that best match their investment philosophy. Julius Baer's dedicated Direct Private Investments team, operating out of Switzerland and Hong Kong, has secured a number of significant mandates and strengthened its placement power. Reflecting tight financing conditions and heightened economic uncertainty, private company transaction activity – on both the fundraising and the exit side – was muted in 2023. In this environment, many company founders resisted outside investment in their business to avoid equity dilution at lower valuations. Instead, private companies focused on the reduction of costs and the accelerated achievement of profitability.

Despite the subdued market dynamics, pockets of activity remained in the AI, foodtech, and healthtech space, and Julius Baer was mandated by several private companies in these areas to support them in raising capital. If the global economy experiences a 'soft landing' in 2024 and central banks start to normalise their monetary policy, we expect the current deal bottleneck to ease and private market activity to increase.

Global custody

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

Our strategy

Julius Baer's long-term strategy is focused on international wealth management. We are currently in the 2023–2025 cycle of this strategy and aim to deliver profitable, high-quality growth.

In 2023, following the successful conclusion of a three-year phase of transition and consolidation, Julius Baer entered a new three-year strategic cycle. In line with our purpose, the Group aims to deliver value through wealth management and beyond, by growing and protecting the wealth of our clients and helping them to pass it on to the next generation. We are continuing to concentrate exclusively on wealth management, which is our core area of expertise, and we are pursuing a business model that combines manageable complexity with steady and predictable returns. Further, we are maintaining our focus on high net worth and ultra-high net worth (HNW/UHNW) clients and on serving intermediaries and family offices. Our business is built and delivered around personal relationships with our clients. The provision of personal client services will continue to be of primary importance in the future and will be enriched through the effective use of digitalisation.

Julius Baer will drive further growth and strive to achieve critical mass, not only at Group level but also in our individual markets. Our open product platform gives clients access to the best solutions on a global scale. We also aim to further strengthen our broad range of in-house product capabilities in the areas that create the greatest value for clients. These cornerstones of our approach, along with our proven security and stability as a bank, form the foundations of the Group's future strategic development. As we work towards our goals, all our employees are driven and inspired by Julius Baer's purpose: creating value beyond wealth.

Julius Baer's 2023–2025 strategic cycle is built on three pillars: *focus*, *scale*, and *innovate*.

Focus

Julius Baer will continue to *focus* on creating value for clients through our pure wealth management business model while seeking to generate further sustainable and profitable growth.

We aim to enhance the quality of the Group's earnings by strengthening our ability to grow our recurring income. To achieve this, we target a meaningful increase in discretionary mandate penetration, thus positioning delegated solutions as a strong value proposition to complement our market-leading advisory offering. Further, we will continue to evolve our product mix and offer value-based pricing.

Through strategic and dynamic cost management, Julius Baer expects to generate gross expense savings of CHF 130 million by 2025. We aim to achieve these savings by further streamlining the Group's geographic footprint and market coverage, and by using technology and agile working methods to enhance efficiency, as well as by optimising our organisational structure.

Scale

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

In an acceleration of our core market strategy, Julius Baer will place a particular emphasis on scaling the business in those markets that offer the most attractive opportunities to achieve critical mass and accelerate profit growth. In Europe, we will leverage our strong onshore presence in Germany, the UK, and Iberia, as well as our leading position in our home market of Switzerland. In North and

Southeast Asia, we will continue to deliver outstanding service to HNW and UHNW clients out of our Singapore and Hong Kong hubs. In the growth markets of Brazil, the Middle East, and India, the Group will build on our well-established presence to seize further attractive business opportunities.

We will pursue growth in these focus markets in three ways. First, Julius Baer will strive to recruit the best talent and the most experienced client-facing employees (relationship managers, investment advisors, and wealth planners). Second, we will drive the development of in-house talent across all functions from the front office through to the middle and back office. And third, we will seek to generate additional growth through a disciplined approach to acquisitions, building on our track record of value-creating transactions and successful integrations.

Innovate

We will *innovate* to ensure the Group remains highly relevant – including through the targeted digitalisation of the business for the benefit of our clients.

Over the 2023–2025 strategic cycle, Julius Baer expects to make further investments in technology totalling about CHF 400 million on top of its regular investment budget. This increase in investment will be achieved incrementally and will be largely capitalised. The resulting impact on expenses will be mitigated by the aforementioned targeted cost savings of CHF 130 million.

Julius Baer will make substantial investments in front-to-back technology with the aim of enhancing operational efficiency, supporting relationship managers, and facilitating the further digitalisation of the value chain to drive state-of-the-art client delivery. We will also explore opportunities to collaborate with further external technology partners. At the same time, we will continue to invest in our alternative assets offering, including private markets and real estate, and further explore the longer-term potential of digital assets, while being mindful of the inherent volatility of this emerging asset class.

Changes to the Executive Board

To enhance the delivery of our targets for the 2023–2025 strategic cycle and beyond, at the beginning of October 2023 Julius Baer announced changes to its regional structure with the aim to create encompassing responsibility for client experience and to strengthen the importance of people management and culture. As a result, the Group made new appointments to the Executive Board, complementing its leadership team through a number of in-house promotions and select new hires. The changes in structure and leadership will take effect on 1 January 2024.

The changes in regional structure will create maximum proximity to clients and their needs, thereby accelerating the growth of the Group's franchise. The newly created division Client Strategy & Experience will set global standards in client service, providing support, segment management, marketing, and front risk management for all regions. With the representation of Human Resources on the Executive Board, the updated leadership structure further reflects the central role of people and culture in Julius Baer's strategy of *focus*, *scale*, and *innovate*.

Sustainability for all stakeholders

The delivery of our strategic plan for the 2023–2025 strategic cycle will be underpinned by an engagement-led sustainability strategy (see page 34 ff). At Julius Baer, we strive to be a responsible partner to our clients by continuously developing our range of responsible wealth management products and solutions – spanning sustainable investing, impact investing, and philanthropy services – as well as by providing transparent reporting to our clients to enable them to track the sustainability performance of their portfolios. Environmental, social, and governance (ESG) principles are deeply embedded in Julius Baer's risk management framework. The Group has also launched a climate strategy to reach net zero by 2050. This includes ambitious interim targets, validated by the Science Based Targets initiative (SBTi), and the decarbonisation of the Group's treasury and proprietary portfolios.

Julius Baer Group Ltd.[1]

Board of Directors

Chairman of the Board of Directors, Romeo Lacher

Executive Board

Chief Executive Officer, Nic Dreckmann (ad interim)[2]

Regions and clients

Switzerland & Europe[3]	**Americas & Iberia**[4]	**Emerging Markets**[5]
Sonia Gössi*	Carlos Recoder Miralles*	Rahul Malhotra*
Asia[6]	**Intermediaries & Family Offices**	**Client Strategy & Experience**
Jimmy Lee Kong Eng	Thomas Frauenlob*[7]	Sandra Niethen*

Products and solutions

Investment & Wealth Management Solutions

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

Strategy, stakeholder relations, and corporate functions[8]

Chief Financial Officer	**Chief Risk Officer**	**Chief Human Resources Officer & Corporate Affairs**	**Group General Counsel**
Evangelia (Evie) Kostakis	Oliver Bartholet	Guido Ruoss*	Christoph Hiestand*

1 Operational Group structure as at 1 January 2024; *denotes newly appointed members.

2 On 1 February 2024, former CEO Philipp Rickenbacher stepped down, with Nic Dreckmann, Chief Operating Officer and Deputy CEO, stepping in as CEO ad interim. For the time being, his previous function as Chief Operating Officer (COO) will be assumed by the current Deputy COO (participating as non-voting guest in Executive Board and Committee meetings) and his previous function as Head of Intermediaries by the current Market Head Intermediaries APAC & EMEA (until 31 March 2024, see also footnote no. 7).

3 Former Region Switzerland & EMEA; handover of lead from Yves Robert-Charrue to Sonia Gössi on 3 January 2024.

4 Former Region Americas; its head Beatriz Sanchez assumes the strategic role Chair of Americas effective 1 January 2024.

5 Region Emerging Markets includes the markets Global India (on- and offshore), Middle East and Africa, Central and Eastern Europe, Israel, Greece, and Turkey.

6 Former Region Asia-Pacific.

7 Effective 1 April 2024, see also footnote no. 2.

8 As of 1 February 2024 and for the interim period, the Chief Operating Officer function will be represented by the current Deputy COO participating as non-voting guest in Executive Board and Committee meetings.

Robust risk management

Prudent risk management forms the foundations on which our business is built. Over the past few years, Julius Baer has made substantial investments in this area and has devoted significant human resources to reinforcing our risk culture. We will continue to pursue a rigorous and foresighted risk management approach, maintaining the highest standards and robust processes, and we will invest in further strengthening our 'know your client', anti-money laundering, and other capabilities. At the same time, we will actively pursue the resolution of legacy legal matters and seek the swift and effective remediation of any new issues that may arise.

In light of the financial impact from the full specific loan loss allowance for the largest exposure in the Group's private debt loan book recorded in 2023 (see page 4), the Board of Directors will focus on reinforcing a strong risk culture, in line with our overarching objective to use our solid balance sheet with the utmost prudence for the benefit of our clients. In addition to exiting the private debt business, Julius Baer will take this opportunity to strengthen its credit framework and is committed to make the changes necessary to guard against similar incidents in the future.

Financial targets 2023–2025

Julius Baer's ambitious three-year targets, effective from the start of 2023, are as follows:

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

These targets apply for the 2023–2025 period, provided there is no significant deterioration in markets or in foreign exchange rates.

Capital management and distribution

We are committed to preserving the quality and strength of the Group's balance sheet and capitalisation. Julius Baer therefore aims to maintain a total capital ratio of at least 15% and a CET1 capital ratio of at least 11%. Both targets represent a prudent buffer of around three percentage points above the regulatory minimum requirements.

Reflecting the ability of our business model to generate significant capital, we continue to target an ordinary dividend payout ratio of approximately 50% of adjusted net profit attributable to shareholders. However, excluding any significant unforeseeable events, we intend to distribute an ordinary dividend per share that is at least equal to the previous year's dividend per share.

Moreover, any additional capital meaningfully exceeding a CET1 capital ratio of 14% at the end of the financial year will be distributed through a share buy-back programme that is to be launched in the following year, unless opportunities for M&A transactions arise that would fit the Group's strategic and financial criteria.

Executive compensation

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

This chapter of the Business Review is an excerpt from the Corporate Governance chapter of the Group's Annual Report. Further information on the implementation of the strategy can be found in the other sections of this publication.

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

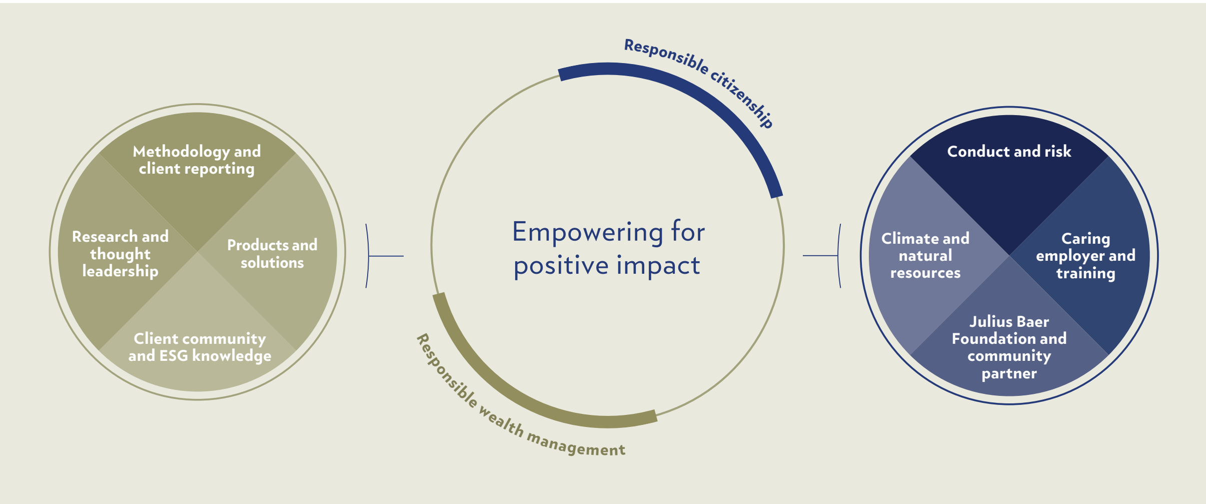
Sustainability

Sustainability-related challenges and opportunities continue to shape the world around us, with far-reaching implications for our operations and the investment environment. At Julius Baer, we strive to empower our clients, employees, and other stakeholders to generate positive impact.

Sustainability strategy

In the ever-evolving sustainability and regulatory landscape, our strategic sustainability framework enables us to both mitigate environmental, social, and governance (ESG) risks and to capture new business opportunities. Based on our ambition to empower for positive impact, the framework reflects our ecosystem of services in the area of responsible wealth management and also covers our corporate citizenship activities.

Our outcome-driven sustainability strategy is a key enabler of Julius Baer's overall strategy and of the Group's purpose to create value beyond wealth. Our sustainability strategy is rooted in stakeholder engagement and our in-depth assessment of material sustainability issues. In 2023, Julius Baer sought to keep pace with innovations and new regulations, fulfilling our ambitions across the two pillars of responsible wealth management and responsible citizenship.



Responsible wealth management

Methodology and client reporting

Julius Baer was named 'Best private bank for technology for ESG reporting' at the Wealth Tech Awards 2023 hosted by Professional Wealth Management (PWM), a magazine published by the Financial Times Group. During the year, we broadened the geographic scope of our ESG client reports to include the UK, alongside Switzerland and Luxembourg. These reports contain ESG category breakdowns for client portfolios across equities, bonds, and funds, and they show the proportions of sustainable, responsible, and traditional investments, as well as ESG risks. We further enhanced the reports to include a dedicated section on climate metrics, providing additional insights into the portfolio's global footprint equivalent[1] and its warming path.

Products and solutions

To guide clients on their sustainability journey, Julius Baer offers a range of products and solutions across sustainable investing, impact investing, and philanthropy. In 2023, we continued the process of integrating ESG factors into the management of discretionary mandates. At the end of a challenging year for markets, assets under management in these sustainability mandates totalled CHF 2.7 billion, a decrease of 8% compared to the previous year, as demand was dampened by the volatile markets and economic turbulences, particularly in the field of energy transition. We also expanded our expertise in the area of philanthropy, widening our global philanthropy expert group to include representatives in Dubai and Hong Kong.

Client community and ESG knowledge

We offer a range of initiatives in various formats to help our clients improve their financial and sustainability knowledge. Our Sustainability Circle, an exclusive community of clients with a strong interest in sustainability, remained a key focus of these efforts. During the year, we moved ahead with the community's global rollout, bringing together philanthropists, entrepreneurs, and business leaders in Asia and Latin America for the first time. We hosted in-person and virtual events on a range of topics, including decarbonising real estate, sustainable food systems, and the future of urban mobility. Furthermore, our Young Partners programme, which caters to the needs of our younger clients, explored the topic of sustainable finance.

Research and thought leadership

With our thematic Next Generation investment philosophy, we aim to understand the long-term and structural shifts caused by two critical sustainability megatrends: the overuse of natural resources and the underuse of human resources. In 2023, as part of our research and thought leadership in these areas, we provided insights into topics such as the energy transition, future cities, and feeding the world. This research supported our client and employee engagement activities.

[1] If the portfolio were to represent the global economy, this measure would be an estimation of the average annual footprint of each person in the world. This can be compared to the maximum footprint that would be allowed to reach the Paris Agreement, the actual global footprint per person today, or the average footprint per person in the G7 countries.

Key human capital indicators

	2023	2022
Our people		
Total headcount (total workforce excl. externals)[1]	7,787	7,236
of which regular staff	*7,505*	*7,006*
Number of employees (FTE) (total workforce excl. externals)[1]	7,425.0	6,890.8
of whom in Switzerland (%)	*52.3*	*52.7*
of whom in rest of Europe (%)	*16.4*	*17.1*
of whom in Asia-Pacific (%)	*24.1*	*23.6*
of whom in Latin America (%)	*4.5*	*4.0*
of whom in Middle East and Africa (%)	*2.7*	*2.6*
Total employee turnover (%)[2]	9.4	10.8
People and diversity		
Ratio of women (% of total regular staff headcount)	42.7	42.4
Women in the levels of Director and above (%)	29.8	28.9

1 Total workforce includes regular staff (employees with an ordinary open-ended Julius Baer contract on a full or part-time basis), temporary staff, trainees, apprentices, and graduates.
2 Total turnover rate of regular staff in %, excluding 'Company Sale/Carve-out' termination reason.

Responsible citizenship

Conduct and risk

We are continuously improving our processes around ethical conduct and risk, strengthening our policies in areas such as preventing financial crime, and ensuring that we adhere to international standards. In 2023, we published new Principles of Employment to raise awareness of the ethical guiding principles and minimum standards of employment at Julius Baer. We also updated our Code of Ethics and Business Conduct. In addition, we analysed the impacts of the reputational risk guidelines that we rolled out in 2022 on environmental and social risks. These guidelines have helped to drive greater awareness around reputational risks throughout the Group, and we are making small adjustments to further advance this process and to successfully manage these risks.

Climate and natural resources (including net-zero targets)

We continued to make progress in implementing our climate strategy as we work towards our long-term net-zero targets. In 2023, we received validation from the Science Based Targets initiative (SBTi) of our near-term climate targets. This includes our goal to invest 36% of our balance sheet and discretionary mandate books[1] in companies with SBTi-validated targets by 2025. Additionally, we intend to reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions in our operations by 90% by 2030 (compared to 2019 levels).

1 Asset classes in scope are listed equity, corporate bonds, ETFs, REITs, and corporate loans.

Promoting more sustainable air travel

As part of our climate strategy, we are committed to reducing emissions from business travel by 30% by 2025 (compared to 2019 levels). In this context, we introduced an internal carbon price on air travel of CHF 100 per metric tonne (t) of CO_2 in 2022. With this measure, we are not only promoting a more conscious approach to travel but are also funding selected decarbonisation initiatives.

In September 2023, Julius Baer announced a partnership with Swiss International Airlines and the Lufthansa Group to purchase sustainable aviation fuel (SAF). This partnership marks an important milestone in the Bank's climate strategy and aims to help develop SAF as a mainstream fuel while reducing Julius Baer's carbon footprint.

SAF is an alternative to kerosene made from biogenic waste such as used cooking oil and animal fat. It will play a central role in decarbonising air travel, as it emits roughly 80% less CO_2 than kerosene. While other solutions, such as planes with electric or hydrogen engines, are still in the early stages of development, SAF can already be produced at an industrial scale today and be used in existing aircraft and infrastructure.

As a global wealth manager, we believe that air travel is important for our business because it allows us to connect in person with clients and other stakeholders around the world. However, we recognise that the flights taken by our employees account for two-thirds of our operational greenhouse gas emissions. It remains our priority to reduce emissions as much as possible, and SAF is a concrete solution that can already help to minimise the impact of flying on the environment today.

At the same time, we will continue to explore opportunities to fund other initiatives, including high-quality nature-based carbon removal projects that have a positive environmental and social impact.

Engaging in stewardship has proven to be one of the most effective ways of fostering change within high-emitting companies, and we have reached some key milestones in this area. This includes exercising our voting rights as a shareholder to support sustainability practices and engaging with high GHG-emitting companies. In 2023, Julius Baer exercised its voting rights at annual general meetings based on sustainability guidelines for over CHF 3.5 billion of assets invested in Julius Baer funds. The Julius Baer Foundation and our employee pension fund also take sustainability factors into consideration when exercising their voting rights. We entered into structured dialogues with several high-emitting companies that we and our clients are invested in. Within this framework, we aim to play a more active role in influencing the companies' paths towards achieving net-zero with the objective of fostering stronger sustainability and climate practices.

To help achieve our goal of reducing emissions from air travel by 30% by 2025 (compared to 2019 levels), we introduced an internal carbon price on business air travel. The proceeds go towards supporting long-term decarbonisation initiatives worldwide (see page 37). In 2023, we helped to fund a portfolio of decarbonisation projects, including technological and nature-based solutions.

Caring employer and training

We made further progress in increasing female representation at the levels of Director and above, raising the proportion to 29.8%. This is just short of our target of 30% by the end of 2023, and we remain committed to reaching this goal over the next 12 months. Our efforts to advance gender equality were recognised with the inclusion of Julius Baer in the Bloomberg Gender Equality Index[1] for the first time. Meanwhile, our employee engagement scores have remained stable at 8.0 out of 10. The corresponding employee net promoter score increased to 42 (+7 compared to 2022), remaining above the industry benchmark.

As part of our commitment to continuous improvement, all client-facing employees receive training on regulatory developments in sustainable finance. Over 950 employees[2] completed modules on sustainability in 2023. We also continued the global rollout of our Sustainability Ambassador community, a network of client-facing employees with specialist training in sustainability topics. Following training sessions in São Paulo, Singapore, and Hong Kong, over 270 relationship managers, investment advisors and portfolio managers, as well as members of the front management team, are now part of the Ambassador network.

Julius Baer Foundation and community partner

In 2023, the Julius Baer Foundation collaborated with 30 organisations in 23 countries, donating a total of CHF 3.3 million, which is in line with the average of the last five years (2018–2022). The Foundation supported initiatives such as a volunteering project with a Brazilian social enterprise that helps to develop the digital skills of young people living in the favelas (slums) of Belo Horizonte, the capital of Brazil's Minas Gerais state.

Community giving through Julius Baer Cares, our employee-led engagement movement, was CHF 787,128, of which CHF 286,660 was matched by the Bank. In addition, 874 employees volunteered for a total of 7,419 community hours (919 days)[3] as part of our Volunteering Month initiative. Our number of volunteers thus increased by around 20% compared to 2022.

[1] The Bloomberg Gender-Equality Index is a modified market capitalisation-weighted index that aims to track the performance of public companies committed to transparency in gender-data reporting.

[2] This figure excludes e-learning sessions as well as regulatory training delivered locally.

[3] Employees might register more than one time and volunteering activities might be scheduled for less than one day.

Sustainability disclosure and recognition

We have maintained a strong position in international ratings, with an AA rating in MSCI ESG[1]. Furthermore, we improved our Morningstar Sustainalytics[2] rating from 20.9 (medium risk) to 17.3 (low risk), taking us from the 12th to the 5th percentile in the category of asset management and custody services. Julius Baer Group Ltd. remains a constituent of the FTSE4Good indices[3], and is also part of the SXI Switzerland Sustainability 25 Index. Our shares are also included in the ESG equity indices of SIX[4].

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

Key environmental indicators[1]

	2023	2022
Energy consumption (MWh)	35,547	37,928
Electricity (MWh)	*25,190*	*26,666*
Greenhouse gas emissions (tCO_2e)[2]	12,667	10,024
of which business travel (tCO_2e)	*8,895*	*6,394*
Water consumption (m^3)	74,517	77,746

1 Unless stated otherwise, the numbers in this table are based on information from Julius Baer's main business locations. These are Zurich, Geneva, Lausanne, Lugano, Basle, and Bern in Switzerland, as well as our locations in Bahrain, Italy, Luxembourg, Brazil, Chile, Germany, Guernsey, Hong Kong, Monaco, Singapore, Spain, the UK, the UAE, Uruguay, and Qatar. These locations cover approximately 95% of our total employees.
2 Greenhouse gas emissions were calculated according to guidelines issued by the WRI/WBCSD Greenhouse Gas Protocol.

1 MSCI ESG ratings provide insight into ESG risks and opportunities within multi-asset class portfolios. Source: www.msci.com/esg-ratings.
2 Sustainalytics' ESG Risk Rating measures a company's exposure to industry-specific material ESG risks and how well a company is managing those risks, with a lower percentile indicating lower risk. Julius Baer is rated in the category of asset management and custody services. Source: www.sustainalytics.com/esg-data.
3 Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products. Source: www.ftse.com/products/indices/ftse4good.
4 ESG Indices from SIX are sustainable benchmarks for the Swiss Capital Market. The goal of SIX is to establish solid, sustainable, and independent benchmarks for the Swiss bond and equity markets. Julius Baer shares are within the SPI ESG and SPI ESG Weighted indices.

Important dates

Annual General Meeting: 11 April 2024
Publication of Interim Management Statement: 23 May 2024
Publication of 2024 half-year results: 25 July 2024

Corporate contacts

Group Communications
Larissa Alghisi Rubner
Telephone +41 (0) 58 888 5777

Investor Relations
Alexander van Leeuwen
Telephone +41 (0) 58 888 5256

Media Relations
Jan Vonder Muehll
Telephone +41 (0) 58 888 8888

International Banking Relations
Armin Hinterholzer
Telephone +41 (0) 58 888 5593

Sustainability Team
Yvonne Suter
Telephone +41 (0) 58 888 4292

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

The Annual Report 2023 of Julius Baer Group Ltd. containing the audited IFRS financial accounts of the Julius Baer Group for the year 2023 is available at www.juliusbaer.com/reporting.

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JULIUS BAER GROUP

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

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