Julius Bär

ANNUAL REPORT 2017

JULIUS BAER GROUP LTD.

Cover pictures:
Impressions from inside the client reception area
at the Head Office in Zurich.
Welcome to Julius Baer!

Including integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestitures, the net profit achieved in 2017 amounted to CHF 716 million. Excluding these items, the adjusted net profit for 2017 amounted to CHF 806 million. Further information on this basis can be found in the presentation and the media release on the 2017 financial results and the Business Review 2017.

KEY FIGURES

	2017	2016	
Return on equity (ROE)	12.8%	12.1%	-
Return on tangible equity (ROTE)[1]	29.7%	28.2%	-
Cost/income ratio[2]	71.8%	72.2%	-
Cost/income ratio[3]	69.0%	68.9%	-

	31.12.2017	31.12.2016	Change %
Consolidated balance sheet			
Total assets (CHF m)	97,917.6	96,207.2	1.8
Total equity (CHF m)	5,854.0	5,353.9	9.3
BIS CET1 capital ratio	16.7%	16.4%	-
BIS total capital ratio	22.0%	17.5%	-
Client assets (CHF bn)			
Assets under management	388.4	336.2	15.5
Total client assets	457.1	391.6	16.7
Personnel			
Number of employees (FTE)	6,292	6,026	4.4
of whom in Switzerland	*3,423*	*3,237*	*5.8*
of whom abroad	*2,869*	*2,789*	*2.9*
Number of relationship managers	1,396	1,383	0.9

[1] Net profit of the shareholders of Julius Baer Group Ltd. less integration and restructuring expenses as well as amortisation of intangible assets/(half-yearly) average shareholders' equity less goodwill and other intangible assets
[2] Excluding valuation allowances, provisions and losses
[3] Excluding valuation allowances, provisions and losses, and integration and restructuring expenses as well as amortisation of intangible assets

Listing	
Zurich, Switzerland	SIX Swiss Exchange under the securities number 10 248 496 Member of the Swiss Market Index SMI

Ticker symbol	BAER

	2017	2016	Change %
Information per share (CHF)			
Equity (book value, as at 31.12.)	27.3	25.0	9.1
EPS	3.25	2.85	
Share price (as at 31.12.)	59.60	45.23	31.8
Market capitalisation (CHF m, as at 31.12.)	13,339	10,123	31.8
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa2	Aa2	-
Capital structure (as at 31.12.)			
Number of shares, par value CHF 0.02	223,809,448	223,809,448	-
Weighted average number of shares outstanding	216,894,003	217,404,899	-
Share capital (CHF m)	4.5	4.5	-

DEAR READER

2017 proved to be a successful year for Julius Baer. Supported by an overall favourable financial market environment, the operating performance of our Group showed clear improvement on all levels as we reaped the fruits of last year's strategic hiring initiative and organisational changes. These developments as well as the prestigious award as the *World's Best Bank for Wealth Management* we received from *Euromoney* last summer are further validations of our long-term strategy. Building on our strong business momentum, we pushed ahead with the implementation of our strategic roadmap designed to keep our company fighting-fit for the future.

The financial strength of our Group is a reflection of our clients' trust in our ability to act as their advisors. The net profit for 2017 increased strongly, and net new money growth exceeded our medium-term target range of 4–6%. At the end of December 2017, the Group's total capital ratio stood at 22.0% (fully applied 21.2%) and the BIS CET1 capital ratio was at 16.7% (fully applied 13.5%). Both capital ratios are well above the Group's own floors of 15% and 11%, and significantly above the regulatory minimums of 12.2% and 8%. The strengthening of the total capital ratio was partly attributable to the successful placement of USD 300 million of perpetual non-cumulative high-trigger Additional Tier 1 (AT1) securities in September 2017, which generated the biggest subscription level of any European issue in 2017. In light of the excellent financial results, the Board of Directors intends to propose to the Annual General Meeting on 11 April 2018 an increased dividend of CHF 1.40 per share. The total proposed dividend payout amounts to CHF 313 million, up from CHF 269 million in 2017.

Under the leadership of CEO Bernhard Hodler, appointed in November 2017, our management team will further sharpen our strategic focus on pure private banking and exploit the opportunities for profitable growth in our chosen markets. Our global franchise is well balanced across geographies and enables us to benefit from wealth creation in established and growth markets alike. At the same time, our industry is evolving at a fast pace. Changes in regulation and client needs redefine every aspect of our business, from the way we advise our clients to the products and services we offer and the job profiles of our employees. With digitalisation sweeping through virtually every aspect of modern life, technology becomes an increasingly important aspect of any value proposition. Continued development is key, and we are fortunate to be able to harness these trends from a position of strength. We continue to invest in our core banking platforms, the scalability of processes, our investment solutions capabilities and digital tools. The overarching objective is to provide our clients with holistic wealth management services that cover every stage of their individual lives. We call our approach

Julius Baer – Your Wealth. It was introduced in 2015 with the offering of a range of new advisory mandates. The comprehensive toolset required for our relationship managers to deliver on this promise in a consistent and efficient manner will be fully rolled out in our Swiss home market in the coming months. In parallel, we are constantly enhancing our digital channels in line with clients' evolving desire to interact, transact and receive advice and insights online. We regard these efforts as vital to our ability to offer a high-quality client experience, to remain one of the most trusted and respected private banks and to continue to grow profitably across the next business cycles.

In our business, trust is earned day after day – with clients, shareholders, bondholders and employees. We would like to thank all our stakeholders for their appreciation of our efforts and we hope to count on their continued support.

Daniel J. Sauter
Chairman

Bernhard Hodler
Chief Executive Officer

Zurich, March 2018

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Corporate governance is a decisive part of business management. Shareholders, clients and staff are usually considered the key stakeholder groups within the context of corporate governance. Moreover, the focus of Julius Baer Group Ltd. (the Company) on achieving sustained success and consistency in the Group's business rests largely on the principle of retaining shareholders, clients and staff for as long as possible and actively nurturing the relationships over time. These stakeholders therefore have a right to know the individuals and internal bodies that determine the development of the Company, who makes the strategic decisions and who bears the responsibility for them. The Company therefore aims to thoroughly satisfy these legitimate information needs in this chapter of the Annual Report.

The corporate governance information of the Company is presented in accordance with the Corporate Governance Directive of the SIX Swiss Exchange (revised effective 1 April 2016), with the guidelines and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business federation economiesuisse (in its current version dated 29 February 2016) and the Federal Council's 'Ordinance against excessive compensation in listed companies' (in force effective 1 January 2014).

→ The Group's overall compensation framework including compensation governance, compensation elements and their application in the period under review is described in detail in chapter *II. Remuneration Report* of this Annual Report.

Swiss Financial Market Supervisory Authority FINMA has revised its corporate governance requirements for banks in a new circular 2017/1 entitled *Corporate governance – banks*. The altered supervisory requirements relating to corporate governance, internal control systems and risk management for banks entered into force on 1 July 2017 and must be implemented within one year following this date. The company has started to implement these revised corporate governance requirements on 1 January 2018 already. They will be incorporated in the Corporate Governance section of the Group's Annual Report 2018.

The following information corresponds to the situation as at 31 December 2017 unless indicated otherwise.

GROUP STRUCTURE AND SHAREHOLDERS

Operational Group structure of Julius Baer Group Ltd. as at 31 December 2017

Julius Baer Group Ltd.

Board of Directors
Daniel J. Sauter, Chairman

Chief Executive Officer
Bernhard Hodler

Chief Financial Officer	**Chief Operating Officer**	**Chief Risk Officer a.i.**	**Chief Communications Officer**	**General Counsel**
Dieter A. Enkelmann	Nic Dreckmann	Christoph Hiestand	Larissa Alghisi Rubner	Christoph Hiestand

Executive Board

The consolidated Group companies are disclosed in Note 26A.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2017[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
BlackRock Inc.[5]	5.08%	0.07%
Harris Associates L.P.[6]	4.95%	
Wellington Management Group LLP[7]	4.94%	
Invesco Ltd.[8]	3.34%	

[1] The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that the above figures are based on reports made before respectively after the following events: a) capital increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; b) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

[2] Equity securities, conversion and share purchase rights (Art. 15 para. 1 a SESTO-FINMA), granted (written) share sale rights (Art. 15 para. 1 b SESTO-FINMA) and financial instruments (Art. 15 para. 1 c and para. 2 SESTO-FINMA).
Share sale rights (specifically put options) and granted (written) conversion and share purchase rights as well as financial instruments that provide for or permit cash settlement as well as other differential transactions (such as contracts for difference and financial futures).
The implementing provisions on disclosure law have been integrated into the new FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA), which entered into force on 1 January 2016. Purchase positions must be disclosed pursuant to art. 14 para. 1 a FMIO-FINMA and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

[3] Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on www.six-exchange-regulation.com in the section Publications > Significant Shareholders, Issuer Julius Bär Gruppe AG

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

[5] BlackRock Inc., New York/USA, and its subsidiaries (reported on 4 May 2017)

[6] Harris Associates L.P., Chicago/USA (reported on 30 November 2016)

[7] Wellington Management Group LLP, Boston/USA (reported on 10 July 2017)

[8] Invesco Ltd., Hamilton/Bermuda (reported on 7 March 2017)

The individual reports that were published during the year under review can be accessed on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.six-exchange-regulation.com in the section Publications > Significant Shareholders, Issuer Julius Bär Gruppe AG.

CROSS-SHAREHOLDINGS

There are no cross-shareholdings between Julius Baer Group Ltd. and its subsidiaries or third-party companies.

CAPITAL STRUCTURE

CAPITAL

The share capital of the Company amounted to CHF 4,476,188.96 as at 31 December 2017. It is fully paid up and divided into 223,809,448 registered shares (shares) with a par value of CHF 0.02 each. The shares (Swiss securities number 10 248 496; ISIN CH 010 2484968) are listed on the SIX Swiss Exchange and are member of the Swiss Market Index (SMI) and the Swiss Leader Index (SLI).

CONDITIONAL AND AUTHORISED CAPITAL IN PARTICULAR

There is no authorised capital.

Conditional capital
The Company's share capital may be increased by the issue of up to 10,000,000 shares, to be fully paid up and each with a par value of CHF 0.02, in a maximum total amount of CHF 200,000.00 through the exercise of conversion or warrant rights in connection with bonds issued by the Company or its subsidiaries. Existing shareholders are excluded from subscription rights. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares are subject to the entry limitations as set forth in article 4.4ff. of the Articles of Incorporation.

When issuing convertible or warrant bonds, the Board of Directors may rescind priority subscription rights of existing shareholders for important reasons.

Important reasons can be the securing of optimal conditions in issuing the bonds and ensuring equal treatment of shareholders domestically and abroad. In the event that the Board of Directors precludes the priority subscription rights, the following applies:

a) Conversion rights may be exercised only during a maximum of seven years, and warrant rights only during a maximum of four years from the date of issue of the relevant bond.

b) The new shares shall be issued according to the applicable conversion or warrant conditions. The convertible and warrant bonds must be issued in conformity to market conditions (including the usual market conditions with regard to protection against dilution). The conversion or option price must be not less than the average of the last prices paid on the SIX Swiss Exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds.

CHANGES OF CAPITAL

The description of the changes of capital in the last two years is disclosed in the consolidated statement of changes in equity in chapter *III. Financial Statements Julius Baer Group* of this Annual Report. For information about changes of capital in periods three or more years back please visit www.juliusbaer.com/reports

SHARES AND PARTICIPATION CERTIFICATES

Shares

	2017	2016
Number of shares with par value of CHF 0.02 as at 31 December	**223,809,448**	223,809,448
(Dividend entitlement, see Note 19)		

There are no preferential rights or similar rights. Each share entitles to one vote.

PARTICIPATION CERTIFICATES

There are no participation certificates.

BONUS CERTIFICATES

There are no bonus certificates.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS (AS AT 31 DECEMBER 2017)

The Company shall keep a share register, in which the owners and usufructuaries of the shares are entered with their name, address and nationality, respectively, and place of incorporation in case of legal entities. In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administrates the Company's share register.

The shares are issued as uncertificated securities and registered as intermediated securities. They are included in the SIS clearing system for transferred shares. The Company may withdraw shares registered as intermediated securities from the custodian system. Each shareholder may at any time request from the Company a certification about the shares owned by him/her. The shareholders have no right to request the printing and delivery of certificates for their registered shares. The Company, however, may at any time print and deliver share certificates (individual certificates, certificates or global certificates) or convert uncertificated securities and share certificates into any other form and may cancel issued share certificates once they have been returned to the Company.

Transfers of intermediated securities, including the granting of security interests, are subject to the Swiss Intermediated Securities Act. The transfer of uncertificated shares is effected by a corresponding entry in the books of a bank or depositary institution following an assignment by the selling shareholder and notification of such assignment to the Company by the bank or depositary institution. The transferee must file a share registration form in order to be registered in the Company's share register as a shareholder with voting rights. Failing such registration, the transferee may not vote at or participate in any Meeting of Shareholders but may still receive dividends and other rights with financial value. The uncertificated shares may only be transferred with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder. Further, shares may only be pledged to the bank that administers the book entries of such shares for the account of the pledging shareholder; in such case, the Company needs to be notified.

According to the Articles of Incorporation, a person having acquired shares will be recorded in the Company's share register as a shareholder with voting rights upon request. The Company may refuse to record a person in the share register as a shareholder with voting rights if such person does not expressly state that he/she has acquired the shares in his/her own name and for his/her own account.

Fiduciaries/nominees may be entered as a shareholder in the share register with voting rights for shares up to a maximum of 2% of the share capital. Shares held by a fiduciary/nominee that exceed this limit may be registered in the share register with voting rights if such fiduciary/nominee discloses to the Company the name, address, nationality or registered office and shareholdings of any person or legal entity for whose account it holds 0.5% or more of the share capital. Fiduciaries/nominees who are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or who have a common management or are otherwise affiliated, are deemed one fiduciary/nominee as regards the application of such entry limitations.

The Board of Directors may cancel the entry in the share register of a shareholder or fiduciary/nominee with voting rights upon a hearing of such shareholder or fiduciary/nominee, if the entry in the share register is based on false information. The affected shareholder or fiduciary/nominee has to be notified of the cancellation immediately.

CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds.

BOARD OF DIRECTORS

All members of the Board of Directors of Julius Baer Group Ltd. are non-executive members. They are independent according to article 14 of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business federation economiesuisse and the Swiss Financial Market Supervisory Authority FINMA's new circular 2017/1 entitled *Corporate governance – banks*. The Board of Directors of the Group's principal operating company, Bank Julius Baer & Co. Ltd., is composed of the same members in identical responsibilities as the Board of Directors of Julius Baer Group Ltd.

MEMBERS OF THE BOARD OF DIRECTORS

Daniel J. Sauter (born 1957), Swiss citizen; Swiss Certified Banking Expert, 1983. Gewerbebank, Zurich, Trainee, 1976–1978; Bank Leu, Zurich, Foreign Exchange Trader, 1978–1981; Bank fuer Kredit und Aussenhandel, Zurich, Foreign Exchange and Money Market Trader, 1981–1983; Glencore International, Zug, 1983–1998: Treasurer and Risk Manager, 1983–1988; Chief Financial Officer, 1989–1998; Xstrata AG, Zug, 1994–2001: Development of Xstrata AG into a globally diversified mining group; Chief Executive Officer, 1995–2001; Alpine Select AG, Zug, Chairman of the Board of Directors, 2001–2012; Sika AG, Baar, member of the Board of Directors since 2000. Julius Baer Holding Ltd., member of the Board of Directors, 2007–2009; Bank Julius Baer & Co. Ltd., member of the Board of Directors since 2007 and its Chairman since 2012; Julius Baer Group Ltd., member of the Board of Directors since 2009; Chairman of the Julius Baer Foundation since 1 January 2018; Chairman of the Board of Directors of Julius Baer Group Ltd. since 2012 (term of office until 2018).

Gilbert Achermann (born 1964), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), St. Gallen, 1988; Executive MBA, IMD Lausanne, 2000. UBS Investment Banking, 1988–1998: Graduate trainee programme Trading & Sales, 1988–1989; Associate Corporate Finance / Capital Markets; Assistant to Regional Head North America, 1990–1994; Director Corporate Finance Advisory, 1995–1998; Straumann Group since 1998: Chief Financial Officer and Deputy CEO, 1998–2001; Chief Executive Officer, 2002–2010; Chairman of the Board of Directors since 2010. Vitra Group, 2012–2015: Chairman of the Board of Directors from July 2013 until December 2015; Co-CEO from July 2014 until December 2015. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012 (2018).

Ann Almeida (born 1956), British and Irish citizen; Master of Arts in Economics, Cambridge University, UK, 1979; Master of Business Administration, Imperial College, London, UK, 1989. Price Waterhouse, London, Trainee Chartered Accountant, 1979–1982; Qubus, Consultant, technology multinationals, 1983–1988; Merrill Lynch Europe, Reward Manager, 1990–1992; HSBC Holdings, 1992–2015: James Capel, Head of Reward, 1992–1995; James Capel, Head of Human Resources, 1995–1996; Director Human Resources, Corporate, Investment Banking & Markets, Private Banking, Asset Management, Islamic Banking, Transaction Banking, 1996–2007; Group Head of Human Resources, 2007–2010; Group Managing Director of Human Resources & Corporate Sustainability and member of the Group Executive Board, 2008–2015. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 June 2016 (2018).

Andreas Amschwand (born 1960), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), 1986. Credit Suisse Group, apprenticeship and subsequent further education in Lausanne, 1976–1981; UBS AG, 1986–2011: Balance Sheet Management, 1986–1991; Money Market, 1992–2000; Forex and Money Market, Investment Bank, Global Head Forex and Money Market, Head Investment Banking Switzerland, member of the Investment Bank Executive Committee, 2001–2008; Investment Products and Services Wealth Management and Swiss Bank, Global Head Investment Products and Services, member of the Wealth Management Executive Committee, 2010–2011. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2012 (2018).

Heinrich Baumann (born 1951), Swiss citizen; PhD in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH), Zurich, 1985. UBS AG, 1975–1998: COO Singapore Branch and Deputy Branch Manager, 1985–1987; Chief of Staff International Division and Section Head Management Support, 1987–1990; member of the Regional Management Committee (New York), Chief Operating Officer Region North America, 1990–1994; Department Head Finance and Controlling on Group level, 1994–1998; independent Management Consultant, 1998–1999; HSBC Guyerzeller Bank Ltd., 1999–2009: Chief Operating Officer, 1999–2002; Vice-President of the Executive Committee/Chief Operating Officer, 2003–2005; Chief Executive Officer, 2006–2009; independent Management Consultant since 2009. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2011 (2018).

Paul Man Yiu Chow (born 1946), Chinese (Hong Kong SAR) citizen; University of Hong Kong: Bachelor of Science in Mechanical Engineering, 1970, Diploma in Management Studies, 1979, Master of Business Administration, 1982; Diploma in finance, Chinese University of Hong Kong, 1987; Doctor h.c. of Social Science, the Open University of Hong Kong, 2010. Hong Kong Government, Executive Officer II, 1970–1971; IBM World Trade Corporation, Hong Kong, Associate Systems engineer, 1971–1973; Sun Hung Kai Group, Hong Kong, 1973–1988: Sun Hung Kai Securities Limited, Executive Director, 1982–1983; Sun Hung Kai Bank Limited, Executive Director, Deputy General Manager and Chief Financial Officer, 1983–1985, Sun Hung Kai & Co. Ltd., Chief Administration & Financial Officer, and Sun Hung Kai Securities Limited, Executive Director, 1985–1988; Chinese University of Hong Kong, lecturer in finance, 1988–1989; The Stock Exchange of Hong Kong Limited, 1989–1997: Director of Operations and Technology, 1989–1990; Hong Kong Securities Clearing Company Ltd., Chief Executive Officer, 1990–1991; Chief Executive, 1991–1997; HSBC Asset Management, Asia Pacific (ex Japan) Region, Chief Executive Officer; HSBC Asset Management Group, member of the Global Management Committee; HSBC Insurance Company Limited, Hong Kong, Non-executive Director, 1997–2003; Hong Kong Exchanges & Clearing Limited, Chief Executive Officer and Executive Director, 2003–2010; China Mobile Limited, Hong Kong, Independent Non-executive Director since May 2013; CITIC Limited, Hong Kong, Independent Non-executive Director since March 2016. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2015 (2018).

Ivo Furrer (born 1957), Swiss citizen; PhD in Law, University of Zurich, 1985. Winterthur Insurance, 1983–1999: Group Insurance Marketing and project management in Europe, Canada and the USA, 1983–1991; Winterthur International, USA, Underwriting, 1992–1994; Winterthur International, London, different management positions, 1994–1997; Chief Underwriting Officer Global Corporate, 1998–1999; Credit Suisse Group, 1999–2002: Personal Financial Services, Head of the Executive Committee, amongst others implementation of an internet bank in Luxembourg, 1999–2001; member of the Executive Committee e-Investment Services Europe, 2001–2002; Zurich Financial Services, 2002–2008: Zurich Financial Services, Germany, Head of international key account business, 2002–2005; member of the Global Corporate Executive Committee; responsible for the development of key accounts and distribution management globally, 2005–2007; CEO Life Switzerland, member of the Global Life Executive Committee, 2007–2008; Swiss Life Group, CEO Switzerland and member of the Corporate Executive Board from September 2008 until March 2017; Helvetia Insurance, St. Gallen, member of the Board of Directors since April 2017. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2017 (2018).

Claire Giraut (born 1956), French citizen; Master in Biotech Engineering, Institut National Agronomique, Paris, 1978. Sanders Group, Paris, various positions, 1978–1985; Serete Group, Paris, various positions in finance and accounting, 1985–1996; Association of French Lawyers, Financial Controller, 1996–1997; Coflexip Stena Offshore, Paris, Chief Financial Officer and Group Head of Communications, member of the Executive Committee, 1997–2001; Technip Group, Paris, Chief Financial Officer of the offshore division and member of the Executive Board, 2002; Ipsen Group, Paris, Chief Financial Officer and member of the Executive Committee, 2003–2011; Europcar Groupe S.A., Guyancourt, Chief Financial

Officer, 2011–2012; bioMérieux, Marcy l'Etoile, Corporate Vice-President Purchasing and Information Systems since September 2013, Chief Financial Officer from January 2014 until March 2018; DBV Technologies, Montrouge, member of the Board of Directors since June 2016. Member of the Board of Directors of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 2010 (2018).

Gareth Penny (born 1962), dual South African and British citizen; Master of Arts in Philosophy, Politics and Economics, Oxford University (Rhodes Scholar), UK, 1985. Anglo American Corporation, Johannesburg, Head of Anglo American & De Beers Small Business Initiative, 1988–1991; De Beers Group, 1991–2010: Teemane Manufacturing Company, Botswana, Project Manager, 1991–1993; Diamond Trading Company De Beers, various functions, 1993–2006, incl. Managing Director, 2004–2006; De Beers SA, Luxembourg, member of the Board of Directors, 2003–2010; De Beers SA, Luxembourg, Group Managing Director, 2006–2010; AMG Advanced Metallurgical Group N.V., London, Chief Executive mining business, 2011–2012; New World Resources Plc, London, Executive Chairman of the Board of Directors, 2012–2016; Norilsk Nickel, Moscow, Non-executive Chairman of the Board of Directors since April 2013; Pangolin Diamonds Corp., Toronto, Non-executive Chairman of the Board of Directors since August 2016. Member of the Board of Directors of Julius Baer Holding Ltd., 2007–2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. since 2007; member of the Board of Directors of Julius Baer Group Ltd. since 2009 (2018).

Charles G. T. Stonehill (born 1958), dual British and American citizen; Master of Arts in Modern History, Oxford University, UK, 1978. J. P. Morgan & Co., Corporate and Investment Banking, 1978–1984; Morgan Stanley & Co., Managing Director and Head of Equity Division Europe, 1984–1997; Credit Suisse First Boston, Head of Investment Banking for the Americas and member of the Operating Committee, 1997–2002; Lazard Frères, Global Head of Capital Markets and member of the Executive Committee, 2002–2004; Gulfsands Petroleum, Non-executive Director, 2005–2006; Panmure Gordon Plc., Chairman of the Board of Directors, 2006–2008; The London Metal Exchange Ltd., Independent Director from 2005 until August 2009; Better Place, Palo Alto, Chief Financial Officer, 2009–2011; Green & Blue Advisors LLC, New York, co-founder and partner since 2011; RSR Partners, New York, Managing Director, 2012–2013; TGG Group, New York, Advisor, 2014–2015. Member of the Board of Directors of Julius Baer Holding Ltd., 2006–2009; member of the Board of Directors of Bank Julius Baer & Co. Ltd. since 2006; member of the Board of Directors of Julius Baer Group Ltd. since 2009 (2018).

HONORARY CHAIRMAN

The Honorary Chairman has no active function in the Board of Directors.

Raymond J. Baer (born 1959), Swiss citizen; Law Degree, University of St. Gallen, 1984; Master of Law LL.M., Columbia Law School, New York, USA, 1985. Salomon Bros. Inc., New York and London, 1985–1988. Entry into Bank Julius Baer & Co. Ltd., 1988: Head of the Swiss Capital Market Group, Zurich, 1988; New York branch, Deputy Branch Manager, 1990–1993; Zurich Head Office, member of the Management Committee, 1993–1996; Julius Baer Holding Ltd., 1996–2009: member of the Group Executive Board and Head of the Private Banking business line as of 1996; Vice-President of the Group Executive Board from 2001 until 13 May 2003; Co-Head of the Private Banking business line from January 2003 until 13 May 2003; Chairman of the Board of Directors, 2003–2009. Chairman of the Board of Directors of Bank Julius Baer & Co. Ltd., 2003–2012; Chairman of the Board of Directors of Julius Baer Group Ltd., 2009–2012. Honorary Chairman of Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. since 2012.

Elections and re-elections at the Annual General Meeting 2017/Changes in the Board of Directors
At the Annual General Meeting of Julius Baer Group Ltd. on 12 April 2017, Daniel J. Sauter, Gilbert Achermann, Ann Almeida, Andreas Amschwand, Heinrich Baumann, Paul Man Yiu Chow, Claire Giraut, Gareth Penny and Charles G. T. Stonehill (Vice-Chairman) were re-elected to the Board of Directors for another term of one year.

Ivo Furrer was elected as new member of the Board of Directors for a one-year term.

Daniel J. Sauter was re-elected as Chairman of the Board of Directors for a one-year term.

Gilbert Achermann, Ann Almeida, Heinrich Baumann and Gareth Penny were re-elected as members of the Compensation Committee for a one-year term.

OTHER ACTIVITIES AND INTEREST TIES

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange as well as the 'Ordinance against excessive compensation in listed companies', the Company fundamentally discloses all mandates and interest ties of its Board members outside of the Julius Baer Group according to the applicable paragraphs of article 13 (Mandates outside the Group) of the Articles of Incorporation:

No member of the Board of Directors may hold more than ten additional mandates of which no more than four mandates in listed companies.

The following mandates are not subject to the aforementioned limitations:

a) mandates in companies which are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or companies controlled by it. No member of the Board of Directors may hold more than five such mandates;
c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

Mandates in exchange-listed companies:

Daniel J. Sauter:
– Member of the Board of Directors of Sika AG, Baar, Switzerland.

Gilbert Achermann:
– Chairman of the Board of Directors of Straumann Group, Basle, Switzerland.

Paul Man Yiu Chow:
– Independent Non-executive Director, Chairman of the Nomination Committee as well as member of the Audit Committee and of the Remuneration Committee, China Mobile Limited, Hong Kong;
– Independent Non-executive Director and member of the Remuneration Committee, CITIC Limited, Hong Kong.

Ivo Furrer:
– Member of the Board of Directors of Helvetia Insurance, St. Gallen, Switzerland.

Claire Giraut:
– Chief Financial Officer and Corporate Vice-President Purchasing and Information Systems of bioMérieux, Marcy l'Etoile, France (until March 2018);
– Member of the Board of Directors of DBV Technologies, Montrouge, France.

Gareth Penny:
– Non-executive Chairman of the Board of Directors of Norilsk Nickel, Moscow, Russia;
– Non-executive Chairman of the Board of Directors of Pangolin Diamonds Corp., Toronto, Canada.

Mandates in non-listed companies:

Daniel J. Sauter:
- Chairman of the Board of Directors of Hadimec AG, Maegenwil, Switzerland;
- Member of the Board of Directors of ARAS Holding AG, Lenzburg, Switzerland (holding company, including AS Print AG and richnerstutz AG, both Villmergen, Switzerland);
- Chairman of the Board of Directors of Tabulum AG (private holding), Zug, Switzerland;
- Chairman of the Board of Directors of Trinsic AG (private holding), Zug, Switzerland.

Ann Almeida:
- Adviser, Chairperson of the HR/Remuneration Committee, Fajr Capital Ltd., Dubai, United Arab Emirates;
- Adviser, Chairperson of the Nomination & Remuneration Committee, Jadwa Investment, Riyadh, Saudi Arabia.

Andreas Amschwand:
- Chairman of the Board of Directors, EMFA Holding AG, Kerns, Switzerland;
- Chairman of the Board of Directors of Agricola Tirgu Frumos SA, Razboieni, Romania;
- Administrator of SC AA Agriculture Farm SRL, Razboieni, Romania;
- Administrator of SC Vicsani Farm SRL, Razboieni, Romania;
- Chairman of the Board of Directors of Alois Amschwand AG, Kerns, Switzerland.

Heinrich Baumann:
- Vice-President of the Board of Directors of Atlis AG, Biberist, Switzerland;
- Vice-President of the Board of Directors of Completo AG, Biberist, Switzerland;
- Member of the Board of Directors of KSHB Holding AG (holding company of Atlis AG, Biberist, Switzerland), Berne, Switzerland.

Ivo Furrer:
- Vice-Chairman of Sanitas Krankenversicherung, Zurich, Switzerland;
- Member of the Board of Directors of inventx, Chur, Switzerland;
- Member of the Board of Directors of responsAbility Investments AG Zurich, Switzerland.

Gareth Penny:
- Non-executive Chairman of the Board of Directors of Edcon Ltd., Johannesburg, South Africa.

Charles G. T. Stonehill:
- Member of the Advisory Board of Rubicon Technology Partners L.P., Menlo Park, CA, USA;
- Non-executive member of the Board of Directors of CommonBond, Inc., New York, USA;
- Member of the Board of Directors of AXA Financial Inc., New York, USA (incl. AXA Equitable Life Insurance Company and MONY Life Insurance Company of America, both New York, USA);
- Member of the Board of Directors of PlayMagnus A/S, Oslo, Norway.

Other mandates:

Daniel J. Sauter:
- Member of the Foundation Board of Avenir Suisse, Zurich, Switzerland.

Gilbert Achermann:
- Member of the Board of Directors of the ITI Association and ITI Foundation, Basle, Switzerland;
- Chairman of Switzerland Innovation Park Basel Area AG, Basle, Switzerland;
- Member of the Executive Committee of Groove Now! Basel, Basle, Switzerland;
- Member of the Committee and its Executive Committee of Handelskammer beider Basel, Basle, Switzerland.

Ann Almeida:
- Member of the Board of Trustees of Asia House, London, UK;
- Member of the Board of Trustees of 88 Foundation, London, UK.

Andreas Amschwand:
- Chairman of Verein Standortpromotion Kanton Obwalden, Sarnen, Switzerland.

Heinrich Baumann:
- Member of the Foundation Board of International Foundation for Research in Paraplegia, Chêne-Bourg, Switzerland.

Ivo Furrer:
- Member of the Board of Directors of Financial Market Authority Liechtenstein, Vaduz, Liechtenstein;
- Member of the Steering Committee of digitalswitzerland, Zurich, Switzerland;
- Member of the Foundation Board of Stiftung für Kinder in der Schweiz, Hergiswil, Switzerland;
- Member of Swiss Economic Forum/ Powerpreneurs, Gwatt, Switzerland.

Charles G. T. Stonehill:
- Governor, Harrow School, Harrow on the Hill, London, UK;
- Member of the Foundation Board of the Fondation Georg Solti Accademia, Geneva, Switzerland.

ELECTIONS AND TERMS OF OFFICE

The members of the Board of Directors are elected on an individual basis by the Annual General Meeting, since 2012 for a one-year term both in the case of new elections and re-elections. The period between two Annual General Meetings is deemed to be one year. Members whose term of office has expired are immediately eligible for re-election. Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the Annual General Meeting, the Board of Directors constitutes itself. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members who have reached their 75th year of age generally do not seek re-election at the end of their current term.

INTERNAL ORGANISATIONAL STRUCTURE

The Board of Directors consists of five or more members. It meets as often as business requires, but at least once per quarter. The presence of a majority of its members is necessary for resolutions to be passed, with the exception of the ascertainment resolution and the resolution concerning the amendment of the Articles of Incorporation as well as the capital increase report in the case of capital increases. Resolutions are passed by an absolute majority of votes of members present. The members of the Board of Directors may also be present by phone or electronic means. Resolutions for urgent or routine businesses of the Board of Directors may also be passed by way of written consent (letter, fax) or by way of an electronic data transfer provided that no member requests oral deliberation. In such cases, the text of written resolutions must be sent to all members and approved by all members of the Board of Directors to be valid.

In the case of a tie vote at meetings, the Chairman shall have the casting vote. For resolutions passed by the Board of Directors with regard to agenda items that have been subject to prior resolution by a Committee of the Board of Directors (pre-resolving Committee) and if the members of such pre-resolving Committee (taking into consideration the casting vote of the Chairman) would represent a majority of votes in the Board of Directors, the casting vote shall not be with the Chairman of the Board but with the Chairperson of the Audit Committee, unless the Chairperson of the Audit Committee is also a member of such pre-resolving Committee, in which case the casting vote shall be with the member of the Board of Directors who is not a member of such pre-resolving Committee and who has served the longest total term of office on the Board of Directors. The CEO and CFO are standing guests in the meetings of the complete Board of Directors while the other members of the Executive Board of Julius Baer Group Ltd. are invited to participate as guests for those topics that are within their business responsibility as well as for specific reporting sessions. These meetings generally take up at least half a day.

In order to gauge the effectiveness of its activities, the Board of Directors as a whole as well as the respective committees carry out an annual self-assessment. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the committees are brought to the attention of the complete Board of Directors.

The Board of Directors normally meets for one strategy seminar a year. The purpose of this seminar is to analyse the positioning of the Julius Baer Group as well as to review and if necessary redefine its strategic direction in light of the prevailing macroeconomic and company-specific circumstances.

In 2017, the complete Board of Directors of Julius Baer Group Ltd. held eight meetings (of which one in the form of a conference call), including a two-day strategy seminar (offsite).

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

First half of 2017	January	April	June
Daniel J. Sauter, Chairperson	x	x	x
Gilbert Achermann	x	x	x
Ann Almeida	x	x	x
Andreas Amschwand	x	x	x
Heinrich Baumann	x	x	x
Paul Man Yiu Chow	x	x	x
Ivo Furrer[1]	-	x	x
Claire Giraut	x	x	x
Gareth Penny	x	x	x
Charles G. T. Stonehill	x	x	x

[1] Joined the Board of Directors in April 2017

Second half of 2017	September	September offsite	October	November[1]	December
Daniel J. Sauter, Chairperson	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x
Ann Almeida	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x
Paul Man Yiu Chow	x	x	x	x	x
Ivo Furrer	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Gareth Penny	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x

[1] Meeting by teleconference

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the Annual General Meeting, the Board of Directors elects the members of the committees of the Board of Directors from among its members. The Chairpersons of the committees are responsible for seeking advice from external specialists as well as from members of the Executive Board as needed.

According to the Articles of Incorporation of Julius Baer Group Ltd., the Board of Directors has the following non-transferable and irrevocable duties:

a) to supervise the Company and issue the necessary instructions;
b) to determine the organisation of the Company;
c) to arrange the accounting, financial control and financial planning inasmuch as they are necessary for the management of the Company;
d) to appoint and remove the persons entrusted with the Company's management;
e) to control those persons entrusted with the management of the Company, also in relation to compliance with laws, statutes, regulations and instructions;
f) to draw up the business report, the remuneration report and to prepare the General Meetings of Shareholders and implementation of its resolutions;
g) to inform the judge in the event of insolvency.

The Board of Directors may assign the preparation and carrying-out of its resolutions or the supervision of business transactions to committees or individual members. It must make sure its members are suitably informed.

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in the section 'Definition of areas of responsibility' below.

The responsibilities and composition of the currently existing committees of the Board of Directors

The members of the Board of Directors discuss specific topics in the Board's committees. Each of these committees is chaired by an independent director. Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues. In addition, the minutes of the committee meetings are made available to the complete Board of Directors.

Chairman's & Risk Committee

The Chairman's & Risk Committee consists of the Chairman of the Board of Directors and at least two other members who are specifically skilled and experienced in areas of finance, corporate governance and risk control. It is presided over by the Chairman of the Board of Directors. The Chairman's & Risk Committee is responsible for developing and upholding principles of corporate governance for the Julius Baer Group and for authorising market, credit and financial risks (as set out in the appendix of the Organisational and Management Regulations), including, in particular, loans granted to members of the Board of Directors and of the Executive Board and/or affiliated entities and related parties ('Organkredite') as defined by the relevant Swiss accounting standards. The Chairman's & Risk Committee monitors compliance with rules governing large concentrations of risk ('Klumpenrisiken') and is responsible for the standards and methodologies for risk control with regard to risks other than operational risk (including legal and regulatory risk), which are employed to comply with the principles and risk profile adopted by the Board of Directors or other relevant supervisory or managing bodies.

The Chairman's & Risk Committee determines, coordinates and reviews the risk limits in the context of the overall risk policy. It reviews the policies with regard to risks other than operational risk (including legal and regulatory risk) and determines the guidelines for financial reporting. The Chairman's & Risk Committee bases its risk-related work on the Risk Landscape, as approved by the Audit Committee of the Board of Directors at a joint meeting with the Chairman's & Risk Committee, once a year. The Chairman's & Risk Committee furthermore approves the issuance of guarantees, letters of comfort and similar items relative to Julius Baer Group Ltd. and the principal operating subsidiaries. It approves the entry into, the dissolution and the modification of joint ventures of strategic importance by the principal operating subsidiaries, and approves the issue and amendment of Organisational and Management Regulations of the principal operating subsidiaries, including the allocation of responsibilities. The Chairman's & Risk Committee furthermore approves the formation, the change in capital or ownership structure, the change of legal form or licences, and the liquidation or closure of all subsidiaries. The Chairman's & Risk Committee decides on requests from members of the Board of Directors and of the Executive Board to serve on outside boards of directors or advisory boards, boards of trustees or foundation boards and gives its consent to such members to serve in public office or government.

The Chairman's & Risk Committee generally convenes monthly. During the year under review, the Committee met ten times for approximately four hours each. The Chief Executive Officer and the Chief Financial Officer are permanent guests and the other members of the Executive Board of the Company participate for specific reporting sessions in the meetings of the Chairman's & Risk Committee.

Members Daniel J. Sauter (Chairperson), Andreas Amschwand, Ivo Furrer and Charles G. T. Stonehill

Attendance of the members of the Chairman's & Risk Committee at the respective meetings

First half of 2017	January	February	March	April	May	June
Daniel J. Sauter, Chairperson	x	x	x	x	x	x
Andreas Amschwand	x	x	x	x	x	x
Ivo Furrer[1]	-	-	-	x	x	x
Charles G. T. Stonehill	x	x	x	x	x	x

[1] Joined the Committee in April 2017

Second half of 2017	August	September	October	December
Daniel J. Sauter, Chairperson	x	x	x	x
Andreas Amschwand	x	x	x	x
Ivo Furrer	x	x	x	x
Charles G. T. Stonehill	x	x	x	x

Given the committee's focus on risk-related topics and as a consequence of the implementation of FINMA circular 2017/1 Corporate governance – banks, requiring amongst others the consolidation of risk-related topics in one dedicated committee, the Chairman's & Risk Committee has been renamed Governance and Risk Committee effective 1 January 2018. The composition of the Committee has remained unchanged but might be subject to changes following the Annual General Meeting 2018. The Charter of the Committee has been amended accordingly as at 1 January 2018 to reflect the Committee's new responsibilities. Further details of these changes – valid from the financial year 2018 – will be provided in the Group's Annual Report 2018.

Audit Committee
The Audit Committee is responsible for the integrity of controls for financial reporting and the review of the Company's and the Group's financial statements, including the interim management statements but in particular the consolidated statement of the Group and the annual and semi-annual financial statements before they are presented to the complete Board of Directors for approval. It also reviews the internal and external communication regarding the financial data and accounting statements and related information. The Audit Committee monitors compliance by the Company with its respective legal and regulatory obligations and ensures the receipt of regular information as to compliance by its subsidiaries with such obligations as well as with regard to the existence of an adequate and effective internal control as regards financial reporting.

The Audit Committee is responsible for the standards and methodologies for risk control with regard to operational risk (including legal and regulatory risk) which are employed to comply with the principles and risk profile of the Group adopted by the Board of Directors or other relevant supervisory or managing bodies.

The Committee monitors the activities of Group Internal Audit and ultimately determines the compensation paid to the Head of Group Internal Audit. The Chairperson of the Committee meets with the Head of Group Internal Audit on a regular basis throughout the year, usually every two months.

The Committee ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with the internal auditors. The Committee is also responsible for assessing the performance of the external auditor on an annual basis. It reviews their reports about the rendering of the accounts and the management letter and provides a recommendation to the complete Board of Directors regarding election of the external auditor at the Annual General Meeting.

All members of the Audit Committee are independent and, based on their education and professional expertise, financial experts. The Audit Committee has its own charter and performs an in-depth annual self-assessment with regard to its own performance. The Audit Committee convenes at least four times a year for about four hours on average. The members of the Executive Board of Julius Baer Group Ltd. participate as guests in the meetings of the Audit Committee. The Head of Group Internal Audit and representatives of the external auditor participate in every meeting. During the year under review, the Audit Committee held six meetings for approximately four hours and three conference calls.

Members Heinrich Baumann (Chairperson), Paul Man Yiu Chow, Claire Giraut and Charles G. T. Stonehill

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

First half of 2017	January	April	May[1]	June
Heinrich Baumann, Chairperson	x	x	x	x
Paul Man Yiu Chow	x	x	x	x
Claire Giraut	x	x	x	x
Charles G. T. Stonehill	x	x	x	x
Daniel J. Sauter	G	-	G	G
Andreas Amschwand	-	-	G	G
Ivo Furrer	-	-	G	G

[1] Meeting by teleconference
G = attended meeting as guest

Second half of 2017	July[1]	September	October	November[1]	December
Heinrich Baumann, Chairperson	x	x	x	x	x
Paul Man Yiu Chow	x	x	x	x	x
Claire Giraut	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x
Daniel J. Sauter	G	-	G	G	G

[1] Meeting by teleconference
G = attended meeting as guest

As a consequence of the implementation of FINMA circular 2017/1 Corporate governance – banks, requiring amongst others the consolidation of risk-related topics into one dedicated committee, the risk-related responsibilities previously assigned to the Audit Committee have been shifted to the Governance and Risk Committee (formerly Chairman's & Risk Committee) effective 1 January 2018. The Charter of the Committee has been amended accordingly as at 1 January 2018 to reflect the Committee's new responsibilities. Further details of these changes – valid from the financial year 2018 – will be provided in the Group's Annual Report 2018.

Compensation Committee
The Compensation Committee shall carry out the Board's overall responsibility for drawing up the remuneration principles, remuneration strategy and policies covering the Chairman of the Board of Directors, the further non-executive members of the Board of Directors, the Chief Executive Officer (CEO) and the further members of the Executive Board within the Julius Baer Group. This includes reviewing any compensation principles (changes thereof have to be submitted for approval to the Board of Directors), reviewing and approving compensation policies relating to the Company as a whole as well as any compensation policies within the Group which are linked to the shares of the Company.

The Compensation Committee, with the support of external advisors if needed, undertakes to advise the full Board of Directors, whether the current compensation for the Chairman, the Board of Directors, the CEO and the Executive Board is in line with market practices.

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

The Compensation Committee is responsible for reviewing and approving the Company's principles on total compensation and benefits (Remuneration Policy). It annually reviews that the principles are operated as intended and that the policy is compliant with national and international regulations and standards.

The Compensation Committee determines the compensation of the Chairman and of the Executive Board and submits the respective proposals for the other members of the Board of Directors and the CEO to the Board of Directors for approval. The compensation proposals for the Chairman, the Board of Directors, the CEO and in aggregate form for the Executive Board are subsequently submitted to the Annual General Meeting for approval by the shareholders.

Finally, the Compensation Committee on an annual basis prepares and proposes to the Board of Directors and subsequently to the attention of the shareholders a Remuneration Report as well as other reports as required by law or regulations.

The Group's overall compensation framework including compensation governance, compensation elements and their application in the period under review is described in detail in chapter *II. Remuneration Report* of this Annual Report.

The Compensation Committee consists of at least three members who are elected by the Annual General Meeting. With respect to decisions of specialised nature, the Compensation Committee may seek advice from additional members of the Board of Directors. The Compensation Committee convenes as often as required, however, not less than three times a year. During the year under review, the Compensation Committee held six meetings for three hours on average.

Members Gareth Penny (Chairperson), Gilbert Achermann, Ann Almeida and Heinrich Baumann

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

	January	April	June	September	October	December
Gareth Penny, Chairperson	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Ann Almeida	x	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x	x
Daniel J. Sauter	G	G	G	G	G	G

G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

Nomination Committee
In general, the role of the Nomination Committee is to assist the Board of Directors in the effective discharge of its responsibilities, ensuring that the Board of Directors comprises individuals who are best able to discharge the responsibilities of directors, in accordance with applicable laws and regulations as well as principles of sound corporate governance. The Nomination Committee is responsible for the long-term succession planning at the level of the Board of Directors. It assesses candidates as possible new members of the Board of Directors of the Company and prepares respective nominations for approval by the complete Board of Directors as well as for final consideration by the Annual General Meeting.

The Nomination Committee is also responsible for the long-term succession planning of the Chief Executive Officer (CEO) and the other members of the Executive Board of the Company and in this function assesses potential candidates and prepares respective nominations for approval by the Board of Directors. In particular, the Nomination Committee has the following powers, duties and responsibilities:

a) establishment of profiles describing necessary and desirable competencies and skills of members of the Board of Directors and of the CEO;
b) search for and identification of suitably qualified candidates for appointment to the Board of Directors;
c) conduct of exploratory talks and application talks with possible candidates;
d) submission of proposals to the Board of Directors with regard to the election of members of the Board of Directors and nomination of the CEO;
e) establishment of a Board of Directors, CEO and other Executive Board members succession plan.

The Nomination Committee convenes as needed and consists of a minimum of three members of the Board of Directors, who are appointed by the Board of Directors. During the year under review, the Nomination Committee met six times for an average duration of one hour each, including one conference call.

Members Charles G. T. Stonehill (Chairperson), Gilbert Achermann, Ann Almeida, Claire Giraut and Daniel J. Sauter

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

	January	April	June	October	December I[1]	December II
Charles G. T. Stonehill, Chairperson	x	x	x	x	x	x
Gilbert Achermann	x	x	E	x	x	x
Ann Almeida	G	x	x	x	x	x
Claire Giraut	x	x	x	x	x	x
Daniel J. Sauter	x	x	x	x	x	x
Heinrich Baumann	-	-	-	G	-	-
Gareth Penny	-	-	-	G	-	-

[1] Meeting by teleconference
E = excused
G = attended meeting as guest

DEFINITION OF AREAS OF RESPONSIBILITY

Julius Baer's strategic framework for long-term value creation

Since the establishment of the new Julius Baer Group in 2009, the company has consistently executed the long-term strategy outlined at the time, with the aim to create long-term sustainable value for clients and investors. At its core is the focus on pure private banking and on realising profitable organic and inorganic growth by leveraging the Group's regional strengths and client-centric service model.

Applying a client-centric business model

Julius Baer focuses on pure private banking, targeting private clients and family offices as well as external asset managers. The Group's unique position of strength as the leading Swiss private banking group is further reinforced by an unmatched focus on client-centric (as opposed to product-led) service excellence, supported by Julius Baer's open product platform, all of which are driven by a committed management team with deep experience in private banking.

Generating sustainable growth by leveraging Julius Baer's regional strengths and client-centric service model

Since 2009, Julius Baer's strategy has aimed at delivering profitable growth both organically as well as inorganically through acquisitions.

Organic growth is achieved by generating steady net new money throughout the business cycle through the onboarding of new clients, increasing the share of wallet with existing clients as well as carefully hiring experienced relationship managers. In this process, the Group's pure private banking focus, its distinctive corporate culture, its conservatively managed balance sheet and its comparatively low-risk business profile are all key elements strengthening Julius Baer's attractiveness as the employer of choice for top private bankers and the bank of choice for its clients. Through selective acquisitions to support the Group's growth strategy, Julius Baer aims to preserve these key advantages.

Julius Baer's strategy is supported by a diversified global footprint, ensuring overall profitable and sustainable growth and making it possible to neutralise slower economic development in any one region. In the geographic allocation of its investments in growth, the Group has always aimed to strike an equilibrium over the cycle between investments into Julius Baer's original target markets of Switzerland and Europe (approximately 50% of assets under management) and into its presence in the key wealth management growth markets around the world – Asia, Latin America, the Middle East, Israel and Africa, as well as Central and Eastern Europe, including Russia (approximately 50% of assets under management).

Calibrating the strategy in a changing environment

In 2017, as in other years, Julius Baer's Board of Directors extensively reviewed the Group's long-term strategy with the Group's management, both in terms of its ongoing stand-alone validity and against potential alternative strategies. The two bodies jointly concluded that, while the factors such as client needs, market conditions, regulatory requirements and the competitive landscape will be in permanent flux, the core elements of the Group's long-term strategy as outlined in 2009 remain valid.

To lay the foundation for continued success, over the next few years the Group's strategy will focus particularly on delivering a best-in-class wealth management experience for clients, on strengthening the Group's position as employer of choice for top private banking professionals and as bank of choice for its clients, and on continuing to be among the most profitable businesses in the sector. This is to be achieved by concentrating on the following elements:

- Enhancing the Group's market focus and regionalisation while realigning the organisation to the evolving market-specific client needs.
- Strengthening the client-facing management structure and the client knowledge framework, encompassing all existing and anticipated future regulatory requirements.

- Enhancing Julius Baer's holistic *Your Wealth* offering through the further and wider roll-out of Julius Baer's advisory model and the strengthening of Julius Baer's investment management capabilities.
- Increasing the productivity and efficiency through investing in the Group's technology platform and processes and strengthening the emphasis on its target clients.
- Further establishing Julius Baer as the global leader in private banking and building on the Group's attractive employee value proposition.

Whereas in 2016 the Group had been able to capitalise on substantial opportunities to hire relationship managers (RM), in 2017 the focus was shifted towards a more normalised hiring pace and on improving the quality and capacity of the client-facing private bankers. In 2017 the Group further introduced a new framework for its front office organisation, with dedicated market and team leadership roles. This move is designed to free up RM capacity to focus on client servicing. At the same time, the model enables front office teams to work more effectively in pursuing business development opportunities, managing key clients, developing talents and addressing increased regulatory complexity.

Creating shareholder value
Key elements of Julius Baer's strategic focus are reflected in its financial targets and driven by its aim to balance growth and profitability:

- Growth: Julius Baer's focus on organic growth is reflected in the Group's medium-term target to realise between 4% and 6% net new money expansion per annum.
- Profitable growth: Julius Baer's focus on achieving profitable growth is echoed by its dual targets of realising an adjusted[1] cost/income ratio[2] of between 64% and 68% and an adjusted pre-tax margin[3] of over 30 basis points in the medium term.
- Strong balance sheet, comparatively low-risk business profile: The focus on maintaining these two key competitive advantages partly manifests itself in Julius Baer's aim to maintain its BIS total capital ratio above 15% and its BIS core equity tier 1 ratio above 11%, three percentage points above the regulatory required minimum levels. In setting its floors at these levels, the Group believes it achieves an appropriate balance between on the one hand maintaining a solid capital buffer and on the other hand continuing to generate attractive returns for its shareholders.
- Shareholder value: The continued successful execution of the long-term strategy is expected to result in a prolonged above-market return to shareholders. This aim is further supported by the Group's intent to grow its dividend pay-out ratio to approximately 40% of adjusted net profit.
- Pay for performance: The Group's focus on sustainable profitable growth and long-term shareholder value creation is reflected in the Executive Board's compensation structure, in particular via the cumulative economic profit and relative total shareholder return components of the equity performance plan.

[1] Adjusted results derived by excluding from the audited IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.
[2] Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.
[3] Adjusted profit before taxes divided by average assets under management in basis points.

Fundamentals

The governing bodies are responsible for the strategic direction of the Julius Baer Group and the Company as well as for determining and implementing the principles of organisation, management and monitoring. They are accountable for providing the means necessary to achieve the targeted objectives and bear ultimate responsibility for the overall results. They supervise the maintenance of the Julius Baer Group as a whole and coordinate and oversee all activities carried out by and in the name of the Company. The Board of Directors has a clear strategy-setting responsibility and supervises and monitors the business, whereas the Executive Board, led by the Chief Executive Officer (CEO), has executive management responsibility. Julius Baer operates under a strict dual board structure, as mandated by Swiss banking law. The functions of Chairman of the Board and CEO are assigned to two different individuals, thus ensuring a separation of powers. This structure establishes checks and balances and preserves the institutional independence of the Board of Directors from the day-to-day management of the Company, for which responsibility is delegated to the Executive Board under the leadership of the CEO.

→ The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations (OGR). All relevant information contained in the OGR is substantially disclosed in the respective sections of this *Corporate Governance* chapter.

The decisions of the governing bodies are implemented by the Group companies in compliance with the respective applicable legal and supervisory regulations.

Board of Directors

The Board of Directors is responsible for the ultimate direction, supervision and control of the Company, which it fulfils within the scope of the duties stipulated in article 716a of the Swiss Code of Obligations and through calling on its various committees. The complete Board of Directors is especially responsible for preparing all topics which fall within the competence of the Meetings of Shareholders (Annual General Meeting and Extraordinary [if any] Meetings) and receives support and advice from the Audit Committee in particular in matters of financial reporting and other capital management questions. Based on the proposal of the Audit Committee, the complete Board of Directors decides on the external auditors to be recommended for appointment at the Annual General Meeting. Entry into, dissolution and modification of joint ventures of strategic importance by the Company also falls within the competence of the complete Board of Directors. Moreover, the complete Board of Directors appoints the Chief Executive Officer and the other members of the Executive Board and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Head of Group Internal Audit. Furthermore, the complete Board of Directors decides on the appointment and dismissal of the Chairman of the Board of Directors, of members of the Board of Directors and of advisory board members (if any) of the principal operating subsidiaries. The complete Board of Directors is responsible for determining the overall risk policy of the organisation as well as for the design of accounting, financial controlling and strategic financial planning. It also decides on capital market transactions involving shares of Julius Baer Group Ltd., on such resulting in the issue of bonds of the Company as well as on the issue of bonds by subsidiaries based on a graduated competence schedule regarding the capital and time commitment involved.

Executive Board
The Executive Board is responsible for the implementation of the Company's and the Group's overall strategy, within the respective parameters established by the Board of Directors, and is accountable for all operational and organisational matters as well as for the operating results. Except when delegated by the Board of Directors to another supervisory or managing body, the Executive Board is ultimately responsible for all of the day-to-day activities of the Company, including such activities which have been assigned or delegated by the Executive Board.

The Executive Board is responsible for ensuring the consistent development of the Julius Baer Group in accordance with established business policies, for establishing the organisation of the Executive Board itself, and for representing the Executive Board in its relationship with the Board of Directors and third parties.

The Executive Board has the right to issue binding policies to and require reporting or consultation from Group companies before a decision is taken. It proposes the formation, the change in capital or ownership structure, the change of legal form or licenses, and the liquidation or closure of principal operating companies and other subsidiaries to the Chairman's & Risk Committee for final approval. The Executive Board grants permission to employees (other than the members of the Executive Board) to serve on outside boards of directors or advisory boards, boards of trustees or foundation boards and gives its consent to serve in public office and government.

In addition, the Executive Board may form committees for specific tasks and regulate their activities. Their composition and areas of responsibility must be approved in advance by the Chairman's & Risk Committee of the Board of Directors.

The Executive Board is responsible for general corporate administration, in particular the registration of shareholders in and the maintenance of the share register. The Executive Board coordinates press contacts, press conferences and press releases and is responsible for investor relations and corporate identity (including corporate design and trademarks) of the Company. It also monitors and evaluates financial and other risks as well as compliance with rules governing equity capital, risk distribution and liquidity maintenance. Additionally, the Executive Board coordinates the contacts with the regulatory authorities. The Executive Board is empowered to issue binding instructions, which may be of general application or related to specific business matters, and may require the submission of reports or consultation with the Executive Board prior to making decisions.

The Executive Board is presided over by the Chief Executive Officer (the President of the Executive Board). The Chief Executive Officer is responsible, in particular, for ensuring the consistent management development of the Company in accordance with established business policies and strategies, representing the Executive Board in its relationship with the Board of Directors and third parties and establishing the organisation of the Executive Board itself within the framework as provided by the Articles of Incorporation as well as the Organisational and Management Regulations of Julius Baer Group Ltd. and the Julius Baer Group.

INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE BOARD

In order to control the business activity of the Julius Baer Group, the Board of Directors has formed the committees listed in the section 'Internal organisational structure' above. Each committee Chairperson provides the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee issues. In addition, the minutes of the committee meetings are made available to the complete Board of Directors.

The different committees are regularly kept informed by means of relevant reports from within the Group. Moreover, these reports are discussed in depth during regular meetings with the relevant bodies.

At the meetings of the Board of Directors, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the other Executive Board members regularly update the Board on important issues, either in writing or verbally. At such meetings, the Board members may request from Board or Executive Board members any information about any matters concerning the Julius Baer Group that they require to fulfil their duties.

The Executive Board or its individual members submit the following major reports to the Board of Directors and its committees:

- Written report by the CEO (quarterly to complete Board of Directors)
- Written or oral reporting by the CEO (usually monthly to Chairman's & Risk Committee)
- Written report by the General Counsel (quarterly to complete Board of Directors)
- Written or oral reporting by the members of the Executive Board (usually quarterly to complete Board of Directors and monthly to Chairman's & Risk Committee)
- Financial reporting by the CFO (Monthly Financial Report to complete Board of Directors and Chairman's & Risk Committee; enlarged written and oral reporting on a quarterly basis to complete Board of Directors; written and oral reporting monthly to Chairman's & Risk Committee)
- Financial statements by the CFO (half-year results as well as Interim Management Statements to Audit Committee, full-year results to Audit Committee and complete Board of Directors)
- Forecast by the CFO (quarterly to complete Board of Directors)
- Pension Fund update by the CFO (annually to complete Board of Directors)
- Treasury/Asset & Liability Management update by the CFO or the Head Treasury (annually to complete Board of Directors and usually oral information monthly to Chairman's & Risk Committee)
- Budget, Capital Management and Scenario Planning by the CEO/CFO (annually to complete Board of Directors)
- List of 'Organkredite' by the Chief Risk Officer (quarterly to Chairman's & Risk Committee)
- Regulatory reporting of 'Klumpenrisiken' by the Chief Risk Officer (quarterly to Chairman's & Risk Committee)
- Group Risk reporting by the Chief Risk Officer (quarterly to Chairman's & Risk Committee as well as to Audit Committee, annually to complete Board of Directors)
- Risk Landscape by the Chief Risk Officer (annually to Chairman's & Risk Committee and Audit Committee)

In addition, the Board of Directors has an independent Group Internal Audit unit at its disposal. The obligations and rights of Group Internal Audit are set forth in a separate code of responsibilities. Group Internal Audit has an unlimited right to information and access to documents with respect to all companies and elements of the Group. Furthermore, in consultation with the Chairman of the Board of Directors, the Executive Board may ask Group Internal Audit to carry out special investigations outside of the planned auditing activities. The Head of Group Internal Audit is appointed by the Board of Directors. The Head of Group Internal Audit submits a report to the complete Board of Directors on a yearly basis and to the Audit Committee usually on a quarterly basis, respectively.

EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

Bernhard Hodler (born 1960), Swiss citizen; Bachelor of Business Administration, University of Applied Sciences (HWV), Berne, 1984–1987; Staff IT School SIB, Zurich, 1988–1989; Financial Risk Manager (FRM), Global Association of Risk Professionals, 1997; Advanced Executive Program, Swiss Finance Institute, 1999–2000; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004. Union Bank of Switzerland, Credit Analyst, 1982–1984; Credit Suisse First Boston, Zug and London, Business Audit, Senior Corporate Auditor, 1987–1990; Swiss Bank Corporation, Tokyo and Zurich, 1990–1994: Deputy Head Global Risk Management, 1990–1993; Head Risk Management Asia Pacific and member of the Regional Management Committee, 1993–1994; Credit Suisse, Zurich, Head of Global Market & Credit Risk and Global Controlling Trading & Sales, 1994–1996; Credit Suisse First Boston, London, Head of Europe and Asia Risk Management, 1997–1998. Entry into Bank Julius Baer & Co. Ltd. in 1998 as Head of Global Risk Management, 1998–2001; Chief Risk Officer, 2001–2009; President of the Management Committee from 2001 until 2 December 2005; Julius Baer Holding Ltd.: member of the Extended Group Executive Board and Chief Risk Officer from 2001 until 2 December 2005; Head Corporate Centre and Chief Risk Officer from 3 December 2005 until 14 November 2007; member of the Executive Board from 15 November 2007 until 30 September 2009; Bank Julius Baer & Co. Ltd., member of the Executive Board since 15 November 2007: Chief Risk Officer from 15 November 2007 until 2009; Head Risk, Legal & Compliance from 2009 until 31 March 2011; Chief Operating Officer (COO) from 1 April 2011 to 31 December 2012, COO a.i. from 1 to 31 January 2013; Chief Risk Officer from 1 February 2013 to 26 November 2017. Chief Operating Officer (COO) a.i. of Julius Baer Group Ltd. from 1 to 31 January 2013; member of the Executive Board and Chief Risk Officer of Julius Baer Group Ltd. from 1 October 2009 to 26 November 2017; member of the Executive Board and Chief Executive Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 27 November 2017.

Larissa Alghisi Rubner (born 1970), dual Swiss and Italian citizen; Master of Arts (lic. oec. HSG), University of St. Gallen, 1995. Andersen Consulting (Accenture), Zurich, Consultant, 1996–1999; UBS AG, Zurich, 1999–2010: Media Relations, 1999–2001; Stakeholder Reporting, 2001–2008; Head Corporate Center Communications / Head of Communications Management and Internal Communications, 2008–2010; GAM Holding AG, Zurich, Group Head of Communications, 2010–2016; member of the Group Management Board from July 2015–2016. Entry into Julius Baer Group Ltd. on 1 June 2017: Chief Communications Officer and member of the Executive Board of Julius Baer Group Ltd. since 1 July 2017.

Nic Dreckmann (born 1974), Swiss citizen; Degree in Business Administration and Corporate Finance (lic. oec. publ.), University of Zurich, 1999; various finance seminars, New York University, 2002; Financial Risk Manager, Global Association of Risk Professionals, 2003. Accenture AG, Zurich, Business Project Manager, Consultant, 2000–2004. Entry into Bank Julius Baer & Co. Ltd. in 2004 as Product Manager private banking, 2004–2005; Business Development in private banking, 2005; Senior Project Manager in the post-merger integration of the acquired SBC Wealth Management businesses, 2005–2006; Head Strategic Management & Regional Coordination, 2006; Chief of Staff to the CEO and COO of Bank Julius Baer, 2006–2012; Global Head integration of the International Wealth Management business acquired from Bank of America Merrill Lynch, 2012–2015; Program Director of JB 2.0 – the Group-wide operating model transformation programme, 2014–2016. Member of the Executive Board and Chief Operating Officer of Bank Julius Baer & Co. Ltd. since 1 August 2016, member of the Executive Board and Chief Operating Officer of Julius Baer Group Ltd. since 1 January 2017.

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking in Zurich and London, 1985–1997; Swiss Re 1997–2003: Head Corporate Financial Management and Investor Relations, 1997–2000; Chief Financial Officer of the business unit Financial Services, 2001–2003; Barry Callebaut, Chief Financial Officer, 2003–2006; Cosmo Pharmaceuticals NV, Dublin, Ireland, member of the Board of Directors since 2006. Entry into Julius Baer Group Ltd. on 11 December 2006 as member of the Group Executive Board and Group Chief Financial Officer; Chief Financial Officer and member of the Management Committee of Bank Julius Baer & Co. Ltd., 2006–2007; member of the Executive Board and Group CFO since 15 November 2007; administrative and organisational manager of the Executive Board of Julius Baer Holding Ltd. from 1 September 2008 until 30 September 2009; member of the Executive Board and Chief Financial Officer of Bank Julius Baer & Co. Ltd. and of Julius Baer Group Ltd. since 1 October 2009.

Christoph Hiestand (born 1969), Swiss citizen; Law Degree, University of St. Gallen (HSG), 1994; admission to the bar in Switzerland, 1997; Master of Law LL.M., Cornell University, Ithaca, USA, 2000. Beiten Burkhardt Mittl & Wegener, attorneys-at-law, Frankfurt am Main and Duesseldorf (Germany), 1997–1998; attorney-at-law with BBLP Meyer Lustenberger, Zurich, 1999–2001. Entry into Bank Julius Baer & Co. Ltd., 2001: Legal Counsel 2001–2003; General Counsel, Corporate Centre, 2004–2005; Julius Baer Holding Ltd., Deputy Group General Counsel, 2006 until 30 September 2009; member of the Executive Board and General Counsel of Julius Baer Group Ltd. since 1 October 2009; additionally Chief Risk Officer a.i. of Julius Baer Group Ltd. from 27 November 2017 until 28 February 2018.

Changes in the Executive Board

Nic Dreckmann joined the Executive Board on 1 January 2017 as Chief Operating Officer of Julius Baer Group Ltd., replacing Gregory F. Gatesman who left the Group at the end of 2016.

Larissa Alghisi Rubner joined the Executive Board on 1 July 2017 as Chief Communications Officer of Julius Baer Group Ltd., taking over this function from Jan A. Bielinski who left the Executive Board end of June 2017 and will be retiring on grounds of age at the end of January 2018.

Bernhard Hodler became Chief Executive Officer on 27 November 2017, replacing Boris F.J. Collardi who left the Group on 26 November 2017.

OTHER ACTIVITIES AND INTEREST TIES

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange as well as the 'Ordinance against excessive compensation in listed companies', the Company fundamentally discloses all mandates and interest ties outside of the Julius Baer Group according to the applicable paragraphs of article 13 (Mandates outside the Group) of the Articles of Incorporation:

No member of the Executive Board may hold more than five additional mandates of which no more than one mandate in listed companies.

The following mandates are not subject to the aforementioned limitations:

a) mandates in companies which are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or companies controlled by it. No member of the Executive Board may hold more than five such mandates;
c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Executive Board may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

Mandates in exchange-listed companies:

Dieter A. Enkelmann:
- Member of the Board of Directors of Cosmo Pharmaceuticals NV, Dublin, Ireland, including Head of the Audit Committee and member of the Nomination Committee.

Mandates in non-listed companies:

Bernhard Hodler:
- Member of the Board of Directors of Ifb AG, Cologne, Germany.

Other mandates:

Larissa Alghisi Rubner:
- Member of the Managing Board of HarbourClub (forum for the Chief Communications Officers of businesses and organisations in Switzerland), Zurich, Switzerland.

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

MANAGEMENT CONTRACTS

There are no management contracts between Julius Baer Group Ltd. and companies (or individuals) outside of the Group.

RULES ABOUT COMPENSATION AND LOANS WITHIN THE GROUP

The topics of compensation and loans within the Group are fundamentally defined in the Articles of Incorporation of the Company. The outline below provides a summary. The full version of the rules can be found in the current version of the Articles of Incorporation in the Corporate Governance section of the Group's website at www.juliusbaer.com/cg.

VOTE ON PAY

The approval of compensation by the General Meeting of Shareholders is defined in article 11.1 of the Articles of Incorporation and determines:

a) the maximum aggregate amount of compensation of the Board of Directors for the next term of office;
b) the maximum aggregate amount of fixed compensation of the Executive Board for the financial year following the respective General Meeting of Shareholders;
c) the aggregate amount of variable cash-based compensation elements of the Executive Board for the financial year preceding the respective General Meeting of Shareholders;
d) the aggregate amount of variable equity-based compensation elements of the Executive Board granted in the current financial year.

The supplementary amount for payments to members of the Executive Board appointed after the vote on pay at the General Meeting of Shareholders shall not exceed for the Chief Executive Officer 40% and for each other member 25% of the aggregate amounts of compensation last approved by the General Meeting of Shareholders as detailed in article 11.2 of the Articles of Incorporation.

COMPENSATION OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE BOARD

Article 11.3 of the Articles of Incorporation details the compensation of the Group's two main governing bodies. Compensation of the members of the Board of Directors shall comprise a fixed remuneration only. Compensation of the members of the Executive Board shall consist of fixed and variable compensation.

Variable cash-based compensation elements shall be governed by performance objectives and metrics that take into account the performance of the Company or parts thereof, targets in relation to the market, other companies or comparable benchmarks and/or individual objectives, and achievement of which is generally measured during a one-year period. Variable equity-based compensation elements shall be governed by performance objectives and metrics that take into account strategic objectives of the Company, and achievement of which is generally measured during a perennial period.

Compensation may be paid or granted in the form of cash, shares, options (for Executive Board members only), similar financial instruments or units, or in the form of other types of benefits. In 2016 and 2017, the compensation of both bodies did not include any grants of options.

LOANS

To loans, separate rules apply as set forth in article 14 of the Articles of Incorporation:

Loans to members of the Board of Directors and of the Executive Board may only be granted if their amount complies with the banks' market practice and applicable internal guidelines of the Company. The total amount of loans outstanding must not exceed CHF 15 million per member of the Board of Directors or of the Executive Board.

Loans to members of the Executive Board may be granted at employee conditions, which correspond to the conditions for employees of the Julius Baer Group. Loans to members of the Board of Directors shall be granted at market conditions.

→ The Group's overall compensation framework including compensation governance, compensation elements and their application in the period under review is described in detail in chapter *II. Remuneration Report* of this Annual Report.

SHAREHOLDERS' PARTICIPATION RIGHTS (AS AT 31 DECEMBER 2017)

VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. The shareholder shall exercise its rights in the affairs of the Company at the General Meeting of Shareholders. It may represent itself or be represented by the independent voting rights representative or a third party at the General Meeting of Shareholders.

The General Meeting of Shareholders shall elect the independent voting rights representative for a term of office expiring after completion of the next Ordinary General Meeting of Shareholders. Re-election is possible.

The independent voting rights representative shall inform the Company of the amount, kind, nominal value and category of shares represented by it. The Chairman shall convey this information to the General Meeting of Shareholders.

The Group's shareholders are given the possibility to vote their shares through an electronic voting tool. Such votes will be delegated to the independent voting rights representative.

There are no voting rights restrictions; each share entitles to one vote.

STATUTORY QUORUMS

Except when otherwise required by mandatory law and/or by article 8.14 of the Articles of Incorporation, all resolutions of the General Meetings of Shareholders are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

CONVOCATION OF THE GENERAL MEETINGS OF SHAREHOLDERS

The convocation of the General Meetings of Shareholders complies with the applicable legal regulations. The convocation of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the share capital. The Board of Directors must convene the requested General Meeting within six weeks of receiving the request.

AGENDA

Shareholders who represent shares of a nominal value of CHF 100,000 may demand that matters be put on the agenda. This request must be submitted to the Company at least six weeks before the date of the General Meeting of Shareholders. The request to convene a meeting and to put a matter on the agenda must be done in writing including the matters to be handled and the proposals.

REGISTRATIONS IN THE SHARE REGISTER

In the invitation to the Annual General Meeting of Shareholders, the Board of Directors states the applicable record date by which shareholders must be registered in the share register to be eligible to participate and vote at the meeting.

CHANGES OF CONTROL AND DEFENCE MEASURES

DUTY TO MAKE AN OFFER

The Articles of Incorporation do not deviate from the standards set by the law (no opting-out or opting-up rules).

CLAUSES ON CHANGES OF CONTROL

Executive Board members are not entitled to specific payments upon a change of control or upon termination of employment related to a change of control; however, they are eligible to receive such benefits (e.g. accrued holiday pay, death/disability/retirement benefits under the pension plan, etc.) which are generally available to other Julius Baer employees. The Executive Board members, however, are not entitled to other severance pay or special termination benefits under the pension plans compared to the general staff population.

Special change-of-control provisions may be available under the Equity Performance Plan. All provisions remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control. More details can be found in chapter *II. Remuneration Report* of this Annual Report.

AUDIT

Audit is an integral part of corporate governance. While retaining their independence, the External Auditors and Group Internal Audit (GIA) closely coordinate their work. The Audit Committee and ultimately the Board of Directors supervise the adequacy of audit work.

EXTERNAL AUDITORS

The statutory auditor of the Julius Baer Group is KPMG AG (KPMG), Badenerstrasse 172, 8036 Zurich, Switzerland. The mandate was first given to KPMG for the business year 2006. Philipp Rickert has been the Lead Auditor since 2013. Swiss Law requires the Lead Auditor to rotate every seven years.

KPMG attends all meetings of the Audit Committee. At each meeting, KPMG reports on the findings of its audit and/or interim review work. The Audit Committee reviews KPMG's audit plan on an annual basis and evaluates the performance of KPMG and its senior representative in fulfilling their responsibilities. Moreover, the Audit Committee recommends to the Board of Directors the appointment or replacement of the External Auditors, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, the policy that governs the cooperation with the External Auditors strives to ensure an appropriate degree of independence of the Group's External Auditors. The policy limits the scope of service that the External Auditors may provide to Julius Baer Group Ltd. or any of its subsidiaries in connection with its audit and stipulates certain permissible type and caps of additional audit-related and other services. In accordance with this guidance and as in prior years, all KPMG audit, audit-related and other services provided in 2017 were pre-approved. KPMG is required to report to the Chief Financial Officer and the Audit Committee periodically the extent of services provided and the fees for the services performed to date.

Fees paid to External Auditors

	2017 *CHF m*	2016 *CHF m*
Audit fees[1]	**7.5**	6.7
Audit-related fees[2]	**0.3**	0.5
Other services fees[3]	**1.6**	0.8

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

GROUP INTERNAL AUDIT

With 34 professionals as at 31 December 2017, compared to 32 as at 31 December 2016, Group Internal Audit (GIA) performs the global internal audit function for the Julius Baer Group. GIA is an independent and objective function that provides independent and objective assurance to the Board of Directors on safeguards taken by management (i) to protect the reputation of the Group, (ii) to protect its assets and (iii) to monitor its liabilities. GIA provides assurance by assessing the reliability of financial and operational information, as well as compliance with legal, regulatory and statutory requirements. Audit reports with key issues are provided to the Chief Executive Officer, the Executive Board members of the Bank and other responsible members of management. In addition, the Chairman and the Audit Committee members are regularly informed about important audit issues. GIA further assures the closure and successful remediation of audit issues executed by Management.

To maximise its independence from management, the Head of GIA, Peter Hanimann, reports directly to the Chairman and to the Chairperson of the Audit Committee for delegated duties. GIA has unrestricted access to all accounts, books, records, systems, property and personnel, and must be provided with all information and data needed to fulfil its auditing duties. The Chairman and the Chairperson of the Audit Committee may request special assignments to be conducted. Other Board of Directors members and the Executive Board may ask for such special assignments with the approval of the Chairman or the Chairperson of the Audit Committee.

Coordination and close cooperation with the External Auditors enhance the efficiency of GIA's work.

INFORMATION POLICY

Julius Baer Group Ltd. informs its shareholders and the public each year by means of the Annual and Half-year Reports. Julius Baer furthermore provides a summary account of the business performance for the first four and the first ten months of each year, respectively, in separate Interim Management Statements. It also publishes press releases, presentations and brochures as needed.

→ Current as well as archived news items can be accessed via www.juliusbaer.com/news.

→ Stakeholders and interested parties can be kept informed about our Group automatically by subscribing to Julius Baer's News Alert service at the address www.juliusbaer.com/newsalert.

IMPORTANT DATES

19 March 2018	Publication of Annual Report 2017
11 April 2018	Annual General Meeting, Zurich
13 April 2018	Ex-dividend date
16 April 2018	Record date
17 April 2018	Dividend payment date

Additional information events are held regularly and as deemed appropriate in Switzerland and abroad.

→ Please refer to the corporate calendar at the address www.juliusbaer.com/calendar for the publication dates of financial statements and further important corporate events.

ADDRESS AND CONTACT

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LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Last year's changes to the front-facing organisation were aimed at enhancing the Julius Baer Group's geographical and client focus. In 2017, the employment of sound, market-specific strategies capitalised on this reshaped regional framework, which was further supported by the creation of dedicated market and team leadership roles. Alongside the roll-out of new advisory service models, assets under management grew by 16% (an increase of CHF 52 billion) to CHF 388 billion, amplified by CHF 22 billion in net new money. Thanks to its strong market position, Julius Baer was able to increase its operating income by 14% to CHF 3,252 million and its adjusted net profit[1] for the Group by 14% to CHF 806 million.

As announced at the end of November, Bernhard Hodler was appointed as the new CEO of the Group. Under his leadership, Julius Baer will continue its successful strategy of growth and further sharpen its focus on pure private banking. We sincerely thank Boris F.J. Collardi for his excellent stewardship of the Group and wish him well for the future.

Our success at recruiting and retaining industry talent is firmly rooted in our overall employee value proposition. In recognition of the key driving factors, we continued to implement new programmes focused on leadership and talent development. In 2017, Julius Baer launched the 'Coach Approach to Leadership' programme, developed to sharpen the existing leadership competencies of our senior management so that they become highly effective coaches to our relationship managers and key specialists. Furthermore, as an important means of fostering employee engagement, we significantly broadened our mentoring programme offerings which focused on highly motivated female talents and young talents.

In 2017, we introduced a number of enhancements to the qualitative assessment processes for our front office organisation. They are aligned with our 'first-line-of defence' principles, better capturing the fulfilment of 'know-your-client' standards and compliance with the newly implemented end-to-end advisory processes for the European Advisory locations, consistent with the new 'Markets in Financial Instruments Directive (MiFID II)'. For the newly created dedicated management roles in the front office, we have further stepped up the qualitative appraisal of how they carry out their leadership roles, particularly their accountability for their teams' fulfilment of regulatory requirements.

[1] Excluding amortisation of intangible assets as well as integration and restructuring expenses related to previous acquisitions or divestments as well as valuation allowances, provisions and losses.

We strongly believe our compensation framework remains consistent with the promotion of value creation for all stakeholders and supports our overall business strategy in a responsible way. For that reason, no material changes were made to this framework in 2017. Our compensation structures, incorporating significant levels of deferred compensation, long-term performance periods and balanced mixes of cash and equity awards, encompass best practices as defined by regulators, peers and our own compensation strategy. As part of our governance oversight, a detailed benchmarking of the compensation of the Board of Directors, the Executive Board and our key employees was again conducted in 2017. We continued to review and implement minor changes to our compensation policy to ensure continued compliance with local regulations in our operating locations.

While we purposefully chose to maintain a stable executive compensation structure, adjustments to the performance alignment approach used for our Equity Performance Plan (EPP) have triggered reporting changes, which are reflected in this Remuneration Report. The EPP awards to be granted in 2018 for the performance year under review (2017) are now reported as variable compensation for the performance year (2017). Formerly, these awards would have been reported as variable compensation for the following grant year (2018). We would like to state explicitly that the underlying EPP award cycle has stayed the same and that no additional grants have been made. Similarly, no modifications have been made to the binding say-on-pay votes (as defined in article 11.1 of our Articles of Incorporation). Finally, this reporting adjustment does not impact the information that the Group will provide to shareholders for the purposes of the vote on this year's Remuneration Report.

We appreciate the confidence that our shareholders have consistently demonstrated in our compensation framework. In line with the 'Swiss Ordinance against Excessive Compensation in Listed Companies', shareholders will be asked to vote on the identified, detailed compensation arrangements for the Board of Directors and Executive Board disclosed in this Remuneration Report. In addition, mirroring the importance we place on engaging with our shareholders on compensation matters, a consultative vote on the Remuneration Report will again be conducted.

On behalf of the Board of Directors,

Daniel J. Sauter	Gareth Penny
Chairman	*Chairman of the Compensation Committee*

COMPENSATION GOVERNANCE

COMPENSATION COMMITTEE AUTHORITY AND RESPONSIBILITIES

Julius Baer operates a multi-tiered system of compensation governance which ensures that there are clear processes governing all aspects of compensation. The Board of Directors sets the overall remuneration policy and retains full responsibility for designing and monitoring all aspects of the compensation paid to the Board of Directors and the Executive Board, which is paid in line with the compensation principles set forth in the Articles of Incorporation.

The Compensation Committee supports the Board of Directors in carrying out the Board's overall responsibility with regard to defining the Julius Baer Group's compensation principles and strategy. The Compensation Committee oversees the compensation of the Board of Directors (including the Chairman), Executive Board members (including the CEO) as well as that of all other employees of the Julius Baer Group (the 'Company' or the 'Group') on a collective basis. This includes reviewing any compensation principles (changes to which have to be submitted for approval by the Board of Directors), reviewing and approving compensation policies relating to the Group as a whole as well as any compensation policies within the Group which are linked to the shares of Julius Baer Group Ltd. Where relevant, the Compensation Committee also collaborates with other Julius Baer Group Committees (e.g. the Audit Committee and the Chairman's & Risk Committee) when shaping policy.

Every year, the Compensation Committee reviews the compensation elements and the share ownership programmes in the context of Julius Baer Group's current business strategy, market practice, the possible impact of new regulatory developments and feedback received from stakeholders. The Compensation Committee also carries out an annual review of the Group's compliance with these principles and policies and ensures that the relevant policies conform to national and international standards and regulations. For each group of recipients, the following table shows the procedures for recommendations and decisions on compensation:

Compensation recipient	Recommended by	Reviewed and agreed by	Approved by
Chairman of the Board of Directors	Chairperson of the Compensation Committee	Compensation Committee	Shareholders
Board of Directors members (excluding the Chairman)	Compensation Committee	Board of Directors	Shareholders
CEO	Chairman of the Board of Directors and Chairperson of the Compensation Committee	Compensation Committee/ Board of Directors	Shareholders
Executive Board (excluding the CEO)	CEO	Compensation Committee/ Board of Directors	Shareholders
Regulated staff (e.g. Key Risk Takers)	Line management	CEO/Executive Board	Compensation Committee
High income earners	Line management	CEO/Executive Board	Compensation Committee

To avoid any conflicts of interest, the Chairman of the Board, the CEO and other members of the Executive Board do not participate in those segments of the Compensation Committee meetings which serve to discuss and determine their proposed compensation.

The Compensation Committee consists of at least three members of the Board of Directors who are elected by the Annual General Meeting (AGM). The current Compensation Committee is made up of four members. Where decisions of a specialised nature are required, the Compensation Committee may seek advice from additional members of the Board of Directors.

Members: Gareth Penny (Chairperson), Gilbert Achermann, Ann Almeida and Heinrich Baumann. As described in the 'Corporate Governance' section of the Annual Report, these four individuals are experienced Board members who have a broad range of expertise in the industry as well as in matters of governance.

The Compensation Committee convenes as often as required and holds a minimum of three meetings each year. During the year under review, the Compensation Committee held six meetings lasting an average of 2.5 hours each.

The following table shows the meetings held by the Compensation Committee of Julius Baer Group Ltd. in 2017 and the Committee members attending each meeting:

	January	April	June	September	October	December
Gareth Penny, Chairperson	x	x	x	x	x	x
Gilbert Achermann	x	x	x	x	x	x
Ann Almeida	x	x	x	x	x	x
Heinrich Baumann	x	x	x	x	x	x
Daniel J. Sauter	G	G	G	G	G	G

G = attended meeting as guest except for segments of the meeting in which a conflict of interest might have arisen

COMPENSATION PRINCIPLES

The primary compensation principles of the Julius Baer Group are to:

- attract and retain industry professionals who are dedicated to contributing value to the Group;
- foster risk awareness and control, while ensuring full alignment with regulatory compliance;
- incentivise management by rewarding achieved performance and by providing incentives for the creation of future shareholder value; and
- ensure that performance-based variable compensation is in line with the Group's business strategy and relevant current market practice.

Furthermore, the compensation of the members of the Board of Directors and of the Executive Board is governed by the following compensation principles as set out in the Articles of Incorporation (article 11.3).

- Compensation of the members of the Board of Directors shall comprise a fixed remuneration and take into account the Board of Directors member's work level and additional memberships in board committees.
- Compensation of the members of the Executive Board shall consist of fixed and variable compensation elements, where the total compensation level per member takes into account the position and level of responsibility of the recipient.
- Variable compensation may comprise cash-based and equity-based compensation elements. The Board of Directors or, to the extent delegated to it, the Compensation Committee shall determine the performance objectives and metrics applicable to the variable cash- and equity-based compensation elements.
- Variable cash-based compensation elements shall be governed by performance objectives and metrics that take into account the performance of the Company or parts thereof, performance relative to peers and/or the market as well as individual objectives, the achievement of which is generally measured during a one-year period.
- Variable equity-based compensation elements shall be governed by performance objectives and metrics that take into account the strategic objectives of the Company, the achievement of which is generally measured over a perennial (multi-year) period.

- Compensation may be paid or granted in the form of cash, shares, options (except for members of the Board of Directors), similar financial instruments or units, or in the form of other types of benefits.

Please refer to www.juliusbaer.com/group/en/julius-baer-at-a-glance/corporate-governance for the full provisions of the Articles of Incorporation.

PEER BENCHMARKING

It is important to the Compensation Committee and the Board of Directors that the Group ensures that its compensation practices, structure and pay levels (adjusted for performance) remain competitive within the marketplace and are consistent with those of its peers from year to year.

The Compensation Committee continues to consider the SMI as the most relevant peer group for the purposes of compensation comparison. However, it also looks at industry peers as part of its assessment of corporate governance practices and relative performance reviews. Taking into account the Group's market capitalisation and the complexity of the industry in which it operates, the Group's current positioning between the lower quartile and median of SMI companies remains appropriate. This peer group positioning continues to be reviewed annually.

Overview of peer groups for compensation benchmarking and relative performance review

Industry peer group		**Market peer group (SMI)**		
Credit Suisse	LODH	ABB	Nestlé	Swatch
DBS	Morgan Stanley	Adecco	Novartis	Swiss Life
Deutsche Bank	Pictet	Geberit	Richemont	Swiss Re
EFG	Standard Chartered	Givaudan	Roche	Swisscom
Goldman Sachs	UBS	LafargeHolcim	SGS	Zurich Insurance
HSBC	Vontobel	Lonza	Sika	

EXTERNAL ADVISERS

In 2017, Julius Baer Group Ltd. obtained advice from HCM International Ltd. on compensation strategy, in particular with regard to executive compensation topics and the valuation of equity-based awards. During the year, Willis Towers Watson and McLagan (a business division of Aon Hewitt) provided compensation survey data and analysis that was utilised internally by the Group for benchmarking purposes. Mercer LLC was retained to benchmark global mobility practices as well as to provide local pension and benefit advisory services. Both Deloitte LLP and PricewaterhouseCoopers International Ltd. were engaged to render advice on certain aspects of compensation-related regulatory matters. Ernst & Young AG (EY) was mandated to prepare an analysis of various aspects of compensation and diversity. Of these aforementioned advisers, EY also had other mandates within the Group outside the Compensation and Benefits department.

SAY-ON-PAY

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Companies ('Ordinance'), Julius Baer Group reports the compensation awarded to members of both the Board of Directors and the Executive Board on a business year basis. While the fixed compensation for the Board of Directors and the Executive Board is approved on a prospective basis for operational purposes, shareholders vote on the actual variable compensation amounts awarded to the Executive Board. The Board of Directors recognises that the binding say-on-pay vote is not only a meaningful tool for shareholders, but also one that requires analysis and proper context to enable shareholders to interpret the compensation numbers on which they vote. This Remuneration Report aims to assist shareholders in this responsibility.

The approval of compensation by the AGM is defined in article 11.1 of the Articles of Incorporation. This approval determines:

1. the maximum aggregate amount of compensation paid to the Board of Directors for its next term of office;
2. the maximum aggregate amount of fixed compensation of the Executive Board for the financial year following the respective General Meeting of Shareholders;
3. the aggregate amount of variable cash-based compensation elements of the Executive Board for the financial year preceding the respective General Meeting of Shareholders; and
4. the aggregate amount of variable equity-based compensation elements of the Executive Board granted in the current financial year.

In addition, a consultative vote on the Remuneration Report is again scheduled for the AGM on 11 April 2018. The Board of Directors is committed to maintaining a dialogue with shareholders on compensation matters. The detailed compensation data will be provided to shareholders as part of their invitations to the AGM.

The following table summarises the outcomes of the binding say-on-pay votes on compensation and consultative vote on the Remuneration Report held at the 2017 AGM and 2016 AGM.

Results of say-on-pay shareholder approvals

Say-on-pay shareholder approvals	Vote 'for' at 2017 AGM	Vote 'for' at 2016 AGM
Board of Directors maximum aggregate amount of compensation	96.58%	99.13%
Executive Board maximum aggregate amount of fixed compensation	95.19%	97.93%
Executive Board aggregate amount of variable cash-based compensation	94.21%	98.12%
Executive Board aggregate amount of variable equity-based compensation	90.13%	94.42%
Consultative vote on the Remuneration Report	88.43%	91.23%

If the aggregate amount of the fixed compensation approved by shareholders for the Executive Board is not sufficient to cover also the fixed compensation (including any replacement award) of a new joiner to the Executive Board (joining after the AGM), the Group may award a supplementary amount. This supplementary amount is defined (in article 11.2 of the Articles of Incorporation):

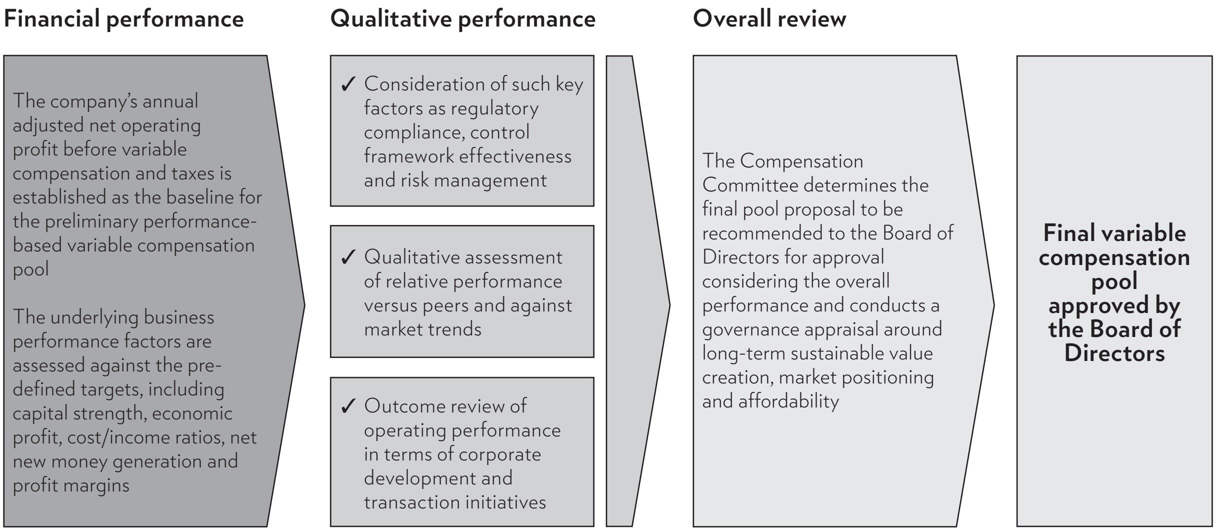
– for a new CEO as a maximum of 40% of the aggregate amounts of compensation last approved by shareholders for the Executive Board;
– for a new member of the Executive Board as a maximum of 25% of the aggregate amounts of compensation last approved by shareholders for the Executive Board.

No supplementary amount was awarded to the members of the Executive Board (including the new CEO) for the 2017 financial year.

GROUP PERFORMANCE AND VARIABLE COMPENSATION FUNDING

VARIABLE COMPENSATION FUNDING

Variable compensation funding process



Financial performance assessment
The baseline for calculating the Group's variable compensation pool is the annual adjusted net operating profit before variable compensation and taxes ('adjusted NOPbBT') generated by the Group (as reconciled by the Audit Committee). The Group's adjusted NOPbBT is derived by excluding from the audited IFRS financial statements items such as integration and restructuring expenses and amortisation of intangible assets related to acquisitions or divestments.

Adjusted NOPbBT has been selected as the appropriate baseline for the variable compensation pool funding as it is the underlying, sustainable operating profit generated by the business. It is an important metric which reflects the Group's actual performance, thus giving the Compensation Committee a clear indication of operating performance and providing a reliable baseline for comparing the year-on-year development of the Group.

In determining the pool, the Compensation Committee also takes other financial metrics into consideration such as changes in and/or the development of the capital ratios, cost/income ratio, gross/net profit margin, economic profit and net new money generation. All quantitative metrics are measured against the overall midterm plan, the strategic goals of the Group and its historical results for the prior three years.

Qualitative performance assessment
The qualitative review of performance is multi-faceted in order for the Compensation Committee to gain a perspective on the sustainability of the financial results and quality of earnings. Firstly, the Group's performance is measured in terms of how successfully key aspects, affecting current and future performance, have been managed with regard to regulatory compliance, control framework effectiveness and risk. Secondly, the financial results are further assessed against the performance of peers and market trends, which guide the determination of the relative value contribution. Finally, the progression and outcomes of key strategic initiatives pertaining to corporate development and transactions (merger and acquisition activity) are also appraised.

Overall review
The Compensation Committee carries out a review of the size of the proposed variable compensation pool taking into account the overall performance as well as factors such as long-term sustainable value

creation, affordability and market positioning as part of a governance appraisal. The Compensation Committee recommends adjustments only in exceptional cases and does not make adjustments to the pool in subsequent years to take into account reduced or revoked variable compensation due to ex-ante or ex-post performance adjustments made in prior years. This additional governance process further helps the Compensation Committee to maintain a balance between the development of the pool and the Group's corporate performance.

As part of the approval of the final variable compensation pool, the Board of Directors seeks to ensure that the profit distribution amongst stakeholders (principally through shareholder dividends, global taxes paid to the relevant authorities, employee variable compensation and reinvestment into the business) is sustainable and reflects an appropriate, equitable distribution.

This variable compensation pool is allocated across the various business units based on such factors as headcount, financial performance, significant achievements and contributions to the adjusted NOPbBT. This policy has been consistently employed over many years and thus allows meaningful year-on-year comparisons and the continued implementation of a stable compensation system.

2017 JULIUS BAER GROUP PERFORMANCE

The Group successfully pushed ahead with the implementation of its strategic roadmap and built on the underlying key initiatives which were put in place to position the Group for future growth and profitability. These initiatives centred on enhancing market focus and regionalisation, providing clients with holistic wealth management services throughout their life stages as well as increasing productivity and flexibility through improved processes and technical advances.

In 2017, the benefits of last year's strategic hiring initiative and organisational changes were observable across the Group's chosen markets. Strong net inflows resulted in an accelerated net new money growth of 6.6%, exceeding the Group's medium-term target range of 4-6%.

In this year's favourable market environment, the Group was able to capitalise on profitable growth opportunities. The Group increased its adjusted net profit to a record CHF 806 million, representing a 14% year-on-year increase. When Kairos' fair value adjustment and the Swiss pension plan amendment are excluded from the 2016 operating income and expenses, the year-on-year increase in the adjusted net profit for the Group rises to 30%.

While operating income grew by 14% to CHF 3,252 million, increases in income from asset-based fees, net interest earnings and dividends as well as higher client transaction commissions were partly offset by lower net trading income and changes in other ordinary results. This led to a gross margin of 89.7 basis points (bp) compared to 91.1 bp in 2016. As a result, the Group's adjusted cost/income ratio[1] was 69.0% compared to 68.9% in 2016. When the Kairos- and pension fund-related items are excluded from the 2016 operating income and expenses, the comparable adjusted cost/income ratio is 72.0% for 2016 and the year-on-year improvement equates to three percentage points for 2017. The adjusted cost/income ratio is expected to move inside the midterm target range in 2018.

The IFRS results in the Group's 2017 consolidated financial statements confirm that the net profit grew by 15% to CHF 716 million. After considering non-controlling interests of CHF 11 million, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. increased by 14% to CHF 705 million with earnings per share increasing from CHF 2.85 to CHF 3.25.

At the end of 2017, on a phase-in basis, the Group maintained a BIS total capital ratio of 22.0% and a BIS CET1 capital ratio of 16.7%, both well in excess of the Group's floors (15.0% and 11.0%, respectively) and the regulatory minimum requirements (12.2% and 8.0%, respectively).

[1] Excluding amortisation of intangible assets as well as integration and restructuring expenses related to previous acquisitions or divestments as well as valuation allowances, provisions and losses.

2017 VARIABLE COMPENSATION POOL

The Group considers it fundamental that the amount of performance-based variable compensation available for distribution to its employees is directly linked to the overall performance of the Group whilst also considering individual and business unit performance.

In line with Julius Baer's strong financial performance, further underscored by sustained, long-term growth and delivery on key strategic initiatives (as outlined above in the section '2017 Julius Baer Group performance'), the overall size of the variable compensation pool increased in 2017. A significant proportion of this year's pool increase was attributable to the strong contribution of Kairos and the newly joined senior relationship managers, who were recruited in 2016 and 2017.

The Compensation Committee is confident that the 2017 pool properly reflects the Group's pay-for-performance culture in a reasonable and measured manner.

OVERVIEW OF 2017 VARIABLE COMPENSATION PLANS

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

Summary of 2017 deferred compensation plans

		Ongoing plans[1]				Sign-ons and Replacements[2]	Employee Share Purchase
		Deferred Bonus Plan	**Equity Performance Plan**	**Deferred Cash Plan**	**Premium Share Plan**	**Long-Term Incentive Plan**	**Share Participation Plan**
Eligibility		Executives and selected senior management with bonus over CHF 125,000	Executives and selected senior management by CEO invitation	Employees with bonus over CHF 125,000	Employees with bonus over CHF 125,000	New hires who lost compensation due to change in employer	All employees who are not participants in other company share plans[3]
Purpose		Align with sustainable value creation	Align long-term performance and retention	Align with sustainable value creation	Align long-term performance and retention	Attraction and long-term alignment	Shareholder alignment
Funding drivers		Company, business and individual performance		Company, business and individual performance		Business and company affordability checks	Mainly self-financed[4]
Duration		5 years	3 years	3 years	3 years	3 years	3 years
Payout factors	**Share price**		•		•	•	•
	Vesting performance conditions		•				
	Forfeiture clauses and clawback	• (clawback)	•	•	•	•	• (additional shares)
Settlement		Cash	Shares	Cash	Shares	Shares	Shares

1 Staff who are participants of the DBP & EPP are not eligible to participate in the DCP & PSP and vice versa.
2 In very exceptional cases (e.g. restructuring), retention awards are granted under the LTI. The LTI may also be utilised in lieu of the PSP for locations with restrictions on variable compensation.
3 Employees in some specific locations are excluded from participating for legal or regulatory reasons.
4 For every three shares purchased by the employee, an additional share is granted free of charge at the end of the three-year vesting period.

EXECUTIVE BOARD AND SENIOR MANAGEMENT COMPENSATION

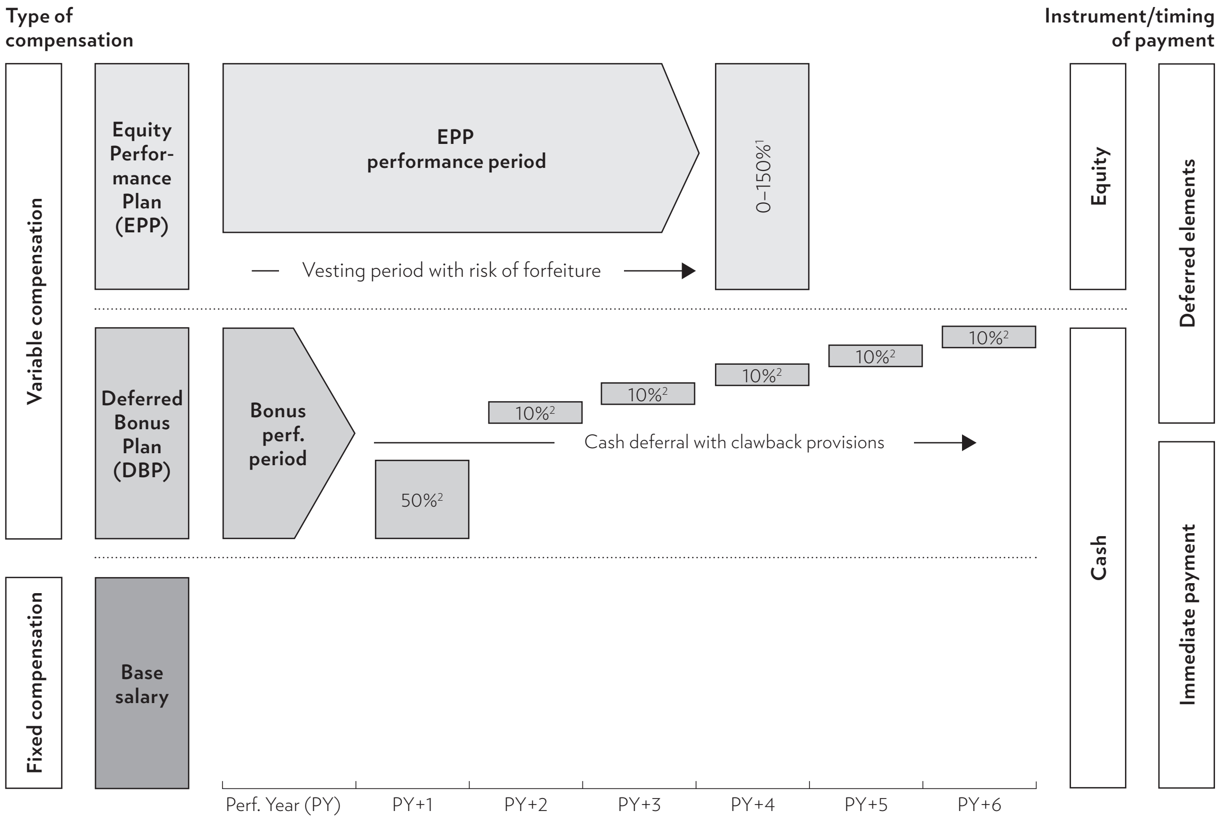
This section provides the details of the compensation system for members of the Executive Board and selected members of senior management ('Senior Management'). The 2017 figures for the Executive Board are presented in the 'Compensation, loans and shareholdings of the Executive Board' section of this Remuneration Report.

Key elements of the Executive Board and Senior Management compensation:

1. Simple and transparent structure	Total compensation consists of three elements: (i) base salary in cash, (ii) a cash-based variable compensation element (delivered under the Deferred Bonus Plan – DBP), and (iii) a long-term, performance-based equity incentive (delivered under the Equity Performance Plan – EPP). The structure is designed to reward executives for contributing to the Group's overall performance and implementing the Group's strategy to enable future growth and success.
2. Internal and external performance achievements	Explicit link to value drivers (internal factors) and share price performance (external factors): the DBP is based on internal measures of achieved performance that Julius Baer regards as being closely related to the long-term value of the Company. The EPP uses a system of Performance Units linked to two KPIs, cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR), thus aligning managerial compensation to the external view of the market and incentivising long-term shareholder value creation.
3. Clearly defined caps	The Company has Executive Board variable compensation caps across all members with specific caps for the CEO.
4. Share ownership guidelines	To foster alignment of the interests of the Executive Board with those of our shareholders, members of the Executive Board have a three-year period to build up and hold a specific number of Julius Baer Group Ltd. shares.

The Group compensation model for the Executive Board and Senior Management is structured as follows:

Illustrative example



[1] Subject to performance of KPIs; share allocation capped at 150% of Performance Units granted; share value at vesting dependent on market performance.

[2] Deferrals from DBP range from 20 to 50% based on the level of the allocated bonus (illustrative example assumes 50% DBP deferral).

TOTAL COMPENSATION PAY MIX

Total compensation of members of the Executive Board including the CEO consists of a base salary in cash, a cash-based variable compensation component (DBP) and a performance-based variable component (EPP) in the form of equity. There were no significant pay-mix or compensation adjustments applied to the Executive Board members in 2017. All variable compensation was determined based on a combination of the Group's performance and that of the individual Executive Board members against set objectives.

FIXED COMPENSATION

Base salary

For Executive Board members, the base salary is paid in cash. The base salary represents the compensation for the market value of the function. Each Executive Board member's base salary is determined individually, taking into consideration his or her role, responsibilities and experience, as well as the level of education, the degree of seniority and the level of expertise required to fulfil the function. The Julius Baer Group received shareholder approval for the aggregate amount of the 2017 Executive Board base salaries at the 2016 AGM. The aggregate amount spent on 2017 Executive Board base salaries stayed below the approved maximum amount. The detailed figures are covered as part of the 'Compensation, loans and shareholdings of the

Executive Board' section of this Remuneration Report.

Pension payments
The members of the Executive Board (all of whom have an employment relationship in Switzerland) share the same retirement plan benefits as all other employees in Switzerland.

Benefits
Julius Baer considers benefits to be a part of compensation and the benefits offered may vary substantially from location to location. In general, there are no special benefits for members of the Executive Board; they receive the same benefits as all other employees in the location and business where they work.

VARIABLE COMPENSATION

Cash-based variable compensation
The Executive Board members and Senior Management (which includes selected key risk takers, regulated staff and/or nominated senior employees) receive their variable compensation under the Deferred Bonus Plan (DBP) in six instalments over a five-year period from the date of deferral.

Performance assessment process
Julius Baer rewards Executive Board members who contribute to:

- enhancing value by employing investor capital efficiently while at the same time managing risks;
- adhering to regulatory requirements; and
- meeting Julius Baer's corporate culture standards.

Although Julius Baer's variable compensation scheme is discretionary, the final amounts allocated to its individual participants are based on a careful assessment of each individual's attainment of a mix of specific quantitative and qualitative objectives. These objectives are individually weighted to support the alignment of managerial actions with shareholder interests as part of a balanced scorecard.

Objective setting for the CEO
Each year the Chairman of the Board meets with the CEO to discuss and determine the key performance objectives for the upcoming performance year. The objectives are defined in a CEO scorecard (see the 2017 scorecard below in the 'Performance assessment based on scorecard' section of this Remuneration Report) with clear individual goals and targets for each of the respective value-driver categories. In a typical year, the CEO will have performance objectives in the four value-driver categories (each of which will typically contain several goals).

When formulating the CEO's objectives, the Chairman of the Board, in collaboration with the Chairperson of the Compensation Committee, aims to ensure that the defined goals are aligned with the overall midterm plan and strategic goals of Julius Baer. In addition, they endeavour to weight the goals properly in order to promote sustainable performance in a conservative manner, whilst also ensuring risk management and regulatory compliance. Qualitative objectives are defined to support the attainment of individual goals which, whilst not readily expressible in quantitative terms, nonetheless contribute to the overall success of Julius Baer.

Once agreed and defined, the Chairman of the Board and the Chairperson of the Compensation Committee approve the final objectives in their entirety. It is important to note that the baseline for the various objectives contained in the CEO's scorecard (e.g. the three-year midterm plan or budget, quantitative Group level goals, etc.) is approved by the Board of Directors.

Objective setting for the Executive Board members
The objective-setting process for the Executive Board members mirrors that of the CEO; however, it is the CEO who meets with each member of the Executive Board to discuss and determine the key performance objectives for the upcoming performance year.

The CEO's approved scorecard serves as the baseline for the individual Executive Board member's scorecards. Executive Board members are also given performance objectives in all four of the value-driver categories listed on the scorecard below (each of which will typically contain several goals). As each Executive Board member acts in a different capacity within the Group, the objectives for each value-driver category (and the corresponding goals within each category) are individually geared towards each Executive Board member's area of responsibility. The CEO approves the final objectives in their entirety.

Performance assessment based on scorecard
These key performance objectives are formally measured at year-end, when the scorecard is discussed between the Chairman of the Board and the CEO (in the case of the CEO's goals) and between the CEO and the respective Executive Board member (in all other cases). However, performance against value drivers and individual goals is continuously monitored. The outcomes of these assessments are reviewed in detail by the Compensation Committee, on behalf of the Board of Directors, as the basis for all DBP award recommendations for the Executive Board (including the CEO) submitted to the Board of Directors.

For the year 2017, the following value drivers and individual goals were defined in the Executive Board members' individual scorecards:

Core objectives (30%)

			Assessment
2017 Budget and KPIs	**Overall**	• Overall 2017 budget achievement in terms of profitability including operating income and expenses • For the specific area of responsibility, the 2017 budget is directly allocated to each of the EB members' scorecards and is directly derived from the budget the Board of Directors has approved for the 2017 performance year	Target
	Client-facing units targets	• Growth of net new clients assets • Development of asset profitability • Cost/income ratio • Cost management • Attraction and retention of relationship managers	
	Non-client-facing units targets	• Efficient and process-optimised management • Cost management	
	Additional targets for CEO/ CFO/ CRO	• Capital Requirement KPIs • Specific Risk KPIs	

Project objectives (30%)

		Assessment
Strategic Roadmap	• Enhance the Group's market focus and regionalisation while realigning the organisation to the evolving market-specific client needs • Strengthen the client-facing management structure and the client knowledge framework • Enrich the client advisory experience through Julius Baer's Your Wealth offering, encompassing the development of client-centric holistic solutions and wider roll-out of Julius Baer's advisory model, as well as strengthen Julius Baer's investment management capabilities • Further build on the Group's attractive employee value proposition	Target
Mergers & Acquisitions (M&A)	• Actively shape the M&A strategy of the firm • Support the successful integration of recently acquired/merged entities	
Platform	• Increase productivity and flexibility through the upgrade of the Group's technology platforms and processes	

General objectives (30%)

		Assessment
Regulatory awareness and compliance	• Actively address changes in the regulatory environment by defining suitable measures for important topics such as tax transparency / enforcement development, investment suitability and fulfilment of FINMA regulations and regulatory requirements outside Switzerland	Target
Risk management and qualitative objectives	• Comply with and build sensible business policies and practices which are in line with the Group's risk appetite and drive an effective control framework to ensure regulatory compliance and prevent operational loss • Increase risk awareness and accountability of staff as well as raise awareness about data security • Succession planning/management; manage existing staff and hiring pipeline • Proactively advance and handle critical communication situations	
Other general objectives	• Promote core values to further develop a common culture and identity, including embedding the performance culture of Julius Baer • Corporate Sustainability; promote the continuous integration of sustainability considerations into Julius Baer's daily life such as sustainable investing	

Personal goals (10%)

	Assessment
• To improve their contributions to firm value, goals are set that help the individual EB member to develop their skill sets and ultimately contribute to the success of Julius Baer	Target

For competitive confidentiality reasons, the specific quantitative objectives for each of the above components are not disclosed.

In the assessment process, the actual achievement of quantitative objectives is measured against the objectives set in the individual's scorecard to determine his or her relative achievement. For qualitative objectives, actual performance is measured directly by the Chairman of the Board in the case of the CEO and by the CEO in the case of all other members of the Executive Board. However, in the case of qualitative measurements, the measuring party may need to rely upon other Julius Baer employees, external advisers, and/or members of the Board of Directors to complete the measurement. For example, in the determination of the level of the individual's performance relative to regulatory compliance, consultation with the Group's Head of Compliance may be required to complete the final assessment.

For each of the individual goals, each Executive Board member's actual achievement is determined in percentage terms based on the following rating system:

Rating	Description	Performance objective achievement
A++	significantly exceeds goal	>133%
A+	exceeds goal	111–133%
A	fully meets goal	91–110%
B	goal achievement below expectation	67–90%
C	does not meet goal at all	<67%

Once the individual performance goals (within each value driver) are properly assessed, a weighted average of all performance objectives is calculated to determine the individual's overall performance within the applicable value driver. A final average weighting of all four value drivers is calculated based on the value-driver weighting to determine the preliminary performance rating based on the individual's assessed performance.

Once the Executive Board member's preliminary performance rating has been calculated, a verification is performed. This verification is completed by the Chairman of the Board and the Chairperson of the Compensation Committee in the case of the CEO's performance and by the CEO for all other members of the Executive Board. The purpose of this verification step is to ensure that the preliminary performance rating of the participant makes fundamental sense (for example to ensure that strong qualitative performance does not skew the overall rating of an Executive Board member in a year when overall quantitative corporate performance and shareholder return is negative). In this verification process, the preliminary performance rating of the Executive Board member may be adjusted marginally upwards or downwards to determine the final performance rating.

The scorecard's results provide the basis for determining the recommended DBP allocation. These individual assessments mean that the overall pay mix awarded to individual Executive Board members may differ from year to year, due to individual, divisional and/or Group performance, as well as overall individual responsibilities.

All DBP recommendations for the Executive Board are subject to confirmation by the Compensation Committee and, once approved, are then agreed upon in aggregate by the Board of Directors, with specific acceptance of the proposed DBP award to the CEO being requested from the Board of Directors.

Final approval of the DBP for the financial year for the Executive Board will be sought from our shareholders at the AGM following the end of the financial year.

2017 Executive Board performance
In the Group's pursuit to deliver a best-in-class wealth management experience, Julius Baer provided timely and tailored advice to clients through a steadily growing number of digital channels and grew sustainable profit levels for shareholders.

As always, the Group's adjusted financial results are a significant component of the scorecard assessment of both the CEO and the other Executive Board members. Thanks to balanced cost management in 2017, the Group successfully managed higher expenses stemming from investments in technological transformation and higher staff levels. While these strategic initiatives continued to weigh on the Group's margins, the Group capitalised on the upturn in the global market environment and achieved strong financial results (as described in the section above entitled '2017 Julius Baer Group performance').

Julius Baer's technological transformation was tackled by the Executive Board on multiple fronts in 2017. The multiyear project to upgrade and globally harmonise Julius Baer's core banking platforms is in the final stage in Asia and major steps were taken in 2017 to establish Luxembourg as Julius Baer's primary European hub outside Switzerland. The booking platform in Luxembourg and the growing product offering it supports allow for an expanding set of business opportunities in the region. The Group improved its clients' digital service experience through upgrades to the Julius Baer Mobile Banking App and the launch of additional functionalities within the Investment Insights App. Greater business scalability and improvements in front-office productivity were also achieved through upgrades to digital platforms (and related processes), which were focused on product distribution and wealth planning offerings as well as compliance matters. Furthermore, a new Integrated Advisory Platform was launched in 2017 to support a MiFID-II compliant, end-to-end advisory process for the European Advisory locations.

The Executive Board enhanced client proximity through the implementation of market-specific strategies and further development of integrated approaches to provide tailored financial solutions. This included significant progress in the realignment of the Investment Management organisation to meet ever-evolving client needs, further development of the Group's discretionary investment solutions offering, the successful launch of several new funds managed by Kairos and the roll-out of the new advisory service models (Advice Basic, Advice Premium and Advice Advanced) by Advisory Solutions to clients on the Luxembourg booking platform.

The Executive Board remained instrumental in reinforcing Julius Baer's client-centric excellence and management culture and these achievements were reflected in the external recognition bestowed on the Group. Julius Baer received various awards across the globe, including 'World's Best Bank for Wealth Management' by 'Euromoney', 'Best Boutique Private Bank in Asia' by 'The Asset' (a leading publication in the region) for the eighth consecutive year, 'Outstanding Private Bank – Switzerland – Domestic Players' by 'Private Banker International' for the second consecutive year, 'Best Private Banking Group 2017' at the 'UAE Business Awards 2017' and 'Outstanding Bank for Growth Strategy – M&A' at the 'Private Banker International Global Wealth Awards 2017' as well as 'Best Equity Product' and 'Best Product on Precious Metals/ Foreign Currencies' at the 'Swiss Derivative Awards 2017' and Kairos' receipt of 'Best Overall Asset Management Group' by 'Hedge Funds Review' and 'Pan-European Hedge Fund 2017' by 'Extel'.

Based on individual and corporate performance in 2017, the Executive Board members (excluding the new CEO) achieved an average performance rating of 'A' under Julius Baer's assessment process.

As part of his former CRO role, the new CEO played a key role in the implementation of the strategic roadmap by driving the processes to raise risk awareness and accountability throughout the Group as well as ensuring the Group's alignment with regulatory standards. The new CEO's efforts in defining the architecture of Julius Baer's risk management landscape as well as his strong leadership throughout the change in the management team were reflected in his 2017 scorecard assessment. Based on the above individual and corporate performance in 2017, the scorecard assessment for the new CEO (mainly based on his former CRO role) completed by the Chairman of the Board of Directors and reviewed with the Compensation Committee resulted in a final assessment of 'A' under Julius Baer's performance rating scheme.

In assessing and determining the compensation of the new CEO and Executive Board members for 2017, the Compensation Committee and Board of Directors took all of the Group's achievements in 2017 into consideration. Due to his resignation prior to the year-end and the resulting bonus ineligibility, no final performance assessment was conducted for the former CEO.

Plan structure of the DBP
The DBP aims to ensure that its participants continue to manage Julius Baer for sustainable long-term shareholder value creation, to emulate the Julius Baer values, and to carry out all business activities in a manner which is compliant with regulatory requirements. As a result, the amounts allocated to each individual (through the individual's scorecard) are closely tied to factors that Julius Baer has identified as key value drivers for the Group.

The full amount of the DBP is generally awarded in the first quarter following the close of the relevant financial (i.e. calendar) year. For 2017, the DBP for the Executive Board will be recommended in the first quarter of 2018; however, it will not be paid until it has been approved by our shareholders.

Although subject to deferral, the DBP is considered as earned in the year the award is granted and, as such, it is reported under the accrual principle in the Remuneration Report for the performance year in which the award is earned. The DBP is paid in cash; however, where the granted DBP exceeds the minimum threshold (CHF 125,000, or its local currency equivalent) a portion is subject to a five-year deferral. During those five years, the deferred amount is paid out in five equal annual instalments. For DBP amounts between the minimum threshold and CHF 1 million (or its local currency equivalent), a sliding scale is applied, under which the deferral percentage increases linearly from 20% to 50% (consistent with the previous year). DBP amounts of CHF 1 million (or its local currency equivalent) or higher will remain subject to the maximum deferral rate of 50%. Amounts below the DBP minimum threshold are not subject to deferral.

This deferral promotes a long-term orientation. It allows Julius Baer to claw back DBP amounts in the event of a substantial breach of legal or regulatory requirements, financial losses (e.g. misrepresentation of variables on which the DBP award was based) and a variety of other events where the employee's conduct has substantially contributed to a financial loss by the Julius Baer Group or has caused it reputational damage. The deferral element is not intended to function as a retention measure, since the executives are entitled to continue to receive the deferred amounts (according to the payout schedule) even after termination of employment. It is nevertheless an important element in the compensation package.

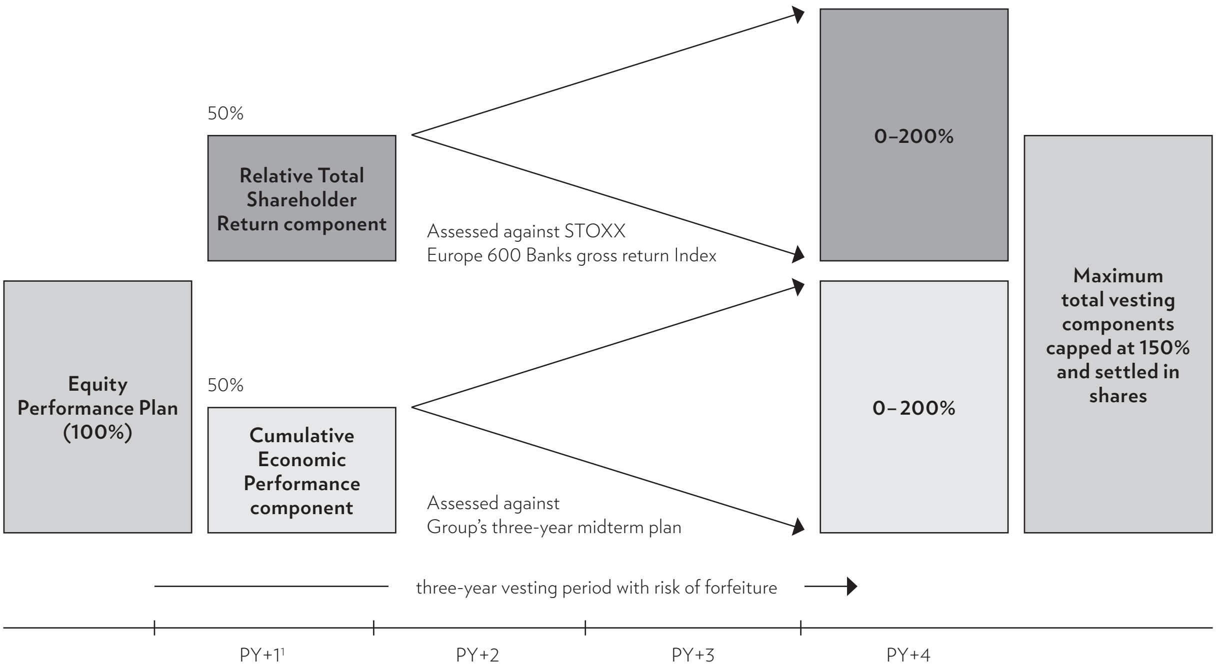
For DBP grants, the members of the Executive Board and Senior Management can elect to hold the deferred cash awards (partially or fully) in Julius Baer mutual funds, in particular the JB Strategy Income, Balanced or Growth funds.[1] This plan adjustment further aligns the interests of the Executive Board with those of our major clients. All such investments and any potential proceeds remain subject to the same clawback conditions.

Equity-based variable compensation
The Equity Performance Plan (EPP) is a key part of the Julius Baer compensation model. One of the Compensation Committee's objectives was to create a robust long-term incentive mechanism for key employees. The EPP is an equity plan which seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Group.

[1] The investment offering is dependent on local rules and regulations.

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and, as a new factor, individual contribution in the reporting period (as part of the adjustment to the performance alignment approach for this performance year's EPP awards). All members of the Executive Board, key employees and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, current as well as projected future contributions to Julius Baer, defined total pay mix and level of responsibility.

Plan structure of the EPP



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

The EPP is an annual rolling equity grant (made in February each year) that awards Performance Units to eligible executives subject to individual performance in the reporting period and future performance-based requirements. The EPP award reflects the value of the employee to the current and future success of the business and more closely links an individual's compensation to his or her contribution to the future performance of Julius Baer. The goal of the EPP is to incentivise participants in two ways:

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the Performance Units are contingent on continued service and two KPIs, cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with Julius Baer for three years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

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

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

Until allocation to the plan participants, all Performance Units granted under the EPP are administered by the LOTECO Foundation.

Details of key performance indicators (KPIs)
KPI 1: cumulative Economic Profit (cEP). Julius Baer rewards Executive Board members for creating economic value added, i.e. profitability for shareholders over and above the cost of capital (CoC). This idea is captured in economic profit, which is calculated as:

cEP = NOPbB – T – CoC

where

NOPbB = adjusted net operating profit before variable compensation (excluding amortisation of intangible assets as well as integration and restructuring costs related to previous acquisitions or divestments, as well as non-performance-related extraordinary events approved by the Compensation Committee)
T = taxes
CoC = cost of capital

All calculations will be based on the approved figures confirmed by the Audit Committee of Julius Baer. The calculation and all its components are reviewed and approved by the Compensation Committee.

Each year, the Compensation Committee approves a cEP target range for the next three years. Any performance below the minimum in this range will be deemed to constitute low-level performance and will result in a multiplier of 0%; when the cEP achieved over the three-year performance period is above this minimum, the multiplier increases linearly, up to a maximum multiplying factor of 200%. For the EPP grant for 2017, the Compensation Committee has chosen to maintain the same payout parameters as applied in prior years:

- Minimum: if the final cEP is 50% or less of the cEP target, the cEP multiplier will be 0%
- Target: if the final cEP is equal to the cEP target, the cEP multiplier will be 100%
- Maximum: if the final cEP exceeds the cEP target by 50% or more, the cEP multiplier will be 200%

Julius Baer's cEP target is entirely based on the Group's three-year midterm plan. As publishing the actual cEP performance target is considered market-sensitive from a competitive viewpoint, Julius Baer has chosen not to disclose these figures. However, Julius Baer sets a challenging midterm plan which is approved by the Board of Directors, which is fully aware that this plan constitutes the baseline for the cEP.

KPI 2: relative Total Shareholder Return (rTSR). Julius Baer wishes to ensure that the Executive Board and Senior Management (which includes selected regulated staff and/or nominated employees) is rewarded for outperforming its competitors in terms of the value created for shareholders. Thus, while a positive economic profit (KPI 1) indicates that value was created, Julius Baer also wishes to incentivise its management to work on developing, executing and communicating on strategic and operational objectives in such a way that the expected and resulting economic profit performance is deemed sustainable into the future and will, as a result, translate into a relative share-price outperformance. Accordingly, rTSR has been chosen as the second KPI, because it provides a measure of the success of these efforts. To calculate rTSR, the Julius Baer Group's TSR is compared against the performance of the STOXX Europe 600 Banks gross return Index (the 'Index').

Each year, the Compensation Committee approves the rTSR target range. Any performance below the minimum in that range will be deemed to constitute low-level performance and will result in a multiplier of 0%; when the rTSR achieved over the three-year performance period is above this minimum, the multiplier increases linearly up to a maximum multiplying factor of 200%. For the 2017 performance year, the Compensation Committee has chosen to maintain the payout parameters applied in prior years. These are:

– Minimum: if the final Julius Baer TSR is -22% or less than the return of the Index, the rTSR multiplier will be 0%
– Target: if the final Julius Baer TSR is +3% higher than the return of the Index, the rTSR multiplier will be 100%
– Maximum: if the final Julius Baer TSR is at least +28% higher than the return of the Index, the rTSR multiplier will be 200%

For the purposes of calculating the rTSR performance over the three-year performance period, the TSR will be calculated using a fixed pricing period at the beginning and end of the performance period. The calculation will be performed using the average closing price of the STOXX Europe 600 Banks gross return Index during the first and last calendar months of the performance period. This return will be compared against the TSR of Julius Baer Group Ltd. shares over the same period. The performance will then be assessed against the aforementioned scale (-22% to +28%) to determine the multiplier.

Final evaluation of KPIs
Once the KPIs have been measured at the end of the performance period, as described above, the final multiplier is calculated. The final multiplier used in calculating the number of shares ultimately allocated to plan participants is an average of the two multipliers (each individually capped at 200%) associated with the KPIs. The final multiplier itself, however, is capped at 150%. The number of shares ultimately allocated to each plan participant is then calculated as follows:

Number of shares vesting = final multiplier x number of Performance Units granted

The final multiplier for the 2015 EPP programme was 1.500 as the average of the rTSR multiplier and cEP multiplier exceeded the plan cap. The final multiplier was significantly influenced by strong rTSR results (reflected in an individual rTSR multiplier of 2.000), while the cEP multiplier, which was adjusted to take account of actual acquisition and joint-venture factors which were not identified when the original targets were set, affirmed the Group's continued budget achievements over the past few years (reflected in an individual cEP multiplier of 1.242).

Similarly to the DBP, the EPP is also subject to forfeiture in the event of substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's conduct has substantially contributed to a financial loss by the Julius Baer Group or has caused it reputational damage.

COMPENSATION CAPS

The Compensation Committee agrees that it is important to ensure that the compensation paid to members of the Executive Board is benchmarked and subject to specifically defined caps. There are no changes to the prior year's compensation caps.

2017 targets and maximum caps for the Executive Board (all caps as a multiple of base salary)

	Target		Cap	
	Average EB	CEO	Average EB	CEO
Total variable compensation (DBP/EPP)	3.0	3.2	4.0	4.0
Cash-based variable compensation (DBP)	–	–	2.0	2.0
Equity-based variable compensation (EPP)	–	–	2.0	2.0

As a result, for 2017 the members of the Julius Baer Executive Board are subject to the following caps:

- The total sum of the variable compensation allocated to the members (in aggregate) of the Executive Board (including the CEO) shall be targeted at three times, but will be capped at four times the total sum of the base salaries paid to the entire Executive Board.
- The total sum of the DBP and the total sum of EPP allocated to all members (in aggregate) of the Executive Board (including the CEO) will each be capped at two times the total sum of the base salaries paid to the entire Executive Board.
- The total sum of the variable compensation allocated to the CEO shall be targeted at 3.2 times, but will be capped at four times the CEO's base salary.
- The total sum of the DBP and the total sum of the EPP allocated to the CEO will each be capped at two times the CEO's base salary.

The Compensation Committee is responsible for ensuring that the total variable compensation paid to the Executive Board members is compliant with the applicable compensation caps.

GUIDELINES ON SHARE OWNERSHIP

Since 2014, the Executive Board members have been required to build up their total vested shareholdings until they reach the following levels:

Executive Board member	Share ownership requirement (in vested Julius Baer Group Ltd. shares)
Chief Executive Officer (CEO)	100,000 shares
Executive Board members (excluding the CEO)	30,000 shares (or 2.5 times base salary, if lower)

The members of the Executive Board have a period of three full calendar years starting from the beginning of their appointment to the Executive Board to build up their Julius Baer Group Ltd. shareholdings. The final measurement will be performed on 31 December of the third calendar year following the Executive Board member's appointment to the Board.

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

Executive Board members are not permitted to hedge Julius Baer Group Ltd. shares.

EMPLOYMENT CONTRACTS

As part of article 12.2 of the Articles of Incorporation, employment agreements for the Executive Board may have a maximum notice period of twelve months. In practice, the notice period for all members of the Executive Board does not exceed six months. The Executive Board members are not entitled to any special severance payments or special termination benefits under the pension plans compared to the general staff population.

Furthermore, non-compete agreements for members of the Executive Board for the time after the termination of an employment agreement are permissible (see article 12.3 of the Articles of Incorporation) for a duration of up to two years. The consideration payable to such former members in respect of such agreements shall not exceed the total annual compensation last paid to them prior to termination.

CLAUSES FOR CHANGE OF CONTROL

Executive Board members are not entitled to specific payments upon a change of control or upon termination of employment related to a change of control; however, they are eligible to receive such benefits (e.g. accrued holiday pay, death/disability/retirement benefits under the pension plan, etc.) which are generally available to other Julius Baer employees. The Executive Board members are not entitled to other severance payments or special termination benefits under the pension plans compared to the general staff population.

Special change-of-control and good-leaver provisions may be available under the variable compensation plans. The 'Termination Provisions of Julius Baer Plans' table provides general details of the vesting and forfeiture rules for termination events. All provisions remain subject to the prevailing legislation in each of the applicable jurisdictions at the time of the change of control.

2017 EXECUTIVE COMPENSATION DECISIONS

Compensation decisions for the CEO
The new CEO's defined 2017 base salary (including a fixed lump-sum expense allowance) of CHF 0.7 million reflects the base salary for his former CRO role and will increase to CHF 1.5 million in 2018 for his role as CEO (effective 1 January 2018).

In determining the new CEO's bonus allocation, the Compensation Committee considered his positive scorecard results (primarily for his CRO role in 2017) and Julius Baer's successful 2017 performance year. In 2017, the total reported DBP paid to the new CEO was CHF 1.1 million. The allocated 2017 EPP was CHF 2.6 million.

Based on the audited reporting figures, the new CEO's total compensation for 2017 was CHF 4.8 million, including employer contributions to social security.

The 2017 compensation paid to the new CEO reflects the defined base salary and cash-based variable compensation (DBP) for his previous CRO role. A large part of his equity-based variable compensation (EPP) for 2017, with its forward-looking character and link to future Group performance, is reflective of his new role as CEO. Relative to the 2017 CRO base salary, the disclosed EPP award and the total variable compensation exceptionally and temporarily exceed the Group's defined caps as outlined in the 'Compensation caps' section of this Remuneration Report. Overall, the EPP award, which is deferred for three years from grant and is fully at risk, constitutes over 50% of the new CEO's total remuneration for 2017. When the 2018 base salary for his CEO role is considered, the EPP award and the total variable compensation are below the defined compensation caps.

Compensation decisions for the Executive Board
The total base salary paid to the Executive Board (including the former and new CEO) decreased to CHF 4.6 million; however, no reductions in individual base salaries were made between 2016 and 2017 and the year-on-year change reflects shifts in the composition of the Executive Board throughout the year.

From a variable compensation perspective, the total amount of DBP and EPP paid to the Executive Board members (including the new CEO) increased in 2017 relative to 2016. While the reported DBP decreased by 0.9%, the reported EPP award increased by 10.2%. The resulting overall variable compensation increase was 4.4%.

The compensation paid to the aggregate Executive Board (including the former and new CEO) is fully in line with the prescribed compensation caps set for aggregate Executive Board compensation in all respects.

OTHER EMPLOYEE COMPENSATION

This section provides details of the ongoing compensation system for the employees of Julius Baer (excluding the Executive Board and Senior Management, whose compensation was addressed in the previous section). Swiss rules regarding the disclosure of compensation concern the Board of Directors and the Executive Board. It is on these populations that this Remuneration Report focuses. However, Julius Baer's success also depends on the continued excellence of all its employees. Accordingly, this section discusses the salient features of the compensation system for non-executive employees.

Key elements of other employee compensation:

1. Simple and transparent total compensation structure: base salary in cash, cash-based variable compensation and deferred variable compensation when above minimum thresholds.
2. Performance assessment: individual bonus allocation based on paying for success where performance is measured on both a quantitative and qualitative basis, including such factors as compliance and regulatory awareness.
3. Balanced deferral scheme: deferred variable compensation delivered in equal proportions under the Deferred Cash Plan (DCP) and Premium Share Plan (PSP), which are both subject to forfeiture and deferred over three years to foster long-term orientation.

FIXED COMPENSATION

Base salary
The Group's salary framework is based on a functional model comprising ten function levels, each of which represents an increasing degree of job complexity. A salary band is assigned to each function level. This band defines the target base salary range for jobs assigned to the respective function level concerned. Individual salaries are then determined in accordance with these salary bands taking market benchmarks into account.

The Group does not apply general salary increases (unless required by local legislation). Salary adjustments are made on an individual basis when employees are promoted to a new function level and/or based on the results of their annual personal assessment.

Pension programmes
Julius Baer offers competitive and market-appropriate pension programmes throughout its global offices. All programmes are in compliance with local rules and regulations of the country in which they operate.

VARIABLE COMPENSATION

As previously stated, Julius Baer's success also depends on the continued excellence of all its employees. The majority of permanent employees at Julius Baer are considered eligible for cash-based variable compensation.

Individual variable compensation amounts depend on the formal year-end assessment of performance against a range of quantitative and qualitative objectives (e.g. adherence to compliance and regulatory standards and to the Group policies, core values and procedures) as well as skills, expertise and conduct.

As a result, in addition to the plans offered to the members of the Executive Board (as described above), Julius Baer also offers various equity- and cash-based plans to members of the global staff population. Participation in these plans depends on factors such as function level, overall variable compensation, and/or nomination for participation in the relevant plan on an annual basis.

Until their ultimate allocation to the individual plan participants, all shares underlying the equity-based compensation plans are administered by the LOTECO Foundation.

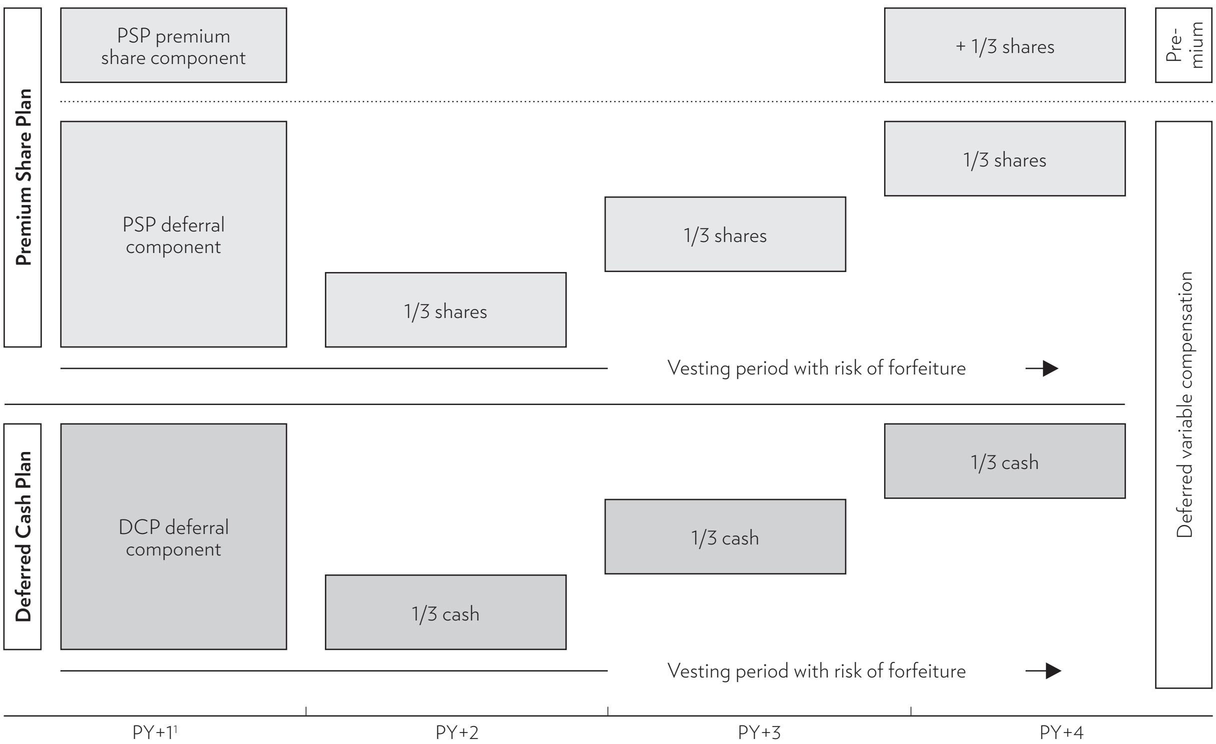
DEFERRED VARIABLE COMPENSATION

Generally, eligible permanent employees receive their variable compensation in one payment via a year-end bonus. However, where awards exceed the minimum threshold (CHF 125,000, or its local currency equivalent), a portion is subject to deferral either in cash or equity. For amounts between the minimum threshold and CHF 1 million (or its local currency equivalent), a sliding scale is applied, under which the deferral percentage increases linearly from 20% to 50%. For amounts of CHF 1 million (or its local currency equivalent) or higher, the award will remain subject to the maximum deferral rate of 50%. The aforementioned thresholds and deferral percentages may vary across global jurisdictions based on regulatory requirements.

Until vested, the awards are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's conduct has substantially contributed to a financial loss by the Julius Baer Group or has caused it reputational damage.

Half of the deferred variable compensation is deferred through the Deferred Cash Plan (DCP) with the remaining portion being deferred through the Premium Share Plan (PSP) over a three-year period.

Deferred variable compensation model for other employees



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

The intention of this variable compensation pay mix is to provide a balanced deferral scheme which promotes sound business activities that support our core values and simultaneously allows employees to participate in the long-term development and success of Julius Baer.

Cash-based variable compensation

The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture (as previously described) while providing an inherently less volatile payout than shares. The DCP grant is made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. These deferred cash awards vest in equal one-third tranches, subject to continued employment, and accrued over a three-year plan period. Where share-based plans are not permissible under local legislation, employee annual awards are fully deferred through the DCP.

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

COMPENSATION ARRANGEMENTS IN STRATEGIC PARTNERSHIPS

In certain strategic partnerships, Julius Baer operates special compensation arrangements unique to the organisation concerned. Such arrangements can include compensation linked to the strategic partner entity's shares or where regulatory required, compensation linked to the performance of the strategic partner entity's managed investment funds. No such arrangements are currently linked to the shares of Julius Baer Group Ltd. However, share ownership requirements, defined in terms of Julius Baer Group Ltd. shares, are in place for senior staff of certain strategic partnerships.

KEY RISK TAKERS AND REGULATED STAFF

In accordance with European legislation, Julius Baer takes particular care in identifying staff whose professional activities may have a material impact on the Group's risk profile ('Key Risk Takers'). Key Risk Takers are identified on an annual basis throughout the entire Group (i.e. not limited merely to the European Economic Area). Quantitative and qualitative criteria are both taken into consideration in the identification process. Defined minimum compensation standards are applicable (in general) to members of the Executive Board as well as employees (including relationship managers) with a relatively high total compensation and/or who hold a function that has a high impact on the risk profile of the entity employing them or the Group. Regulated staff (e.g. Key Risk Takers) are reviewed by the Compensation Committee on an individual basis which also takes the potential payout volatility (pay riskiness) of their total compensation into account.

The European regulatory requirements include a number of provisions that impact the variable compensation awarded to employees and directors of the Group entities that fall under the jurisdiction of the European Economic Area. To comply with the applicable regulatory requirements, certain employees (e.g. identified Key Risk Takers) may receive 50% of their non-deferred variable compensation in the form of vested shares which are blocked between six months and one year (in lieu of what otherwise would have been paid in cash).

Furthermore, one of the central provisions of the European Capital Requirements Directive (CRD IV) requires that variable compensation paid to specific individuals (e.g. identified Key Risk Takers regulated under CRD IV) shall not exceed the value of their fixed remuneration unless shareholder approval is obtained to increase this cap. The Julius Baer entities within the European Economic Area requested and were granted approval by their respective shareholders to increase the variable compensation cap to two times fixed compensation.

SIGN-ONS, GUARANTEES AND REPLACEMENTS

Although Julius Baer only offers performance-based compensation to its current staff (including the Executive Board), it may in the course of its recruitment processes offer incentives for specific new hires when they join the Group. Additionally, retention payments may be made to current staff during extraordinary or critical circumstances.
As a general policy, Julius Baer offers such forms of remuneration only on an exceptional basis, typically in the first year of employment and in restructuring situations.

A sign-on bonus may be made in the form of cash and/or shares and includes a minimum one-year clawback from the employee's hiring date. Actual parameters may vary according to location, local regulations and the specific circumstances of the hiring process. Julius Baer may also offer compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer by granting individuals deferred variable compensation (as outlined below).

Long-Term Incentive Plan (LTI)
An LTI granted in these circumstances generally runs over a three-year plan period. Julius Baer currently operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff-vesting of all granted shares in one single tranche at the end of a three-year period. The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out in the plan rules. In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

Where equity-based awards are not permitted in a specific location, awards are made in cash in accordance with the terms and conditions in the DCP.

EMPLOYEE SHARE PURCHASE

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

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

BOARD OF DIRECTORS COMPENSATION

This section provides details of the compensation system for members of the Board of Directors. The figures for 2017 are presented in the audited 'Compensation, loans and shareholdings of the Board of Directors' section of this Remuneration Report.

Key elements of Board of Directors compensation

1. Simple structure: fixed compensation, paid in cash and in share awards, which is not linked to performance, but based on the workload of the individual Board member.
2. Share ownership guidelines: minimum required holdings of Julius Baer shares (subject to a three-year build-up period).

COMPENSATION

Members of the Board of Directors (including the Chairman) are only entitled to fixed compensation for their term in office. This fixed compensation is determined by the workload of the individual Board member based on the Board Committees on which he or she serves and his or her committee position.

The fixed compensation is paid in a combination of cash and shares. Reflecting the independent status of all members of the Board of Directors (including the Chairman), the remuneration of members of the Board does not include a variable component and is therefore not dependent on the financial performance of the Group. However, in order to align their compensation with the interests of our shareholders, a portion of the fixed compensation is paid in the form of shares.

Generally, the cash-based compensation is paid in December each year; the Chairman receives the cash element on a quarterly basis. The cash element is disclosed on a business-year basis (i.e. split across the two calendar years that make up a Board member's term).

At the beginning of each term, share-based compensation is determined on the basis of a fixed total compensation value. The number of shares which is granted is calculated on the basis of a five-day market-volume-weighted average price of Julius Baer Group Ltd. shares on the Swiss Stock Exchange prior to the grant date. This share-based compensation is delivered under the Group's LTI plan and remains subject to a one-year, service-based vesting period over the term. This element is disclosed at grant value in the year of election or re-election.

No dividend entitlements accrue or are paid on the share-based awards until vesting. All shares delivered at vesting are unrestricted (subject to the Guidelines on share ownership as described below). Shares granted to all members of the Board of Directors are subject to a forfeiture clause, under which the award will only vest if the Board member concerned fulfils the entire term for which he or she has been elected or re-elected.

No additional compensation is paid to members of the Board of Directors for attending meetings.

A comprehensive benchmark analysis with regard to the Board members' compensation levels was conducted in 2016. In this respect, it was confirmed that the compensation levels of the members of the Board of Directors were below those of direct peers as well as stood at the lower end of the Group's positioning between the lower quartile and median of SMI companies. As a result, the Board members' compensation levels for the term from the 2017 AGM to the 2018 AGM, approved at the 2017 AGM, provided for an adjustment to the share-based compensation per Board member (excluding for the Chairman) from CHF 100,000 to CHF 120,000. Similarly, the committee fees were also adjusted to reflect the increased workload of the Board Committees, which led to higher total cash-based compensation per Board member (excluding for the Chairman). The total compensation and compensation pay mix of the Chairman remained unchanged.

The maximum aggregate compensation amount will again be presented to shareholders for approval at the 2018 AGM for the subsequent compensation period (2018 AGM to 2019 AGM).

In order to avoid any conflicts of interest, members of the Board of Directors do not benefit from preferential staff conditions with regard to mortgages or Lombard loans. They do, however, benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

GUIDELINES ON SHARE OWNERSHIP

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

The members of the Board of Directors will be required to build up their total vested shareholdings until they reach the following levels:

Board member	Share ownership requirement (in vested Julius Baer Group Ltd. shares)
Chairman of the Board of Directors	25,000 shares
Members of the Board of Directors (excluding the Chairman)	7,500 shares

The members of the Board of Directors will have a period of three full calendar years starting from their initial election to the Board of Directors to build up their Julius Baer Group Ltd. shareholdings to the minimum required levels. The final measurement will be performed on 31 December of the third calendar year following the Board member's election to the Julius Baer Group Ltd. Board of Directors. If the above shareholding requirements are not reached by the measurement date, 50% of the shares vesting from the individual's equity-based compensation grant will be held back until the defined level of shareholding has been reached.

Under these rules, individuals who were members of the Board of Directors from the inception of the shareholding guideline requirements (in May 2014) have been required to build up the aforementioned Julius Baer Group Ltd. shareholdings by 31 December 2017. All of the applicable members of the Board of Directors have fulfilled their share ownership requirements as at 31 December 2017.

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

CONTRACTS

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

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

This section provides the data for 2017 and 2016. The details of the compensation system for members of the Executive Board are presented in the 'Executive Board and Senior Management compensation' section of this Remuneration Report.

			Variable compensation[2]				
				Deferred elements			
				DBP	EPP		
Compensation of the members of the Executive Board		Base salary[1] *CHF 1,000*	Cash *CHF 1,000*	Cash *CHF 1,000*	Performance Units *CHF 1,000*	Pension fund, social security contributions and varia[3] *CHF 1,000*	**Total** *CHF 1,000*
Total compensation	**2017**	**4,608**	**3,766**	**1,834**	**5,700**	**1,774**	**17,682**
Total compensation	2016	5,325	3,032	2,618	5,173	2,214	18,362

1 The amount disclosed for 2017 includes the fixed compensation paid to the former CEO Boris F.J. Collardi on a 12-month basis (his effective fixed compensation from 1 January to 31 December 2017 in line with the Group's contractual obligations), the former CCO Jan A. Bielinski on a 6-month basis (his effective fixed compensation from 1 January to 30 June 2017), the current CCO Larissa Alghisi Rubner on a 6-month basis (her effective fixed compensation from 1 July to 31 Decembers 2017) as well as the other four members of the Executive Board on a 12-month basis. Additionally, the amount for the fixed compensation includes a replacement award of CHF 98,864 granted as an LTI award to Larissa Alghisi Rubner as compensation for forfeited deferred awards from her former employer. This share-based payment was valued at the fair value at the grant date (CHF 54.26 per share of Julius Baer Group Ltd. as at 12 September 2017).

The amounts disclosed for 2017 and 2016 include the lump-sum expense allowance up to CHF 22,800 p.a. per member of the Executive Board (including the new CEO) and CHF 24,000 p.a. to the former CEO. These amounts are based on full-time employment (100%) during the performance year. The aggregate amount of lump-sum expense allowances paid in 2017 was CHF 134,160 (CHF 156,960 in 2016).

The aggregate amount spent on fixed compensation for the 2017 financial year is below the maximum aggregate amount of fixed compensation for the Executive Board for the 2017 financial year approved at the 2016 AGM (CHF 5,325,000 excluding social security and pension fund contributions).

2 The variable compensation for the members of the Executive Board for the 2017 and 2016 financial years comprised a cash-based component and an equity-based component. For the 2017 and 2016 reporting periods, the members of the Executive Board received a substantial part of their variable compensation as deferred elements (for details on the deferral see the 'Cash-based variable compensation' and 'Equity-based variable compensation' sections of this Remuneration Report). A minimum deferral of 20% of the DBP is applied starting from CHF 125,000 and the maximum deferral amounts to 50% at a DBP of CHF 1 million and above; the non-deferred amount of the DBP award is paid out in cash up-front, whereas the deferral amount is deferred over a period of five years (disclosed under 'deferred elements, cash').

In addition to the DBP, the members of the Executive Board were granted an equity-based EPP, disclosed under 'Performance Units'. Such awards cliff-vest in Julius Baer Group Ltd. shares at the end of year three from the grant date.

Starting with the 2017 reporting year (as disclosed in the table), the EPP granted in February following the reporting year (i.e. grant dated 15 February 2018 at fair value of CHF 55.03 per Performance Unit) is disclosed as compensation for the reporting year (2017), as such awards are based on the performance of the eligible Executive Board members in the reporting year and the overall achievements by the Group in the plan period. The plan policies, accounting principles and reporting of the EPP have been amended accordingly. In particular, the value of the Performance Units granted as of 15 February 2018 is expensed across the service period of four years starting in the reporting year (2017). For more details see the 'Equity-based variable compensation' section of the Remuneration Report.

For the 2016 reporting year (as disclosed in the table), the EPP granted in February of the reporting year (i.e. grant dated 15 February 2016 at fair value of CHF 37.89 per Performance Unit) had been disclosed as part of the compensation for that year (2016). Consequently, the fair value of the Performance Units granted is expensed across the service period of three years. The compensation disclosed for 2016 is not affected by the new EPP treatment.

The aggregate amount of the EPP grant dated 15 February 2017 to the Executive Board (CHF 6,300,000) with a fair value of CHF 40.63 per Performance Unit was disclosed and approved by shareholders at the 2017 AGM; however, the EPP grant dated 15 February 2017 is excluded from the table above due to the aforementioned reporting change.

While the plan policies, accounting principles and reporting changed for the EPP grant dated 15 February 2018, the underlying EPP award cycle has stayed the same and no additional grants have been made. Similarly, no modifications have been made to the binding say-on-pay votes (as defined in article 11.1 of our Articles of Incorporation).

The fair value of the Performance Units was based on an equally weighted valuation of (i) the cumulative Economic Profit (cEP) component using a probabilistic model of the potential deviation of the future Group results from the strategic three-year plan, and of (ii) the relative Total Shareholder Return (rTSR) with the peer group being the STOXX 600 Europe Banks gross return Index. The final payout of this EPP is linked to these two Key Performance Indicators (KPIs). Both KPIs have a payout range of 0% to 200% each, but the maximum uplift of the EPP is 50% of the number of Performance Units originally granted and is subject to full downside risk.

All deferred elements of the variable compensation of the members of the Executive Board (including the new CEO) are subject to forfeiture and/or clawback provisions.

The reported amount of variable compensation (EPP and DBP awards) for 2017 includes the variable compensation awarded to the current Executive Board members, the amount awarded to the former CCO Jan A. Bielinski on a 6-month basis and a contractually agreed award to Gregory F. Gatesman (the former COO).

In 2017, Gregory F. Gatesman, who departed from the Executive Board of Julius Baer Group Ltd. as of 31 December 2016, but whose employment relationship continued until end of April 2017, was granted a cash payment in the amount of CHF 1,350,000 as a result of a contractually agreed award. This amount has been included in the reported variable compensation for 2017 (as disclosed in the table) and will be subject to shareholder approval. Furthermore, Gregory F. Gatesman's fixed compensation was paid until the end of his notice period in 2017.

The DBP and EPP reported for 2017, as disclosed above, are subject to approval by the shareholders at the AGM in April 2018.

The Compensation Committee decided on 23 January 2018 on the cash-based variable compensation (DBP) and EPP granted for 2017 to be awarded to the members of the Executive Board. Due to the variability of annual performance payments and awards from equity-based elements, the ratio of base salary to total compensation can vary significantly from year to year. In 2017, the average ratio of fixed to variable compensation for the members of the Executive Board amounted to 29%:71%, compared to 33%:67% in 2016. 67% of the variable compensation of the members of the Executive Board in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP (72% in 2016).

All current members of the Executive Board have a full-time employment relationship with the Group.

[3] The amounts reported in this column include actual employer contributions to social security (AHV/ALV) for base salaries and estimated future contributions based on the grant values of the DBP 2017 and DBP 2016 and the fair value of the Performance Units/EPP granted for 2017 and 2016. These amounts also include premiums for additional accident insurance. The aggregate amount of these social security and accident insurance costs for each respective year is CHF 1,114,377 for 2017 and CHF 1,436,522 for 2016.

The above table is based on the accrual principle, which means that the amounts shown are the compensation earned for the respective year. The actual payment of a portion of the amounts for the performance-related components may, however, be effected at a later date. In particular, under the DBP, a portion of the cash-based variable compensation (as described in the 'Cash-based variable compensation' section) is paid in April (post shareholder approval) with the remainder being deferred over a five-year period (delivered in equal instalments each February over the following five years).

The immediately payable portion of the DBP is not paid to the recipients until shareholder approval has been granted at the AGM.

COMPENSATION OF THE HIGHEST-PAID MEMBER OF THE EXECUTIVE BOARD (AUDITED)

This section provides the data for 2017 and 2016 on the highest-paid member of the Executive Board.

			Variable compensation[2]				
				Deferred elements			
				DBP	EPP		
Details of the compensation of the highest-paid member of the Executive Board		Base salary[1] *CHF 1,000*	Cash *CHF 1,000*	Cash *CHF 1,000*	Performance Units *CHF 1,000*	Pension fund, social security contributions and varia[3] *CHF 1,000*	**Total** *CHF 1,000*
Total compensation new CEO (Bernhard Hodler)	**2017**	**700**	**550**	**550**	**2,600**	**420**	**4,820**
Total compensation former CEO (Boris F.J. Collardi)[4]	2017	1,500	-	-	-	218	1,718
Total compensation former CEO (Boris F.J. Collardi)	2016	1,500	1,163	1,163	2,178	491	6,494

1 The amounts disclosed for 2017 include a lump-sum expense allowance of CHF 22,800 p.a. to the new CEO and CHF 24,000 p.a. to the former CEO. The amounts disclosed for 2016 include a lump-sum expense allowance of CHF 24,000 p.a. to the former CEO. These amounts are based on full-time employment (100%) during the performance year.

2 As with other members of the Executive Board, the variable compensation for the new CEO for the 2017 financial year and for the former CEO for the 2016 financial year comprised a cash component and an equity-based component. For the 2017 and 2016 reporting periods, the new CEO and the former CEO received a substantial part of their variable compensation as deferred elements (for details on the deferral see the 'Cash-based variable compensation' and 'Equity-based variable compensation' sections of this Remuneration Report). A minimum deferral of 20% of the DBP is applied starting from CHF 125,000 and the maximum deferral amounts to 50% at a DBP of CHF 1 million and above; the non-deferred amount of the DBP award is paid out in cash up-front, whereas the deferral amount is deferred over a period of five years (disclosed under 'deferred elements, cash'). In addition to the DBP, the new CEO was granted an equity-based EPP at fair value (CHF 55.03 per Performance Unit for the grant dated 15 February 2018); the former CEO was granted an equity-based EPP award at the fair value of CHF 37.89 per Performance Unit for the grant dated 15 February 2016, disclosed under 'Performance Units'. Such awards cliff-vest in Julius Baer Group Ltd. shares at the end of year three from the grant date.

Starting with the 2017 reporting year (as disclosed in the table), the EPP granted in February following the reporting year (i.e. grant dated 15 February 2018 at fair value of CHF 55.03 per Performance Unit) is disclosed as compensation for the reporting year (2017), as such awards are based on the performance of the eligible Executive Board members in the reporting year and the overall achievements by the Group in the plan period. The plan policies, accounting principles and reporting of the EPP have been amended accordingly. In particular, the value of the Performance Units granted as of 15 February 2018 is expensed across the service period of four years starting in the reporting year (2017). For more details see the 'Equity-based variable compensation' section of the Remuneration Report.

For the 2016 reporting year (as disclosed in the table), the EPP granted in February of the reporting year (i.e. grant dated 15 February 2016 at fair value of CHF 37.89 per Performance Unit) had been disclosed as part of the compensation for that year (2016). Consequently, the fair value of the Performance Units granted is expensed across the service period of three years. The compensation disclosed for 2016 is not affected by the new EPP treatment.

The EPP grant dated 15 February 2017 to the former CEO (CHF 2,575,000) with fair value of CHF 40.63 per Performance Unit was disclosed and approved by shareholders as part of the approval of the aggregate amount awarded to the Executive Board at the 2017 AGM. Please note that, due to the former CEO's voluntary termination, all unvested EPP awards were fully forfeited upon notice of termination in line with the plan rules.

While the plan policies, accounting principles and reporting changed for the EPP grant dated 15 February 2018, the underlying EPP award cycle has stayed the same and no additional grants have been made. Similarly, no modifications have been made to the binding say-on-pay votes (as defined in article 11.1 of our Articles of Incorporation).

The fair value of the Performance Units was based on an equally weighted valuation of (i) the cumulative Economic Profit (cEP) component using a probabilistic model of the potential deviation of the future Group results from the strategic three-year plan, and of (ii) the relative Total Shareholder Return (rTSR) with the peer group being the STOXX Europe 600 Banks gross return Index. The final payout of this EPP is linked to these two KPIs. Both KPIs have a payout range of 0 to 200% each, but the maximum uplift on the EPP is 50% of the number of Performance Units originally granted and is subject to full downside risk.

All deferred elements of the variable compensation of the Executive Board (including the new and former CEO) are subject to forfeiture and clawback provisions.

The DBP and EPP reported for 2017, as disclosed above, are subject to approval by the shareholders at the AGM in April 2018.

The Compensation Committee decided on 23 January 2018 on the cash-based variable compensation (DBP) and EPP granted for 2017 to be awarded to the new CEO. Due to the variability of annual performance payments and awards from equity-based elements, the ratio of base salary to total compensation can vary significantly from year to year. In addition, 2017 represents a transition year for the new CEO and encompasses both of the executive roles that he held in the reporting period. In 2017, the ratio of fixed to variable compensation for the new CEO amounted to 16%:84%, compared to 25%:75% for the former CEO in 2016. 85% of the variable compensation of the CEO in the reporting period was deferred either for a period of five years for the DBP or three years for the EPP (74% in 2016 for the former CEO).

[3] The amounts reported in this column include actual employer contributions to social security (AHV/ALV) for base salaries and estimated future contributions based on the grant values of the DBP 2017 and DBP 2016 and the fair value of the Performance Units/EPP granted for 2017 and 2016. These amounts also include premiums for additional accident insurance. The aggregate amount of these social security and accident insurance costs for the new CEO is CHF 289,638 for 2017, while the aggregate amounts for the former CEO are CHF 121,886 for 2017 and CHF 396,818 for 2016.

[4] The former CEO has a six-month notice period. During this notice period, the former CEO is contractually entitled to continue to receive his monthly base salary. Of these monthly base salary payments, one month (for December 2017) is included in the amount disclosed for his 2017 base salary. The remaining five monthly payments (for January to May 2018) will be disclosed under the payments to 'Former Executives' in the 2018 Remuneration Report.

The above table is based on the accrual principle, which means that the amounts shown are compensation earned for the respective year. The actual payment of a portion of the amounts for the performance-related components may, however, be effected at a later date. In particular, under the DBP, a portion of the cash-based variable compensation (as described in the 'Cash-based variable compensation' section) is paid in April (post shareholder approval) with the remainder being deferred over a five-year period (disbursed in equal instalments each February over the following five years).

LOANS TO THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

	31.12.2017 Loans *CHF*	**31.12.2017** Loans to related parties *CHF*	31.12.2016 Loans *CHF*	31.12.2016 Loans to related parties *CHF*
Loans to the members of the Executive Board				
Total	**4,647,000**	**-**	14,750,000	-
of which the highest amount: Nic Dreckmann, COO	1,847,000	-	-	-
of which the highest amount: Boris F.J. Collardi	-	-	12,110,000	-

The loans granted to the members of the Executive Board consist of Lombard loans on a secured basis (through pledging of securities portfolios or other marketable coverage), fixed-rate mortgages (on a fixed-rate basis), Libor mortgages and floating-rate mortgages (both on a variable-rate basis). Such loans are made on substantially the same terms as those granted to employees, including those relating to interest rates and collateral. For investment properties, the standard mortgage conditions for external clients apply, including those relating to pricing and amortisation.

The loans, disclosed for 2016 to the former CEO, Boris F.J. Collardi, included CHF 10,550,000 of mortgages on investment properties.

No loans to former members of the Executive Board (and their related parties) were outstanding at year-end 2017 or were granted in 2017 at conditions that were not in line with market conditions.

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

SHAREHOLDINGS OF THE MEMBERS OF THE EXECUTIVE BOARD (AUDITED)

Shareholdings of the members of the Executive Board[1]		Number of shares
Bernhard Hodler, Chief Executive Officer since 27 November 2017 (Chief Risk Officer until 26 November 2017)	**2017**	**50,878**
	2016	30,000
Boris F.J. Collardi, Chief Executive Officer until 26 November 2017	**2017**	**n.a.**
	2016	260,253
Dieter A. Enkelmann, Chief Financial Officer	**2017**	**89,908**
	2016	86,000
Larissa Alghisi Rubner, Chief Communications Officer since 1 July 2017	**2017**	**-**
	2016	n.a.
Jan A. Bielinski, Chief Communications Officer until 30 June 2017	**2017**	**n.a.**
	2016	34,896
Nic Dreckmann, Chief Operating Officer since 1 January 2017	**2017**	**22,113**
	2016	n.a.
Gregory F. Gatesman, Chief Operating Officer (left the Executive Board end of 2016)	**2017**	**n.a.**
	2016	-
Christoph Hiestand, General Counsel and Chief Risk Officer a.i. since 27 November 2017	**2017**	**20,525**
	2016	14,100
Giovanni M.S. Flury, Business Representative (member of the Executive Board January–December 2016)	**2017**	n.a.
	2016	-
Total	**2017**	**183,424**
Total	2016	425,249

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions on Julius Baer Group Ltd. shares as at year-end 2017 and 2016.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The CEO is required to build up and maintain 100,000 vested shares of Julius Baer Group Ltd. (until 31 December 2020), the other members of the Executive Board the lower of 2.5 times base salary or 30,000 shares.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years (and reached at year-end of the respective year) and maintained until the Executive Board member leaves his or her current position and/or the Julius Baer Group.

FORMER EXECUTIVES

In line with the Group's contractual obligations, the former CEO Boris F.J. Collardi, who stepped down in November 2017, will receive his base salary until 31 May 2018, as the end of his six-month notice period. This six-month notice period is in line with market standards and shorter than the 12-month notice period permissible under the Articles of Incorporation and the Ordinance. As a result of his departure and in line with the applicable regulations, no variable compensation has been awarded to him for the 2017 performance year. His outstanding variable compensation grants from previous years have been treated in line with the respective plan termination provisions (as disclosed as part of this Remuneration Report), which provide for outstanding equity-based variable compensation awards to be forfeited. In addition, he did not receive any special termination benefits under the pension plans.

Apart from Gregory F. Gatesman (for further details, see the 'Compensation of the members of the Executive Board' table, footnote 2), no compensation was paid to former members of the Executive Board who left the Executive Board in 2016 or earlier that related to such member's prior function within the Executive Board. No compensation was granted to parties related to members of the Executive Board or former members of the Executive Board. No severance payments to members of the Executive Board (including the former CEO) were effected in 2017 or 2016.

ADDITIONAL HONORARIA, RELATED PARTIES, OTHER IMPORTANT INFORMATION

The compensation disclosed for the former CEO, new CEO (both in terms of his CEO role and former CRO role), CFO and COO includes the compensation for the same function those members assume at the level of the Executive Board of Bank Julius Baer & Co. Ltd., the major subsidiary of Julius Baer Group Ltd.

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

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

This section provides the data for 2017 and 2016. The details of the compensation system for members of the Board of Directors are presented in the 'Board of Directors compensation' section of this Remuneration Report.

		Base salary[2] *CHF 1,000*	Share-based payments[3] *CHF 1,000*	Social security contributions and varia[4] *CHF 1,000*	**Total** *CHF 1,000*
Compensation of the members of the Board of Directors[1]					
Daniel J. Sauter – Chairman	**2017**	**400**	**600**	**102**	**1,102**
	2016	375	600	99	1,074
Gilbert Achermann	**2017**	**124**	**120**	**25**	**269**
	2016	107	100	21	228
Ann Almeida (joined the Board in 2016)	**2017**	**119**	**120**	**18**	**257**
	2016	71	88	18	177
Andreas Amschwand	**2017**	**146**	**120**	**28**	**295**
	2016	129	100	24	253
Heinrich Baumann	**2017**	**170**	**120**	**27**	**316**
	2016	147	100	23	269
Paul Man Yiu Chow	**2017**	**113**	**120**	**20**	**253**
	2016	103	100	16	219
Ivo Furrer (joined the Board in 2017)	**2017**	**113**	**120**	**21**	**254**
	2016	n.a.	n.a.	n.a.	n.a.
Claire Giraut	**2017**	**124**	**120**	**75**	**319**
	2016	107	100	64	271
Gareth Penny	**2017**	**146**	**120**	**44**	**310**
	2016	129	100	38	267
Charles G. T. Stonehill	**2017**	**193**	**120**	**42**	**355**
	2016	151	100	34	285
Total	**2017**	**1,648**	**1,680**	**403**	**3,730**
Total	2016	1,319	1,388	337	3,043

Compensation of the Honorary Chairman (the Honorary Chairman function is an honorific title and Mr Baer is not a member of the Board of Directors)[5]					
Raymond J. Baer	**2017**	-	-	-	-
	2016	-	-	5	5

At the end of 2017, the Board of Directors consisted of ten members as opposed to nine members at the end of 2016.

[1] The members of the Board of Directors of Julius Baer Group Ltd. assume similar director roles on the Board of Directors of Bank Julius Baer & Co. Ltd. For more information on the detailed compensation components of the Board of Directors please refer to the 'Board of Directors compensation' section of this Remuneration Report.

[2] The base salaries are disclosed on a business year basis according to the requirements of the Ordinance.

[3] The share-based elements reflect a fixed amount in CHF (currently CHF 120,000 for Board members and CHF 600,000 for the Chairman, rounded up to the next share) and are granted each year upon election or re-election to the Board. The share-based payments are valued at fair value at the grant date (CHF 50.97 per share of Julius Baer Group Ltd. as at 2 May 2017; CHF 40.85 per share of Julius Baer Group Ltd. as at 2 May 2016).

At the AGM in 2017, Daniel J. Sauter (Chairman), Gilbert Achermann, Ann Almeida, Andreas Amschwand, Heinrich Baumann, Paul Man Yiu Chow, Claire Giraut, Gareth Penny and Charles G. T. Stonehill were re-elected for a term of one year and Ivo Furrer was elected as a new Board member.

[4] The amounts reported for 2017 and 2016 include Julius Baer's actual contributions to social security in the respective reporting period in accordance with the Ordinance, amounting to CHF 297,150 for 2017 and CHF 246,273 for 2016. Depending on the domicile of the Board member and the applicable local legislation, contributions to social security vary despite the similar level of compensation amongst members of the Board of Directors.

The value of the share-based payments shown in the above table cannot be compared with the figures in Note 28 ('Share-based payments') of the Group's 2017 consolidated financial statements as the latter disclose the compensation expense for the shares that has been recognised during the applicable reporting periods.

[5] The remuneration agreement with Raymond J. Baer was terminated with the Group at the end of 2015 following the Group's agreement to terms with the United States. The amount disclosed for 2016 represents social security contributions as well as employer and employee contributions into the pension fund of the Julius Baer Group for the period from January to August 2016, when Raymond J. Baer exited the fund. While Raymond J. Baer continues to act as Honorary Chairman of the Julius Baer Group Ltd. and Chairman of the Group's pension fund in Switzerland, he is not compensated for any services related to these activities.

Under the forfeiture clause, the members of the Board of Directors are only entitled to the shares granted to them provided that they fulfil the entire term for which they have been elected or re-elected. Should a Board member resign between two AGMs, any unvested shares are generally forfeited. In that event, the cash element of their compensation will, however, be paid on a pro rata basis. In the event of dismissal of the Chairman or a Board member by an Extraordinary General Meeting, both the cash and the share elements will be paid on a pro rata basis. In the event of disability or death, all awards granted may be retained by the Board member and no forfeiture applies.

Board members are not entitled to participate in any performance-related share or cash programme at either Group or Bank level.

No compensation was granted to parties related to members of the Board of Directors.

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

		31.12.2017		31.12.2016
	Loans *CHF*	Loans to related parties *CHF*	Loans *CHF*	Loans to related parties *CHF*
Loans to the members of the Board of Directors				
Daniel J. Sauter – Chairman	**-**	**525,000**	-	530,000
Gilbert Achermann	**-**	**-**	-	-
Ann Almeida (joined the Board in 2016)	**-**	**-**	-	-
Andreas Amschwand	**-**	**-**	-	-
Heinrich Baumann	**4,500,000**	**-**	5,150,000	-
Paul Man Yiu Chow	**3,139,000**	**-**	-	-
Ivo Furrer (joined the Board in 2017)	**-**	**-**	-	-
Claire Giraut	**-**	**-**	-	-
Gareth Penny	**-**	**-**	-	-
Charles G. T. Stonehill	**-**	**-**	-	-
Total	**7,639,000**	**525,000**	5,150,000	530,000

The loans granted to members of the Board of Directors consist of Lombard loans on a secured basis (through pledging of securities portfolios or other marketable coverage), fixed-rate mortgages (on a fixed-rate basis), Libor mortgages and floating-rate mortgages (the latter two on a variable-rate basis).

The interest rates on the Lombard loans and the mortgages for Board members and related parties are in line with normal market rates at the time the loans were granted and do not include any preferential conditions.

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

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS (AUDITED)

Shareholdings of the members of the Board of Directors[1]		Number of shares
Daniel J. Sauter – Chairman	**2017**	**187,184**
	2016	172,495
Gilbert Achermann	**2017**	**12,154**
	2016	9,705
Ann Almeida (joined the Board in 2016)[2]	**2017**	**2,143**
	2016	-
Andreas Amschwand	**2017**	**12,154**
	2016	9,705
Heinrich Baumann	**2017**	**17,881**
	2016	15,432
Paul Man Yiu Chow	**2017**	**4,439**
	2016	1,990
Ivo Furrer (joined the Board in 2017)	**2017**	**2,050**
	2016	n.a.
Claire Giraut	**2017**	**21,444**
	2016	18,995
Gareth Penny	**2017**	**7,500**
	2016	20,105
Charles G. T. Stonehill	**2017**	**22,814**
	2016	20,365
Total	**2017**	**289,763**
Total	2016	268,792

1 Including shareholdings of related parties
2 Ann Almeida will not stand for re-election at the 2018 Annual General Meeting.

None of the Board members held any option positions on Julius Baer Group Ltd. shares as at year-end 2017 and 2016.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The Chairman of the Board of Directors is required to build up and maintain 25,000 vested shares of Julius Baer Group Ltd., the other members of the Board 7,500 each, respectively.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years following election (and reached at year-end of the respective year) and maintained until the Board member leaves the Board of Directors.

Board members who were elected and/or re-elected in 2014 (i.e. all Board members except for Paul Man Yiu Chow, Ann Almeida and Ivo Furrer) were required to reach the targeted number of shares by year-end 2017. Paul Man Yiu Chow and Ivo Furrer are required to reach the targeted number of shares by year-end 2018 and 2020, respectively. Ann Almeida will not stand for re-election at the 2018 AGM.

FORMER DIRECTORS

In 2017, no compensation was granted to Board members who left the Board in 2016 or earlier. No loans to former members of the Board of Directors (or their related parties) were outstanding at year-end 2017 or were granted in 2017 at conditions that were not in line with market rates.

ABBREVIATIONS

AGM	Annual General Meeting
BIS	Bank for International Settlements
CCO	Chief Communications Officer
CEO	Chief Executive Officer
cEP	Cumulative Economic Profit
CFO	Chief Financial Officer
CoC	Cost of Capital
COO	Chief Operating Officer
CRO	Chief Risk Officer
CRD	Capital Requirements Directive
DBP	Deferred Bonus Plan
DCP	Deferred Cash Plan
EB	Executive Board
EP	Economic Profit
EPP	Equity Performance Plan
IFRS	International Financial Reporting Standards
Index	STOXX® Europe 600 Bank Index (gross return)
Kairos	Kairos Investment Management SpA
KPI(s)	Key Performance Indicator(s)
LTI	Long-Term Incentive Plan
NOPbBT	Net operating profit before variable compensation and taxes
Ordinance	Swiss Ordinance against Excessive Compensation in Listed Companies
PSP	Premium Share Plan
rTSR	Relative Total Shareholder Return
SMI	Swiss Market Index
SPP	Staff Participation Plan
TSR	Total Shareholder Return

TERMINATION PROVISIONS OF JULIUS BAER PLANS

Award Name	Voluntary Termination	Termination without Cause	Death	Disability	Retirement	Termination for Cause	Change of Control
Deferred Bonus Plan (DBP)	Outstanding deferral is paid out in accordance with the original payment schedule.	Outstanding deferral is paid out in accordance with the original payment schedule.	Outstanding deferral amounts are paid out within 30 days of the notification of the event.	Outstanding deferral amounts are paid out within 30 days of termination.	Outstanding deferral is paid out in accordance with the original payment schedule.	Outstanding deferral is clawed back upon notice of termination.	Payment-schedule adjustments permissible at Board of Directors' discretion.
Equity Performance Plan (EPP)	Unvested awards are forfeited upon notice of termination.	Pro rata portion of unvested awards vests upon notice of termination subject to final performance multiplier assessment at the end of the plan period.	Award fully vests based on an assumed final multiplier of 100% and is paid out within 30 days of the notification of the event.	Award fully vests based on an assumed final multiplier of 100% and is paid out within 30 days of termination.	Awards fully vest on the date of retirement subject to the final multiplier performance assessment at the end of the plan period.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at Board of Directors' discretion. Plan allows for an intrinsic value roll-over of awards and/or early evaluation of actual performance followed by vesting.
Deferred Cash Plan (DCP)	Unvested awards are forfeited upon notice of termination.	Unvested awards vest on the date of termination.	Unvested awards vest and are paid out within 30 days of the notification of the event.	Unvested awards vest on the date of termination.	Unvested awards vest on the date of retirement.	Unvested awards are forfeited upon notice of termination.	Award adjustments solely at Compensation Committee's discretion.
Premium Share Plan (PSP)	Unvested shares from deferral and Premium Shares are forfeited upon notice of termination.	Unvested shares from deferral vest on date of termination. Premium Shares are forfeited.	The unvested shares from deferral and Premium Shares vest and are paid out within 30 days of the notification of the event.	The unvested shares from deferral and Premium Shares vest and are paid out within 30 days of termination.	The unvested shares from deferral and Premium Shares vest and are paid out within 30 days of retirement.	Unvested shares from deferral and Premium Shares are forfeited upon termination.	Award adjustments solely at Compensation Committee's discretion. Intrinsic value roll-over of awards permitted.
Long-Term Incentive Plan (LTI)	Unvested shares are forfeited upon notice of termination.	Unvested shares are forfeited upon notice of termination.	Unvested shares vest on the date of the notification of the event.	Unvested shares vest on the date of termination.	Unvested shares vest on the date of retirement.	Unvested shares are forfeited upon notice of termination.	Award adjustments solely at Compensation Committee's discretion. Intrinsic value roll-over of awards permitted.

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

KPMG

Report of the Statutory Auditor

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

We have audited pages 68 to 79 of the accompanying remuneration report of Julius Baer Group Ltd. for the year ended 31 December 2017.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2017 of Julius Baer Group Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Philipp Rickert
Licensed Audit Expert
Auditor in Charge

Cataldo Castagna
Licensed Audit Expert

Zurich, 12 March 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2017** CHF m	2016 CHF m	Change %
Interest and dividend income		**1,195.3**	1,043.9	14.5
Interest expense		**207.5**	166.8	24.4
Net interest and dividend income	1	**987.8**	877.1	12.6
Commission and fee income		**2,172.1**	1,771.1	22.6
Commission expense		**241.5**	206.2	17.1
Net commission and fee income	2	**1,930.6**	1,564.9	23.4
Net trading income	3	**303.6**	332.5	-8.7
Other ordinary results	4	**30.3**	77.9	-61.1
Operating income		**3,252.2**	2,852.4	14.0
Personnel expenses	5	**1,555.7**	1,335.9	16.5
General expenses	6	**649.7**	623.2	4.2
Depreciation of property and equipment	12	**42.3**	37.6	12.3
Amortisation of customer relationships	12	**72.7**	68.5	6.2
Amortisation and impairment of other intangible assets	12	**45.4**	34.6	31.2
Operating expenses		**2,365.8**	2,099.8	12.7
Profit before taxes		**886.5**	752.6	17.8
Income taxes	7	**170.6**	130.4	30.8
Net profit		**715.9**	622.1	15.1

Attributable to:				
Shareholders of Julius Baer Group Ltd.		**704.8**	619.4	13.8
Non-controlling interests		**11.1**	2.7	306.8
		715.9	622.1	15.1

	Note	**2017** CHF	2016 CHF	Change %
Share information				
Basic earnings per share (EPS)	8	**3.25**	2.85	14.1
Diluted earnings per share (EPS)	8	**3.25**	2.84	14.3
Dividend proposal 2017 and dividend 2016		**1.40**	1.20	16.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 *CHF m*	2016 *CHF m*
Net profit recognised in the income statement	**715.9**	622.1
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on financial investments available-for-sale	**3.3**	19.8
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	**6.4**	7.8
Translation differences	**30.1**	22.8
Realised (gains)/losses on translation differences reclassified to the income statement	**-**	-0.0
Items that will not be reclassified to the income statement		
Remeasurement of defined benefit obligation	**2.7**	18.9
Other comprehensive income	**42.5**	69.2
Total comprehensive income	**758.4**	691.3
Attributable to:		
Shareholders of Julius Baer Group Ltd.	**746.5**	685.7
Non-controlling interests	**11.9**	5.6
	758.4	691.3

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2017** *CHF m*	31.12.2016 *CHF m*
Assets			
Cash		**10,862.9**	13,599.5
Due from banks	9	**8,308.9**	11,389.8
Loans	9	**46,623.7**	38,419.0
Trading assets	10	**12,751.8**	7,660.7
Derivative financial instruments	24	**1,962.7**	2,690.9
Financial assets designated at fair value	25	**277.3**	252.4
Financial investments available-for-sale	11	**12,246.5**	18,266.6
Investments in associates	26	**28.2**	29.4
Property and equipment	12	**356.6**	373.8
Goodwill and other intangible assets	12	**2,872.4**	2,834.3
Accrued income and prepaid expenses		**354.3**	327.2
Deferred tax assets	17	**28.8**	28.8
Other assets		**1,243.5**	335.0
Total assets		**97,917.6**	96,207.2

	Note	**31.12.2017** *CHF m*	31.12.2016 *CHF m*
Liabilities and equity			
Due to banks		**7,209.5**	10,076.8
Due to customers		**67,636.8**	67,495.2
Trading liabilities	10	**135.8**	159.0
Derivative financial instruments	24	**2,059.2**	2,285.3
Financial liabilities designated at fair value	15	**11,836.7**	8,444.4
Debt issued	16	**1,777.0**	1,213.5
Accrued expenses and deferred income		**728.2**	620.3
Current tax liabilities		**215.9**	123.0
Deferred tax liabilities	17	**59.9**	77.8
Provisions	18	**44.9**	23.0
Other liabilities		**359.6**	335.1
Total liabilities		**92,063.6**	90,853.4
Share capital	19	**4.5**	4.5
Retained earnings		**6,306.0**	5,840.4
Other components of equity		**-209.9**	-251.6
Treasury shares		**-276.1**	-263.1
Equity attributable to shareholders of Julius Baer Group Ltd.		**5,824.5**	5,330.2
Non-controlling interests		**29.5**	23.6
Total equity		**5,854.0**	5,353.9
Total liabilities and equity		**97,917.6**	96,207.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*
At 1 January 2016	4.5	5,467.8
Net profit	-	619.4
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total other comprehensive income	-	-
Total comprehensive income	-	619.4
Changes in non-controlling interests	-	-23.4[2]
Dividends	-	-246.2
Dividend income on own shares	-	6.2
Share-based payments expensed for the year	-	70.8
Share-based payments vested	-	-49.4
Changes in derivatives on own shares	-	-0.2
Acquisitions of own shares	-	-
Disposals of own shares	-	-4.5
At 31 December 2016	4.5	5,840.4

At 1 January 2017	**4.5**	**5,840.4**
Net profit	**-**	**704.8**
Items that may be reclassified to the income statement	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-**
Total other comprehensive income	**-**	**-**
Total comprehensive income	**-**	**704.8**
Dividends	**-**	**-268.6**
Dividend income on own shares	**-**	**7.0**
Share-based payments expensed for the year	**-**	**82.4**
Share-based payments vested	**-**	**-81.2**
Changes in derivatives on own shares	**-**	**7.7**
Acquisitions of own shares	**-**	**-**
Disposals of own shares	**-**	**13.4**
At 31 December 2017	**4.5**	**6,306.0**

1 Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
2 Related to the acquisition of GPS Investimentos Financeiros e Participações S.A. and Julius Bär Wealth Management AG.
3 Related to the acquisition of GPS Investimentos Financeiros e Participações S.A., Julius Bär Wealth Management AG and Kairos Investment Management SpA.

Other components of equity						
Financial investments available-for-sale, net of taxes *CHF m*	Remeasurement of defined benefit obligation *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
23.1	-221.4	-119.6	-218.9	4,935.6	6.4	4,942.0
-	-	-	-	619.4	2.7	622.1
27.5	-	19.8	-	47.3	2.9	50.3
-	19.0	-	-	19.0	-0.1	18.9
27.5	19.0	19.8	-	66.3	2.9	69.2
27.5	19.0	19.8	-	685.7	5.6	691.3
-	-	-	-	-23.4	13.7[3]	-9.7
-	-	-	-	-246.2	-2.1	-248.3
-	-	-	-	6.2	-	6.2
-	-	-	-	70.8	-	70.8
-	-	-	49.4	-	-	-
-	-	-	-3.5	-3.7	-	-3.7
-	-	-	-305.7	-305.7	-	-305.7
-	-	-	215.5	211.0	-	211.0
50.6	-202.4	-99.8	-263.1	5,330.2	23.6	5,353.9
50.6	**-202.4**	**-99.8**	**-263.1**	**5,330.2**	**23.6**	**5,353.9**
-	**-**	**-**	**-**	**704.8**	**11.1**	**715.9**
9.7	**-**	**29.4**	**-**	**39.1**	**0.7**	**39.8**
-	**2.6**	**-**	**-**	**2.6**	**0.1**	**2.7**
9.7	**2.6**	**29.4**	**-**	**41.7**	**0.8**	**42.5**
9.7	**2.6**	**29.4**	**-**	**746.5**	**11.9**	**758.4**
-	**-**	**-**	**-**	**-268.6**	**-6.0**	**-274.6**
-	**-**	**-**	**-**	**7.0**	**-**	**7.0**
-	**-**	**-**	**-**	**82.4**	**-**	**82.4**
-	**-**	**-**	**81.2**	**-**	**-**	**-**
-	**-**	**-**	**33.0**	**40.7**	**-**	**40.7**
-	**-**	**-**	**-302.5**	**-302.5**	**-**	**-302.5**
-	**-**	**-**	**175.3**	**188.7**	**-**	**188.7**
60.3	**-199.8**	**-70.4**	**-276.1**	**5,824.5**	**29.5**	**5,854.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2017 *CHF m*	2016 *CHF m*
Net profit	**715.9**	622.1
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
- Depreciation of property and equipment	**42.3**	37.6
- Amortisation and impairment of other intangible assets	**118.2**	103.1
- Allowance for credit losses	**-4.6**	15.1
- Income from investment in associates	**-1.9**	-48.7
- Deferred tax expense/(benefit)	**-18.0**	8.4
- Net loss/(gain) from investing activities	**59.2**	80.2
- Other non-cash income and expenses	**82.4**	70.8
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**-2,539.9**	5,131.4
- Trading portfolios and derivative financial instruments	**-4,612.1**	682.7
- Net loans/due to customers	**-8,057.7**	-245.4
- Issuance and repayment of financial liabilities designated at fair value	**3,367.3**	4,126.0
- Accrued income, prepaid expenses and other assets	**-935.2**	335.4
- Accrued expenses, deferred income, other liabilities and provisions	**199.9**	-653.7
Adjustment for income tax expenses	**188.5**	122.0
Income taxes paid	**-98.7**	-78.3
Cash flow from operating activities	**-11,494.6**	10,308.9
Dividend of associates	**1.9**	10.2
Purchase of property and equipment and intangible assets	**-171.2**	-172.9
Disposal of property and equipment and intangible assets	**0.0**	0.3
Net (investment in)/divestment of financial investments available-for-sale	**4,237.4**	-251.9
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-3.8**	556.1
Deferred payment of acquisition of subsidiaries and associates	**-17.0**	-11.2
Cash flow from investing activities	**4,047.3**	130.7
Net money market instruments issued/(repaid)	**43.3**	78.7
Net movements in treasury shares and own equity derivative activity	**-66.1**	-92.2
Dividend payments	**-268.6**	-246.2
Issuance of bonds	**486.2**[1]	230.4
Repayment of lower tier 2 bond	**-**	-250.0
Changes in non-controlling interests	**-**	-9.6
Dividend payment to non-controlling interests	**-6.0**	-2.1
Cash flow from financing activities	**188.8**	-291.0
Net (decrease)/increase in cash and cash equivalents	**-7,258.5**	10,148.6

[1] Related to the net proceeds of the issuance of the perpetual non-cumulative high-trigger additional tier 1 bond and the domestic senior unsecured bond issued by Julius Baer Group Ltd. in 2017. The difference to the current book values (see Note 16) relates to the amortisation of premiums and discounts (including capitalised transaction costs) and foreign exchange losses.

	2017 *CHF m*	2016 *CHF m*
Cash and cash equivalents at the beginning of the year	**28,270.9**	18,128.7
Cash flow from operating activities	**-11,494.6**	10,308.9
Cash flow from investing activities	**4,047.3**	130.7
Cash flow from financing activities	**188.8**	-291.0
Effects of exchange rate changes on cash and cash equivalents	**174.8**	-6.4
Cash and cash equivalents at the end of the year	**21,187.2**	28,270.9

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Cash and cash equivalents are structured as follows:		
Cash	**10,862.9**	13,599.5
Money market instruments	**2,191.1**	3,785.0
Due from banks (original maturity of less than three months)	**8,133.2**	10,886.4
Total	**21,187.2**	28,270.9

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Additional information		
Interest received	**997.8**	895.4
Interest paid	**-187.6**	-156.0
Dividends on equities received (including associates)	**204.8**	209.4

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Julius Baer Group Ltd. is a Swiss corporation which is committed to the private banking business. The consolidated financial statements as at 31 December 2017 comprise those of Julius Baer Group Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 30 January 2018. In addition, they are submitted for approval to the Annual General Meeting on 11 April 2018.

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

USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

ACCOUNTING POLICIES

All Group companies apply uniform accounting and measurement principles, which have remained the same as in the previous year, except as outlined at the end of this summary of significant accounting policies addressing implemented changes in accounting policies.

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

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

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

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

A complete list of these companies is provided in Note 26. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

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

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

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

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses. Unrealised exchange differences on equity securities available-for-sale are a component of the change in their entire fair value and are recognised in other comprehensive income.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2017	31.12.2016	**2017**	2016
USD/CHF	**0.9745**	1.0164	**0.9795**	0.9875
EUR/CHF	**1.1702**	1.0720	**1.1160**	1.0890
GBP/CHF	**1.3182**	1.2559	**1.2750**	1.3280

Reporting of transactions
Foreign exchange, securities and derivatives transactions are recorded in the balance sheet on trade date. All other financial instruments are recorded on settlement date. The financial instruments are assigned to one of the four categories according to IAS 39: loans and receivables, held-to-maturity investments, financial assets and financial liabilities at fair value through profit or loss, and available-for-sale financial assets. They are uniformly recognised within these categories on trade date or settlement date.

Income recognition
Income from services provided is either recognised at the time the service is performed, i.e. upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time. Income and income components that are based on performance are recognised at the time when all performance criteria are fulfilled and irrevocably earned.

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

Due from banks and loans
Amounts due from banks and loans are initially recognised at fair value, which is the consideration given to originate the receivable or loan, plus any attributable transaction costs. Subsequently, these receivables and loans are measured at their amortised cost using the effective interest method.

Loans are classified as past due when the counterparty has failed to make a payment when contractually due. The exposure is not considered impaired as the Group believes that on the basis of the collateral available it is still covered.

Specific allowances: Loans and amounts due from banks for which it is probable that, based on current information and events, the Group will be unable to collect the whole amounts due according to the original contractual terms of the loan agreement, are measured on an individual basis, and a specific allowance for credit losses is established for impaired amounts, if necessary. Related collaterals are also included in the evaluation.

Impairment is measured and an allowance for credit losses is established for the difference between the carrying amount of the loan and its estimated recoverable amount, taking into account the counterparty risk and the net proceeds from the possible liquidation of any collateral. The recoverable amount equals the present value of estimated future cash flows discounted at the loan's original effective interest rate. The allowance for credit losses is recognised through the income statement.

A write-off is made against the established specific allowance for credit losses when all or part of a loan is deemed uncollectible or forgiven. Recoveries of amounts that were previously written off are credited directly to the income statement.

Collective allowances: In addition to the specific allowances for credit losses, a collective allowance for credit losses is established to account for inherent credit risks collectively, i.e. on a portfolio basis. This collective allowance for credit losses is calculated on the basis of faithfully estimated default rates for each portfolio, which are based on internal credit ratings that are used for classifying the loans.

In the balance sheet, the allowances for credit losses are offset against the corresponding loans and amounts due from banks.

Impaired loans are rated as fully recoverable if the creditworthiness has improved such that there is a reasonable assurance of timely collection of principal and interest according to the original contractual terms.

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

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

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

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

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

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

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

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

Trading assets/liabilities
All trading positions are recognised at fair value. Realised gains and losses on disposal or redemption and unrealised gains and losses from changes in the fair value are recognised in net trading income.

Interest and dividend income and interest expense from trading positions are included in net interest and dividend income.

Precious metals held for trading purposes are measured at fair value less costs to sell with all changes in the fair value recognised in net trading income.

Financial assets and liabilities designated at fair value through profit or loss
Financial assets and liabilities may initially be designated as at fair value through profit or loss (fair value option) if one of the following conditions is met:

- they are hybrid instruments which consist of a debt host and an embedded derivative component;
- they are part of a portfolio which is risk-managed on a fair value basis; or
- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise.

The Group measures its issued structured products containing a debt instrument and an embedded derivative at fair value, with changes in fair value recognised in net trading income, thus eliminating the requirement to account for the embedded derivative and its host contract separately.

In addition, the Group reports assets and liabilities related to certain structured investments for which the client bears all the related risks and rewards from the investments, as designated at fair value through profit or loss.

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

The Group uses derivative financial instruments for hedging the fair values (fair value hedges) when transactions meet the specified criteria to obtain hedge accounting treatment. Derivatives categorised as serving such purposes on their trade date are treated as hedging instruments in the financial statements if they fulfil the following criteria:

- existence of documentation that specifies the underlying transaction (balance sheet item or cash flow), the hedging instrument as well as the hedging strategy/relationship;

- effective and reliably measurable elimination of the hedged risks through the hedging transaction during the entire reporting period; and
- sustained high effectiveness of the hedging transaction. A hedge is regarded as highly effective if actual results are within a range of 80% to 125%.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. The changes in the fair value of the hedged item that are attributable to the risk hedged with the derivative are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement.

When fair value hedge accounting is discontinued prospectively, any hedging adjustment made previously to a hedged financial instrument is amortised to the income statement over the remaining term to maturity of the hedged item.

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

Financial investments available-for-sale
Security positions, including money market instruments, which are not held for trading purposes, are reported as debt and equity securities available-for-sale and are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in other components of equity until the security is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in other components of equity is recognised in the income statement in other ordinary results.

Equity securities are deemed impaired if there has been a significant or prolonged decline of fair value below the acquisition cost. A debt instrument is deemed impaired if the creditworthiness of the issuer significantly deteriorates or if there are other indications that an event has a negative impact on the future estimated cash flows related to the debt instrument, i.e. if it is likely that the amount due according to the contractual terms cannot be entirely collected.

Interest on debt securities is accrued using the effective interest method and, together with dividend income on equity securities, recognised in interest and dividend income.

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

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. Installations are depreciated over a period not exceeding ten years, IT hardware over three years and other items of property and equipment over five years.

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

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

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

Leasing
Under operating leasing, leased assets are not recognised on the balance sheet, as the risks and rewards of ownership remain with the lessor. Lease payments for operating leases are recognised through the item general expenses in the income statement over the lease term on a straight-line basis.

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

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

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

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

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

Due to banks and customers
Amounts due to banks and customers are initially recognised at fair value less directly attributable transaction costs and subsequently reported at amortised cost. Interest and discounts are debited to interest expenses on an accrual basis, using the effective interest method.

Debt issued
Issued bonds are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs. They are subsequently reported in the balance sheet at amortised cost using the effective interest method.

Own bonds that the Group holds as a result of market-making activities or for resale in the near term are treated as redemption and are therefore extinguished.

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

Restructuring provisions are recognised if a constructive obligation is incurred, which requires commencement of an approved, detailed and formal restructuring plan or the announcement of its main features to the affected employees before the balance sheet date.

Income taxes
Income tax expense comprises current and deferred taxes. The Group is subject to income taxes in numerous countries. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.Deferred tax assets and deferred tax liabilities are taken into account for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

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

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

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

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

Post-employment benefits
For defined benefit plans, the net defined benefit liability recognised in other liabilities in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. The Group applies the projected unit credit method to determine the present value of the defined benefit obligation and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

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

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

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

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

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

Incremental costs that are directly attributable to the issuance of new shares are deducted from equity.

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

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

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

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

In 2017, there were no new standards or amendments to existing standards that had a material impact on the Group's financial statements.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

The following standards, revisions and interpretations will be relevant to the Group:

IFRS 9 – Financial Instruments
The new standard includes the following changes to current accounting for financial instruments:

Recognition and measurement: The new standard uses two criteria to determine how financial assets should be classified and therefore measured: a) the entity's business model for managing the financial assets; and b) the contractual cash flow characteristics of the financial asset.

A business model refers to how an entity manages its financial assets in order to generate cash flows:

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

The additional criteria for determining the classification of a financial asset is whether the contractual cash flows are solely payments of principal and interest. Interest under this model can comprise a return not only for the time value of money and credit risk but also for other components such as return for liquidity risk, amounts to cover expenses and a profit margin.

Based on an analysis of the business model and the nature of the contractual cash flows, a financial asset is measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income (with and without recycling).

Expected credit losses: Contrary to the current impairment model for debt instruments, the new standard requires an entity to recognise expected credit losses at initial recognition of the debt instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of debt instruments. It is therefore no longer necessary for a trigger event to have occurred before credit losses are recognised.

In general, the expected credit loss model uses a dual measurement approach: if the credit risk of a debt instrument has not increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to 12-month expected credit losses (‘stage 1’ ECL). If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses (‘stage 2’ ECL) or the debt instrument is credit-impaired (‘stage 3’ ECL).

Financial liabilities: Financial liabilities are measured at amortised cost or fair value. The new standard retains the fair value option for financial liabilities, but requires that the amount of change in fair value attributable to changes in the credit risk of the liability (own credit risk) be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement. If this approach creates or enlarges an accounting mismatch, the whole change in fair value may be recognised in the income statement.

Hedge accounting: The new standard puts in place a model that introduces significant improvements principally by aligning the accounting for hedges more closely with the underlying risk management purposes. To that effect, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Hedge qualification will be based on qualitative, forward-looking hedge effectiveness assessments, rather than on bright lines. There are also enhanced disclosure requirements about hedge accounting and risk management activities.

The new standard will be effective 1 January 2018.

During the second half of 2017, the Group finalised its assessment of the impact of IFRS 9 on the Group’s financial statements. The following applies as of 1 January 2018:

Recognition and measurement: Based on the analyses of the two classification criteria ‘contractual cash flow characteristics’ and ‘business model’, the Group determined that the debt instruments currently reported at amortised cost generally fulfil the criteria and therefore will be measured at amortised cost on an ongoing basis. The same applies to the debt instruments currently reported as available-for-sale and therefore measured at fair value through OCI, which will also be measured at fair value through OCI under the new standard.

A small number of equity instruments currently measured at fair value through OCI will be classified as at fair value through profit or loss going forward. The related fair value gains and losses currently recognised in OCI will be reclassified to retained earnings as of 1 January 2018.

In summary, there are no significant changes to the measurement basis arising from adopting the new classification and measurement model.

Expected credit losses: The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD), taking into account the respective effective interest rates. These models are tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt securities in the treasury portfolio. The models have been thoroughly tested based on the existing data. As of 31 December 2017, the following allowances for credit losses would have been recognised in the financial statements due to the new expected credit loss model under IFRS 9:

- Lombard loans: CHF 6.7 million;
- Mortgages: CHF 5.0 million; and
- Due from banks: CHF 0.2 million.

The total allowance for expected credit losses on Lombard loans, mortgages and amounts due from banks to be recognised under IFRS 9 ('stage 1' and 'stage 2' ECL) is comparable to the currently recognised collective allowance for credit losses on these positions (see Note 9C). The difference of CHF 4.4 million between the currently recognised collective allowance for credit losses (CHF 16.3 million) and the new expected credit losses under IFRS 9 (CHF 11.9 million) will be recognised in equity (retained earnings) at transition date.

The Group did not change its approach for the calculation of specific allowances for credit losses. Therefore, the currently recognised specific allowance for credit losses in the amount of CHF 24.2 million for Lombard loans and mortgages equals the new allowance for credit-impaired financial assets under IFRS 9 ('stage 3' ECL).

Under the current accounting standard, the Group does not recognise any allowance for its treasury portfolio in 2017. Therefore, the new allowance for credit losses in the amount of CHF 1.7 million to be recorded under IFRS 9 ('stage 1' and 'stage 2') will be recognised in equity (retained earnings) at transition date.

Financial liabilities: The Group will continue to apply its current measurement approach, including the use of the fair value option. No material changes arise.

Hedge accounting: The Group has analysed its existing micro hedges that are designated in effective hedging relationships and has determined that the micro hedge relationships would also qualify for hedge accounting under IFRS 9. The Group continues to apply IAS 39 (except for the new disclosures under IFRS 9) until the IASB issues a final hedge accounting standard including micro and macro hedging.

Transition: The Group will not restate prior periods in its 2018 financial statements.

IFRS 15 – Revenue Recognition
The new standard, including the clarifications published in 2016, introduces the core principle to recognise revenue to depict the transfer of services to customers in amounts that reflect the consideration (that is, payment) to which the Group expects to be entitled in exchange for those services.

The standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point of time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised:

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

The new standard also provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. In addition, enhanced disclosures about revenue are required.

The new standard will be effective 1 January 2018 with earlier application permitted. However, the Group did not early apply IFRS 15. The impact of the new standard on the Group's financial statements is not material and is mainly related to disclosures.

IFRS 16 – Leases
The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.

The new standard will be effective 1 January 2019 with earlier application permitted. However, the Group does not intend to early apply IFRS 16. The impact of the new standard on the Group's financial statements is currently assessed.

IFRIC 23 – Uncertainty over Income Tax Treatment
The new interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. An entity concludes whether it is probable that the taxation authority will accept an uncertain tax treatment or not and shall reflect the effect of uncertainty in its financial statements.

The new interpretation will be effective 1 January 2019 with earlier application permitted. However, the Group does not intend to early apply IFRIC 23. The impact of the new interpretation has not yet been assessed.

COMMENT ON RISK AND CAPITAL MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND PROCESS

Risk types
For the purposes of this report, risk comprises both the probability of a given event occurring and its potential adverse impact in the event of a deviation from Julius Baer Group's (the Group) defined objectives. Risk taking is an inherent component of the Group's day-to-day business activities. Risk management therefore constitutes an integral part of the Group's business framework. It is supported by a number of risk control procedures, which are seen as business enablers critical to the management process of the Group. The principal risks to which the Group is exposed are:

- strategic and business risk
- credit risk
- market risk
- liquidity and financing risk
- operational risk (including legal, compliance and personnel risk)
- reputational risk

The risk control framework comprises both qualitative elements, including policies and directives, and quantitative components, including limits. It is continually adapted and enhanced, both in response to changes in the business environment and to any modifications to the business models pursued by the Group.

Risk governance
The Board of Directors of Julius Baer Group Ltd. defines the Group's risk policies and regularly reviews their appropriateness. This ensures that risks are managed effectively at Group level and that suitable processes are in place. The risk categories and the risk management processes as well as a common risk terminology for the Group are laid down in the Group Risk Policy. Specific Group policies are defined for particular risk categories. Overall responsibility for the implementation of the Group's risk management lies with those members of the Executive Board of Julius Baer Group Ltd. with designated risk management duties – the Chief Risk Officer (CRO) and the General Counsel (GC).

The CRO is responsible for the management and control of credit risk, market risk (trading book and banking book), liquidity and financing risk (particularly with regard to the banking book) and of operational risk. Especially as far as legal and compliance risk matters are concerned, he coordinates his activities with the GC, who, as a member of the Executive Board of Julius Baer Group Ltd., is responsible for the management and control of legal and compliance risk at Group level. In addition, the CRO and the GC coordinate their activities with the Chief Financial Officer (CFO), who is responsible for balance-sheet, capital and liquidity management. The CFO's duties thus include maintaining a sound ratio of eligible capital to risk-weighted positions and ensuring that sufficient liquidity is available at all times.

The CRO and the GC establish appropriate risk guidelines and policies, coordinate and contribute directly to the risk management of the business areas and thus ensure that risk is controlled independently.

Additional Board committees and the Executive Board are integrated into the Group-wide risk management structure as follows:

The Board of Directors delegates the supervision of operational risks to the Audit Committee, while the supervision of all other risks is entrusted to the Chairman's & Risk Committee. The responsibilities of these two committees are described in further detail in the Board of Directors section of this report.

The Executive Board of the Group's principal operating entity, Bank Julius Baer & Co. Ltd., is responsible for measuring and supervising market, liquidity, financing and operational risks in the Group's financial services activities. Accordingly, its principal tasks are:

- to formulate policies governing market, liquidity, financing and operational risk in the Group's financial services business;
- to allocate risk limits in accordance with those policies;

- to receive and review reports relating to those risks.

The Credit Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for measuring and supervising credit risk. In particular, it is responsible for:

- formulating policies governing credit risk;
- making credit business decisions and allocating credit limits within the scope of its remit;
- delegating credit authority;
- receiving and reviewing credit risk reports.

To assist its work in monitoring credit risks, the Credit Committee periodically receives a credit risk report which provides details of the various relevant risks (e.g. concentration risk by issuer and country, rating distributions and major positions) as well as information on the evolution of credit volumes.

The Information Security Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible both for monitoring and supervising information security risk and for related activities for the purpose of ensuring data confidentiality and integrity.

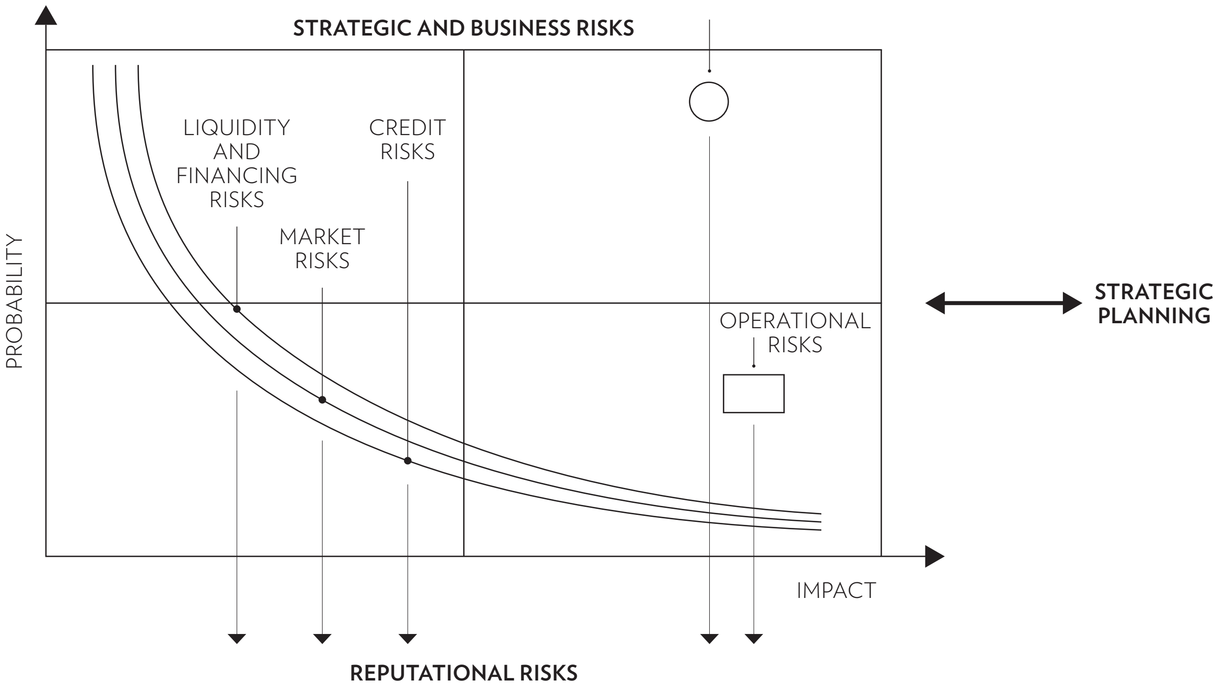
The Business Conduct and Risk Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for defining standards of conduct and processes relating to client relationships, products and services. This Committee also sets guidelines governing the general conduct of business and monitors their implementation. Finally, the Committee also ensures that the management controls which monitor such conduct are effective and that they are appropriate to the business activities carried out.

The main responsibility for controlling and managing risks, however, primarily lies with the individual organisational units. Identified risks are mapped to a risk landscape, which provides a consolidated picture of the probability of their occurrence and its potential impact. The risk landscape is also used by the business areas, the Executive Board and the Board of Directors of both Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. in their annual strategic planning process.

Thanks to its Code of Business Conduct ('Our professional standards') as well as a series of topic-specific code-of-conduct guidelines, Julius Baer has sustainably established its risk culture throughout the organisation. A broad-based compendium of directives and their associated global standards ensures that corporate governance responsibilities are met. The global standards are complemented by commensurate local standards, which articulate the global principles in more concrete terms and are implemented by the individual Julius Baer entities. Finally, Julius Baer's management processes ensure that the Group's code-of-conduct principles are comprehensively observed in day-to-day business operations. The duties of the units engaged in risk taking and those responsible for monitoring those risks are clearly defined, particularly with regard to independence. An important principle here is to maintain an effective first line of defence which ensures that the risks taken are appropriately managed by those engaging in them. Risk is an established item on the agendas of all divisional management committees. Second-line-of-defence activities are carried out by independent units whose task is to ensure that the framework used for managing risks meets Group requirements and complies with the provisions of the law. Their work includes carrying out independent monitoring of the quality of first-line-of-defence risk management. Internal audit provides the third line of defence by ensuring that the Group's business and risk management activities are carried out in accordance with internal directives and applicable external regulations.

Risk reporting is carried out in a hierarchically appropriate fashion along the chain of management processes and responsibilities described above. In particular, formal rules and procedures govern the risk reports submitted to the various Executive Board and Board of Directors' committees as well as to the Board of Directors itself. The risk landscape referred to above is reviewed and revised each year. As part of this process, the Executive Board uses a top-down analysis of the principal strategic and business risks facing the Group and a broad-based bottom-up analysis of its operational risks in order to define the Group's risk appetite and risk tolerance. This is then submitted to the Board of Directors for ratification. The current risk situation and the measures taken to address the risks identified are described in an ongoing series of quarterly reports. These reports provide details of newly identified risks and new assessments of existing risks, which are discussed at Executive Board and Board of Directors meetings. This process formally requires that the risks inherent in the Group's business model are addressed on an ongoing basis, thus ensuring that the measures decided upon to mitigate risk are implemented and that the processes required to that end are effective.

Risk landscape: illustrative diagram



STRATEGIC AND BUSINESS RISK

Strategic and business risk comprises the danger of external or internal events or decisions resulting in strategic and day-to-day business objectives not being attained. Based on the principles of value- and risk-oriented management and controlling, an annual strategic check-up is carried out, and the results are consolidated in the aforementioned risk landscape. This check-up reviews the probability and impact of potential strategic and business risks and defines mitigating actions. The results are also used as an important input for the strategic planning process and thus influence the rolling three-year plan and hence the annual budgets.

CREDIT RISK

Credit or counterparty risk is the risk of a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Group or to an individual Group company. Such non-compliance may result in a financial loss to the Group.

The Group has a policy of lending to private clients on a collateralised basis. The credit risk taken on by the Group as a result of such transactions may arise from lending or from actual or potential receivables due to the Group on client-held positions in derivatives on foreign exchange, equity, interest rate or commodity products. This credit risk is assessed by reference to a set of rules based on security-specific parameters such as market capitalisation, liquidity, issue size, rating, maturity, nature of the underlying asset etc. Advanceable rates can be determined or adjusted for a specific security or for individual clients. As part of the risk management process, clients' collateral positions are individually assessed and valued. Depending on the quality of the collateral and the degree of diversification within individual client portfolios, an advanceable rate is set for each collateral position. The overwhelming majority of collateral positions is revalued every day, thus enabling the Group's credit positions to be monitored on a daily basis.

The Bank also grants mortgages to existing private banking clients in Switzerland and in a limited number of international locations where it maintains a local banking presence. The properties pledged are assessed and valued individually as part of the risk management process. These valuations are carried out either on the basis of a factor model or by qualified internal and external appraisers. Maximum mortgage amounts are determined based on the characteristics of each property and client. An additional financial sustainability assessment is also carried out before a mortgage is granted. In many cases, supplementary collateral in the form of securities is also required in addition to the pledged property itself. Every mortgage is assigned a rating, which is subject to periodic reviews whose frequency is determined by the rating level. Compared to its competitors, Bank Julius Baer & Co. Ltd. tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

In addition, the Group engages in transactions with banks, brokers and selected institutional clients on both a secured and unsecured basis. This involves individual risk limits and settlement limits being approved for each counterparty. The credit exposures arising from these transactions are monitored on a daily basis, and netting agreements and collateral agreements are also used to mitigate exposures further. As a result, the vast majority of the replacement values of the exposure arising from trading transactions are covered by collateral. The Group places excess liquidity with central banks. It also makes short-term money-market placements with banks and invests in high-quality, repo-eligible bonds and secured debt instruments issued by governments, public institutions, banks and corporations. The credit risks associated with all these counterparties and issuers are subject to a wide range of rules and limits. These ensure that the Group's consolidated credit exposure, both on a single-counterparty and a counterparty-group basis:

- is not subject to concentration by exposure type
- is not disproportionate to the size, shareholders' equity and scale of business of the counterparty
- is clearly within the Group's risk capacity and the applicable regulatory limits

The Group settles a substantial proportion of its trading and derivatives business indirectly through central counterparties (CCPs). The credit risks associated with CCPs are negligible, because the Group works through a variety of specialised service providers and therefore generally does not directly participate in the clearing systems concerned.

Given the focused nature of its activities, the Group is not exposed to any material correlation risk or wrong way risk (i.e. the risk which arises when exposure to a counterparty is negatively correlated to its credit quality). Furthermore, the Group holds cash collateral for the majority of the counterparty risk arising from its open derivatives positions. The Group's securities lending business policies explicitly prohibit transactions involving correlation risk.

The Group has a general policy of avoiding group rating triggers in its collateral agreements for derivatives transactions. As a result, were its rating to decline below a given level, the Bank would not be required to provide additional collateral.

Country limits are set in order to contain the risks potentially arising from country-specific or region-specific constellations.

It is not a policy of the Group to engage in corporate lending activities except for collateralised lending to corporate structures linked to its core private banking business.

The Group's rating concept allows an internal rating classification to be assigned to each individual exposure, and it is on these classifications that the relevant limit-granting processes and monitoring are based.

Group management deliberately refrains from setting specific volume targets for the strategic development of its lending business. Instead, its objective is to achieve a growth in Lombard lending commensurate with the evolution of its wealth management business. To that end, the Board of Directors defines corridor values for credit penetration (i.e. the ratio of lending to assets under management). In addition, individual maximum lending amounts are defined for each rating category and there is also an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically.

The Group has an explicit policy of avoiding non-targeted credit exposure which largely precludes it from lending against non-traditional forms of collateral. In individual cases, exposure of this kind may be authorised by the Chairman's & Risk Committee, which may also delegate lower lending limits for such transactions to named officers. Authorisation of any positions which exceed the defined limit for individual exposure by rating category can be granted only by the Chairman's & Risk Committee.

Credit risks are monitored on an IT system which has been implemented throughout the Group. The system draws the relevant position data from the book-keeping systems of Group companies which grant loans. The system is able to enrich this data with credit-specific information and to consolidate it with data on client and counterparty positions from the various Group booking centres. All client and counterparty risks are monitored daily, as are current limit usage and the quality of the collateral pledged. In addition, for clients with derivatives positions whose exposure requires intraday monitoring, real-time systems are also available.

The system is able to run comprehensive stress tests. These are calibrated to reflect the prevailing market and political situation. In addition to quantifying direct counterparty risks, these stress tests also examine the effect the scenarios would have on the quality and value of the collateral pledged for Lombard loans and mortgages. The results are reviewed by the credit-monitoring units and reported to the relevant decision-making committees.

The credit risk breakdown presented below is calculated before deduction of eligible collateral and in accordance with Swiss capital adequacy requirements, which are largely based on the international guidelines contained in the Basel Committee on Banking Supervision's (BCBS) Basel III Accord. Differences between the total amounts and the corresponding balance sheet positions are explained in the 'Reconciliation of credit risk totals' section of this report.

For additional information regarding the calculation of the Group's minimum regulatory capital requirements for credit and counterparty risk under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2018).

In the following table the counterparty domicile serves as the fundamental basis for the geographical breakdown. For the secured portion of the credit, however, geographical allocation is shown on the basis either of the domicile of the assets pledged, e.g. the domicile of the issuer of securities which are pledged as collateral, or the domicile of the guarantor.

Credit risk by region

						31.12.2017
	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	**Total** *CHF m*
Due from banks	4,544	2,139	377	1,147	43	**8,250**
Loans	9,202	16,365	11,080	9,022	955	**46,624**
Financial assets designated at fair value	265	-	-	12	-	**277**
Financial investments available-for-sale	182	4,240	4,403	2,398	904	**12,127**
Investments in associates	-	-	28	-	-	**28**
Derivative financial instruments	923	1,091	616	246	48	**2,924**
Contingent liabilities	107	468	330	95	28	**1,028**
Irrevocable commitments	190	78	55	14	1	**338**
Securities lending and repo transactions	1,004	2,268	62	-	2	**3,336**
Total	16,417	26,649	16,951	12,934	1,981	**74,932**

						31.12.2016
	Switzerland *CHF m*	Europe *CHF m*	Americas *CHF m*	Asia/Pacific *CHF m*	Other countries *CHF m*	Total *CHF m*
Due from banks	6,149	3,486	333	1,400	4	11,372
Loans	9,621	12,426	8,300	7,634	438	38,419
Financial assets designated at fair value	-	158	94	-	-	252
Financial investments available-for-sale	185	7,090	6,998	3,827	46	18,146
Investments in associates	-	-	29	-	-	29
Derivative financial instruments	2,122	810	467	241	4	3,644
Contingent liabilities	105	238	141	64	16	564
Irrevocable commitments	212	116	52	20	-	400
Securities lending and repo transactions	856	2,912	445	46	3	4,262
Total	19,250	27,236	16,859	13,232	511	77,088

In the following table the counterparty industry code serves as the fundamental basis for the sector breakdown. For the secured portion of the credit, however, sector allocation is shown on the basis either of the industry code of the assets pledged, e.g. the industry code of the issuer of securities which are pledged as collateral, or the industry code of the guarantor.

The column headed 'Other' is used for disclosure of securities issued by companies outside the financial sector: these consist partly of proprietary positions of the Group which are reported on the balance sheet as financial investments available-for-sale and partly of the portion of the credit collateralised by securities issued by companies outside the financial sector.

Credit risk by sector

					31.12.2017
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	**Total** *CHF m*
Due from banks	10	8,203	-	37	**8,250**
Loans	512	15,013	18,720	12,379	**46,624**
Financial assets designated at fair value	-	277	-	-	**277**
Financial investments available-for-sale	4,090	6,975	-	1,062	**12,127**
Investments in associates	-	28	-	-	**28**
Derivative financial instruments	50	1,888	561	425	**2,924**
Contingent liabilities	13	375	446	194	**1,028**
Irrevocable commitments	2	249	66	21	**338**
Securities lending and repo transactions	-	3,330	4	2	**3,336**
Total	4,677	36,338	19,797	14,120	**74,932**

					31.12.2016
	Governments and agencies *CHF m*	Financial institutions *CHF m*	Private clients *CHF m*	Other *CHF m*	Total *CHF m*
Due from banks	-	11,372	-	-	11,372
Loans	630	5,254	25,393	7,142	38,419
Financial assets designated at fair value	-	252	-	-	252
Financial investments available-for-sale	6,530	7,262	-	4,354	18,146
Investments in associates	-	29	-	-	29
Derivative financial instruments	61	1,233	2,058	292	3,644
Contingent liabilities	8	53	381	122	564
Irrevocable commitments	44	110	208	38	400
Securities lending and repo transactions	700	3,075	51	436	4,262
Total	7,973	28,640	28,091	12,384	77,088

The collateral pledged to cover Lombard loans, OTC derivatives positions and securities lending and repo transactions consists primarily of readily marketable securities. In the following table all the collateral accepted within the scope of the capital adequacy regulations is disclosed. The haircuts applied to the collateral positions are in accordance with current Swiss regulatory requirements, which are based on the Basel III BIS standard haircuts.

The Group's internal guidelines accept more types of securities as loan collateral than are authorised by Swiss capital adequacy regulations under the standard approach. While this means that all loans are classified as overcollateralised according to the Group's internal concepts, it also means that, according to the standard approach, some loans are classified as either partially or entirely unsecured for regulatory purposes.

Credit risk secured/not secured including mortgages

			31.12.2017
	Secured by recognised financial collaterals[1] *CHF m*	Not secured by recognised financial collaterals *CHF m*	**Total** *CHF m*
Due from banks	5,477	2,773	**8,250**
Loans	41,707	4,917	**46,624**
Financial assets designated at fair value	277	-	**277**
Financial investments available-for-sale	-	12,127	**12,127**
Investments in associates	-	28	**28**
Derivative financial instruments	1,744	1,180	**2,924**
Contingent liabilities	928	100	**1,028**
Irrevocable commitments	185	153	**338**
Securities lending and repo transactions	2,589	747	**3,336**
Total	52,907	22,025	**74,932**

			31.12.2016
	Secured by recognised financial collaterals[1] *CHF m*	Not secured by recognised financial collaterals *CHF m*	Total *CHF m*
Due from banks	6,395	4,977	11,372
Loans	35,458	2,961	38,419
Financial assets designated at fair value	-	252	252
Financial investments available-for-sale	-	18,146	18,146
Investments in associates	-	29	29
Derivative financial instruments	1,647	1,997	3,644
Contingent liabilities	511	53	564
Irrevocable commitments	195	205	400
Securities lending and repo transactions	3,466	796	4,262
Total	47,672	29,416	77,088

[1] Taking into account recognised collaterals with applied discount factors according to Swiss Capital Adequacy Ordinance

The following table gives an overview of the credit risk classified by regulatory risk weightings. The regulatory risk weightings are in accordance with current Swiss regulatory requirements, which are based on the Basel III BIS approach. The allocation of the receivables to the risk weights depends on the type and current rating of the counterparty or the individual rating of the specific financial investment held. The collateralised portion of receivables (other than mortgages) is allocated to the 0% risk weight column, since no regulatory capital is required in respect of these lending positions.

Credit risk by regulatory risk weightings

	0% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% or greater *CHF m*	**31.12.2017** **Total** *CHF m*
Due from banks	4,551	3,048	-	629	-	22	-	**8,250**
Loans	33,076	30	7,480	10	685	5,343	-	**46,624**
Financial assets designated at fair value	265	-	-	-	-	-	12	**277**
Financial investments available-for-sale	3,624	4,759	-	3,494	-	63	187	**12,127**
Investments in associates	-	-	-	-	-	-	28	**28**
Derivative financial instruments	1,744	666	-	249	25	240	-	**2,924**
Contingent liabilities	928	7	-	16	17	60	-	**1,028**
Irrevocable commitments	185	41	-	-	7	105	-	**338**
Securities lending and repo transactions	2,589	665	-	-	-	82	-	**3,336**
Total	46,962	9,216	7,480	4,398	734	5,915	227	**74,932**

	0% *CHF m*	20% *CHF m*	35% *CHF m*	50% *CHF m*	75% *CHF m*	100% *CHF m*	150% or greater *CHF m*	31.12.2016 Total *CHF m*
Due from banks	6,391	3,882	-	1,049	-	45	5	11,372
Loans	25,768	12	7,636	266	681	4,052	4	38,419
Financial assets designated at fair value	252	-	-	-	-	-	-	252
Financial investments available-for-sale	5,089	6,553	-	6,298	-	149	57	18,146
Investments in associates	-	-	-	-	-	-	29	29
Derivative financial instruments	1,646	1,475	-	342	2	179	-	3,644
Contingent liabilities	513	-	-	8	-	43	-	564
Irrevocable commitments	195	31	-	89	-	85	-	400
Securities lending and repo transactions	3,466	592	-	-	-	204	-	4,262
Total	43,320	12,545	7,636	8,052	683	4,757	95	77,088

Reconciliation of credit risk totals

The values shown in the tables above are based on the requirements of the approaches chosen in accordance with applicable Swiss regulatory requirements. These are based on the capital adequacy guidelines of the Basel Committee on Banking Supervision (the Basel III BIS approach). Balance sheet and off-balance sheet positions exposed to credit risks are disclosed, with the exception of the following balance sheet positions, which include non-financial instruments: accrued income and prepaid expenses, deferred tax assets and other assets. The list and tables below explain the differences between the total amounts according to the Basel III BIS approach and the corresponding balance sheet and off-balance sheet positions.

- The difference in the due-from-banks position is attributable to the fact that under IFRS reverse repurchase positions are recognised on the balance sheet. This differs from the Basel III BIS approach, under which reverse repurchase positions are disclosed as off-balance sheet items under securities lending and repurchase positions. The credit risk tables have been adjusted to avoid double counting.
- In the financial investments available-for-sale position the unrealised gains are deducted from the market value under the Basel III BIS approach.
- The total amount of exposure in derivative financial instruments under the Basel III BIS approach corresponds to the total of the replacement values as disclosed in the balance sheet, plus calculated add-ons, minus any netting permitted under Basel III BIS. The add-on is a percentage of the notional amount of the instrument underlying the contract. The percentage depends on the type of the underlying and the residual term to maturity of the contract. Positive and negative replacement values of derivative exposures with the same counterparty (irrespective of maturity or currency) are netted against each other if a legally acknowledged netting agreement has been signed.
- Under the Basel III BIS approach, the total contingent liabilities and irrevocable commitments off-balance sheet positions correspond to the calculated credit equivalents. The credit equivalent of each off-balance sheet position is determined by multiplying its nominal value (or current value should this be lower) by a credit-conversion factor. The conversion factor depends on the original maturity of the contract. The contingent liabilities and irrevocable commitments as presented in the credit risk tables do not qualify as contingent liabilities under IFRS.
- Under the Basel III BIS approach, securities lending and repurchase transactions are disclosed including risk premiums. The percentage of the risk premium depends on the quality of the security involved in each securities lending or repo transaction.

Reconciliation of credit risk totals with balance sheet positions

	Basel III BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	8,249.6	8,308.9	-59.3	reverse repurchase transactions of CHF 59.3 million deducted
Loans	46,623.7	46,623.7	-	
Financial assets designated at fair value	277.3	277.3	-	
Financial investments available-for-sale	12,126.6	12,246.5	-119.9	unrealised gains deducted under BIS approach (CHF 119.9 million)
Investments in associates	28.2	28.2	-	
Derivative financial instruments	2,924.1	1,962.7	961.4	
of which security supplement (add-ons)			*2,580.0*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-1,618.6*	*impact of netting rules under BIS approach*
Total 31.12.2017	**70,229.5**	**69,447.3**	**782.2**	

Comments on off-balance sheet positions

	Basel III BIS approach *CHF m*	Off-balance sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	1,028.0	1,254.7[1]	-226.7	converted in credit equivalent
Irrevocable commitments	337.8	688.4[1]	-350.6	converted in credit equivalent
Securities lending and repo transactions	3,335.7	3,077.4	258.3	including risk premium
Total 31.12.2017	**4,701.5**			

[1] These amounts reflect the maximum payments the Group is committed to making.

Reconciliation of credit risk totals with balance sheet positions

	Basel III BIS approach *CHF m*	Balance sheet *CHF m*	Deviation *CHF m*	Comment
Due from banks	11,372.2	11,389.8	-17.6	reverse repurchase transactions of CHF 17.6 million deducted
Loans	38,419.0	38,419.0	-	
Financial assets designated at fair value	252.4	252.4	-	
Financial investments available-for-sale	18,145.6	18,266.6	-121.0	unrealised gains deducted under BIS approach (CHF 138.0 million); partly offset by transfer of securities from trading to banking book under BIS approach (CHF 17.0 million)
Investments in associates	29.4	29.4	-	
Derivative financial instruments	3,643.5	2,690.9	952.6	
of which security supplement (add-ons)			*1,616.9*	*according to add-on and netting rules under BIS approach*
of which netting of replacement values			*-664.3*	*impact of netting rules under BIS approach*
Total 31.12.2016	71,862.1	71,048.1	814.0	

Comments on off-balance sheet positions

	Basel III BIS approach *CHF m*	Off-balance sheet total *CHF m*	Deviation *CHF m*	Comment
Contingent liabilities	563.7	1,121.4[1]	-557.7	converted in credit equivalent
Irrevocable commitments	399.5	813.3[1]	-413.8	converted in credit equivalent
Securities lending and repo transactions	4,262.3	3,961.7	300.6	including risk premium
Total 31.12.2016	5,225.5			

[1] These amounts reflect the maximum payments the Group is committed to making.

The following table provides an analysis of the Group's exposure to credit risk by credit quality and contains data from the internal credit supervision system used for the calculation and monitoring of the Group's exposure to credit risk. Credit exposure is measured against the following two types of limits: a) risk limits for unsecured credit exposures, which apply mainly to banks and brokers, but also include selected non-financial institutions issuing debt securities; and b) Lombard and mortgage limits for collateralised credit exposures, which relate mainly to private clients.

In this analysis, credit exposure primarily comprises the following elements: cash exposure (such as advances, account overdrafts, cash balances with correspondent banks, etc.), derivatives exposure (replacement value plus add-on), and issuer risk from debt securities held in the Group's investment and treasury books. Exposure from reverse repo and securities lending transactions is not included in this credit exposure analysis, since these positions are over-collateralised on a net basis and therefore do not constitute credit risk. In this context, over-collateralised on a net basis means that, in each transaction, the value of the collateral provided (without regulatory standard haircuts being applied) exceeds the value of the securities lent (without a risk premium being applied). Intraday settlement exposures are also not included in the credit exposure analysis. These are monitored separately. The credit exposure arising from the trading book, which is insignificant compared to that arising from the positions listed above, is also not included in this analysis.

For the purpose of this analysis, client debit and credit cash balances across different accounts are netted against each other. Derivatives positions are netted, provided a number of conditions are met which justify such netting on economic grounds (e.g. that they have the same underlying asset, the same maturity, the same nominal amount etc.). However, the credit exposure arising from this analysis also includes add-ons which are required for derivatives positions and which are generally higher than those required by the regulators. For that reason the credit exposure calculations below deviate from those calculated for regulatory purposes.

Counterparty derivatives exposures are netted across different products, accounts, branches and collateral positions provided the relevant ISDA and CSA close-out netting master agreements have been signed.

Exposure to credit risk by credit quality

	31.12.2017 Collateralised *CHF m*	31.12.2016 Collateralised *CHF m*	**31.12.2017** Unsecured *CHF m*	31.12.2016 Unsecured *CHF m*
Neither past due nor impaired	**52,605.1**	43,277.4	**27,085.0**	36,580.4
Past due but not impaired	**-**	9.4	**-**	-
Impaired	**46.3**	69.2	**-**	-
Total	**52,651.5**	43,356.0	**27,085.0**	36,580.4
Neither past due nor impaired				
R1 to R3	**45,645.9**	37,230.2	**26,531.7**	35,358.6
R4 to R6 (including temporarily unrated)	**6,959.3**	6,047.2	**553.3**	1,221.8
Total	**52,605.1**	43,277.4	**27,085.0**	36,580.4
Collateral held or credit enhancement available	***211,633.4***	*173,841.5*	**-**	-
Past due but not impaired				
R7	**-**	9.4	**-**	-
Total	**-**	9.4	**-**	-
Collateral held or credit enhancement available	**-**	*9.3*	**-**	-
Impaired				
R8	**35.2**	25.0	**-**	-
R9 to R10	**11.1**	44.2	**-**	-
Total	**46.3**	69.2	**-**	-
Collateral held or credit enhancement available	**65.9**	*30.1*	**-**	-
Allowance for credit losses[1]				
Specific allowance for credit losses	**24.2**	54.2	**-**	-
Collective allowance for credit losses	**14.7**[2]	24.9	**1.7**	1.3
Total	**38.9**	79.1	**1.7**	1.3

[1] The allowance for credit losses in this table includes allowances related to loans acquired in business combinations and therefore reflects the risk view. The respective amount in Note 9C does not include allowances related to acquired loans, as such loans have to be recognised net of allowances for IFRS purposes.
[2] Risk management estimates the collective allowance for credit losses to be lower in 2017 mostly due to additional and more accurate input factors used for the determination.

The internal credit ratings R1–R10 form the basis for calculating allowances for credit losses. Loans, receivables and other exposures are allocated to one of the ten rating classes. In the case of rating classes R1–R6, the outstanding balances are serviced, the advanceable value of the collateral (at fair value) pledged for collateralised exposures equals or exceeds the balances, and repayment of the balance is not in doubt. For these exposures, only collective allowances for credit losses are established. Balances in rating class R7 are past due, but the exposure is still covered by collateral, and specific allowances are established only for past-due interest payments. For balances in rating class R8, specific allowances for credit losses are established if it is more likely than not that a loss will arise. The credit risks in rating classes R9 and R10 are very high, and specific allowances for credit losses are established for balances in these rating classes. The extent of the credit-loss allowances required in such cases is determined by a credit expert on an individual basis and authorised by the relevant credit authority.

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

Maximum exposure to credit risk

	31.12.2017 Gross maximum exposure *CHF m*	31.12.2016 Gross maximum exposure *CHF m*
Cash (excluding cash on hand)	**10,838.1**	13,572.5
Due from banks	**8,308.9**	11,389.8
Loans	**46,623.7**	38,419.0
Trading assets	**2,270.7**	1,415.0
Derivative financial instruments	**1,962.7**	2,690.9
Financial assets designated at fair value	**277.3**	252.4
Financial investments available-for-sale	**12,059.7**	18,101.1
Accrued income	**311.7**	282.8
Total	**82,652.8**	86,123.5
Off-balance sheet		
Irrevocable commitments[1]	**688.4**	813.3
Total maximum exposure to credit risk	**83,341.1**	86,936.8

[1] These amounts reflect the maximum payments the Group is committed to making.

MARKET RISK (TRADING BOOK)

Market risks arise from both our trading activities in the trading book and non-trading business activities in the banking book. The following definitions are used to separate trading book and banking book activities: the *trading book* consists of proprietary positions in financial instruments that are held for resale or repurchase and that are usually taken on with the intention of benefiting from expected short-term differences between their purchase and sale prices. These activities are closely related to the clients' requirements for capital market products and are thus understood as being carried out in support of our core business. The *banking book* generally has a longer-term investment focus and is defined as all other assets, liabilities and off-balance sheet items that either result from classical banking transactions or are intended to be held in order to generate income over time. The non-trading market risks arise therefore predominantly in the form of interest rate and foreign exchange risks.

Market risk measures the potential loss to which the Group is exposed through changes in market prices in interest rate, equity, foreign exchange and commodity markets. Market risk management involves the identification, measurement, control and management of the market risks assumed. The trading units enter into market risk positions within defined limits.

Organisation of the market risk function, controlling and reporting
The market risk function for the Group is assumed by an independent unit reporting to the Head Risk Management who reports to the Chief Risk Officer of the Group. Market risk functions of Group entities have a functional reporting line to the central market risk unit at Head Office to assure global risk aggregation and application of Group standards in all Group entities.

All risk reports in the area of market risk are produced daily on a consolidated basis and reported to the responsible Executive Board members. On a monthly basis, an integrated market risk report is provided to the Executive Board. The Chairman's & Risk Committee of the Board of Directors is informed quarterly about market risk exposures.

Market risk limits are set on a Group level and allocated to the single trading units depending on the nature and magnitude of the market risks in these organisations. Our primary measure of market risk is the value at risk 'VaR' complemented by scenario analysis and sensitivity values.

Trading-book market risk is primarily measured by the position-keeping and risk management systems used by the trading department. In addition, these positions are also independently measured by the market risk management unit reporting to the CRO. This unit uses a central IT system which is continuously developed and expanded. The system supports the calculation of the market-risk and scenario-analysis metrics used. These results are analysed on a daily basis and limit controls are carried out. Any breach of these limits is investigated in a timely fashion. That system also forms the basis for the external regulatory reporting.

The exposure arising from certain particular risks is also monitored during the trading day and checked against applicable limits.

Foreign exchange risks arising from positions in the banking book are also subject to market risk limits.

Trading and hedging strategies

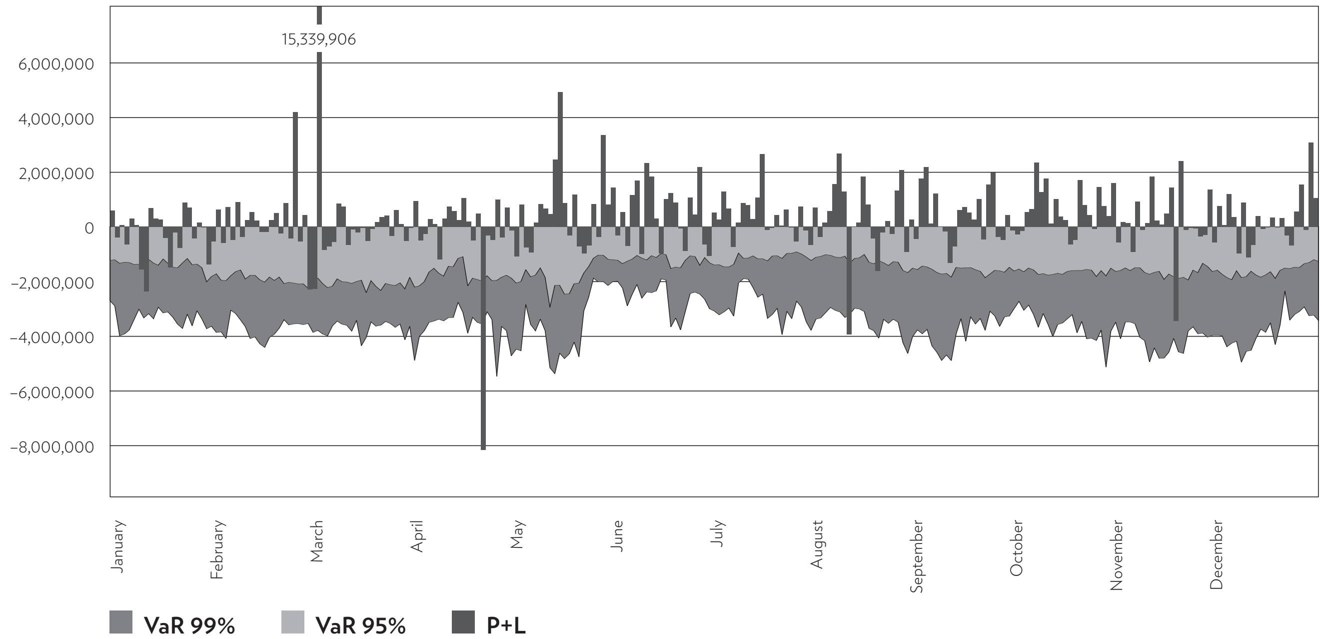
The Group entities engage in trading transactions, both as principal and agent, in foreign exchange, precious metals, money market, fixed income, equities, commodities, traditional and non-traditional fund products, and in credit markets. Trading activities are pursued with the intention of benefiting, in the short term, from actual or expected differences between the opening and closing price of proprietary positions, with the intention of benefiting from arbitrage profits, or with the intention of hedging risks from positions meeting aforementioned criteria.

The overall trading strategies are outlined in a dedicated policy and detailed in mandates for single trading books, including hedging strategies. The effectiveness of hedging strategies is continuously assured by setting and monitoring trading limits. Regular detailed book reviews by the risk management function supplement the assurance of effective hedging activities.

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

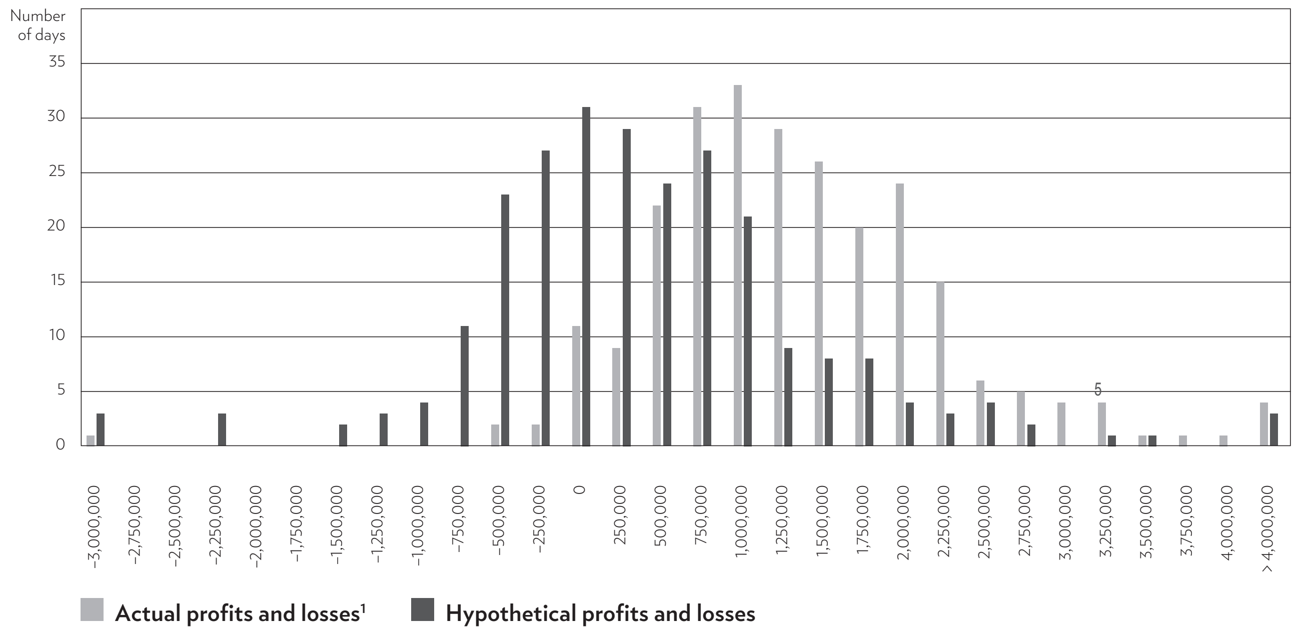
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 1.03 million on 31 December 2017 (one-day holding period, 95% confidence interval). The maximum VaR recorded in 2017 amounted to CHF 2.95 million; the minimum was CHF 0.93 million. The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back testing. This involves the comparison of the VaR values calculated each day with the hypothetical gains or losses which would have occurred if the end-of-day positions had been left unchanged on the next trading day. The following chart shows the daily calculations of VaR in 2017 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with these hypothetical gains or losses. A back-testing excession occurs when the change in overall position value resulting from the back-testing simulation is negative and its absolute value is greater than the VaR (at a confidence interval of 99%) for the relevant day's closing positions.

Back testing of Julius Baer Group trading book positions in 2017 (CHF)



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

Distribution of daily revenues from trading activities of Julius Baer Group for 2017 (CHF)



[1] Pure trading revenues excluding commissions and fees

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

At the beginning of 2017, the preceding twelve-month period contained no back-testing excessions. During 2017, the number of back-testing excessions rose to two. The first, in April, was caused by increased market volatility attributable to the French presidential elections. The second, in August, was the result of a one-day rally in share prices of between 1% and 1.7%. As a result, the number of statistically permissible back-testing excessions during the period was not exceeded.

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

VaR method and regulatory capital

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

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period). The Group's stress-based VaR amounted to CHF 1.45 million on 31 December 2017 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2017 amounted to CHF 3.69 million; the minimum was CHF 1.16 million. Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

FINMA applies a multiplier to the capital requirement for market risk. Every back-testing excession over and above the statistically based maximum permitted number of excessions (four over a period of 250 trading days) results in an increase in the multiplier applied to the capital requirement for market risk. There were two back-testing excessions to report by the end of 2017. For additional information regarding the calculation of the Group's minimum regulatory capital requirements under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2018).

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

The following table is a summary of the VaR positions of the Group's trading portfolios:

Market risk – VaR positions by risk type

				2017
	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	Minimum *CHF m*
Equities	**-0.3**	**-1.2**	**-2.4**	**-0.3**
Interest rates	**-0.6**	**-0.7**	**-0.9**	**-0.6**
Foreign exchange/precious metals	**-0.2**	**-0.6**	**-2.7**	**-0.0**
Effects of correlation	**0.0**			
Total	**-1.0**	**-1.6**	**-2.9**	**-0.9**

				2016
	At 31 December *CHF m*	Average *CHF m*	Maximum *CHF m*	Minimum *CHF m*
Equities	-0.9	-0.8	-1.8	-0.1
Interest rates	-0.8	-0.8	-1.3	-0.2
Foreign exchange/precious metals	-0.4	-0.9	-1.7	-0.3
Effects of correlation	0.9			
Total	-1.2	-1.3	-2.2	-0.7

FINANCING, LIQUIDITY AND INTEREST RATE RISKS IN THE BANKING BOOK

Financing risk is the risk of the Group being unable to finance its existing or planned activities on an ongoing basis at acceptable prices. Liquidity risk, conversely, is the risk of the Group being unable to meet its payment obligations when they fall due. Interest rate risk is defined as the effect of potential changes in interest rates on the market value of the Group's assets and liabilities.

Governance

The Treasury department of Bank Julius Baer & Co. Ltd. manages the Group's financing, liquidity and interest rate risks on an integrated basis, with Bank Julius Baer & Co. Ltd. acting as the Group's central liquidity provider. The Treasury department proposes the strategy for managing the financing, liquidity and interest rate risks and submits this to the Group's Asset and Liability Management Committee (ALMCO) for approval. Limits for financing, liquidity and interest rate risks are defined at Group level. These are reviewed at least once annually and approved by the Board of Directors and the Group ALMCO. The Group's consolidated exposure to financing, liquidity and interest rate risks is reported to the Group ALMCO at least once a month. The particular liquidity and interest rate risks to which Bank Julius Baer & Co. Ltd. is exposed are monitored and managed on a daily basis, as are those of the other Group companies. The Treasury Risk Control unit provides independent reports on the relevant risk positions for this purpose.

The interest rate and liquidity stress risk of the banking book is measured by a global risk management and reporting platform. Every day, the positions are independently measured in an IT system maintained by the Treasury Risk Control unit and reported back to the Group companies with substantial risks on their books. The local treasury and risk control units are responsible for local implementation and adherence to limits. The Group Treasurer has continuous access to the Group's consolidated positions and can manage them on a Group-wide basis. The relevant data is drawn from the book-keeping systems for the Group companies' banking books. The system supports the calculation of the usual interest-rate-risk and liquidity-stress metrics. These results are analysed on a daily basis and limit controls are carried out. Any breach of these limits is investigated in a timely fashion.

Here, too, broad-based Group-wide stress tests are carried out based on the current market and political situation. Examples include scenarios resulting in an abrupt increase in interest rates. In addition to such immediate consequences as the change in the market value of the treasury bond portfolio, these scenarios also take account of longer-term effects such as changes in net interest earnings and higher refinancing costs.

Management of liquidity and financing risks
The objective of the Group's liquidity risk management is to maintain a healthy liquidity position which enables the Group to meet all its obligations when they fall due and to maintain sufficient flexibility to be able to react to company-specific stress situations in tight market conditions.

A liquidity stress scenario is modelled, which, over a time horizon of 30 days, essentially simulates substantial outflows of client deposits which would be stable under normal circumstances and the Group's ability to compensate for these by selling highly liquid investments and taking other appropriate measures. This scenario models an extreme stress situation combining company-specific stress events with tight market conditions. It is calculated on a daily basis.

To complement the analysis provided by the liquidity stress scenario, a variety of early warning indicators are monitored with respect to the current liquidity position.

Switzerland's Liquidity Ordinance and FINMA's 'Liquidity Risks – Banks' circular make it a regulatory requirement for the Group to calculate and monitor its Liquidity Coverage Ratio (LCR). The LCR provides banks with a metric to assist them in ensuring that they hold a sufficient quantity of highly liquid assets to enable them to withstand a short-term (30-day) company-specific stress situation which coincides with a period of general market stress. During 2017, the Group's LCR fluctuated between 105% and 180%, which puts it significantly above the minimum statutory requirement of 80%. For additional quantitative information relating to the LCR, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2018).

In managing its financing risks, the Group aims to ensure that it has access to appropriate sources of financing at all times. At present, the Group's activities are largely financed by client sight deposits. Given its active participation in the interbank market, the Group would, however, quickly be able to access additional sources of refinancing at any time. In addition, the Group issues various bonds.

The Group's liquidity risk management arrangements set out an emergency plan which forms an integral part of its global crisis concept. This emergency plan includes an overview of alternative sources of financing and liquidity metrics, as well as a range of emergency measures.

Management of interest rate risks
One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2017. Negative values under this scenario reflect a potential drop in fair value within the respective maturity band; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. As there are no material option structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of similar magnitude but with the opposite sign, though such outcomes are mitigated by the fact that the yield curves for the markets in which the Group carries out most of its activities are currently close to zero.

Interest-rate-sensitive positions

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total** *CHF m*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2017	**3.9**	**-3.1**	**38.6**	**66.7**	**-33.6**	**72.4**
2016	3.4	-4.9	34.3	61.7	-44.5	49.9
USD						
2017	**12.1**	**-2.5**	**-0.8**	**-38.4**	**15.0**	**-14.5**
2016	12.0	-3.6	-4.7	-136.3	-1.4	-134.0
EUR						
2017	**8.9**	**-4.7**	**-1.3**	**62.3**	**-10.2**	**54.9**
2016	7.9	-2.2	-12.5	55.5	-1.8	46.9
Other						
2017	**2.0**	**-2.4**	**0.1**	**31.7**	**-0.1**	**31.3**
2016	2.8	-1.7	-6.7	29.5	0.3	24.2

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above, and further assuming that the Group took no mitigating action, the modelled effect on interest earnings would have been CHF -129.8 million at the end of 2017 (2016: CHF -180.0 million).

Hedging interest rate risks

The Group accepts deposits from clients at both floating and fixed rates and for various periods and either lends these funds on a collateralised basis or invests them in high-quality assets. By consolidating the short-term money deposited by clients and lending it out at longer maturities, an effort is made to increase the interest margin. At the same time, sufficient liquid assets are held in order to be always able to meet all maturing obligations. In managing the associated interest rate risks, the Group applies fair value hedges for hedging a portion of the interest rate exposure by employing interest rate swaps. The market value of these swaps on 31 December 2017 amounted to a net CHF -30.8 million (2016: CHF -61.1 million). The fair value gain on the hedged mortgages attributable to the hedged interest rate risk amounted to CHF 32.6 million (2016: CHF 58.0 million).

The following table shows an analysis of the Group's financial assets and financial liabilities by remaining expected maturities as of the balance sheet date. The expected maturities are based on management estimates and may differ from the contractual maturities. Balances are classified as on demand if the nature of the position concerned indicates that expected maturity modelling will not yield useful insights.

Remaining expected maturities of financial assets and liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial assets						
Cash	10,862.9	-	-	-	-	**10,862.9**
Due from banks	-	8,154.3	154.5	-	-	**8,308.9**
Loans	-	37,854.7	3,394.0	3,350.9	2,024.1	**46,623.7**
Trading assets	12,751.8	-	-	-	-	**12,751.8**
Derivative financial instruments	1,962.7	-	-	-	-	**1,962.7**
Financial assets designated at fair value	277.3	-	-	-	-	**277.3**
Financial investments available-for-sale	-	1,710.8	1,530.0	8,297.3	708.3	**12,246.5**
Accrued income	-	311.7	-	-	-	**311.7**
Total 31.12.2017	25,854.7	48,031.6	5,078.6	11,648.2	2,732.4	**93,345.5**
Total 31.12.2016	24,203.4	44,869.8	6,309.0	14,181.9	2,997.6	92,561.6
Financial liabilities						
Due to banks	-	7,209.5	0.0	-	-	**7,209.5**
Due to customers	-	67,109.2	527.6	-	-	**67,636.8**
Trading liabilities	135.8	-	-	-	-	**135.8**
Derivative financial instruments	2,059.2	-	-	-	-	**2,059.2**
Financial liabilities designated at fair value	2,130.1	5,302.5	2,433.4	1,510.8	459.9	**11,836.7**
Debt issued	122.1	246.2	-	917.5	491.2	**1,777.0**
Accrued expenses	-	192.7	-	-	-	**192.7**
Other liabilities[1]	-	-	14.4	18.4	-	**32.8**
Total 31.12.2017	4,447.2	80,060.1	2,975.5	2,446.7	951.1	**90,880.6**
Total 31.12.2016	3,315.6	81,655.1	2,243.5	1,183.4	1,505.6	89,903.1

[1] Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs AG, see Notes 26B and 27.

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

Remaining contractual maturities of financial liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial liabilities recognised on balance sheet						
Due to banks	6,921.7	287.3	-	0.8	-	**7,209.8**
Due to customers	58,918.7	8,368.7	359.6	-	-	**67,646.9**
Trading liabilities	135.8	-	-	-	-	**135.8**
Derivative financial instruments	2,011.3	-	0.6	25.9	21.4	**2,059.2**
Financial liabilities designated at fair value	2,130.1	5,343.4	2,506.3	1,535.0	459.9	**11,974.7**
Debt issued	122.1	266.5	55.6	1,099.2	520.5	**2,063.9**
Accrued expenses	-	192.7	-	-	-	**192.7**
Other liabilities[1]	-	-	14.4	18.4	-	**32.8**
Total 31.12.2017	70,239.8	14,458.5	2,936.5	2,679.3	1,001.8	**91,315.8**
Due to banks	9,771.6	304.8	-	0.6	-	10,076.9
Due to customers	61,412.7	5,661.1	278.3	147.1	-	67,499.1
Trading liabilities	159.0	-	-	-	-	159.0
Derivative financial instruments	2,213.5	-	0.6	24.9	46.3	2,285.3
Financial liabilities designated at fair value	871.1	3,986.7	2,125.9	1,174.3	370.9	8,528.9
Debt issued	0.2	92.0	40.1	119.8	1,134.7	1,386.8
Accrued expenses	-	187.7	-	-	-	187.7
Other liabilities[2]	-	-	21.3	19.9	-	41.2
Total 31.12.2016	74,428.0	10,232.2	2,466.1	1,486.6	1,551.9	90,164.9
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[3]	627.0	2.3	37.0	19.1	3.0	**688.3**
Total 31.12.2017	627.0	2.3	37.0	19.1	3.0	**688.3**
Total 31.12.2016	788.8	14.2	2.7	7.5	-	813.3

1 Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs AG, see Notes 26B and 27.

2 Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C. and GPS Investimentos Financeiros e Participações S.A., see Notes 26B and 27.

3 These amounts reflect the maximum payments the Group is committed to making.

Exposures to risks, in addition to interest rate and liquidity risks, arising from positions held by the Group in the banking book are limited and monitored using nominal and VaR limits. Price-risk exposures arise from positions in equities, funds and non-traditional funds. They are managed by the Treasury department of Bank Julius Baer & Co. Ltd. Currency risks on the banking book are transferred to the trading book. The balance sheets of the vast majority of Group entities are managed in local currency and they are only allowed to take on exchange rate exposure against their local currency in exceptional circumstances. Where they do occur, these exposures are limited and measured according to individual balance-sheet-management guidelines and are also included in the Group's VaR calculations. The local-currency shareholders' equity of these Group entities are not hedged against exchange rate risk at Group level.

OPERATIONAL RISK

Operational risk is defined as the risk of losses arising as a result either of the inadequacy or failure of internal processes, people or systems or as a consequence of external events.

Framework for the management of operational risk

The framework used to manage and limit operational risk is defined by the Group Risk Management function. This framework is based on a structured approach whose objective is to apply a set of uniform standards and methodologies for identifying, evaluating, monitoring, controlling and reporting risks across the Group. A further objective is to allow individual business areas and legal entities sufficient flexibility to adapt the specific components of this framework to meet their particular needs while at the same time ensuring that Group-wide minimum standards continue to be met.

The key components of this framework are described below:

- Organisational structure: the tasks, responsibilities and processes for managing operational risk, and the relevant escalation procedures relating thereto, are set out in a series of directives, guidelines and manuals.
- Willingness to assume risk and levels of risk tolerance: operational risk appetite and the underlying level of operational risk tolerance are determined by the Board of Directors and the Executive Board as part of their annual review of the overall risk landscape. The processes for monitoring risk appetite and the level of risk tolerance include directives, limits and defined levels of authority, which are also reflected in the Group's business strategy and personnel policy.
- Control system: the control environment which has been established to manage operational risk requires that activities are carried out in accordance with defined directives and guidelines and that processes operate as specified. Under this approach, controls are integrated into business processes wherever possible. Key controls are carried out in a timely fashion and their results are monitored by Risk Management. In addition, the quality and completeness of certain key controls is subject to independent verification, which ensures that their specifications and effectiveness are assessed on a regular basis. In addition there are independent control functions in place that monitor certain specific operational risks.
- Register of operational risks: the individual legal entities maintain operational risk registers listing the operational risks which have been identified as inherent to their specific business activities and the measures which have been put in place to eliminate or reduce them. These operational risks are classified and evaluated according to a uniform, Group-wide risk taxonomy and a uniform quantitative risk evaluation template charting potential risks and the probability of their occurrence.
- Record of operational risk events: Losses arising as a result of operational risk are recorded by Risk Management in a Group-wide database. Evaluation of these events enables operational weaknesses to be identified so that appropriate measures can be taken to remedy them.
- Self evaluation of risks and of the quality of the control system: these self evaluations are carried out by the individual specialised areas and legal entities with the assistance of Risk Management. The process involves applying a uniform risk taxonomy to identify inherent operational risks and their causes, to evaluate the effectiveness of the controls and other risk-minimising measures in place and to determine the level of residual risk. The results of these self evaluations are incorporated into the Group-wide risk landscape which is presented to the Executive Board, the Chairman's & Risk Committee and the Audit Committee each year.
- Risk information consolidation process: the risk managers have unrestricted access to all the information they require to identify and evaluate operational risks in the areas for which they are responsible. This includes internal and external audit reports, data on operational losses, information from risk committees, quantitative risk indicators (Key Risk Indicators), control results, complaints from clients and other internal and external risk information. The resulting operational risk evaluation and the extent to which risk-minimising measures have been implemented are regularly reviewed and updated by the risk manager and those responsible for managing the business areas concerned. A further objective of these discussions is to identify potential new risks at an early stage and to determine possible initiatives to address them.
- Reporting to senior management: a number of formal risk reports are submitted to management and the Board of Directors. These reports incorporate the key insights and developments relating to operational risks, thus ensuring that timely and appropriate action can be taken in response to operational risk events and to any activities which exceed current levels of operational risk appetite.

Given the diversity of operational activities carried out by the Group, it is not possible for them all to be covered by one single overarching system. Instead, information on individual topics is collected based on its specific content and the needs of those to whom it needs to be addressed. This information is then aggregated by topic and collated for submission to the relevant committees and management teams. Data from centrally managed systems which have been rolled out across the Group, such as the directives database, the audit database, the operational risk register and the operational loss database can be consolidated directly. Data from decentralised systems, such as the plans for local key inventory checks, is collated centrally and appropriately aggregated.

A self assessment of operational risks is carried out which implicitly simulates an adverse what-if stress scenario. For each individual category of risk, the scenario assesses what could potentially occur. This assessment is continuously updated to take account of the activities carried out in the framework described above.

The Group calculates its minimum regulatory capital requirement for operational risks according to the standard approach under article 90 of the Capital Adequacy Ordinance.

Business Continuity Management

The objective of the Business Continuity Management (BCM) Programme is to establish and maintain the stability of the overall organisation in the event of massive disturbances to its operations and in crisis situations. The programme aims to protect the Group's reputation and to minimise any financial loss to clients, the Group and its employees. To that end, the Group has formulated a BCM strategy and implemented a set of Group-wide BCM directives and guidelines, which assign BCM tasks and responsibilities across the Group and define the structure of the crisis management organisation. These directives and guidelines also define the processes for planning, analysing and assessing recovery and continuity measures, and the procedures for communication and internal training.

The BCM Programme is based on national and international standards (such as ISO standards) and on the business continuity recommendations formulated by the Swiss Bankers' Association, some of which have been defined as compulsory by FINMA. The programme also reflects local BCM requirements applicable to BCM-relevant business units outside Switzerland.

Regular crisis organisation exercises are conducted to assess the effectiveness of these measures, and regular internal and external audits are carried out to review the content of the programme.

Legal and compliance risk

Legal risk essentially comprises default and liability risk. Default risk is defined as the risk of financial or other loss or injury resulting from a Group company being unable to enforce existing or anticipated rights, most commonly contractual rights, against third parties. Liability risk, on the other hand, arises when a Group company, or someone acting on its behalf, fails to meet an obligation owed to a third party or fails to respect the rights of a third party.

Regulatory or compliance risk is the risk of financial or other loss or injury resulting from a breach of applicable laws and regulations or the departure from internal or external codes of conduct or market practice. The loss or injury in such circumstances may take the form of fines imposed by regulatory authorities or other sanctions such as restrictions on business activities or the imposition of mandatory remedial measures.

Measures aimed at minimising legal and regulatory or compliance risks include raising staff awareness of legal and regulatory issues through training and internal directives and controls to ensure adherence to the legal and regulatory requirements within which the Group operates.

As described in the risk governance section of this report, the General Counsel and the Chief Risk Officer coordinate the management and control of legal and compliance risk. Legal and compliance risks are regularly reported to the Board of Directors. In line with the development of the legal and regulatory environment of the industry, the Group has consistently invested in personnel and technical resources to ensure adequate compliance coverage. Measures in place to ensure adherence to current standards include a comprehensive and continuously updated catalogue of directives and manuals and an extensive staff-training concept.

Personnel risk
Personnel risks such as bottleneck risk, motivational risk, adaptation risk and departure risk will continue to affect the Group in the years ahead. These individual types of risk interact with each other in a number of ways. Continuous change, the increasing burdens placed on managers and staff alike as a result of day-to-day business taking place alongside major projects, the relatively inclement economic outlook and current demographic trends are all factors which can be expected to affect a number of different risk areas in the next few years. Maintaining departure risk at modest levels requires work-structure models for staff that are flexible with regard to both time and location. These need to be complemented by modular compensation concepts. The bottleneck risk resulting from current demographic trends and political restrictions placed on migration can be addressed through attractive terms of employment, a contemporary and competitive working environment, education and training tailored to individual job functions and strategically oriented staff-development and talent-management concepts. Motivational and adaptation risks are closely interrelated. They reflect the ongoing changes which are now inherent in day-to-day operations. In order to take appropriate, targeted action to address these risks, employee surveys and regular dialogue with employees are important. The essential point is for people to understand why change is necessary. They also need to be fairly remunerated for the substantial amount of work they are willing to carry out. Dealing with these issues appropriately is something the Group regards as an important management task, and it is one to which the Group accords commensurate priority.

Insurance
In line with general industry practice, and in addition to controlling and minimising the operational risks described above, we also endeavour to cover or reduce their potentially adverse financial impact by mitigating the risk of loss in specific areas of our business activities through insurance solutions.

REPUTATIONAL RISK

Reputational risk describes the risk of events which could do lasting harm to the Group's reputation and thus impair its franchise. The Group's ability to conduct its business is critically dependent on the reputation which Bank Julius Baer & Co. Ltd., the Group's main operating entity, has established in the course of its more than 125 years. Maintaining its good reputation is therefore vitally important for the Group, and all staff must make this a top priority. Appropriate measures are taken on a regular basis to ensure that staff are aware of the critical importance of the Group's reputation.

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

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

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

In 2017, the scope of consolidation used for the calculation of capital adequacy is identical to that applied for accounting purposes. Note 26A provides an overview of the Group's consolidated companies.

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

The effects of Basel III and of the changes to IAS 19 with regard to pension fund liabilities are gradually incorporated into the Group's calculations of risk-weighted assets and eligible equity capital during the period from 2014 to 2018.

The Basel III international standard approach requires CET1 equivalent to at least 4.5% of risk-weighted assets, plus a CET1 capital buffer of 2.5%, plus 1.5% of additional tier 1 (AT1) capital (or better-quality capital), plus 2% of supplementary tier 2 capital (or better-quality capital). In aggregate, this amounts to an overall capital requirement of at least 10.5% of risk-weighted assets. FINMA minimum capital requirements for the Group are 7.8% for CET1, 1.8% for AT1 and 2.4% for tier 2, which puts its overall minimum capital requirement at 12% of risk-weighted assets. At present, the Group is also required to hold an anti-cyclical CET1 capital buffer for mortgages on residential properties in Switzerland and an additional anti-cyclical CET1 capital buffer for commitments outside Switzerland. Taken together, these add a further 0.2% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group at 31 December 2017 and at 31 December 2016 was sufficient to meet the relevant BIS and FINMA requirements.

Capital ratios

	31.12.2017 *Basel III phase-in[1]* *CHF m*	31.12.2016 *Basel III phase-in[1]* *CHF m*
Risk-weighted positions		
Credit risk	**13,627.9**	14,902.8
Non-counterparty-related risk	**445.9**	506.7
Market risk	**561.1**	957.7
Operational risk	**4,941.1**	4,634.6
Total	**19,576.0**	21,001.8
Eligible capital		
CET1 capital[2]	**3,260.8**	3,444.2
Tier 1 capital[2]	**4,235.1**	3,597.0
of which hybrid tier 1 capital instruments[3]	***1,455.3***	*1,134.7*
Tier 2 capital	**63.4**	70.2
Total capital	**4,298.5**	3,667.2
CET1 capital ratio	**16.7%**	16.4%
Tier 1 capital ratio	**21.6%**	17.1%
Total capital ratio	**22.0%**	17.5%

1 The Basel III effects, but also the effects of IAS 19 revised relating to pension liabilities, will be phased in between 2014 and 2018 for the calculation of the eligible capital. All listed capital instruments of Julius Baer are fully compliant with the Basel III guidelines.
2 During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increases proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreases, respectively.
3 The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012, 2014, 2015, 2016 and 2017.

Further details regarding tier 1 capital instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com. Also refer to debt issued, Note 16.

The principal adjustment to the Group's total equity under IFRS for the purpose of determining total eligible capital is the deduction of intangible assets. These and other capital components are shown in the following table. In addition to the table below, a separate Basel III Pillar 3 Report has been prepared which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 31 December 2017. This report, which is published in the Regulatory Disclosures section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure of the composition of eligible regulatory capital (this will be available at the end of April 2018).

Capital components

	31.12.2017 *Basel III phase-in CHF m*	31.12.2016 *Basel III phase-in CHF m*
Gross common equity tier 1 capital[1]	**5,830.4**	5,339.7
of which non-controlling interests	***5.9***	*9.4*
Effects of IAS19 revised relating to pension liabilities	**40.0**	81.0
Goodwill and other intangible assets	**-2,269.7**	-1,670.8
Other deductions	**-339.9**	-305.7
Common equity tier 1 capital	**3,260.8**	3,444.2
Tier 1 capital instruments	**1,455.3**	1,134.7
of which tier 1 bonds (Basel III-compliant capital instruments)	***1,455.3***	*1,134.7*
Goodwill and intangible assets, offset against tier 1 capital instruments	**-481.0**	-981.9
Additional tier 1 capital	**974.3**	152.8
Tier 1 capital	**4,235.1**	3,597.0
Tier 2 capital	**63.4**	70.2
of which other tier 2 capital	***63.4***	*70.2*
Total capital	**4,298.5**	3,667.2

[1] Phase-in of 20% of non-controlling interests of total CHF 29.5 million (31.12.2016: phase-in of 40% of total CHF 23.6 million)

Required capital (see table below) for credit risks arising from amounts due from banks, loans, financial investments and derivative financial instruments accounts for more than 70% (2016: 71%) of the total required capital. Capital required for non-counterparty risk (2017: 2%; 2016: 2%) and market risk (2017: 3%; 2016: 5%) is of minor significance. The capital required to cover operational risk accounts for more than 25% of total required capital (2016: 22%).

Minimum capital requirement

	31.12.2017 *Basel III phase-in CHF m*	31.12.2016 *Basel III phase-in CHF m*
Credit risk	**1,090.2**	1,192.2
of which for equity securities in the banking book	***15.2***	*9.8*
Non-counterparty-related risk	**35.7**	40.5
Market risk	**44.9**	76.6
Operational risk	**395.3**	370.8
Total	**1,566.1**	1,680.1

Leverage ratio

In November 2014, FINMA published a new 'Leverage Ratio' circular, which sets out the rules for calculating the leverage ratio in Switzerland. In addition to the existing requirement for banks to hold eligible capital proportionate to their risk-weighted assets, the circular defines the leverage ratio as a new, non-risk-based metric. The leverage ratio is defined as the ratio between eligible (tier 1) core capital and total exposure. Total exposure encompasses all balance-sheet and off-balance-sheet positions, and the new 'Leverage Ratio' circular defines how these are to be calculated. The Basel Committee on Banking Supervision will define the requirements which it will place on the leverage ratio from 2018 after the conclusion of an observation period. That period will also be used to clarify a number of currently open questions regarding the calculation of total exposure. The indicative leverage ratio requirement, which is not yet binding at this stage, is three percent. This may however be subject to change once the observation period has concluded.

Basel III regulations also require publication of the leverage ratio from 2015 onwards. This requirement is contained in the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the www.juliusbaer.com website (this will be available at the end of April 2018).

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	2017 CHF m	2016 CHF m	Change %
Interest income on amounts due from banks	**44.1**	41.1	7.4
Interest income on loans	**669.3**	522.2	28.2
Interest income on financial investments available-for-sale	**247.1**	252.3	-2.0
Total interest income using the effective interest method	**960.6**	815.6	17.8
Dividend income on financial investments available-for-sale	**7.6**	7.3	4.1
Interest income on trading portfolios	**31.8**	29.1	9.3
Dividend income on trading portfolios	**195.3**	191.9	1.8
Total interest and dividend income	**1,195.3**	1,043.9	14.5
Interest expense on amounts due to banks	**18.7**	13.9	34.4
Interest expense on amounts due to customers	**100.6**	51.2	96.5
Interest expense on debt issued	**67.6**	64.8	4.3
Interest expense on financial assets[1]	**20.5**	36.8	-44.2
Total interest expense using the effective interest method	**207.5**	166.8	24.4
Total	**987.8**	877.1	12.6

[1] Interest expense on financial assets is related to negative effective interests on the respective financial instruments.

2 NET COMMISSION AND FEE INCOME

	2017 CHF m	2016 CHF m	Change %
Advisory and asset management fees	**1,422.7**	1,137.6	25.1
Brokerage commissions and income from securities underwriting	**662.9**	538.8	23.0
Commission income from credit-related activities	**6.1**	7.7	-20.6
Commission and fee income on other services	**80.4**	87.1	-7.6
Total commission and fee income	**2,172.1**	1,771.1	22.6
Commission expense	**241.5**	206.2	17.1
Total	**1,930.6**	1,564.9	23.4

3 NET TRADING INCOME

	2017 CHF m	2016 CHF m	Change %
Debt instruments	**75.0**	50.1	49.7
Equity instruments	**-158.9**	-166.6	4.6
Foreign exchange	**387.6**	449.0	-13.7
Total	**303.6**	332.5	-8.7

4 OTHER ORDINARY RESULTS

	2017 CHF m	2016 CHF m	Change %
Net gains/(losses) from disposal of financial investments available-for-sale	**7.4**	4.0	85.2
Impairment on financial investments available-for-sale	**-0.2**	-1.6	-
Income from investments in associates	**1.9**	40.4	-95.3
Real estate income	**6.1**	5.5	11.6
Other ordinary income	**15.2**	30.4	-50.1
Other ordinary expenses	**0.1**	0.8	-89.6
Total	**30.3**	77.9	-61.1

5 PERSONNEL EXPENSES

	2017 CHF m	2016 CHF m	Change %
Salaries and bonuses	**1,223.9**	1,106.6	10.6
Contributions to staff pension plans (defined benefits)	**74.0**	13.2[1]	458.8
Contributions to staff pension plans (defined contributions)	**32.5**	27.4	18.7
Other social security contributions	**104.2**	89.6	16.3
Share-based payments	**82.4**	70.8	16.5
Other personnel expenses	**38.6**	28.2	36.8
Total	**1,555.7**	1,335.9	16.5

[1] Including the effect of a plan amendment in the amount of CHF 62.8 million, see Note 22.

6 GENERAL EXPENSES

	2017 *CHF m*	2016 *CHF m*	Change %
Occupancy expense	**96.3**	90.1	6.9
IT and other equipment expense	**75.7**	72.8	4.1
Information, communication and advertising expense	**182.8**	173.0	5.6
Service expense, fees and taxes	**253.1**	239.8	5.5
Valuation allowances, provisions and losses	**29.8**	40.4	-26.3
Other general expenses	**12.0**	7.1	69.3
Total	**649.7**	623.2	4.2

7 INCOME TAXES

	2017 *CHF m*	2016 *CHF m*	Change %
Income tax on profit before taxes (expected tax expense)	**195.0**	165.6	17.8
Effect of tax rate differences in foreign jurisdictions	**-3.7**	-6.2	-
Effect of domestic tax rate differences	**29.1**	24.2	-
Income subject to a reduced tax rate	**-70.1**	-81.5	-
Effect of utilisation of prior-year losses	**-9.4**	-0.8	-
Effect from unrecognised tax losses	**10.8**	16.3	-
Adjustments related to prior years	**-10.1**	-0.2	-
Non-deductible expenses	**28.8**	12.9	-
Other	**0.2**	0.2	-
Actual income tax expense	**170.6**	130.4	-

The tax rate of 22% (2016: tax rate of Switzerland of 22%) was applied as the basis for the above expected tax expenses. This tax rate reflects the Group weighted average rate.

Unrecognised accumulated loss carryforwards in the amount of CHF 289.2 million (2016: CHF 281.1 million) exist in the Group that do not expire.

The Group is currently involved in discussions with tax authorities, amongst others regarding the final assessment of the tax deductibility of certain elements in the US settlement case. Such tax assessments may be ongoing for several years and the final position may only be known at a later point in time.

	2017 *CHF m*	2016 *CHF m*	Change *%*
Domestic income taxes	**110.8**	108.1	2.5
Foreign income taxes	**59.8**	22.4	167.3
Total	**170.6**	130.4	30.8

Current income taxes	**188.5**	122.0	54.5
Deferred income taxes	**-18.0**	8.4	-
Total	**170.6**	130.4	30.8

Tax effects relating to components of other comprehensive income

			2017
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on financial investments available-for-sale	4.4	-1.1	3.3
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	6.6	-0.3	6.4
Translation differences	30.1	-	30.1
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	3.1	-0.3	2.7
Other comprehensive income	**44.1**	**-1.7**	**42.5**

			2016
	Before-tax amount *CHF m*	Tax (expense)/ benefit *CHF m*	Net-of-tax amount *CHF m*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on financial investments available-for-sale	29.1	-9.3	19.8
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	8.1	-0.3	7.8
Translation differences	22.8	-	22.8
Realised (gains)/losses on translation differences reclassified to the income statement	-0.0	-	-0.0
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	25.0	-6.1	18.9
Other comprehensive income	84.9	-15.8	69.2

8 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2017	2016
Basic earnings per share		
Net profit (CHF m)	**704.8**	619.4
Weighted average number of shares outstanding	**216,894,003**	217,404,899
Basic earnings per share (CHF)	**3.25**	2.85
Diluted earnings per share		
Net profit (CHF m)	**704.8**	619.4
Less (profit)/loss on equity derivative contracts (CHF m)	**0.2**	-1.5
Net profit for diluted earnings per share (CHF m)	**705.0**	617.9
Weighted average number of shares outstanding	**216,894,003**	217,404,899
Dilution effect	**8,040**	-48,478
Weighted average number of shares outstanding for diluted earnings per share	**216,902,043**	217,356,421
Diluted earnings per share (CHF)	**3.25**	2.84

	31.12.2017	31.12.2016
Shares outstanding		
Total shares issued at the beginning of the year	**223,809,448**	223,809,448
Less treasury shares	**5,875,310**	6,346,886
Total	**217,934,138**	217,462,562

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

9A DUE FROM BANKS

	31.12.2017 *CHF m*	31.12.2016 *CHF m*	Change *CHF m*
Due from banks	**8,310.5**	11,391.0	-3,080.5
Allowance for credit losses	**-1.6**	-1.3	-0.4
Total	**8,308.9**	11,389.8	-3,080.9

Due from banks by type of collateral:

Securities collateral	**401.5**	387.8	13.7
Without collateral	**7,907.4**	11,001.9	-3,094.6
Total	**8,308.9**	11,389.8	-3,080.9

9B LOANS

	31.12.2017 *CHF m*	31.12.2016 *CHF m*	Change *CHF m*
Lombard loans	**36,763.0**	29,173.2	7,589.8
Mortgages	**9,892.8**	9,317.6	575.2
Subtotal	**46,655.8**	38,490.8	8,165.0
Allowance for credit losses	**-32.1**	-71.8	39.7
Total	**46,623.7**	38,419.0	8,204.7

Loans by type of collateral:

Securities collateral	**29,081.6**	22,964.8	6,116.8
Mortgage collateral	**9,971.8**	9,329.8	642.0
Other collateral (mainly cash and fiduciary deposits)	**7,488.0**	6,053.6	1,434.4
Without collateral	**82.3**	70.8	11.4
Total	**46,623.7**	38,419.0	8,204.7

9C ALLOWANCE FOR CREDIT LOSSES

	2017 Specific CHF m	Collective CHF m	2016 Specific CHF m	Collective CHF m
Balance at the beginning of the year	**47.2**	**25.9**	58.5	26.3
Write-offs	**-34.4**	**-**	-27.3	-
Increase in allowance for credit losses	**6.2**	**4.0**	15.6	3.9
Decrease in allowance for credit losses	**-1.0**	**-13.8**[1]	-0.1	-4.4
Translation differences and other adjustments	**-0.5**	**0.2**	0.4	-0.0
Balance at the end of the year	**17.4**	**16.3**	47.2	25.9

[1] Risk management estimates the collective allowance for credit losses to be lower in 2017 mostly due to additional and more accurate input factors used for the determination.

9D IMPAIRED LOANS

	31.12.2017 CHF m	31.12.2016 CHF m	Change CHF m
Gross loans	**43.9**	83.3	-39.4
Specific allowance for credit losses	**-17.4**	-47.2	29.7
Net loans	**26.5**	36.2	-9.7

10 TRADING ASSETS AND LIABILITIES

	31.12.2017 *CHF m*	31.12.2016 *CHF m*	Change *CHF m*
Trading assets			
Debt instruments	**2,270.7**	1,415.0	855.7
of which quoted	***1,929.0***	*1,337.4*	*591.6*
of which unquoted	***341.7***	*77.5*	*264.1*
Equity instruments	**8,985.2**	5,846.9	3,138.3
of which quoted	***6,991.6***	*5,466.0*	*1,525.6*
of which unquoted	***1,993.6***	*380.8*	*1,612.7*
Precious metals (physical)	**1,495.9**	398.8	1,097.1
Total	**12,751.8**	7,660.7	5,091.1

	31.12.2017 *CHF m*	31.12.2016 *CHF m*	Change *CHF m*
Trading liabilities			
Short positions – debt	**9.4**	48.0	-38.6
of which quoted	***9.4***	*44.7*	*-35.4*
of which unquoted	**-**	*3.2*	*-3.2*
Short positions – equity	**126.5**	111.0	15.5
of which quoted	***82.4***	*96.0*	*-13.5*
of which unquoted	***44.0***	*15.0*	*29.0*
Total	**135.8**	159.0	-23.1

11A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31.12.2017 *CHF m*	31.12.2016 *CHF m*	Change *CHF m*
Money market instruments	**2,191.1**	3,785.0	-1,593.9
Government and agency bonds	**2,307.4**	3,477.0	-1,169.6
Financial institution bonds	**4,118.3**	6,295.5	-2,177.1
Corporate bonds	**3,436.7**	4,500.0	-1,063.4
Other bonds	**6.2**	43.5	-37.4
Debt instruments	**9,868.6**	14,316.0	-4,447.5
of which quoted	***9,313.2***	*13,259.3*	*-3,946.0*
of which unquoted	***555.3***	*1,056.8*	*-501.4*
Equity instruments	**186.8**	165.5	21.4
of which quoted	***33.4***	*26.0*	*7.4*
of which unquoted	***153.4***	*139.5*	*14.0*
Total	**12,246.5**	18,266.6	-6,020.0

11B FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE – CREDIT RATINGS

Debt instruments by credit rating classes	**Fitch, S&P**	**Moody's**	**31.12.2017** *CHF m*	31.12.2016 *CHF m*	Change *CHF m*
1–2	AAA – AA-	Aaa – Aa3	**7,237.2**	9,491.3	-2,254.2
3	A+ – A-	A1 – A3	**2,474.5**	4,458.7	-1,984.2
4	BBB+ – BBB-	Baa1 – Baa3	**127.2**	266.7	-139.5
5	BB+ – BB-	Ba1 – Ba3	**16.8**	52.1	-35.3
Unrated			**12.9**	47.2	-34.3
Total			**9,868.6**	14,316.0	-4,447.5

12 GOODWILL, INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*	Bank premises *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost							
Balance on 01.01.2016	1,712.5	1,309.9	557.1	3,579.4	407.3	207.2	614.5
Translation differences	21.8	7.7	-0.0	29.5	-	-1.3	-1.3
Additions	-	-	139.1	139.1	4.2	29.6	33.8
Additions from business combinations	337.1	104.9	12.3	454.3	-	5.4	5.4
Disposals/transfers[1]	-	-	18.7	18.7	-	10.5	10.5
Balance on 31.12.2016	2,071.3	1,422.5	689.8	4,183.6	411.5	230.5	642.0
Translation differences	-3.0	0.4	0.9	-1.7	-	1.8	1.8
Additions	-	-	147.0	147.0	3.5	20.7	24.2
Additions from business combinations	4.7	7.4	-	12.1	-	-	-
Disposals/transfers[1]	-	-	7.4	7.4	-	17.0	17.0
Balance on 31.12.2017	2,073.0	1,430.3	830.2	4,333.6	415.0	236.0	651.0
Depreciation, amortisation and impairment							
Balance on 01.01.2016	-	934.0	329.0	1,263.1	91.3	150.0	241.3
Translation differences	-	1.8	-0.1	1.7	-	-0.4	-0.4
Charge for the period	-	68.5	34.6[2]	103.1	11.5	26.1[2]	37.6
Disposals/transfers[1]	-	-	18.6	18.6	-	10.3	10.3
Balance on 31.12.2016	-	1,004.4	345.0	1,349.4	102.8	165.4	268.2
Translation differences	-	0.4	0.7	1.1	-	0.8	0.8
Charge for the period	-	72.7	45.4[3]	118.2	11.9	30.4[3]	42.3
Disposals/transfers[1]	-	-	7.4	7.4	-	16.9	16.9
Balance on 31.12.2017	-	1,077.5	383.7	1,461.2	114.7	179.7	294.4
Carrying value							
Balance on 31.12.2016	2,071.3	418.1	344.8	2,834.3	308.7	65.1	373.8
Balance on 31.12.2017	**2,073.0**	**352.8**	**446.5**	**2,872.4**	**300.4**	**56.2**	**356.6**

[1] Includes also derecognition of fully depreciated and amortised assets
[2] Includes impairment of CHF 2.5 million related to software and other property and equipment not used anymore
[3] Includes impairment of CHF 0.4 million related to software and other property and equipment not used anymore

Goodwill	Balance on 01.01.2017 CHF m	Additions CHF m	Disposals CHF m	Translation differences CHF m	**Balance on 31.12.2017 CHF m**
Julius Baer Private Banking	1,634.4	4.7	-	2.9	**1,642.1**
GPS	119.6	-	-	-6.0	**113.6**
Kairos	317.3	-	-	0.1	**317.4**
Total	2,071.3	4.7	-	-3.0	**2,073.0**

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generates cash inflows independently from other assets) and is subsequently compared to the carrying amount of that unit. Within the Group, cash inflows are not attributable to either any dimension (e.g. geographical areas, booking centres, clients or products) or group of assets. In addition, management makes operating decisions based on information on the Group level (see also Note 20 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Group, except for the two subsidiaries GPS and Kairos, which are tested on a stand-alone basis. GPS and Kairos are each regarded a cash-generating unit as their cash inflows are generated independently from other assets.

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

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

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. The Group expects in the medium and long term a favourable development of the private banking activities which is reflected in the respective growth of the key parameters, although the Group cannot exclude short-term market disruptions. The Group also takes into consideration its relative strength as a pure private banking provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments which are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 8.0% (2016: 8.2%) for Julius Baer Private Banking. For GPS, the pre-tax discount rate used is 22.7% (2016: 21.6%), for Kairos, the pre-tax discount rate used is 13.8% (2016: 15.8%). The discount rates used in the calculation represent the Group's specific risk-weighted rates for the specific cash-generating unit and are based, depending on the specific unit, on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

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

Changes in key assumptions

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

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions would not result in the carrying amount exceeding the recoverable amount except for the smallest CGU GPS. For this CGU, the value in use could start falling below the carrying amount if the discount rate used in the calculation is increased by 2% or the terminal growth rate is decreased by 2%.

Therefore, no impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market and business-specific environment.

13 OPERATING LEASE COMMITMENTS

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Not later than one year	**75.6**	67.0
Later than one year and not later than five years	**201.4**	180.6
Later than five years	**102.2**	119.4
Subtotal	**379.2**	366.9
Less sublease rentals received under non-cancellable leases	**20.1**	23.0
Total	**359.1**	343.9

Expenses for operating leases in the gross amount of CHF 74.8 million are included in operating expenses for the 2017 financial year (2016: CHF 67.3 million).

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

		31.12.2017		31.12.2016
	Carrying value *CHF m*	Effective commitment *CHF m*	Carrying value *CHF m*	Effective commitment *CHF m*
Securities	**766.6**	**766.6**	976.2	976.2
Other	**14.8**	**4.8**	16.3	7.5
Total	**781.4**	**771.4**	992.4	983.6

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading.

15 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2018 *CHF m*	2019 *CHF m*	2020 *CHF m*	2021 *CHF m*	2022 *CHF m*	2023–2027 *CHF m*	unassigned *CHF m*	**31.12.2017** *CHF m*	31.12.2016 *CHF m*
Fixed rate	6,736.8	242.0	92.5	-	-	-	-	**7,071.4**	5,088.6
Interest rates (ranges in %)	0.1–57.06	2.0–15.12	2.0–8.54	-	-	-	-	**-**	-
Floating rate	999.1	430.1	355.0	305.2	86.0	459.9	2,130.1	**4,765.3**	3,355.8
Total	**7,736.0**	**672.1**	**447.5**	**305.2**	**86.0**	**459.9**	**2,130.1**	**11,836.7**	8,444.4

The Group issues to its private clients structured notes for investment purposes. The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.1% up to 57.06%. The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated.

As the redemption amount on the structured debt issues is linked to changes in stock prices, indices, currencies or other assets, the Group cannot determine the difference between the carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the structured debt issues.

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in the market risk factors of the embedded derivatives. The credit rating of the Bank had no material impact on the fair value changes of these liabilities.

16 DEBT ISSUED

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Money market instruments	**122.1**	78.8
Bonds	**1,654.9**	1,134.7
Total	**1,777.0**	1,213.5

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	**31.12.2017** Total *CHF m*	31.12.2016 Total *CHF m*
Julius Baer Group Ltd.						
2012[1]	5.375	Perpetual tier 1 subordinated bond	CHF	250.0	**246.2**	248.7
Julius Baer Group Ltd.						
2014[2]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**347.8**	346.7
Julius Baer Group Ltd.						
2015[3]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**334.8**	318.6
Julius Baer Group Ltd.						
2016[4]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**236.4**	220.6
Julius Baer Group Ltd.						
2017[5]	4.75	Perpetual tier 1 subordinated bond	USD	300.0	**290.1**	-
Julius Baer Group Ltd.						
2017[6]	0.375	Domestic senior unsecured bond	CHF	200.0	**199.6**	-
Total					**1,654.9**	1,134.7

[1] Own bonds of CHF 3.7 million are offset with bonds outstanding (2016: CHF 1.0 million).
The effective interest rate amounts to 5.59%.
The bond will be paid back on the first possible redemption date (19 March 2018).
[2] No own bonds are offset with bonds outstanding (2016: CHF 0.1 million).
The effective interest rate amounts to 4.41%.
[3] No own bonds are offset with bonds outstanding (2016: none).
The effective interest rate amounts to 6.128%.
[4] No own bonds are offset with bonds outstanding (2016: none).
The effective interest rate amounts to 5.951%.
[5] No own bonds are offset with bonds outstanding.
The effective interest rate amounts to 4.91%.
[6] No own bonds are offset with bonds outstanding.
The effective interest rate amounts to 0.32361%.

Perpetual tier 1 subordinated bonds
The maturities of the perpetual tier 1 subordinated bonds issued by Julius Baer Group Ltd. are essentially perpetual. These bonds are unsecured, subordinate to all borrowings (with the exception of the remainder of the tier 1 capital), fully paid up, capable of sustaining losses and devoid of any voting rights. The bonds can first be redeemed, at the Issuer's discretion, five to seven years after their issue date, and at yearly or half-yearly intervals thereafter, provided the regulator approves such redemption. In addition, the bonds may also be redeemed upon a regulatory event or tax event, as described in the prospectus. In the case of a viability event occurring, i.e. at a point in time where there is a threat of insolvency ('Point of non-viability' or 'PONV'), as described in Article 29 of the Capital Adequacy Ordinance of the Swiss Financial Market Supervisory Authority FINMA (CAO), all monies (including par value and any interest) due on the bonds will automatically cease to be payable and the bonds will be completely written off (i.e. their value will be written down to zero). Should a trigger event occur – i.e. should tier 1 common equity (under Basel III) fall below 5.125% (2012 and 2014 issues) or 7.0% (2015, 2016 and 2017 issues) – the value of the bonds will be written down to ensure that the Write-Down Threshold Ratio which originally triggered the event is restored to a level equal to or exceeding its trigger level. Here, too, in a worst-case scenario all monies due on the bonds will cease to be payable in their entirety. In the event of the monies payable on the bonds ceasing to be payable either in part or in full, no subsequent increase in the value of the bonds is envisaged or permitted. From the issue date to the reset date the bonds will pay interest at a fixed rate. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate and a margin. Interest on the bonds is payable, in arrears on a 30/360-day basis, until the bonds have either been redeemed or fully written off. Interest payments on the bonds are prohibited in the event of this being ordered by the regulator (FINMA) or should there be insufficient retained earnings on the balance sheet of Julius Baer Group Ltd. to finance the payment of interest on tier 1 capital and to make any distributions already planned in respect of the previous financial year. Once suspended, any interest payments will permanently cease to be payable. Such interest payments are not cumulative, nor will they be paid at any future date. In the event of interest payments on the bonds being suspended, the Board of Directors of Julius Baer Group Ltd. will not be permitted to recommend any dividend payments to the Annual General Meeting until such time as interest payments on the bonds are resumed. Moreover, in the event of interest payments on the bonds being suspended, Julius Baer Group Ltd. will not repurchase any of its own shares, neither directly nor indirectly.

2012 issue
The perpetual tier 1 subordinated bond was issued by Julius Baer Group Ltd. on 18 September 2012. The bonds can first be redeemed, at the Issuer's discretion, five and a half years after their issue date (i.e. on 19 March 2018). From the issue date to the reset date (19 March 2018) the bonds will pay interest at a fixed rate of 5.375% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year mid-market CHF swap rate) and a margin of 4.98%. Interest on the bonds is payable annually in arrears on 19 March in each year.

2014 issue
The perpetual tier 1 subordinated bond was issued by Julius Baer Group Ltd. on 5 June 2014. The bonds can first be redeemed, at the Issuer's discretion, six years after their issue date (i.e. on 5 June 2020). From the issue date to the reset date (5 June 2020) the bonds will pay interest at a fixed rate of 4.25% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year mid-market CHF swap rate) and a margin of 3.7625%. Interest on the bonds is payable annually in arrears on 5 June in each year.

2015 issue
The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 18 November 2015. The bonds can first be redeemed, at the Issuer's discretion, five years after their issue date (i.e. on 18 November 2020). From the issue date to the reset date (18 November 2020) the bonds will pay

interest at a fixed rate of 5.9% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.32%. Interest on the bonds is payable semi-annually in arrears on 18 May and 18 November in each year.

2016 issue
The perpetual tier 1 subordinated bond, which is denominated in SGD, was issued by Julius Baer Group Ltd. on 20 October 2016. The bonds can first be redeemed, at the Issuer's discretion, on 20 April 2022. From the issue date to the reset date (20 April 2022) the bonds will pay interest at a fixed rate of 5.75% per annum. Thereafter, the interest payable on the bonds will be refixed for the next five years at a rate equal to the sum of the benchmark rate (i.e. the five-year SGD swap offer rate) and a margin of 3.915%. Interest on the bonds is payable semi-annually in arrears on 20 April and 20 October in each year.

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

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

17A DEFERRED TAX ASSETS

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Balance at the beginning of the year	**28.8**	23.8
Income statement – credit	**20.2**	4.1
Income statement – charge	**-9.9**	-3.6
Acquisition of subsidiaries	**-**	5.2
Recognised directly in OCI	**-0.1**	0.3
Translation differences and other adjustments	**-10.2**	-1.1
Balance at the end of the year	**28.8**	28.8

The components of deferred tax assets are as follows:

Operating loss carryforwards	**22.2**	21.6
Employee compensation and benefits	**10.4**	4.0
Financial investments available-for-sale	**-**	1.4
Property and equipment	**0.2**	0.3
Valuation adjustments on loans	**0.2**	1.5
Deferred tax assets before set-off[1]	**33.2**	28.8
Offset of intangible assets	**-4.3**	-
Total	**28.8**	28.8

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

17B DEFERRED TAX LIABILITIES

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Balance at the beginning of the year	**77.8**	41.6
Income statement – charge	**0.2**	13.1
Income statement – credit	**-7.9**	-4.1
Acquisition of subsidiaries	**-**	9.1
Recognised directly in OCI	**1.6**	16.1
Translation differences and other adjustments	**-11.8**	2.1
Balance at the end of the year	**59.9**	77.8

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

Provisions	**2.7**	1.7
Property and equipment	**14.5**	15.0
Financial investments available-for-sale	**25.4**	24.9
Intangible assets	**35.2**	49.6
Other	**13.0**	14.1
Deferred tax liability before set-off[2]	**90.8**	105.3
Offset of pension liability taxes	**-22.7**	-27.5
Offset of provision	**-2.1**	-
Offset of employee compensation and benefits	**-2.8**	-
Offset of financial investments available-for-sale	**-1.5**	-
Offset of other	**-1.7**	-
Total	**59.9**	77.8

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

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

18 PROVISIONS

	Legal risks CHF m	Other CHF m	2017 Total CHF m	2016 Total CHF m
Balance at the beginning of the year	**20.2**	**2.8**	**23.0**	575.2
Utilised during the year	**-5.4**	**-0.2**	**-5.6**	-564.8
Provisions made during the year	**24.1**	**12.5**	**36.6**	20.1
Provisions reversed during the year	**-9.1**	**-0.3**	**-9.4**	-5.3
Acquisition of subsidiaries	-	-	-	1.2
Translation differences	**0.3**	-	**0.3**	-3.4
Balance at the end of the year	**30.1**	**14.7**	**44.9**	23.0

Maturity of provisions				
Up to one year	**21.1**	**3.6**	**24.8**	11.1
Over one year	**9.0**	**11.1**	**20.1**	11.8

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

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action or initiating criminal proceedings against the Group and its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the suspension or expulsion from a particular jurisdiction or market of any of the Group's business organisations or their key personnel and the imposition of fines, the disgorgement of profit and censures on companies and employees. In certain markets, authorities, such as regulatory authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local laws and regulations. Also, from time to time, the Group is confronted with information and clarification requests from authorities with respect to certain topics. The Group principally cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own interests.

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

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

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

In rare cases in which the amount cannot be estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 31 December 2017. The contingent liabilities might have a material effect on the Group or for other reasons might be of interest for investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. Most of the aforementioned proceedings are in preliminary procedural stages. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this ruling.

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

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a foreign corporation arguing that the Bank did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and filed a payment order ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank has been served with a claim from said corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank has been initiated in the plaintiff's country of domicile in the European Union. With verdict dated 25 September 2017, the court of first instance rejected its jurisdiction. Such verdict has been appealed by the claimant.

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. According to its media release of 28 September 2015, the COMCO in addition opened an investigation regarding potential collusive behaviour in precious metal trading. Subject to these investigations are Swiss and foreign financial institutes which are active in foreign exchange and precious metal trading, including Julius Baer. The aim of the investigations, which are part of respective international inquiries, is to clarify possible unlawful collusion amongst market participants and possible violation of market behaviour regulations. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. BvS has appealed such verdict. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014 and been dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the maximal fine possible accordingly having been reimbursed to the Bank, has been deposited again, as in July 2017, a new procedure with respect to the same matter has been initiated against the Bank. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the late external asset manager allegedly having used his personal account and company account with the Bank for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalised by 51 out of the 62 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. In October 2016, the Bank was served with another claim by additional 15 claimants, claiming a total amount of CHF 4.5 million plus accrued interest. The Bank is contesting the claim and has taken appropriate measures to defend its interests.

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of approximately CHF 91.3 million (plus accrued interest). In December 2017, the Bank has received again a payment order in various currencies in the total amount of approximately CHF 153 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

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

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) and in the respective superseding indictment of 25 November 2015. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. The Bank is supporting the inquiries and cooperating with the authorities in the investigations on this matter.

19 SHARE CAPITAL

	Registered shares (CHF 0.02 par)	
	Number	*CHF m*
Balance on 01.01.2016	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***
Balance on 31.12.2016	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***
Balance on 31.12.2017	223,809,448	**4.5**
of which entitled to dividends	*223,809,448*	***4.5***

ADDITIONAL INFORMATION

20 REPORTING BY SEGMENT

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

The Group's external segment reporting is based on the internal reporting to the chief operating decision maker, which is responsible for allocating resources and assesses the financial performance of the business. The Executive Board of the Group has been identified as the chief operating decision maker, as this board is responsible for the implementation of the overall strategy and the operational management of the whole Group. The Executive Board of the Group as at 31 December 2017 is composed of the Chief Executive Officer, Chief Financial Officer, Chief Communications Officer, Chief Operating Officer, General Counsel and Chief Risk Officer.

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

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

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

Entity-wide disclosures

	31.12.2017 Total assets *CHF m*	31.12.2016 *CHF m*	**2017** Operating income *CHF m*	2016 *CHF m*	**2017** Investments *CHF m*	2016 *CHF m*
Switzerland	**84,623**	80,573	**1,897**	1,865	**128**	119
Europe (excl. Switzerland)	**29,328**	25,080	**664**	465	**7**	462
Americas	**1,045**	1,338	**109**	106	**1**	3
Asia and other countries	**26,618**	20,599	**722**	560	**47**	48
Less consolidation items	**43,696**	31,383	**139**	143		
Total	**97,918**	96,207	**3,252**	2,852	**183**	633

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

21 RELATED PARTY TRANSACTIONS

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**11.8**	16.4
Post-employment benefits	**0.7**	0.8
Share-based payments	**5.8**	6.8
Total	**18.2**	24.0
Receivables from		
key management personnel	**9.2**	19.9
Total	**9.2**	19.9
Liabilities to		
key management personnel	**7.2**	16.6
own pension funds	**8.0**	8.2
Total	**15.2**	24.8
Credit guarantees to		
key management personnel	**0.2**	0.4
Total	**0.2**	0.4
Income from services provided to		
key management personnel	**0.7**	0.6
Total	**0.7**	0.6

[1] Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd.
The Executive Board of the Group company consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel and the Chief Risk Officer in 2017.
The Executive Board of the Group company consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel, the Chief Risk Officer and the Business Representative in 2016.

For shareholdings of the Board of Directors and Executive Board, see section Financial Statements Julius Baer Group Ltd. 2017.

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of the securities portfolios) and mortgages on a fixed and variable basis.

The interest rates of the Lombard loans and mortgages are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

22 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

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

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

1. Development of pension obligations and assets	**2017** *CHF m*	2016 *CHF m*
Present value of defined benefit obligation at the beginning of the year	**-2,687.3**	-2,597.9
Acquisitions	**-1.1**	-10.2
Current service cost	**-70.3**	-68.4
Employees' contributions	**-42.9**	-39.0
Interest expense on defined benefit obligation	**-16.9**	-21.5
Past service cost, curtailments, settlements, plan amendments	**-1.3**	57.9
Benefits paid (including benefits paid directly by employer)	**52.3**	40.4
Transfer payments in/out	**-0.1**	-0.5
Experience gains/(losses) on defined benefit obligation	**-62.0**	-18.3
Actuarial gains/(losses) arising from change in demographic assumptions	**-101.3**[1]	4.9
Actuarial gains/(losses) arising from change in financial assumptions	**15.8**	-47.9
Translation differences	**-6.7**	13.1
Present value of defined benefit obligation at the end of the year	**-2,921.8**	-2,687.3
whereof due to active members	***-1,896.6***	*-1,701.3*
whereof due to deferred members	***-86.7***	*-83.4*
whereof due to pensioners	***-938.4***	*-902.6*
Fair value of plan assets at the beginning of the year	**2,550.4**	2,346.6
Acquisitions	**0.9**	6.6
Interest income on plan assets	**16.1**	20.2
Employees' contributions	**42.9**	39.0
Employer's contributions	**94.7**	106.1
Curtailments, settlements, plan amendments	**-0.6**	-0.6
Benefits paid by fund	**-52.1**	-40.4
Transfer payments in/out	**0.1**	0.5
Administration cost (excluding asset management cost)	**-1.0**	-0.9
Return on plan assets (excluding interest income)	**152.2**	85.8
Translation differences	**5.0**	-12.5
Fair value of plan assets at the end of the year	**2,808.6**	2,550.4

[1] In 2017, the Group refined its approach for estimating the life expectancy of the plan participants, using the BVG 2015 mortality table with future improvements determined by calibrating the Continuous Mortality Investigation ('CMI') 2016 model to Swiss population data with a long-term rate of 1.75%. This change in demographic assumptions resulted in an increase of the defined benefit obligation of CHF 93.1 million which was recognised in other comprehensive income.

2. Balance sheet	**31.12.2017** *CHF m*	31.12.2016 *CHF m*
Fair value of plan assets	**2,808.6**	2,550.4
Present value of defined benefit obligation	**-2,918.1**	-2,683.9
Present value of unfunded benefit obligation	**-3.7**	-3.4
Net defined benefit asset/(liability)	**-113.2**	-136.9

	2017 *CHF m*	2016 *CHF m*
3. Income statement		
Current service cost	**-70.3**	-68.4
Interest expense on defined benefit obligation	**-16.9**	-21.5
Past service cost, curtailments, settlements, plan amendments	**-1.9**	57.3[1]
Interest income on plan assets	**16.1**	20.2
Administration cost (excluding asset management cost)	**-1.0**	-0.9
Defined benefit cost recognised in the income statement	**-74.0**	-13.2
whereof service cost	***-73.2***	*-12.0*
whereof net interest on the net defined benefit/(liability) asset	***-0.8***	*-1.3*

[1] In 2016, the Group amended its defined benefit plans in Switzerland and therefore recalculated its defined benefit obligation (DBO). The amendments are related to a lower conversion rate, a higher pension age and higher savings contributions and resulted in a reduction of the defined benefit obligation by CHF 62.8 million, which was recognised in the income statement.

4. Movements in defined benefit liability		
Net defined benefit asset/(liability) at the beginning of the year	**-136.9**	-251.3
Acquisitions	**-0.2**	-3.6
Translation differences	**-1.6**	0.6
Defined benefit cost recognised in the income statement	**-74.0**	-13.2
Benefits paid by employer	**0.2**	0.0
Employer's contributions	**94.7**	106.1
Remeasurements of the net defined benefit liability/(asset)	**4.7**	24.5
Amount recognised in the balance sheet	**-113.2**	-136.9

Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	**-147.5**	-61.3
Return on plan assets (excluding interest income)	**152.2**	85.8
Total recognised in other comprehensive income	**4.7**	24.5

5. Composition of plan assets		
Cash	**132.8**	125.1
Debt instruments	**751.6**	776.6
Equity instruments	**909.1**	757.0
Real estate	**456.2**	408.0
Alternative investments	**291.5**	262.9
Other	**267.4**	220.6
Total	**2,808.6**	2,550.4

6. Aggregation of plan assets – quoted market prices in active markets	**2017** *in %*	2016 *in %*
Cash	**4.7**	4.9
Debt instruments	**23.6**	29.2
Equity instruments	**32.4**	29.7
Real estate	**7.8**	7.2
Other	**9.0**	13.5
Total	**77.5**	84.5

7. Sensitivities	**2017** *CHF m*	2016 *CHF m*
Decrease of discount rate -0.25%		
Effect on defined benefit obligation	**-84.4**	-73.4
Effect on service cost	**-2.8**	-2.4
Increase of discount rate +0.25%		
Effect on defined benefit obligation	**79.7**	69.4
Effect on service cost	**2.6**	2.2
Decrease of salary increase -0.25%		
Effect on defined benefit obligation	**9.8**	9.0
Effect on service cost	**1.0**	0.9
Increase of salary increase +0.25%		
Effect on defined benefit obligation	**-10.1**	-9.2
Effect on service cost	**-1.0**	-0.9
Life expectancy		
Increase in longevity by one additional year	**57.7**	53.3

Actuarial calculation of pension assets and obligations
The latest actuarial calculation was carried out as at 31 December 2017. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 96% (2016: 96%) of all benefit obligations and plan assets:

	2017	2016
Discount rate	**0.60%**	0.55%
Average future salary increases	**0.50%**	0.50%
Future pension increases	**0.00%**	0.00%
Duration (years)	**15**	14

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

Expected employer contributions
The expected employer contributions for the 2018 financial year related to defined benefit plans are estimated at CHF 91.0 million.

Outstanding liabilities to pension plans
The Group had outstanding liabilities to various pension plans in the amount of CHF 8.0 million (2016: CHF 8.2 million).

Defined contribution pension plans
The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 32.5 million for the 2017 financial year (2016: CHF 27.4 million).

23 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Receivables		
Receivables from cash provided in securities borrowing transactions	**56.6**	16.2
of which recognised in due from banks	***56.6***	*16.2*
Receivables from cash provided in reverse repurchase transactions	**2.6**	1.4
of which recognised in due from banks	***2.6***	*1.4*
Obligations		
Obligations to return cash received in securities lending transactions	**988.1**	1,301.2
of which recognised in due to banks	***988.1***	*1,301.2*
Obligations to return cash received in repurchase transactions	**206.3**	248.3
of which recognised in due to banks	***206.3***	*248.3*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**2,470.1**	2,342.3
of which securities the right to pledge or sell has been granted without restriction	***2,470.1***	*2,342.3*
of which recognised in trading assets	***1,547.7***	*1,543.2*
of which recognised in financial investments available-for-sale	***922.4***	*799.1*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**2,872.3**	2,138.7
of which repledged or resold securities	***2,834.7***	*2,032.3*

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

24 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	77,030.3	568.2	599.9
Futures	121.6	0.5	0.6
Cross-currency swaps	620.6	9.0	2.8
Options (OTC)	34,809.0	323.7	190.0
Total foreign exchange derivatives 31.12.2017	**112,581.5**	**901.3**	**793.3**
Total foreign exchange derivatives 31.12.2016	108,499.1	1,264.9	1,088.0
Interest rate derivatives			
Swaps	12,870.4	94.8	84.4
Futures	696.8	1.1	1.5
Options (OTC)	196.4	10.9	13.0
Total interest rate derivatives 31.12.2017	**13,763.6**	**106.8**	**98.9**
Total interest rate derivatives 31.12.2016	9,851.1	123.2	112.0
Precious metals derivatives			
Forward contracts	2,875.9	45.1	31.9
Futures	812.4	1.2	0.2
Options (OTC)	2,836.9	129.0	19.7
Options (traded)	165.5	0.0	4.0
Total precious metals derivatives 31.12.2017	**6,690.7**	**175.4**	**55.9**
Total precious metals derivatives 31.12.2016	4,656.5	211.2	99.1
Equity/indices derivatives			
Futures	1,103.9	11.1	11.6
Options (OTC)	11,114.4	257.7	289.4
Options (traded)	12,146.4	489.9	750.3
Total equity/indices derivatives 31.12.2017	**24,364.7**	**758.7**	**1,051.4**
Total equity/indices derivatives 31.12.2016	21,641.6	1,077.9	894.7
Other derivatives			
Futures	168.7	0.8	5.3
Total other derivatives 31.12.2017	**168.7**	**0.8**	**5.3**
Total other derivatives 31.12.2016	144.1	0.5	2.7

Derivatives held for trading (continued)

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Credit derivatives			
Credit default swaps	316.1	0.2	6.6
Total return swaps	70.4	2.5	0.0
Total credit derivatives 31.12.2017	**386.5**	**2.6**	**6.6**
Total credit derivatives 31.12.2016	401.0	2.4	17.1
Total derivatives held for trading 31.12.2017	**157,955.7**	**1,945.6**	**2,011.3**
Total derivatives held for trading 31.12.2016	145,193.5	2,680.1	2,213.5

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as fair value hedges			
Interest rate swaps	2,590.9	17.1	47.9
Total derivatives held for hedging 31.12.2017	**2,590.9**	**17.1**	**47.9**
Total derivatives held for hedging 31.12.2016	2,171.1	10.8	71.9
Total derivative financial instruments 31.12.2017	**160,546.6**	**1,962.7**	**2,059.2**
Total derivative financial instruments 31.12.2016	147,364.6	2,690.9	2,285.3

25A FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	Carrying value 31.12.2017 CHF m	Fair value 31.12.2017 CHF m	Carrying value 31.12.2016 CHF m	Fair value 31.12.2016 CHF m
Cash, loans and receivables				
Cash	**10,862.9**	**10,862.9**	13,599.5	13,599.5
Due from banks	**8,308.9**	**8,313.9**	11,389.8	11,395.5
Loans	**46,623.7**	**47,035.5**	38,419.0	38,873.2
Accrued income	**311.7**	**311.7**	282.8	282.8
Total	**66,107.2**	**66,524.0**	63,691.1	64,151.0
Held for trading				
Trading assets	**11,255.9**	**11,255.9**	7,261.8	7,261.8
Derivative financial instruments	**1,945.6**	**1,945.6**	2,680.1	2,680.1
Total	**13,201.5**	**13,201.5**	9,941.9	9,941.9
Derivatives designated as hedging instruments				
Derivative financial instruments	**17.1**	**17.1**	10.8	10.8
Total	**17.1**	**17.1**	10.8	10.8
Designated at fair value				
Financial assets designated at fair value	**277.3**	**277.3**	252.4	252.4
Total	**277.3**	**277.3**	252.4	252.4
Available-for-sale				
Financial investments available-for-sale	**12,246.5**	**12,246.5**	18,266.6	18,266.6
Total	**12,246.5**	**12,246.5**	18,266.6	18,266.6
Total financial assets	**91,849.6**	**92,266.4**	92,162.8	92,622.7

Financial liabilities

	Carrying value CHF m	**31.12.2017** Fair value CHF m	Carrying value CHF m	31.12.2016 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**7,209.5**	**7,209.6**	10,076.8	10,076.9
Due to customers	**67,636.8**	**67,640.3**	67,495.2	67,496.9
Debt issued	**1,777.0**	**1,839.2**	1,213.5	1,254.0
Accrued expenses	**192.7**	**192.7**	187.7	187.7
Total	**76,816.0**	**76,881.8**	78,973.2	79,015.5
Held for trading				
Trading liabilities	**135.8**	**135.8**	159.0	159.0
Derivative financial instruments	**2,011.3**	**2,011.3**	2,213.5	2,213.5
Total	**2,147.1**	**2,147.1**	2,372.4	2,372.4
Derivatives designated as hedging instruments				
Derivative financial instruments	**47.9**	**47.9**	71.9	71.9
Total	**47.9**	**47.9**	71.9	71.9
Designated at fair value				
Financial liabilities designated at fair value	**11,836.7**	**11,836.7**	8,444.4	8,444.4
Other liabilities	**32.8**[1]	**32.8**	41.2[2]	41.2
Total	**11,869.5**	**11,869.5**	8,485.6	8,485.6
Total financial liabilities	**90,880.6**	**90,946.3**	89,903.1	89,945.5

[1] Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs AG, see Notes 26B and 27.

[2] Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C. and GPS Investimentos Financeiros e Participações S.A., see Notes 26B and 27.

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

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

Long-term financial instruments
Depending on the maturity, these include the following balance sheet items: due from banks, loans, due to banks, due to customers and debt issued. The fair value of long-term financial instruments which have a maturity or a refinancing profile of more than one year is derived by using the net present value method. Generally, the Libor rate is used to calculate the net present value of the loans, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement.

Trading assets and liabilities, financial investments available-for-sale, derivative financial instruments and financial liabilities designated at fair value
Refer to Note 25B for details regarding the valuation of these instruments.

25B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

Level 1
For trading assets as well as for certain financial investments available-for-sale and exchange-traded derivatives whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

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

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

Financial investments available-for-sale: The Group holds certain equity instruments, which are required for the operation of the Group and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2017, dividends related to these investments in the amount of CHF 6.7 million (2016: CHF 7.3 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Group issues to its private clients certain specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Group's balance sheet due to the strict derecognition criteria required by IFRS. Therefore, the private equity investments as well as the money market instruments are recorded as financial assets designated at fair value. Any changes in the fair value or any other income from the private equity investments, as well as any income related to the money market instruments, are recorded in the income statement. However, as the clients are entitled to all rewards related to the investments, these amounts net out in the respective line item in the income statement. Hence, any change in the valuation inputs has no impact on the Group's income statement or shareholders' equity.

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

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

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2017 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	1,918.2	352.5	-	2,270.7
Trading assets – equity instruments	6,991.4	1,993.8	-	8,985.2
Total trading assets	**8,909.6**	**2,346.3**	**-**	**11,255.9**
Foreign exchange derivatives	5.0	896.3	-	901.3
Interest rate derivatives	1.1	122.8	-	123.9
Precious metal derivatives	1.2	174.1	-	175.4
Equity/indices derivatives	11.1	747.6	-	758.7
Credit derivatives	-	2.6	-	2.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	**19.2**	**1,943.5**	**-**	**1,962.7**
Financial assets designated at fair value	**14.0**	**108.9**	**154.4**	**277.3**
Financial investments available-for-sale – money market instruments	249.8	1,941.3	-	2,191.1
Financial investments available-for-sale – debt instruments	8,908.9	959.7	-	9,868.6
Financial investments available-for-sale – equity instruments	33.4	7.8	145.6	186.8
Total financial investments available-for-sale	**9,192.1**	**2,908.8**	**145.6**	**12,246.5**
Total assets	**18,134.8**	**7,307.6**	**300.0**	**25,742.4**
Short positions – debt instruments	9.4	-	-	9.4
Short positions – equity instruments	82.4	44.0	-	126.5
Total trading liabilities	**91.8**	**44.0**	**-**	**135.8**
Foreign exchange derivatives	5.0	788.3	-	793.3
Interest rate derivatives	1.5	145.3	-	146.8
Precious metal derivatives	0.2	55.6	-	55.9
Equity/indices derivatives	11.6	1,039.7	-	1,051.4
Credit derivatives	-	6.6	-	6.6
Other derivatives	5.3	-	-	5.3
Total derivative financial instruments	**23.7**	**2,035.5**	**-**	**2,059.2**
Financial liabilities designated at fair value	**-**	**11,557.6**	**279.1**	**11,836.7**
Total liabilities	**115.5**	**13,637.1**	**279.1**	**14,031.7**

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2016 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	1,368.3	46.7	-	1,415.0
Trading assets – equity instruments	5,465.6	381.3	-	5,846.9
Total trading assets	6,833.9	428.0	-	7,261.8
Foreign exchange derivatives	8.6	1,256.3	-	1,264.9
Interest rate derivatives	1.4	132.7	-	134.1
Precious metal derivatives	1.3	209.9	-	211.2
Equity/indices derivatives	48.5	1,029.4	-	1,077.9
Credit derivatives	-	2.4	-	2.4
Other derivatives	0.5	-	-	0.5
Total derivative financial instruments	60.2	2,630.7	-	2,690.9
Financial assets designated at fair value	128.3	29.2	94.8	252.4
Financial investments available-for-sale – money market instruments	596.4	3,188.7	-	3,785.0
Financial investments available-for-sale – debt instruments	13,402.1	914.0	-	14,316.0
Financial investments available-for-sale – equity instruments	26.0	18.8	120.7	165.5
Total financial investments available-for-sale	14,024.5	4,121.4	120.7	18,266.6
Total assets	21,046.9	7,209.3	215.5	28,471.7
Short positions – debt instruments	44.6	3.4	-	48.0
Short positions – equity instruments	96.0	15.0	-	111.0
Total trading liabilities	140.5	18.4	-	159.0
Foreign exchange derivatives	6.4	1,081.6	-	1,088.0
Interest rate derivatives	1.7	182.1	-	183.8
Precious metal derivatives	0.0	99.0	-	99.1
Equity/indices derivatives	43.0	851.7	-	894.7
Credit derivatives	-	17.1	-	17.1
Other derivatives	2.7	-	-	2.7
Total derivative financial instruments	53.8	2,231.5	-	2,285.3
Financial liabilities designated at fair value	-	8,180.8	263.6	8,444.4
Total liabilities	194.4	10,430.7	263.6	10,888.7

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

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	**31.12.2017** **Total** CHF m
Assets and liabilities disclosed at fair value				
Cash	10,862.9	-	-	10,862.9
Due from banks	-	8,313.9	-	8,313.9
Loans	-	47,035.5	-	47,035.5
Accrued income	-	311.7	-	311.7
Total assets	**10,862.9**	**55,661.1**	**-**	**66,524.0**
Due to banks	-	7,209.6	-	7,209.6
Due to customers	-	67,640.3	-	67,640.3
Debt issued	1,839.2	-	-	1,839.2
Accrued expenses	-	192.7	-	192.7
Other liabilities	-	-	32.8	32.8
Total liabilities	**1,839.2**	**75,042.6**	**32.8**	**76,914.6**

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2016 Total CHF m
Assets and liabilities disclosed at fair value				
Cash	13,599.5	-	-	13,599.5
Due from banks	-	11,395.5	-	11,395.5
Loans	-	38,873.2	-	38,873.2
Accrued income	-	282.8	-	282.8
Total assets	13,599.5	50,551.5	-	64,151.0
Due to banks	-	10,076.9	-	10,076.9
Due to customers	-	67,496.9	-	67,496.9
Debt issued	1,254.0	-	-	1,254.0
Accrued expenses	-	187.7	-	187.7
Other liabilities	-	-	41.2	41.2
Total liabilities	1,254.0	77,761.5	41.2	79,056.7

25C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Transfers from level 1 to level 2		
Trading assets	417.7	1.3
Trading liabilities	10.0	-
Transfers from level 2 to level 1		
Trading assets	57.8	244.0
Financial investments available-for-sale	22.6	2,141.4
Trading liabilities	2.6	0.5

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

25D FINANCIAL INSTRUMENTS – OFFSETTING

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

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

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

Securities transactions: As the Group does not apply netting on its balance sheet, the cash collateral provided in securities borrowing and reverse repurchase transactions in the amount of CHF 59.3 million (2016: CHF 17.6 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 1,194.5 million (2016: CHF 1,549.5 million) as disclosed in Note 23 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 1,458.1 million (positive replacement values) and CHF 1,285.6 million (negative replacement values) are subject to an enforceable netting agreement. Transactions with other banks are generally collateralised with other financial instruments (derivatives) which are recognised on the Group's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet. Additionally, there are derivative financial instruments in the amount of CHF 1,618.6 million (2016: CHF 664.3 million) which could be offset with the corresponding outstanding amount.

Refer to the Credit Risk section for further analysis of the Group's credit risk strategies and exposure.

26A COMPANIES CONSOLIDATED AS AT 31 DECEMBER 2017

Listed company which is consolidated

	Place of listing	Head Office	Currency	Share capital m	Capitalisation as at 31.12.2017 m
Julius Baer Group Ltd.	SIX Swiss Exchange	Zurich	CHF	4.5	13,339
Swiss securities number: 10 248 496, Ticker symbol: BAER					

Unlisted operational companies which are consolidated

	Head Office	Currency	Share capital m	Equity interest %
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore, Sion,				
St. Gallen, St. Moritz, Verbier, Zug, Zurich				
Representative Offices in Abu Dhabi, Dubai, Istanbul,				
Moscow, Panama City, Santiago de Chile, Shanghai, Tel Aviv				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*
Arpese SA	*Lugano*	*CHF*	*0.400*	*100*
Bank Julius Bär Europe AG	Frankfurt	EUR	15.000	100
Branches in Duesseldorf, Hamburg, Kiel, Mannheim, Munich,				
Stuttgart, Würzburg				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.026*	*100*
Bank Julius Baer Luxembourg S.A.	Luxembourg	EUR	120.165	100
Bank Julius Baer (Monaco) S.A.M.	Monaco	EUR	85.000	100
Julius Baer Bank & Trust (Bahamas) Ltd.	Nassau	CHF	20.000	100

Fransad Gestion SA	Geneva	CHF	1.000	100
Julius Baer Investment Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Consultores S.A.	*Caracas*	*BSF*	*2.150*	*100*
Julius Baer Trust Company (Singapore) Ltd.	*Singapore*	*SGD*	*2.812*	*100*

	Head Office	Currency	Share capital m	Equity interest %
JB Participações Brasil Ltda.	São Paulo	BRL	394.016	100
including				
GPS Investimentos Financeiros e Participações S.A.	*São Paulo*	*BRL*	*0.280*	*100*
including				
GPS Planejamento Financeiro Ltda.	*São Paulo*	*BRL*	*0.207*	*100*
Branches in Rio de Janeiro, Belo Horizonte				
JB Participations Ltd.	Zurich	CHF	15.000	100
Julius Baer Advisory S.A.E.	Cairo	EGP	12.847	100
Julius Baer Advisory (Uruguay) S.A.	Montevideo	UYU	0.087	100
Julius Baer Agencia de Valores, S.A.U.	Madrid	EUR	0.902	100
Julius Baer (Chile) SpA	Santiago de Chile	CLP	498.928	100
Julius Baer Consultores (Peru) S.A.C.	Lima	PEN	4.164	100
Julius Baer Family Office & Trust Ltd.	Zurich	CHF	0.100	100
including				
Julius Baer Trust Company (New Zealand) Limited	*Auckland*	*CHF*	*0.105*	*100*
Julius Baer Fiduciaria S.p.A.	Milan	EUR	0.100	100
Julius Baer Financial Services (Channel Islands) Ltd.	Jersey	GBP	0.025	100
Julius Baer Financial Services (Israel) Ltd.	Tel Aviv	ILS	11.000	100
Julius Baer Gestión, SGIIC, S.A.U.	Madrid	EUR	2.100	100
Julius Baer International Advisory (Uruguay) S.A.	Montevideo	USD	1.600	100
Julius Baer International Limited	London	GBP	122.200	100
Branches in Dublin, Leeds, Manchester				

	Head Office	Currency	Share capital m	Equity interest %
JULIUS BAER INTERNATIONAL SHARED SERVICES CENTER (URUGUAY) S.A.	Montevideo	UYU	1.340	100
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Julius Baer Investments (Panama) S.A.	Panama City	USD	22.630	100
Julius Bär Lizenzverwertungsgesellschaft AG	Zug	CHF	0.100	100
Julius Baer Portfolio Managers Limited	London	GBP	0.054	100
Julius Baer Trust Company (Channel Islands) Limited	Guernsey	CHF	0.065	100
Julius Baer Wealth Advisors (India) Private Limited	Mumbai	INR	10,081.410	100
Branches in Bangalore, Chennai, Kolkata, New Delhi				
including				
Julius Baer Capital (India) Private Limited	*Mumbai*	*INR*	*2,334.350*	*100*
Julius Bär Wealth Management AG	Zurich	CHF	5.700	100
Branch in Tokyo				
Julius Baer Wealth Management (Monaco) S.A.M.	Monaco	EUR	0.465	100
Julius Baer (Bahrain) B.S.C. (c)	Manama	BHD	1.000	100
Julius Baer (Lebanon) S.A.L.	Beirut	LBP	2,000.000	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Julius Baer (Netherlands) B.V.	Amsterdam	EUR	0.000	100
Julius Baer (Uruguay) S.A. (in liquidation)	Montevideo	UYU	25.169	100
Kairos Investment Management S.p.A.	Milan	EUR	2.355	80
including				
KAIROS ASSET MANAGEMENT SA	*Lugano*	*EUR*	*0.600*	*100*
Kairos Investment Management B.V.	*Amsterdam*	*EUR*	*1.000*	*100*
– including Kairos Investment Management Limited	*London*	*GBP*	*5.884*	*100*
Kairos Julius Baer SIM S.p.A.	*Milan*	*EUR*	*10.000*	*100*
– Representative Offices in Rome, Turin				
Kairos Partners SGR S.p.A.	*Milan*	*EUR*	*5.084*	*100*

	Head Office	Currency	Share capital *m*	Equity interest *%*
PINVESTAR AG	Zug	CHF	0.100	100
PT Julius Baer Advisors Indonesia (in liquidation)	Jakarta	IDR	6,725.000	100
Wergen & Partner Vermögensverwaltungs AG	Zurich	CHF	0.100	100
Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten	Zurich	CHF	2.260	100
LOTECO Foundation	Zurich	CHF	0.100	100

Major changes in the companies consolidated:
- Julius Baer Investment Services S.à r.l., Luxembourg, merged with Bank Julius Baer Luxembourg S.A., Luxembourg
- Wergen & Partner Vermögensverwaltungs AG, Zurich, new
- WMPartners Wealth Management Ltd., Zurich, merged with Bank Julius Baer & Co. Ltd., Zurich

26B INVESTMENTS IN ASSOCIATES

	Head Office	Currency	Share capital *m*	Equity interest *%*
Associates				
NSC Asesores, S.C., Asesor en Inversiones Independiente	Mexico City	MXN	1.903	40

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Balance at the beginning of the year	**29.4**	90.3
Disposals	**-**	-99.8[1]
Income	**1.9**	48.7[2]
Dividend paid	**-1.9**	-10.2
Translation differences	**-1.2**	0.4
Balance at the end of the year	**28.2**	29.4

[1] Relates to the increase of the Group's participation in Kairos, see Note 27.
[2] Includes the revaluation to fair value of Kairos.

The total comprehensive income of the associated companies amounts to CHF 5.0 million (2016: CHF 3.6 million).

NSC Asesores (2015)
On 6 November 2015, the Group acquired 40% of the Mexico-City-based NSC Asesores, S.C., Asesor en Inversiones Independiente, which is specialised in discretionary portfolio management and advisory services for high net worth individuals. The Group paid half of the consideration in the amount of CHF 14.5 million in cash for this interest, which was fully funded by existing excess capital of the Group. The Group agreed on two additional payments of CHF 7.1 million each on 6 November 2016 and 2017, respectively, for the outstanding purchase price, which were both performed as agreed. The Group also received two options to acquire additional interests of 30% per option in NSC Asesores at a predetermined relative price. The options will be exercisable in 2018 and 2021, respectively.

26C UNCONSOLIDATED STRUCTURED ENTITIES

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

27 ACQUISITIONS

The following transactions were executed:

Wergen & Partner Vermögensverwaltungs AG, Zurich (2017)
In February 2017, the Group acquired the Zurich-based Wergen & Partner Vermögensverwaltungs AG.

The purchase price, including the deferred portions due in February 2019 and February 2021, of CHF 13.5 million has been and will be paid in cash and is fully funded by existing excess capital of the Group.

The assets and liabilities of Wergen & Partner Vermögensverwaltungs AG were recorded provisionally as follows:

	Fair value *CHF m*
Purchase price	
in cash	5.5
deferred purchase price	8.0
Total	13.5
All other assets	2.1
Assets acquired	2.1
All other liabilities	0.7
Liabilities assumed	0.7
Goodwill and other intangible assets	
Goodwill	4.7
Customer relationships	7.4
Total	12.1

Kairos (2016)
The Group agreed to exercise its option and to increase its stake in Kairos Investment Management S.p.A. by acquiring an additional 60.1% interest of the Milan-based company, following its initial purchase of 19.9% in 2013. The transaction was exercised on 1 April 2016. The Group paid the consideration for this additional interest in the amount of CHF 301.5 million in cash which was fully funded by existing excess capital of the Group. As part of the transaction, the Group realised a net gain in the amount of CHF 38.6 million on the revaluation to fair value of the 19.9% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice and fits into the Group's growth strategy. Kairos continues to operate under its brand.

The assets and liabilities of Kairos were recorded as follows (unchanged since 2016):

	Fair value *CHF m*
Purchase price	
in cash	301.5
contribution of the 19.9% interest (at fair value)	99.8
Total	401.4
Due from banks	31.9
Deferred tax assets	5.2
All other assets	23.2
Assets acquired	60.3
Deferred tax liabilities	7.1
All other liabilities	37.3
Liabilities assumed	44.3
Goodwill and other intangible assets and non-controlling interests	
Goodwill	317.3
Customer relationships	89.4
Non-controlling interests	21.3
Total	385.4

Julius Bär Wealth Management AG (formerly named TFM Asset Management AG) (2016)
On 1 April 2016, the Group exercised its call option to acquire the outstanding 40% interest in its Japanese-market-focused subsidiary Julius Bär Wealth Management AG (JBWM), formerly named TFM Asset Management AG. The Group paid CHF 2.5 million in cash for this additional interest which was fully funded by existing excess capital of the Group. JBWM, a Switzerland-registered independent asset management company, specialises in discretionary asset management services for HNW Japanese and Swiss private clients and holds investment advisory and investment management licences granted by the Japanese FSA.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e., the difference of CHF 2.1 million between the amount of the former non-controlling interest and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

Commerzbank International S.A. Luxembourg/ Bank Julius Baer Luxembourg S.A., Luxembourg (2016)
On 4 July 2016, the Group acquired Commerzbank International S.A. Luxembourg, a fully licensed private bank. This transaction significantly strengthened the Group's presence in Luxembourg and in addition provided the Group with further strategic flexibility for its European business, also due to the included booking platform. The purchase price of CHF 84.9 million was paid in cash and fully funded by existing excess capital of the Group. The acquired entity has been renamed into Bank Julius Baer Luxembourg S.A., Luxembourg.

The assets and liabilities of Commerzbank International S.A. Luxembourg/Bank Julius Baer Luxembourg S.A. were recorded as follows (unchanged since 2016):

	Fair value *CHF m*
Purchase price	
in cash	84.9
Total	84.9
Cash	272.9
Due from banks	637.8
Loans[1]	344.6
Software	1.9
All other assets	78.7
Assets acquired	1,335.8
Due to banks	27.2
Due to customers	1,249.1
Provisions	1.2
Deferred tax liabilities	2.0
All other liabilities	15.9
Liabilities assumed	1,295.5
Goodwill and other intangible assets	
Goodwill	19.0
Customer relationships	15.2
Software	10.3
Total	44.6

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 344.6 million.

GPS Investimentos Financeiros e Participações S.A. (2016)
On 1 March 2016, the Group exercised the forward contract to acquire the remaining 20% interest of its Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS). The purchase price of CHF 28.6 million is payable in four yearly tranches, whereof the first two tranches have been paid and were fully funded by existing excess capital of the Group. The outstanding amounts of the future instalments are recognised as a liability.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e., the difference of CHF 21.5 million between the amount of the former non-controlling interest and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

28 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2017. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Group's overall compensation landscape is described in the chapter Remuneration Report of this Annual Report.

The Group hedges its liabilities from share-based payments by purchasing the shares on the market on grant date through the LOTECO Foundation. Until vesting, the granted shares and performance units are administered by the foundation.

Deferred variable compensation plans
Cash-based variable compensation – Deferred Cash Plan
The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DCP grant is made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. These deferred cash awards vest in equal one-third tranches, subject to continued employment, and accrued over a three-year plan period. Where share-based plans are not permissible under local legislation, employee annual awards are fully deferred through the DCP.

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

Equity-based variable compensation – Equity Performance Plan
The Equity Performance Plan (EPP) is a key part of the Julius Baer compensation model. One of the Compensation Committee's objectives was to create a robust long-term incentive mechanism for key employees. The EPP is an equity plan which seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Group.

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and, as a new factor, individual contribution in the reporting period (as part of the adjustment to the performance alignment approach for this performance year's EPP awards). All members of the Executive Board, key employees and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, current as well as projected future contributions to the Group, defined total pay mix and level of responsibility.

The EPP is an annual rolling equity grant (made in February each year) that awards Performance Units to eligible participants subject to individual performance in the reporting period and future performance-based requirements. The EPP award reflects the value of the individual for the current and future success of the business and more closely links an individual's compensation to his or her contribution to the future performance of the Group.

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

– Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.

– Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with the Group for three years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

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

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

Integration Incentive Award (for former Bank of America Merrill Lynch relationship managers)
As part of Julius Baer's integration of Bank of America Merrill Lynch's IWM business, key relationship managers from IWM were offered participation in the Integration Incentive Award (a cash- and share-based plan) which was designed to incentivise individuals to join the Group and move clients and assets to the Group. In 2015, new grants under the Integration Incentive Award were solely awarded in conjunction with the final transfer of the business in India.

The Integration Incentive Award plan runs for a maximum of five years, with cash being paid out on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one third of the number of shares granted to him or her at the beginning of the plan period.

In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares are forfeited.

Incentive Share Plan (ISP, applied as part of the variable compensation for 2012)
At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1 million and above or the local currency equivalent) of the executives' variable incentive is deferred to the ISP and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over the three-year plan period, subject to continued employment.

Participants in the ISP 2012 are granted a pre-fixed number of incentive shares, which cliff-vest at the end of the three-year plan period, subject to continued employment. The number of incentive shares granted is determined based on the number of shares from bonus deferral: members of the Executive Board were eligible for twice the number of additional shares in comparison to participants who are not members of the Executive Board.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage.

Long-Term Incentive Plan (LTI)
In certain specific situations the Group may also offer incentives outside the annual compensation cycle. Compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer or retention payments to key employees during extraordinary or critical circumstances may be made by granting individuals an equity-based LTI.

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

The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out in the plan rules. In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

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

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

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

	31.12.2017 Number of units Economic Profit	**31.12.2017** Number of units Total Shareholder Return	31.12.2016 Number of units Economic Profit	31.12.2016 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**786,081**	**786,081**	554,532	554,532
Granted during the year	**304,427**	**304,427**	319,569	319,569
Exercised during the year	**-216,975**	**-216,975**	-	-
Forfeited during the year	**-111,722**	**-111,722**	-88,020	-88,020
Unvested units outstanding, at the end of the year	**761,811**	**761,811**	786,081	786,081

	31.12.2017	31.12.2016
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**1,358,893**	1,148,056
Granted during the year	**597,184**	746,934
Vested during the year	**-536,703**	-440,697
Forfeited during the year	**-56,214**	-95,400
Unvested shares outstanding, at the end of the year	**1,363,160**	1,358,893
Weighted average fair value per share granted (CHF)	**47.07**	39.28
Fair value of outstanding shares at the end of the year (CHF 1,000)	**81,244**	61,463

	31.12.2016
Incentive Share Plan	
Unvested shares outstanding, at the beginning of the year	472,545
Vested during the year	-472,545
Forfeited during the year	-
Unvested shares outstanding, at the end of the year	-
Fair value of outstanding shares at the end of the year (CHF 1,000)	-

Integration Incentive Award	**31.12.2017**	31.12.2016
Unvested shares outstanding, at the beginning of the year	**668,263**	714,609
Vested during the year	**-264,269**	-
Forfeited during the year	**-43,449**	-46,346
Unvested shares outstanding, at the end of the year	**360,545**	668,263
Fair value of outstanding shares at the end of the year (CHF 1,000)	**21,488**	30,226

Long-Term Incentive Plan	**31.12.2017**	31.12.2016
Unvested shares outstanding, at the beginning of the year	**580,261**	376,041
Granted during the year	**229,008**	456,459
Vested during the year	**-224,598**	-177,397
Forfeited during the year	**-35,019**	-74,842
Unvested shares outstanding, at the end of the year	**549,652**	580,261
Weighted average fair value per share granted (CHF)	**52.41**	41.05
Fair value of outstanding shares at the end of the year (CHF 1,000)	**32,759**	26,245

Staff Participation Plan	**31.12.2017**	31.12.2016
Unvested shares outstanding, at the beginning of the year	**115,606**	110,266
Granted during the year	**42,654**	47,918
Vested during the year	**-37,920**	-39,075
Forfeited during the year	**-5,822**	-3,503
Unvested shares outstanding, at the end of the year	**114,518**	115,606
Weighted average fair value per share granted (CHF)	**48.91**	42.74
Fair value of outstanding shares at the end of the year (CHF 1,000)	**6,825**	5,229

Compensation expense recognised for the various participation plans are:

Compensation expense	**31.12.2017** *CHF m*	31.12.2016 *CHF m*
Equity Performance Plan	**36.7**	22.6
Premium Share Plan	**26.9**	25.8
Incentive Share Plan	**-**	0.5
Integration Incentive Award	**4.7**	8.1
Long-Term Incentive Plan	**12.4**	12.0
Staff Participation Plan	**1.8**	1.8
Total	**82.4**	70.8

29 ASSETS UNDER MANAGEMENT

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

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

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

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

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

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

Assets under management

	2017 *CHF m*	2016 *CHF m*	Change *%*
Assets with discretionary mandate	**62,781**	54,904	14.3
Other assets under management	**318,941**	277,083	15.1
Assets in collective investment schemes managed by the Group[1]	**6,700**	4,174	60.5
Total assets under management (including double counting)	**388,422**	336,161	15.5
of which double counting	***9,963***	*6,106*	*63.2*
Change through net new money	**22,157**	11,865	
Change through market and currency impacts	**35,912**	13,395	
Change through acquisition	**395**[2]	11,267[3]	
Change through divestment	**-97**[4]	-53[4]	
Change through other effects	**-6,106**[5]	-	
Client assets	**457,134**	391,620	16.7

1 Collective investment schemes are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, and to Kairos Investment Management S.p.A., Milan.
2 In February 2017, the Group acquired Wergen & Partner Vermögensverwaltungs AG, Zurich.
3 In April 2016, the Group increased its participation in Kairos Investment Management S.p.A., Milan, to 80%.
In July 2016, the Group acquired Commerzbank International S.A. Luxembourg.
4 Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries.
5 Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

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

Breakdown of assets under management

	2017 %	2016 %
By types of investment		
Equities	**28**	27
Bonds (including convertible bonds)	**19**	19
Investment funds	**26**	24
Money market instruments	**3**	3[1]
Client deposits	**18**	20[1]
Structured products	**5**	5
Other	**1**	2
Total	**100**	100

[1] Reversal of a restatement

	2017 %	2016 %
By currencies		
CHF	**10**	11
EUR	**23**	22
USD	**45**	45
GBP	**4**	4
SGD	**2**	2
HKD	**4**	3
RUB	**1**	1
CAD	**1**	1
Other	**10**	11
Total	**100**	100

30 REQUIREMENTS OF SWISS BANKING LAW

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Switzerland-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is based on the regulations of the Swiss Code of Obligation, on Swiss Banking Law and the Ordinance thereto, and on the guidelines of the FINMA Circular 2015/1 'Accounting Banks'.

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

Under IFRS, changes in the fair value of financial investments available-for-sale are directly recognised in equity. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with changes in value where required recorded in the income statement.

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

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

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

31 EVENTS AFTER THE BALANCE SHEET DATE

On 9 January 2018, the Group announced to increase its stake in Kairos Investment Management SpA from 80% to 100%. The consideration for the additional 20% stake is EUR 96 million, subject to closing adjustments. Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e. the difference between the amount of the former non-controlling interest and the fair value of the consideration paid will be recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities will be recognised.

There are no events to report that had an influence on the balance sheet or the income statement for the 2017 financial year.

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

KPMG

Statutory Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Julius Baer Group Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 84 to 194) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Goodwill impairment testing

Litigation and regulatory proceedings

Valuation of financial instruments

Impairment of loans

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Goodwill impairment testing

Key Audit Matter

As at 31 December 2017, the Group recognises goodwill of CHF 2,073.0m arising from a number of historic and recent acquisitions.

Due to the significance of the Group's recognised goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment.

Goodwill impairment testing is performed at the level of cash generating units ('CGUs') and relies on estimates of value-in-use based on discounted future cash flows.

Uncertainty is typically highest for those CGUs where headroom between value-in-use and carrying value is limited and where the value-in-use is most sensitive to estimates of future cash flows and other key assumptions.

Our response

Our procedures included the assessment of the Group's process and key controls for the testing of goodwill impairment, including the assumptions used.

We tested key assumptions forming the Group's value-in-use calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance.

With the assistance of our own valuation specialists, we critically assessed the assumptions and methodologies used to determine the value-in-use for those CGUs where significant goodwill was found to be sensitive to changes in those assumptions. On an overall basis, we also evaluated the aggregate values-in-use determined by the Group to its market capitalisation.

Additionally, we considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing, also refer to note 12 to the consolidated financial statements on pages 142 to 144.

Litigation and regulatory proceedings

Key Audit Matter

As at 31 December 2017, the Group recognizes provisions for legal risks of CHF 30.1m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

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

Our response

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

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

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

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Group's internal and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes.

Additionally we considered whether the Group's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

For further information on litigation and regulatory proceedings, also refer to note 18 to the consolidated financial statements on pages 152 to 155.

Valuation of financial instruments

Key Audit Matter	Our response
As at 31 December 2017, the Group reports financial assets of CHF 25,742.4m and financial liabilities of CHF 14,031.7m measured at fair value representing 26.3% and 14.3% of total assets and total liabilities respectively. Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments. The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Group.	Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Group in determining fair values. For the Group's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists. Additionally, we assessed whether the fair value determination is appropriately disclosed.

For further information on the valuation of financial instruments, also refer to notes 25B and 25C to the consolidated financial statements on pages 169 to 173.

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Impairment of loans

Key Audit Matter

As at 31 December 2017, the Group reports loans of CHF 46,655.8m representing 47.6% of total assets and records allowances for credit losses of CHF 32.1m.

Loans are measured at amortised cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts.

The portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.

Our response

Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Group to assess the adequacy of impairment allowances for individually assessed loans.

For a sample of loans with specific allowances for credit losses we evaluated the Group's individual impairment assessment and specifically challenged the Group's assumptions used, including the value of realisable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Group revised its estimates and assumptions for specific allowances established in prior year.

We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Group and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans, also refer to notes 9B, 9C and 9D to the consolidated financial statements on pages 138 to 139.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Philipp Rickert Licensed Audit Expert Auditor in Charge	Cataldo Castagna Licensed Audit Expert

Zurich, 30 January 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zürich

IV. FINANCIAL STATEMENTS JULIUS BAER GROUP LTD. 2017

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INCOME STATEMENT

	2017 CHF m	2016 CHF m
Interest income	**44.1**	37.6
Interest expense	**47.1**	46.8
Result from interest	**-3.0**	-9.2
Income from participations	**588.6**[1]	457.7
Revaluation of participations	**6.4**	12.9
Depreciation of participations	**14.9**	99.7
Result from participations	**580.0**	371.0
Other ordinary income	**113.0**	101.3
Other ordinary expense	**20.0**	15.2
Operating income	**670.0**	447.9
Personnel expenses	**17.6**	16.0
General expenses	**25.7**	23.5
Operating expenses	**43.3**	39.5
Gross profit	**626.8**	408.3
Extraordinary income	**0.0**	0.0
Extraordinary expense	**9.2**	-
Taxes	**9.0**	2.4
Net profit	**608.7**	406.0

[1] Including distribution in kind of Julius Baer Bank & Trust (Bahamas) Ltd., Nassau, from Julius Baer International Panama Inc., Panama City, due to its liquidation, based on the tax value of CHF 100.0 million.

BALANCE SHEET

	31.12.2017 *CHF m*	31.12.2016 *CHF m*
Assets		
Due from banks	**1,558.5**	772.1
Other assets	**79.5**	33.5
Accrued income and prepaid expenses	**483.3**	263.7
Total current assets	**2,121.3**	1,069.2
Other financial investments	**573.9**	480.3
Participations	**4,342.5**	4,132.4
Total non-current assets	**4,916.4**	4,612.7
Total assets	**7,037.7**	5,681.9
of which due from Group companies	***2,195.0***	*1,270.3*
Liabilities and equity		
Interest-bearing liabilities	**1,049.3**	564.0
Accrued expenses and deferred income	**48.6**	36.5
Provisions	**0.1**	-
Total short-term liabilities	**1,097.9**	600.5
Debt issued	**1,657.4**	1,145.2
Other liabilities	**21.1**	15.0
Total long-term liabilities	**1,678.6**	1,160.2
Total liabilities	**2,776.5**	1,760.8
Share capital	**4.5**	4.5
Statutory capital reserve	**1,583.3**	1,851.9
of which tax-exempt capital contribution reserve	***1,583.3***	*1,851.9*
Statutory retained earnings reserve	**317.1**	271.1
of which reserve for treasury shares	***316.2***	*270.2*
Voluntary retained earnings reserve	**1,740.0**	1,386.1
Profit carried forward	**7.7**	1.7
Net profit	**608.7**	406.0
Total equity	**4,261.2**	3,921.1
Total liabilities and equity	**7,037.7**	5,681.9
of which due to Group companies	***1,049.3***	*564.0*

NOTES

	31.12.2017 CHF m	31.12.2016 CHF m
Contingent liabilities		
Surety and guarantee obligations and assets pledged in favour of third parties	**1,930.7**	2,759.1

BASIS OF ACCOUNTING

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

PARTICIPATIONS

Refer to the consolidated financial statements, Note 26A, for a complete list of the participations.

The participations are measured based on the principle of individual evaluation. For the material or strategic participations, a multiple method based on prices to assets under management is applied. For smaller participations, the net asset value according to IFRS is used.

Income from participations is recorded based on an economic standpoint, i.e. at the same time as the corresponding income is recorded at the subsidiary.

STATUTORY CAPITAL RESERVE

The statutory capital reserve represents the additional proceeds (premium) received from the issue of shares by Julius Baer Group Ltd. The redemption of this statutory capital reserve is exempt from taxation, similar to the share capital.

TREASURY SHARES

In the statutory financial statements of Julius Baer Group Ltd., treasury shares held by Julius Baer Group Ltd. itself are deducted directly from equity. For treasury shares held by other Group companies, a reserve for treasury shares is stated in equity.

While Julius Baer Group Ltd. did not hold any treasury shares in 2017 and 2016, different Group entities held 5,875,310 treasury shares in 2017 (2016: 6,346,886).

DEBT ISSUED

Refer to the consolidated financial statements, Note 16, for a complete list of the debt issued.

Debts issued are recorded at nominal value. Any agios are recognised in other liabilities and amortised up to the maturity date or the first possible redemption date, respectively.

AUTHORISED CAPITAL

Refer to the consolidated financial statements, Note 19.

FEES PAID TO AUDITOR

	2017 CHF m	2016 CHF m
Fees paid to auditor		
Audit services	**1.4**	1.2
Other services	**0.2**	0.1
Total	**1.6**	1.3

SHARE-BASED PAYMENTS

	2017 Number Equity securities	2017 Value Equity securities CHF m	2016 Number Equity securities	2016 Value Equity securities CHF m
Equity plans				
Total granted during the year	**34,619**	**1.8**	34,750	1.4
of which members of executive bodies	***33,332***	***1.7***	*33,975*	*1.4*
of which employees	***1,287***	***0.1***	*775*	*0.0*

	2017 Number Units	2017 Value Units CHF m	2016 Number Units	2016 Value Units CHF m
Plans based on units				
Total granted during the year	**56,913**	**2.4**	45,806	1.7
of which members of executive bodies	***50,511***	***2.2***	*40,131*	*1.5*
of which employees	***6,402***	***0.3***	*5,675*	*0.2*

FULL-TIME EQUIVALENTS

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or income statement for the 2017 financial year.

SIGNIFICANT SHAREHOLDERS/ PARTICIPANTS

Based on notifications received by Julius Baer Group Ltd., each of the following shareholders/ participants held 3% or more of the voting rights in Julius Baer Group Ltd. as at 31 December 2017[1]:

Shareholder/participant[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
BlackRock, Inc.[5]	5.08%	0.07%
Harris Associates L.P.[6]	4.95%	
Wellington Management Group LLP[7]	4.94%	
Invesco Ltd.[8]	3.34%	

1 The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that the above figures are based on reports made before respectively after the following events: a) capital increase by way of rights offering completed on 17 October 2012 with the issuance of 20,316,285 newly registered shares of Julius Baer Group Ltd.; b) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

2 Equity securities, conversion and share purchase rights (Art. 15 para. 1 a SESTO-FINMA), granted (written) share sale rights (Art. 15 para. 1 b SESTO-FINMA) and financial instruments (Art. 15 para. 1 c and para. 2 SESTO-FINMA).
Share sale rights (specifically put options) and granted (written) conversion and share purchase rights as well as financial instruments that provide for or permit cash settlement as well as other differential transactions (such as contracts for difference and financial futures).
The implementing provisions on disclosure law have been integrated into the new FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA), which entered into force on 1 January 2016. Purchase positions must be disclosed pursuant to art. 14 para. 1 a FMIO-FINMA and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

3 Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on www.six-exchange-regulation.com in the section Publications > Significant Shareholders, Issuer Julius Bär Gruppe AG.

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

5 BlackRock, Inc., New York/USA, and its subsidiaries (reported on 4 May 2017)

6 Harris Associates L.P., Chicago/USA (reported on 30 November 2016)

7 Wellington Management Group LLP, Boston/USA (reported on 10 July 2017)

8 Invesco Ltd., Hamilton/Bermuda (reported on 7 March 2017)

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Shareholdings of the members of the Board of Directors[1]		Number of shares
Daniel J. Sauter – Chairman	**2017**	**187,184**
	2016	172,495
Gilbert Achermann	**2017**	**12,154**
	2016	9,705
Ann Almeida (joined the Board in 2016)[2]	**2017**	**2,143**
	2016	-
Andreas Amschwand	**2017**	**12,154**
	2016	9,705
Heinrich Baumann	**2017**	**17,881**
	2016	15,432
Paul Man Yiu Chow	**2017**	**4,439**
	2016	1,990
Ivo Furrer (joined the Board in 2017)	**2017**	**2,050**
	2016	n.a.
Claire Giraut	**2017**	**21,444**
	2016	18,995
Gareth Penny	**2017**	**7,500**
	2016	20,105
Charles G. T. Stonehill	**2017**	**22,814**
	2016	20,365
Total	**2017**	**289,763**
Total	2016	268,792

1 Including shareholdings of related parties
2 Ann Almeida will not stand for re-election at the 2018 Annual General Meeting.

None of the Board members held any option positions on Julius Baer Group Ltd. shares as at year-end 2017 and 2016.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The Chairman of the Board of Directors is required to build up and maintain 25,000 vested shares of Julius Baer Group Ltd., the other members of the Board 7,500 each, respectively.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years following election (and reached at year-end of the respective year) and maintained until the Board member leaves the Board of Directors.

Board members who were elected and/or re-elected in 2014 (i.e. all Board members except for Paul Man Yiu Chow, Ann Almeida and Ivo Furrer) were required to reach the targeted number of shares by year-end 2017. Paul Man Yiu Chow and Ivo Furrer are required to reach the targeted number of shares by year-end 2018 and 2020, respectively.

Shareholdings of the members of the Executive Board[1]		Number of shares
Bernhard Hodler, Chief Executive Officer since 27 November 2017 (Chief Risk Officer until 26 November 2017)	**2017**	**50,878**
	2016	30,000
Boris F.J. Collardi, Chief Executive Officer until 26 November 2017	**2017**	**n.a.**
	2016	260,253
Dieter A. Enkelmann, Chief Financial Officer	**2017**	**89,908**
	2016	86,000
Larissa Alghisi Rubner, Chief Communications Officer since 1 July 2017	**2017**	**-**
	2016	n.a.
Jan A. Bielinski, Chief Communications Officer until 30 June 2017	**2017**	**n.a.**
	2016	34,896
Nic Dreckmann, Chief Operating Officer since 1 January 2017	**2017**	**22,113**
	2016	n.a.
Gregory F. Gatesman, Chief Operating Officer (left the Executive Board end of 2016)	**2017**	**n.a.**
	2016	-
Christoph Hiestand, General Counsel and Chief Risk Officer a.i. since 27 November 2017	**2017**	**20,525**
	2016	14,100
Giovanni M.S. Flury, Business Representative (member of the Executive Board January–December 2016)	**2017**	n.a.
	2016	-
Total	**2017**	**183,424**
Total	2016	425,249

[1] Including shareholdings of related parties

None of the members of the Executive Board held any option positions on Julius Baer Group Ltd. shares as at year-end 2017 and 2016.

Share ownership guidelines for the members of the Board of Directors and the members of the Executive Board were introduced with effect from 2014.

The CEO is required to build up and maintain 100,000 vested shares of Julius Baer Group Ltd. (until 31 December 2020), the other members of the Executive Board the lower of 2.5 times base salary or 30,000 shares.

The targeted number of Julius Baer Group Ltd. shares has to be built up over a period of three years (and reached at year-end of the respective year) and maintained until the Executive Board member leaves his or her current position and/or the Julius Baer Group.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 11 APRIL 2018

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2017 financial year of CHF 616,325,033, consisting of net profit for the financial year in the amount of CHF 608,664,151 plus CHF 7,660,882 of profit carried forward, be distributed as follows:

– Allocation to voluntary retained earnings reserve:
  CHF 600,000,000
– Profit carried forward:
  CHF 16,325,033

– Dividend of CHF 1.40
  per share at CHF 0.02 par value
– Total dividends on the 223,809,448 shares
  entitled to dividends:
  CHF 313,333,227
  Total distribution, fully charged to statutory
  capital reserve

DIVIDENDS

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
Dividend per share	1.40	-	1.40

The dividends will be paid from 17 April 2018.

On behalf of the Board of Directors

The Chairman

Daniel J. Sauter

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

KPMG

Statutory Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Julius Baer Group Ltd., which comprise the balance sheet as at 31 December 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 202 to 208) for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of participations

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of participations

Key Audit Matter	Our response
As at 31 December 2017, the Company reports participations of CHF 4,342.5m. Participations consist of a portfolio of subsidiaries in the banking and financial services industry. Participations are valued at a maximum of the acquisition costs less necessary value adjustments, taking into account the general principle of individual valuation. Participations are subject to annual impairment testing. Although these participations are not considered to represent a higher risk of a material misstatement, their valuation is of significance due to their materiality in the context of the financial statements as a whole.	Our procedures included the assessment of the investment valuation process. We evaluated the valuation methodology applied by referencing to accounting standards and industry practice and tested the techniques used to determine the value in use of the participations. For the most significant participations where valuation methodologies were used, we recalculated the valuations and agreed the data inputs with available market information. For less significant participations where we had indications of possible impairment, we assessed their recoverability by comparing the carrying amount to their net asset value.

For further information on participations, also refer to the notes to the financial statements on page 204.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Philipp Rickert Licensed Audit Expert Auditor in Charge	Cataldo Castagna Licensed Audit Expert

Zurich, 30 January 2018

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