Julius Bär

Supplement

pursuant to Article 23 para 1 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**"), and

dated 3 May 2021

to the English language version of the Registration Document of Bank Julius Baer & Co. Ltd. dated 17 June 2020 (the "**Registration Document**") and

to the English language versions of the Base Prospectuses, comprising the Registration Document and

(1) the Securities Note for the issuance of Participation Products of Bank Julius Baer & Co. Ltd.,

(2) the Securities Note for the issuance of Yield Enhancement Products of Bank Julius Baer & Co. Ltd. each dated 17 June 2020,

(3) the Securities Note for the issuance of Fixed Income Products of Bank Julius Baer & Co. Ltd. as of 29 June 2020,

(4) the Securities Note for the issuance of Products with Full or Partial or Conditional Capital Protection of Bank Julius Baer & Co. Ltd., as of 13 July 2020,

(5) the Securities Note for the issuance of Credit Linked Products / Notes of Bank Julius Baer & Co. Ltd. dated 8 September 2020 and

(6) the Securities Note for the issuance of Leverage Products of Bank Julius Baer & Co. Ltd., as of 18 December 2020

(together the "**Base Prospectuses**")

Bank Julius Baer & Co. Ltd. (Banque Julius Baer & Cie SA, Bank Julius Bär & Co. AG, Banca Julius Baer & Co. SA), a corporation with limited liability under the laws of Switzerland ("**BJB**"), acting through its head office or a designated branch (the "**Issuer**").

Investors, who have already agreed to purchase or subscribe for the securities issued pursuant to final terms under the Base Prospectuses before the supplement is published shall, pursuant to Article 23 para 2 of the Prospectus Regulation have the right, exercisable within three working days after the publication of the supplement, to

Julius Bär

Nachtrag

gemäß Art. 23 Abs. 1 der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates vom 14. Juni 2017 (die "**Prospektverordnung**") bzw.

vom 3. Mai 2021

zu der deutschsprachigen Fassung des Registrierungsformulars der Bank Julius Bär & Co. AG vom 17. Juni 2020 (das "**Registrierungsformular**") und

zu den deutschsprachigen Fassungen der Basisprospekte, bestehend aus dem Registrierungsformular und

(1) Wertpapierbeschreibung für die Emission von Partizipations-Produkten der Bank Julius Bär & Co. AG,

(2) Wertpapierbeschreibung für die Emission von Renditeoptimierungs-Produkten der Bank Julius Bär & Co. AG, alle jeweils vom 17. Juni 2020,

(3) Wertpapierbeschreibung für die Emission von Fixed-Income-Produkten der Bank Julius Bär & Co. AG vom 29. Juni 2020,

(4) der Wertpapierbeschreibung für die Emission von Produkten mit vollständigem oder teilweisem oder bedingten Kapitalschutz der Bank Julius Bär & Co. AG vom 13. Juli 2020,

(5) Wertpapierbeschreibung für die Emission von bonitätsabhängigen Produkten bzw. Schuldverschreibungen der Bank Julius Bär & Co. AG vom 8 September 2020 und

(6) Wertpapierbeschreibung für die Emission von Hebelprodukten der Bank Julius Bär & Co. AG vom 18. Dezember 2020

(zusammen die "**Basisprospekte**")

Bank Julius Bär & Co. AG (Banque Julius Baer & Cie SA, Bank Julius Baer & Co. Ltd., Banca Julius Baer & Co. SA), eine nach Schweizer Recht organisierte Aktiengesellschaft (die "**BJB**"), handelnd durch ihren Hauptsitz oder eine dazu bestimmte Zweigniederlassung (die "**Emittentin**").

Anleger, die vor der Veröffentlichung dieses Nachtrags eine auf den Erwerb oder die Zeichnung der Wertpapiere, die unter Endgültigen Bedingungen zu den Basisprospekten ausgegeben wurden, gerichtete Willenserklärung abgegeben haben, können diese gemäß Art. 23 Abs. 2 Prospektverordnung innerhalb einer Frist von drei

withdraw their acceptances by contacting Bank Julius Baer & Co. Ltd at the following address: to Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland, provided that the significant new factor, material mistake or material inaccuracy pursuant to Article 23 para 1 arose or was noted before the closing of the offer period or the delivery of the securities, whichever occurs first.

Werktagen nach Veröffentlichung dieses Nachtrags, durch Erklärung gegenüber der Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz widerrufen, sofern der wichtige neue Umstand, die wesentliche Unrichtigkeit oder die wesentliche Ungenauigkeit gemäß Art. 23 Abs. 1 Prospektverordnung vor dem endgültigen Schluss des öffentlichen Angebots oder – falls früher – vor der Lieferung der Wertpapiere eingetreten ist oder festgestellt wurde.

The Supplement, the Registration Document and the Base Prospectuses are published on the website of the Issuer at www.derivatives.juliusbaer.com and are also available free of charge at the offices of at Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland.

Der Nachtrag, das Registrierungsformular und die Basisprospekte sind auf der Internetseite der Emittentin unter www.derivatives.juliusbaer.com abrufbar und werden bei der Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz, zur kostenlosen Ausgabe.

I. Reason for the Supplement

The publication of the Consolidated Financial Statements and the Financial Statements as of 31 December 2020 on the website of Bank Julius Baer Group Ltd. on 22 March 2021 is a significant new factor in relation to the information set out in the Registration Document.

II. Amendments to the Registration Document

1. Amendments in section "II. Bank Julius Baer & Co. LTD., Zurich"

1.1 On page 21 under the heading "2. Auditors of BJB" the paragraph shall be deleted and shall be replaced as follows:

"For the financial years ended 31 December 2019 and 31 December 2020, the independent auditors of BJB were KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland, acting in terms of the provisions of company and banking law as well as BJB's articles of association. KPMG AG have audited the consolidated financial statements of BJB for the financial years ended 31 December 2019 and 31 December 2020 and the financial statements of BJB for the financial year ended 31 December 2020. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants with registered office in Zurich."

1.2 On page 23 under the heading "4. Trend information" the first paragraph shall be deleted and shall be replaced as follows:

"There has been no material adverse change in the prospects of BJB since the date of its last published audited financial statements (31 December 2020)."

1.3 On page 31 under the heading "8. Historical Financial Information of BJB" all paragraphs shall be deleted and shall be replaced as follows:

"For the financial year ended 31 December 2019, BJB has published consolidated financial information including the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Notes to the consolidated financial statements and the Auditors' report (the "**BJB Consolidated Financial Statements 2019**"). The BJB Consolidated Financial State-

I. Nachtragsgrund

Die Veröffentlichung der Konsolidierten Finanzinformationen und des Geschäftsberichts vom 31. Dezember 2020 auf der Internetseite der Bank Julius Bär Gruppe am 22. März 2021 stellen einen wichtigen neuen Umstand für das Registrierungsformular dar.

II. Änderungen zum Registrierungsdokument

1. Änderungen im Abschnitt "II. Bank Julius Bär & Co. AG, Zürich"

1.1 Auf der Seite 21 wird unter der Überschrift "2. Abschlussprüfer der BJB" der Absatz gelöscht und wie folgt ersetzt:

"Für die am 31. Dezember 2019 und am 31. Dezember 2020 beendeten Geschäftsjahre war KPMG AG Badenerstrasse 172, 8004 Zürich, Schweiz der unabhängige Abschlussprüfer der BJB gemäss Gesellschafts- und Bankrecht sowie BJBs Statuten. KPMG AG hat die konsolidierten Finanzberichte der BJB für die am 31. Dezember 2019 und am 31. Dezember 2020 beendeten Geschäftsjahre und die Finanzberichte der BJB für das am 31. Dezember 2020 beendete Geschäftsjahr geprüft. KPMG AG ist Mitglied der Treuhandkammer mit Sitz in Zürich."

1.2 Auf der Seite 23 wird unter der Überschrift "4. Trendinformationen" der erste Absatz gelöscht und wie folgt ersetzt:

"Seit dem Datum des letzten veröffentlichten geprüften Abschlusses (31. Dezember 2020) hat es keine wesentliche Verschlechterung der Aussichten der BJB gegeben."

1.3 Auf der Seite 31 werden unter der Überschrift "8. Historische Finanzinformationen der BJB" alle Absätze gelöscht und wie folgt ersetzt:

"Für das am 31. Dezember 2019 beendete Geschäftsjahr hat BJB konsolidierte Finanzinformationen einschließlich konsolidierter Erfolgsrechnung, konsolidierter Gesamtergebnisrechnung, konsolidierter Bilanz, konsolidierter Eigenkapitalentwicklung und konsolidierter Mittelflussrechnung, einen Anhang zu den konsolidierten Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Konsolidierten Finanzinformationen 2019**") veröffentlicht. BJB Konsolidierten Finanzinformationen 2019 werden im Kapitel IV. diements 2019 are included on pages H-1 to H-107 of section IV. to this Registration Document.

ses Registrierungsformulars auf den Seiten H-1 bis H-107 einbezogen.

For the financial year ended 31 December 2020, BJB has published financial information including the Income statement, balance sheet, notes to the financial statements and the Auditors' report (the "**BJB Financial Statements 2020**"). The BJB Financial Statements 2020 are included on pages I-1 to I-76 of section V. to this Registration Document.

Für das am 31. Dezember 2020 beendete Geschäftsjahr hat BJB Finanzinformationen einschliesslich Erfolgsrechnung, Bilanz, einen Anhang zu den Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Finanzinformationen 2020**") veröffentlicht. Die BJB Finanzinformationen 2020 sind auf den Seiten I-1 bis I-76 im Abschnitt V. dieses Registrierungsformulars enthalten.

For the financial year ended 31 December 2020, BJB has published consolidated financial information including the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Notes to the consolidated financial statements and the Auditors' report (the "**BJB Consolidated Financial Statements 2020**"). The BJB Consolidated Financial Statements 2020 are included on pages J-1 to J-107 of section VI. to this Registration Document.

Für das am 31. Dezember 2020 beendete Geschäftsjahr hat BJB konsolidierte Finanzinformationen einschließlich konsolidierter Erfolgsrechnung, konsolidierter Gesamtergebnisrechnung, konsolidierter Bilanz, konsolidierter Eigenkapitalentwicklung und konsolidierter Mittelflussrechnung, einen Anhang zu den konsolidierten Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Konsolidierten Finanzinformationen 2020**") veröffentlicht. BJB Konsolidierten Finanzinformationen 2020 sind auf den Seiten J-1 bis J-107 im Abschnitt VI. dieses Registrierungsformulars enthalten.

The BJB Consolidated Financial Statements 2019 and the BJB Consolidated Financial Statements 2020 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Die BJB Konsolidierten Finanzinformationen 2019, und die die BJB Konsolidierten Finanzinformationen 2020 sind gemäß den internationalen Rechnungslegungsgrundsätzen IFRS ("**IFRS**") erstellt worden.

Auditing of Historical Financial Information

Prüfung der historischen Finanzinformationen

The responsible auditors of BJB (See *"II.2. Statutory Auditors of BJB*" above) have audited the historical financial information of BJB for the financial years ended 31 December 2019 and 31 December 2020 as mentioned above and have issued an unqualified opinion in each case."

Die verantwortlichen Abschlussprüfer (siehe oben "*II.2. Abschlussprüfer/Gesetzliche Revisionsstelle der BJB*") haben die historischen Finanzinformationen der BJB für die am 31. Dezember 2019 und 31. Dezember 2020 geendeten Geschäftsjahre geprüft und jeweils ein uneingeschränktes Prüfungsurteil erteilt."

1.4 On page 32 under the heading "9. Significant changes in the financial position of BJB and its consolidated subsidiaries" the paragraph shall be deleted and shall be replaced as follows:

1.4 Auf der Seite 32 wird unter der Überschrift "9. Wesentliche Veränderungen in der Finanzlage von BJB und ihren konsolidierten Tochtergesellschaften" der Absatz gelöscht und wie folgt ersetzt:

"There has been no significant change in the financial position of BJB and its consolidated subsidiaries since 31 December 2020."

"Die Finanzlage der BJB und ihrer konsolidierten Tochtergesellschaften hat sich seit dem 31. Dezember 2020 nicht wesentlich verändert."

1.5 On page 32 under the heading "10. Significant changes in the financial performance of BJB and its consolidated subsidiaries" the paragraph shall be deleted and shall be replaced as follows:

1.5 Auf der Seite 32 wird unter der Überschrift "10. Wesentliche Änderungen in der Finanz- und Ertragslage von BJB und ihren konsolidierten Tochtergesellschaften" der Absatz gelöscht und wie folgt ersetzt:

"There has been no significant change in the financial performance of BJB and its consolidated

"Die Finanz- und Ertragslage der BJB und ihrer konsolidierten Tochtergesellschaften hat sich seit dem subsidiaries since 31 December 2020."

2. Amendments in section "III. GENERAL INFORMATION"

2.1 On page 40 under the heading "5. Documents Available" the last three bullet points shall be deleted and shall be replaced as follows while the footnotes remain unchanged:

"

- BJB Consolidated Financial Statements 2019**;
- BJB Consolidated Financial Statements 2020**; and
- BJB Financial Statements 2020**."

2.2 On page 41 the section "6. Information Incorporated by reference" shall be deleted entirely without replacement.

3. Amendments in section "V. BJB Financial Statements as at 31 December 2019"

On page 43 the section "V. BJB Financial Statements as at 31 December 2019" shall be deleted and shall be replaced as follows:

"

V.
BJB Financial Statements as at 31 December 2020

Income Statement	I-1
Balance Sheet	I-2
Notes	I-34
Auditors Report	I-75

"

The BJB Financial Statements as at 31 December 2020 shall be included in Annex 1 to this Supplement.

4. Insertion of a new section "VI. BJB Consolidated Financial Statements as at 31 December 2020"

Following page 43 the following new section shall be included:

"

31. Dezember 2020 nicht wesentlich verändert."

2. Änderungen im Abschnitt "III. ALLGEMEINE INFORMATIONEN"

2.1 Auf der Seite 40 werden unter der Überschrift "5. Verfügbare Dokumente" die letzten drei Aufzählungspunkte gelöscht und wie folgt ersetzt, wobei die Fußnoten unverändert bleiben:

"

- BJB Konsolidierte Finanzinformationen 2019**,
- BJB Konsolidierte Finanzinformationen 2020**, und
- BJB Finanzinformationen 2020**."

2.2 Auf der Seite 41 wird der Anschnitt "6. Mittels Verweis aufgenommene Angaben" vollständig und ersatzlos gelöscht.

3. Änderungen im Abschnitt "V. BJB Finanzinformationen zum 31. Dezember 2019"

Auf der Seite 43 wird der Anschnitt "BJB Finanzinformationen zum 31. Dezember 2019" vollständig gelöscht und wie folgt ersetzt:

"

V.
BJB Finanzinformationen zum 31. Dezember 2020

Gewinn- und Verlustrechnung	I-1
Bilanz	I-2
Anhang	I-34
Bestätigung der Wirtschaftsprüfers	I-75

"

Die BJB Finanzinformationen zum 31. Dezember 2020 werden in Annex 1 zu diesem Nachtrag eingefügt.

4. Einfügung eines neuen Abschnitts Abschnitt "VI. BJB Konsolidierte Finanzinformationen zum 31. Dezember 2020"

Nach der Seite 43 wird der folgende Abschnitt neu eingefügt:

"

VI.
BJB Consolidated Financial Statements as at 31 December 2020

Consolidated Income Statement	J-1
Consolidated Statement of Comprehensive Income	J-2
Consolidated Balance Sheet	J-3
Consolidated Statement of Changes in Equity	J-5
Consolidated Statement of Cash Flows	J-7
Notes	J-38
Auditors Report	J-105

"

The BJB Consolidated Financial Statements as at 31 December 2020 shall be included in Annex 2 to this Supplement.

5. Replacement of the Appendix to the Registration Document

The Appendix to the Registration Document shall be deleted and shall be replaced with the Appendix set out in this Supplement.

VI.
BJB Konsolidierte Finanzinformationen zum 31. Dezember 2020

Konsolidierte Gewinn- und Verlustrechnung	J-1
Konsolidierte Gesamtergebnisrechnung	J-2
Konsolidierte Bilanz	J-3
Konsolidierte Eigenkapitalveränderungsrechnung	J-5
Konsolidierte Kapitalflussrechnung	J-7
Anhang	J-38
Bestätigung der Wirtschaftsprüfers	J-105

"

Die BJB Konsolidierte Finanzinformationen zum 31. Dezember 2020 werden in Annex 2 zu diesem Nachtrag eingefügt.

5. Ersetzung des Appendix zum Registrierungsformulars

Der Appendix des Registrierungsformulars wird gelöscht und wird mit dem nachfolgenden Appendix aus diesem Nachtrag ersetzt.

Appendix pursuant to Article 26 IV Regulation (EU) 2017/1129 of the European Parliament and of the Council relating to the Registration Document of Bank Julius Baer & Co. Ltd. dated 17 June 2020

Key information on the Issuer

Who is the Issuer of the Securities?

The Issuer is registered with the names Bank Julius Bär & Co. Ltd., Banque Julius Baer & Cie SA, Bank Julius Bär & Co. AG, Banca Julius Baer & Co. SA ("BJB"). Those names refer to one and the same legal entity. BJB has its registered office at Bahnhofstrasse 36, 8001 Zürich, Switzerland, and is registered with the Commercial Register of the Canton of Zurich under the number CH-020.3.902.727-1 and in the UID-Register under CHE-105.940.833 BJB is incorporated as a stock corporation with limited liability under the laws of Switzerland. The LEI is PNWU8O0BLT17BBV61Y18. The website of the Issuer is https://www.juliusbaer.com.

Principal Activities

BJB's core business is wealth management and investment advice for private clients, family offices and external asset managers from around the world. BJB may also purchase real estate, pledge it as security and sell it.

In cooperation with other companies of the Julius Baer Group, comprehensive services are offered i.a. in the areas of wealth and tax planning, foreign exchange, equity, precious metals and fund trading, custody and execution services and other, complementary business fields.

BJB is also active in the Lombard credit business for portfolio management and trading clients and provides straight residential mortgages to its private clients predominantly in Switzerland, but also in high-end market areas of other European countries. BJB within the group companies Bank Julius Bär Deutschland AG, Frankfurt a. M., Bank Julius Baer (Monaco) S.A.M., Bank Julius Baer Europe S.A., Luxembourg and others, is a fully owned subsidiary of Julius Baer Group Ltd. (Julius Baer Group Ltd. together with its subsidiaries the "**Julius Baer Group**"), BJB operates as the central underwriter for traditional and innovative derivative investment products. BJB also engages in securities lending and borrowing.

Major Shareholders

BJB is a one hundred per cent subsidiary of Julius Baer Group Ltd..

Appendix nach Artikel 26 IV der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates in Verbindung mit dem Registrierungsdokument der Bank Julius Baer & Co. Ltd. vom 17. Juni 2020

Basisinformationen über den Emittenten

Wer ist der Emittent der Wertpapiere?

BJB ist mit der Firma Bank Julius Bär & Co. AG, Banque Julius Baer & Cie. SA, Bank Julius Baer & Co. Ltd. und Banca Julius Baer & Co. SA im Handelsregister des Kantons Zürich unter der Nummer CH-020.3.902.727-1 seit 31. Dezember 1974 und im UID-Register unter der Nummer CHE-105.940.833 eingetragen. Die genannten Namen beziehen sich auf ein und dieselbe juristische Person. BJB hat keinen kommerziellen Namen. Der Legal Entity Identifier (LEI) der BJB ist: PNWU8O0BLT17BBV61Y18. Die Website der Emittentin ist: https://www.juliusbaer.com.

Haupttätigkeiten

Das wichtigste Geschäftsgebiet der BJB ist die Vermögensverwaltung und Anlageberatung für Privatkunden, Familienunternehmen und unabhängige Vermögensverwalter aus aller Welt. BJB kann Grundstücke erwerben, belasten und veräussern.

In Zusammenarbeit mit anderen Gesellschaften der Julius Bär Gruppe werden umfassende Dienstleistungen u.a. in den Bereichen Wealth & Tax Planning, Devisen- und Wertschriftenhandel, Edelmetall- und Fondshandel, Depot- und Abwicklungsleistungen sowie in weiteren ergänzenden Geschäftsfeldern angeboten.

Für ihre Portfolio-Management- und Handelskunden ist die BJB ausserdem im Lombard-Kreditgeschäft tätig. Sie bietet ihren Privatkunden, vor allem in der Schweiz, aber auch in High-end-Märkten in anderen europäischen Ländern, Hypotheken für Wohnimmobilien an. Innerhalb der Gruppengesellschaften, Bank Julius Bär Deutschland AG, Frankfurt a.M., Bank Julius Baer (Monaco) S.A.M., Bank Julius Baer Europe S.A., Luxemburg und anderen, ist BJB eine hundertprozentige Tochtergesellschaft der Julius Bär Gruppe AG (Julius Bär Gruppe AG zusammen mit allen Tochtergesellschaften die "**Julius Bär Gruppe**") und übernimmt die zentrale Funktion als Emissionshaus für traditionelle und innovative derivative Anlageprodukte. Zudem ist die Emittentin aktiv im Wertpapierleihgeschäft (Securities Lending and Borrowing).

Hauptgesellschafter

BJB ist eine hundertprozentige Tochter der Julius Bär Gruppe AG.

Key Managing Directors

The Executive Board of BJB consists of the following members: Philipp Rickenbacher (Chief Executive Officer), Dieter A. Enkelmann (Chief Financial Officer), Nic Dreckmann (Chief Operating Officer / Head Intermediaries & Global Custody (ad interim)), Dr. Oliver Bartholet (Chief Risk Officer), Beatriz Sanchez (Head America), Jimmy Lee Kong Eng (Head Asia Pacific), Yves Robert-Charrue (Head Switzerland & Europe, Middle East, Africa), Yves Henri Bonzon (Investment & Wealth Management Solutions, Chief Investment Officer) and Nicolas de Skowronski (Investment & Wealth Management Solutions).

Statutory Auditors

For the financial years ended 31 December 2019 and 31 December 2020, the independent auditors of BJB were KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland, acting in terms of the provisions of company and banking law as well as BJB's articles of association. KPMG AG have audited the consolidated financial statements of BJB for the financial years ended 31 December 2019 and 31 December 2020 and the financial statements of BJB for the financial year ended 31 December 2020. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants with registered office in Zurich.

Hauptgeschäftsführer

Die Geschäftsleitung der BJJB bestät aus den nachfolgenden Mitgliedern: Philipp Rickenbacher (Chief Executive Officer), Dieter A. Enkelmann (Chief Financial Officer), Nic Dreckmann (Chief Operating Officer / Head Intermediaries & Global Custody (ad interim)), Dr. Oliver Bartholet (Chief Risk Officer), Beatriz Sanchez (Head America), Jimmy Lee Kong Eng (Head Asia Pacific), Yves Robert-Charrue (Head Switzerland & Europe, Middle East, Africa), Yves Henri Bonzon (Investment & Wealth Management Solutions, Chief Investment Officer) and Nicolas de Skowronski (Investment & Wealth Management Solutions).

Abschlussprüfer

Für die am 31. Dezember 2019 und am 31. Dezember 2020 beendeten Geschäftsjahre war KPMG AG Badenerstrasse 172, 8004 Zürich, Schweiz der unabhängige Abschlussprüfer der BJB gemäss Gesellschafts- und Bankrecht sowie BJBs Statuten. KPMG AG hat die konsolidierten Finanzberichte der BJB für die am 31. Dezember 2019 und am 31. Dezember 2020 beendeten Geschäftsjahre und die Finanzberichte der BJB das am 31. Dezember 2020 beendeten Geschäftsjahre geprüft. KPMG AG ist Mitglied der Treuhandkammer mit Sitz in Zürich.

What is the key financial information regarding the Issuer?	Welches sind die wesentlichen Finanzinformationen über den Emittenten

Except as otherwise marked below, the following key financial information is based on the audited consolidated financial statements of Bank Julius Baer & Co. LTD. for 31 December 2019 and 31 December 2020

Income statement

	31.12.2019 *CHF 1,000*	**31.12.2020** *CHF 1,000*
Net interest income	729,757	564,894
Commission and fee income	1,701,389	1,861,412
Net credit losses/ (recoveries) on financial assets	18,215	35,958
Operating income*	2,627,442	2,803,557
Net profit attributable to the shareholder of Bank Julius Baer & Co. Ltd.	409,127	613,767
Share information	*CHF*	*CHF*
- Basic earnings per share (EPS)	71.15	106.74
- Diluted earnings per share (EPS)	71.15	106.74

* Alternative Performance Measure

Sofern nicht anders gekennzeichnet, basieren die folgenden wesentlichen Finanzinformationen auf den geprüften konsolidierten Finanzinformationen der Bank Julius Bär & Co. Ltd. für den 31. Dezember 2019 und 31. Dezember 2020

Gewinn- und Verlustrechnung

	31.12.2019 *CHF 1.000*	**31.12.2020** *CHF 1.000*
Nettozinserträge	729.757	564.894
Kommissions- und Gebühreneinnahmen	1.701.389	1.861.412
Netto-Kreditverluste/ (Wiedereingänge) auf Finanzanlagen	18.215	35.958
Operativer Gewinn*	2.627.442	2.803.557
Gewinn des Aktionärs der Bank Julius Bär & Co. AG	409.127	613.767
Aktien-Informationen	*CHF*	*CHF*
- Gewinn je Aktie (EPS)	71.15	106.74
- Verwässertes Ergebnis je Aktie (EPS)	71.15	106.74

*Alternative Leistungskennzahl

Balance sheet

	31/12/2019 *CHF 1,000*	**30.12.2020** *CHF 1,000*
Total assets	94,577,807	102,095,847
Financial liabilities measured at FVTPL	613,778	896,520
Total subordinated liabilites**	480,000	480,000
Loans and receivables with customers (at net)	0	0
Due to customers	65,239,485	69,842,674
Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd.	5,299,651	5,670,791
Non performing loans (based on net carrying amount)/ Loans and receivables	0	0
Common Equity Tier 1 capital (CET1) ratio**	17.1%	17.8%
Total Capital Ratio**	20.3%	21.0%
Basel III leverage ratio**	3.8%	4.3%
Leverage Coverage ratio (LCR ratio**)	149.8%	154.0%

****Key financial information has been extracted from the Julius Baer Group Ltd. Annual Report 2020.**

Bilanz

	31/12/2019 *CHF 1.000*	**30.12.2020** *CHF 1.000*
Vermögenswerte insgesamt	94.577.807	102.095.847
Finanzielle Verbindlichkeiten bewertet bei FVTPL	613.778	896.520
Nachrangige Verbindlichkeiten**	480.000	480.000
Darlehen und Forderungen gegenüber Kunden (netto)	0	0
Verpflichtungen gegenüber Kunden	65.239.485	69.842.674
Total Eigenkapital der Aktionäre der Bank Julius Bär & Co. Ltd	5.181.230	5.670.791
Notleidende Kredite (basierend auf Nettobuchwert) / Kredite und Forderungen	0	0
Kernkapitalquote (CET1)**	17,1%	17,8%
Gesamtkapitalquote**	20,3%	18,7%
Verschuldungsquote (LERA)**	3,8%	4,3%
Liquiditätsquote (LCR)**	149,8%	154,0%

**Diese Finanzinformationen entstammen aus den Finanzinformationen 2020 der Julius Bär Gruppe AG.

What are the key risks that are specific to the Issuer?

In the following the most material risks to BJB are set out. The assessment of materiality of each risk has been made by the Issuer based on the probability of their occurrence and the expected magnitude of their negative impact on the Issue. The realization of these risks could results in adverse effects on BJB's business, results of operations, profitability, financial condition or prospects.

Credit risk: BJB is exposed to the risk that third parties that owe BJB money, securities or other assets default on their payment or other obligations. BJB may become under-collateralised, for example, as a result of sudden declines in market values of the collateral. In such case, BJB may incur losses up to the amount by which the obligation owed to BJB exceeds the value of the collateral securing such obligation.

Treasury risk: The treasury risk of BJB consists of the financing risk and the liquidity risk. A diminution of BJB's liquidity may be caused by events over which it has little or no control. Failure by BJB to effectively manage its liquidity could constrain its ability to fulfil its obligations and fund or invest in its businesses in particular in relation to accepting deposits, providing loans and credits. A realization of the treasury risk could therefore materially affect BJB´s results of operations and financial condition.

Risk of a rating downgrade: A downgrading of BJB's credit rating could have a material adverse effect on BJB's profitability and results

Welches sind die zentralen Risiken, die für den Emittenten spezifisch sind?

Im Folgenden werden die wesentlichsten Risiken von BJB dargelegt. Die Beurteilung der Wesentlichkeit jedes Risikos wurde von der Emittentin auf der Grundlage der Wahrscheinlichkeit ihres Eintretens und des zu erwartenden Umfangs ihrer negativen Auswirkungen auf die Emittentin durchgeführt. Die Realisierung dieser Risiken könnte zu nachteiligen Auswirkungen auf den Geschäftsbetrieb, die Ertragslage, die Profitabilität, die Finanzlage oder die Aussichten der BJB haben.

Kreditrisiko: Die BJB ist dem Risiko ausgesetzt, dass Dritte, die der BJB Geld, Effekten oder andere Vermögenswerte schulden, ihre Verpflichtungen nicht erfüllen. Es kann vorkommen, dass BJB unterbesichert ist, z.B. infolge eines plötzlichen Sinkens der Marktwerte der Sicherheit. In einem solchen Fall könnte die BJB Verluste bis zur Höhe des Betrages erleiden, um den die an BJB geschuldete Leistung den Wert der Sicherheit für die Verpflichtung übersteigt.

Finanzrisiko: Das Finanzrisiko von BJB besteht aus dem Finanzierungsrisiko und dem Liquiditätsrisiko. Eine Beeinträchtigung der Liquiditätslage der BJB kann durch Ereignisse bewirkt werden, über welche BJB kaum oder gar keine Kontrolle hat. Ein Versagen der BJB ihre Liquidität effektiv zu verwalten, könnte die Fähigkeit, ihren Verpflichtungen nachzukommen beeinflussen, insbesondere in Bezug auf die Annahme von Einlagen, die Gewährung von Darlehen und Krediten. Eine Realisierung des Finanzrisikos könnte demnach die Ertragslage und die Finanzlage der BJB wesentlich beeinträchtigen.

Risiko einer Herabstufung des Ratings: Eine Herabstufung des Bonitätsratings könnte sich wesentlich nachteilig auf die of operations.

Operational risk: BJB is exposed to operational risks. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud. It includes the risk of unexpected losses from isolated events, caused for example by faulty information systems, unsuitable organisational structures or deficient control mechanisms. BJB's operational risk consists, in particular of information security risk, fraud risk and technology risk.. In an industry where business processes are becoming increasingly complex, BJB relies heavily on its financial, accounting and other data processing systems. If any of these systems were not to operate properly or were disabled including due to a systems malfunction, cyber breach or other systems failure, BJB could suffer financial loss, liability to clients, loss of client confidence, regulatory intervention and/or reputational damage. Therefore, the realisation of operational risks could have a material adverse effect on BJB's profitability and results of operations.

Market risks: Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors. BJB separates its market risk into the trading market risk and the non-trading market risk. Trading market risk results in the context of structuring such structured products by BJB as well of providing access to global equity, bonds, foreign exchange, fx and precious metal markets. BJB's results of operation depend, to a significant extent, on factors such as the returns realized by its clients on their investments as well as its ability to attract new money inflows. Weak investment performance in the financial markets, in general, will negatively affect the value of the assets BJB manages for its clients and may lead to a decline in BJB's revenues and profitability. If the market risk realizes this could therefore have a material adverse effect on BJB's results of operation.

Reputational risk: BJB's reputation may deteriorate due to cases in which stakeholders' perception of BJB differs negatively from BJB´s actual conduct performance and business practice. Negative sentiment relating BJB's business practices can involve any aspect of its operations, but usually relates to topics of business ethics and integrity, or quality of products and services. The realisation of Reputational risk could therefore have a material adverse effect on BJB's business, results of operations and its prospects.

Compliance risk: BJB is subject to compliance risks in particular by providing services to clients and counterparties, by receiving services from third parties and by operating in a regulated industry. BJB is a financial services firm and has operations in various jurisdictions, in particular in Switzerland, Europe, Asia and Latin America. It must comply with the laws and regulations that apply to its operations in all of the jurisdictions in which it does business and its operations are subject to supervision by regulatory authorities in multiple jurisdictions. Potential non-compliance with legal and regulatory requirements may result in civil, criminal or regulatory consequences for BJB which can materially affect BJB's results of operations and profitability.

Profitabilität und die Ertragslage der BJB auswirken.

Operationelles Risiko: Die BJB ist operationellen Risiken ausgesetzt. Operationelles Risiko ist das Risiko von Verlusten, die auf unangemessene oder fehlerhafte interne Prozesse, Menschen, Systeme, externe Ereignisse oder Betrug zurückzuführen sind. Es umfasst das Risiko von unerwarteten Verlusten aus isolierten Ereignissen, die zum Beispiel durch fehlerhafte Informationssysteme, ungeeignete Organisationsstrukturen oder mangelhafte Kontrollmechanismen verursacht werden. BJB's operationelles Risiko besteht insbesondere aus dem Risiko in Bezug auf Informationssicherheit, dem Betrugsrisiko und dem Technologierisiko. In einer Industrie, in der die Geschäftsprozesse zunehmend komplex werden, verlässt sich die BJB in erheblichem Masse auf finanzielle buchungs- und andere Datenverarbeitungssysteme. Falls ein solches System künftig nicht ordnungsgemäß funktionieren oder ausfallen würde, könnte die BJB dadurch finanzielle Verluste, Haftung gegenüber Kunden, Verlust von Kundenvertrauen regulatorische Eingriffe und/oder Reputationsschäden erleiden. Daher könnte die Realisierung operationeller Risiken wesentlich negative Auswirkungen auf die Profitabilität und die Ertragslage von BJB haben.

Marktrisiko: Das Marktrisiko bezieht sich auf die potenziellen Verluste durch Änderungen in der Bewertung seiner Vermögenswerte und Verbindlichkeiten aufgrund von Änderungen der Marktpreise, Volatilitäten, Korrelationen und anderer bewertungsrelevanter Faktoren. BJB unterteilt ihr Marktrisiko in das Marktrisiko aus Handelsaktivitäten und das Marktrisiko ohne Handelsaktivitäten. Die Ertrags- und Finanzlage der BJB hängen zu einem wesentlichen Teil von Faktoren ab, wie die Rendite, welche ihre Kunden auf ihren Anlagen erzielt haben und der Fähigkeit neue Kundengelder anzuziehen. Schwache Anlageergebnisse auf den Finanzmärkten im Allgemeinen werden den Wert der Vermögen negativ beeinflussen, welche die BJB für ihre Kunden verwaltet und könnten zu einer Beeinträchtigung des Ertrages und der Profitabilität der BJB führen. Wenn sich das Marktrisiko realisiert, könnte sich dies wesentlich nachteilig auf BJB´s Ertragslage auswirken.

Reputationsrisiko: BJB's Reputation kann sich dadurch verschlechtern, dass die Wahrnehmung von BJB durch die Interessengruppen negativ von der tatsächlichen Leistungsfähigkeit und der Geschäftspraxis abweicht. Eine negative Einstellung zu den Geschäftspraktiken der BJB kann jeden Aspekt ihrer Tätigkeit betreffen, bezieht sich aber in der Regel auf Themen der Geschäftsethik und Integrität oder die Qualität von Produkten und Dienstleistungen. Die Verwirklichung des Reputationsrisikos könnte daher den Geschäftsbetrieb, die Ertragslage und die Aussichten der BJB wesentlich beeinträchtigen.

Compliance Risiko: Insbesondere ist BJB Compliance Risiken ausgesetzt, die bei der Erbringung von Dienstleistungen für Kunden und Gegenparteien, durch den Erhalt von Dienstleistungen von Dritten und durch die Tätigkeit in einer regulierten Branche entstehen. Die BJB ist ein Finanzdienstleistungsunternehmen, welches in verschiedenen Jurisdiktionen, insbesondere der Schweiz, Europa, Asien und Lateinamerika, operativ tätig ist. Die BJB muss die Gesetze und regulatorischen Anforderungen in sämtlichen Jurisdiktionen einhalten, in denen sie eine operative Tätigkeit ausübt und die jeweiligen Geschäftseinheiten unterliegen der Aufsicht von Behörden in verschiedenen Jurisdiktionen. Eine mögliche Missachtung dieser aufsichtsrechtlichen Anforderungen könnte zu zivilrechtlichen, strafrechtlichen oder behördliche Konsequenzen für BJB führen was die Ertragslage und die Profitabilität der BJB wesentlich beeinträchtigen kann.

FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	**2020** CHF 1,000	2019 CHF 1,000	Change CHF 1,000	Change %
Interest and discount income		**544,205**	891,517	-347,312	-39.0
Interest and dividend income on trading portfolios		**248,954**	335,890	-86,936	-25.9
Interest and dividend income on financial investments		**144,013**	239,984	-95,971	-40.0
Interest expense		**205,327**	682,034	-476,707	-69.9
Gross result on interest operations	1	**731,845**	785,357	-53,512	-6.8
Changes in value adjustments for default risks and losses from interest operations and losses on the interest business		**-36,717**	-14,158	-22,559	159.3
Subtotal net result on interest operations		**695,128**	771,199	-76,071	-9.9
Commission income on securities trading and investment activities		**1,798,227**	1,622,476	175,751	10.8
Commission income on lending activities		**20,782**	8,431	12,351	146.5
Commission income on other services		**42,403**	70,482[1]	-28,079	-39.8
Commission expense		**505,087**	452,267	52,820	11.7
Subtotal result on commission business and services		**1,356,325**	1,249,122	107,203	8.6
Result on trading activities and the fair value option	2	**686,917**	487,734	199,183	40.8
Result from the sale of financial investments		**161**	23,845	-23,684	-99.3
Income from participations		**218**	-	218	-
Real estate income		**5,099**	6,902	-1,803	-26.1
Other ordinary income		**67,844**	173,465[1]	-105,621	-60.9
Other ordinary expenses		**9,711**	1,334	8,377	-
Subtotal other result from ordinary activities		**63,611**	202,878	-139,267	-68.6
Operating income		**2,801,981**	2,710,933	91,048	3.4
Personnel expenses	3	**1,147,333**	1,247,829	-100,496	-8.1
General expenses	4	**658,406**	631,504	26,902	4.3
Subtotal operating expenses		**1,805,739**	1,879,333	-73,594	-3.9
Depreciation and amortisation	14	**238,020**	242,236	-4,216	-1.7
Provisions and losses	5, 19	**80,517**	191,103	-110,586	-57.9
Operating result		**677,705**	398,261	279,444	70.2
Taxes	6	**122,768**	104,383	18,385	17.6
Net profit/loss		**554,937**	293,878	261,059	88.8

[1] The 2019 numbers have been aligned to the improved structure of commission reporting.

BALANCE SHEET

	Note	**31.12.2020** *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Assets					
Cash		**12,095,674**	7,573,152	4,522,522	59.7
Due from banks	9	**5,993,990**	6,835,885	-841,895	-12.3
Due from securities transactions	7	**1,264,198**	94,196	1,170,002	-
Due from customers	9	**36,895,087**	38,081,397	-1,186,310	-3.1
Mortgages	9	**6,477,916**	6,520,096	-42,180	-0.6
Trading portfolios	10	**17,841,636**	15,201,746	2,639,890	17.4
Positive replacement values of derivative financial instruments	12	**2,576,313**	1,643,235	933,078	56.8
Financial assets designated at fair value	11	**252,178**	287,533	-35,355	-12.3
Financial investments	13	**13,328,885**	12,788,092	540,793	4.2
Accrued income and prepaid expenses		**300,302**	327,292	-26,990	-8.2
Participations		**-**	1,910	-1,910	-100.0
Tangible fixed assets	14	**903,649**	839,994	63,655	7.6
Intangible assets	14	**502,025**	633,308	-131,283	-20.7
Other assets	15	**2,071,259**	2,301,625	-230,366	-10.0
Total assets	23	**100,503,112**	93,129,461	7,373,651	7.9

Total subordinated claims		**456,330**	380,145	76,185	20.0
of which with conversion obligation and/or claims waiver		***89,771***	*69,622*	*20,149*	*28.9*

	Note	**31.12.2020** CHF 1,000	31.12.2019 CHF 1,000	Change CHF 1,000	Change %
Liabilities and equity					
Due to banks		**8,184,861**	6,190,941	1,993,920	32.2
Due to securities transactions	7	**334,610**	329,475	5,135	1.6
Due to customers		**69,823,795**	65,225,563	4,598,232	7.0
Trading liabilities	10	**896,520**	613,778	282,742	46.1
Negative replacement values of derivative financial instruments	12	**2,710,008**	2,120,631	589,377	27.8
Financial liabilities designated at fair value	11	**13,150,748**	13,281,080	-130,332	-1.0
Accrued expenses and deferred income		**696,347**	710,448	-14,101	-2.0
Other liabilities	16	**226,934**	244,757	-17,823	-7.3
Provisions	19	**172,535**	310,971	-138,436	-44.5
Liabilities		**96,196,358**	89,027,644	7,168,714	8.1
Share capital	20	**575,000**	575,000	-	-
Statutory capital reserve		**1,932,546**	1,932,546	-	-
of which tax-exempt capital contribution reserve		***1,916,640***	*1,916,640*	-	-
Statutory retained earnings reserve		**577,023**	542,023	35,000	6.5
Voluntary retained earnings reserve		**667,155**	758,155	-91,000	-12.0
Profit carried forward		**93**	215	-122	-56.7
Net profit/loss		**554,937**	293,878	261,059	88.8
Equity		**4,306,754**	4,101,817	204,937	5.0
Total liabilities and equity		**100,503,112**	93,129,461	7,373,651	7.9

Total subordinated liabilities		**480,000**	480,000	-	-
of which with conversion obligation and/or claims waiver		***480,000***	*480,000*	-	-

OFF-BALANCE SHEET TRANSACTIONS

	Note	**31.12.2020** *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Contingent liabilities	26	**1,090,719**	1,509,160	-418,441	-27.7
Irrevocable commitments	27	**452,292**	500,606	-48,314	-9.7
Obligation to make additional contributions	28	**-**	50	-50	-100.0
Unused tax losses carried forward	29	**-**	3,760	-3,760	-100.0
Fiduciary transactions	30	**7,104,764**	12,552,548	-5,447,784	-43.4

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Net profit	**554,937**	293,878	261,059	88.8
Profit carried forward	**93**	215	-122	-56.7
Disposable profit	**555,030**	294,093	260,937	88.7
Appropriation of profit				
Allocation to statutory retained earnings reserve	**36,000**	35,000	1,000	2.9
Allocation to voluntary retained earnings reserve	**159,000**	-	159,000	-
Allocation from voluntary retained earnings reserve	**-**	91,000	-91,000	-
Dividend payment	**360,000**	350,000	10,000	2.9
Total appropriation of profit	**555,000**	294,000	261,000	88.8
Profit carried forward	**30**	93	-63	-67.7

STATEMENT OF CHANGES IN EQUITY

At 1 January 2019
Allocation to statutory retained earnings reserve
Allocation to voluntary retained earnings reserve
Bank Julius Baer & Co. Ltd. dividend payment
Total profit appropriation 2019
Net profit
Capital contribution[1]
Share-based payments expensed for the year
Distribution to the parent related to share-based payments for the year
At 31 December 2019

At 1 January 2020
Allocation to statutory retained earnings reserve
Allocation from voluntary retained earnings reserve
Bank Julius Baer & Co. Ltd. dividend payment
Total profit appropriation 2020
Net profit
Share-based payments expensed for the year
Distribution to the parent related to share-based payments for the year
At 31 December 2020

[1] In January 2019, the Bank acquired Zurich-based Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten from its parent company Julius Baer Group Ltd. The transaction was accounted for as a common control transaction, meaning that the book values of the transferred assets and liabilities have not been adjusted. The equity (net asset value) of the acquired company was recognised as addition in the Bank's capital reserves and reflects the capital contribution from the parent.

	Share capital *CHF 1,000*	Statutatory capital reserve *CHF 1,000*	Statutatory retained earnings reserve *CHF 1,000*	Voluntary retained earnings reserve *CHF 1,000*	Retained earnings and net profit *CHF 1,000*	Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. *CHF 1,000*
	575,000	1,917,402	502,023	706,155	492,215	4,192,795
	-	-	40,000	-	-40,000	-
	-	-	-	52,000	-52,000	-
	-	-	-	-	-400,000	-400,000
	-	-	40,000	52,000	-492,000	-400,000
	-	-	-	-	293,878	293,878
	-	15,144		-	-	15,144
	-	-	-	-	50,778	50,778
	-	-	-	-	-50,778	-50,778
	575,000	1,932,546	542,023	758,155	294,093	4,101,817
	575,000	**1,932,546**	**542,023**	**758,155**	**294,093**	**4,101,817**
	-	**-**	**35,000**	**-**	**-35,000**	**-**
	-	**-**	**-**	**-91,000**	**91,000**	**-**
	-	**-**	**-**	**-**	**-350,000**	**-350,000**
	-	**-**	**35,000**	**-91,000**	**-294,000**	**-350,000**
	-	**-**	**-**	**-**	**554,937**	**554,937**
	-	**-**	**-**	**-**	**52,495**	**52,495**
	-	**-**	**-**	**-**	**-52,495**	**-52,495**
	575,000	**1,932,546**	**577,023**	**667,155**	**555,030**	**4,306,754**

COMMENT ON RISK MANAGEMENT

In pursuing its strategy and business, Bank Julius Baer & Co. Ltd. (‘the Bank’) is exposed to risks, e.g. events which may have an impact on its financial, business, regulatory and reputational standing. Risk management as a result is an integral part of the Bank’s business model and is designed to protect its franchise and reputation.

The tight organisational as well as commercial relationship between Julius Baer Group (‘the Group’) and the Bank as the principal operating entity of the Group makes the risk management principles explained herein analogous to the risk management principles of the Group.

RISK MANAGEMENT FRAMEWORK

The Group’s Risk Management Framework (‘RMF’) links and integrates all relevant activities, governance and processes of the Bank to identify, assess, manage, monitor and report risks across the organization.

Risk management activities are structured according to the Group’s Risk Categorisation which represents the material risks the organisation is exposed to.

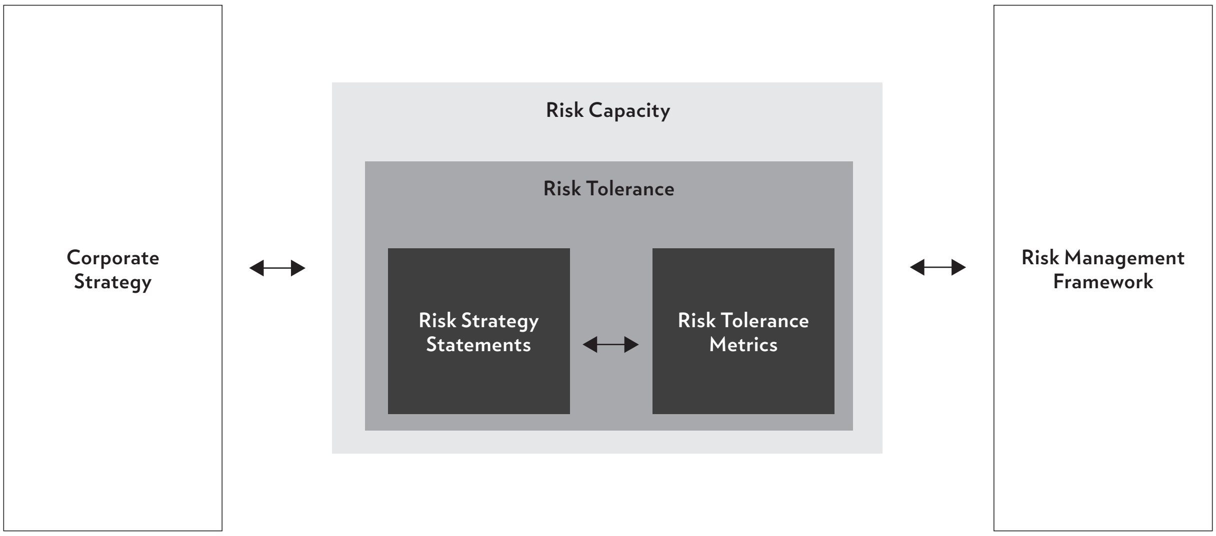
Beside credit, market and treasury risk, the Bank is exposed to non-financial risks, covering operational risk, compliance and legal risk, as well as strategic, business and reputational risk. The Risk Categorisation allows for individual assignment of responsibilities to Risk Type Owners (RTO), who maintain the risk management framework of each material risk type by means and in accordance with the RMF.

RISK TOLERANCE FRAMEWORK

Not all risks can be eliminated, fully controlled and mitigated at all times. However, the Group’s Risk Tolerance Framework (‘RTF’) supports and ensures that risk-taking is in line with the strategic objectives and within the Bank’s overall risk capacity. The Bank’s risk tolerance is defined as the aggregate level of risk, subject to appropriate mitigating actions, that the Bank is willing to accept across all relevant risk categories. It is formalised by a set of qualitative risk statements and quantitative risk metrics along the Bank’s key risk categories.

The risk capacity describes the maximum level of risk the Bank can assume given the Bank’s capabilities and resources taking account of capital, earnings and liquidity constraints (financial risk capacity), regulatory requirements and the firm’s reputational standing (regulatory and reputational risk capacity). The latter reflects all relevant laws and regulations that affect the overall business operations and conduct of the Bank.

The key components of the Bank's RTF are illustrated by the following figure:



RISK GOVERNANCE

The Bank has established a robust Risk Governance, involving several stakeholders across the organisation and various committees, functions and business units.

The Board of Directors (BoD) is responsible for establishing the strategic course of the Bank and the guiding principles for the Bank's corporate culture. It approves the Bank-wide RMF and RTF. This ensures that risks are managed effectively at Bank level and that suitable processes are in place.

Regular reporting enables the BoD to monitor whether the risk tolerance, policies, instructions and mandates are being complied with and whether they remain appropriate, given the Bank's business model, risk profile and strategy. In addition, the BoD regularly reviews reports analysing the Bank's risk exposure.

The Board of Directors has established the following committees to supervise specific risk management-related areas and to prepare topics for consideration by the complete board.

Governance & Risk Committee	• Ensuring requirements for proper compliance and the promotion of an adequate compliance/conduct culture and organisation are given the necessary attention • Assessing the Group's exposure to compliance/conduct issues as well as the Compliance Framework and related projects to address such matters, in particular as regards topics of AML, KYC, client on-boarding, monitoring and off-boarding, PEPs, economic and trade sanctions, anti-bribery and anti-corruption as well as client tax compliance • Developing and upholding principles of corporate governance for the Company and the Group • Authorising certain market, credit and financial activities taking into consideration the respective risk parameters • Ensuring the standards and methodologies for risk control which are employed to comply with principle and risk profile adopted by the BoD and other bodies
Audit Committee	• Examining and assessing compliance with laws and regulations, articles of incorporation, internal regulations and policies • Discussing the financial statements, the scope and quality of the audit work performed and the appropriateness of the internal control systems (financial and non-financial)
Nomination & Compensation Committee	• Drawing up the remuneration principles and policies aligned with the Group's overall business strategy • Annually reviewing compensation elements and sharing ownership programmes by considering possible impacts of regulatory developments and stakeholder feedback • Assisting the BoD in the effective discharge of its responsibilities in accordance with applicable laws and regulations as well as principles of sound corporate governance • Leading and preparing the long-term succession planning at the level of the BoD, CEO and the other members of the EBG/ExB
Development & Innovation Committee	• Supporting the Board of Directors in its overall oversight responsibilities relating to long-term transformational challenges, business development, innovation and to respective plans as developed by the Executive Board • Identifying and assessing existing and future trends in the areas such as structural changes in the financial industry, the business and operating model of the Group, the applied technology and innovation, as well as assessing their possible impact on the Group and new business opportunities

For further details, please refer to the Board of Directors section of the Annual Report 2020 of Julius Baer Group Ltd.

The Executive Board (EBG) is overall responsible to develop and maintain the RMF and the RTF. It defines specific instructions with regard to risk management, implements the RMF and enforces that the Bank's risk management practices are sound and in accordance with the business model, strategy plan, risk tolerances and the defined mitigating actions set therein.

The following committees enable the Executive Board to delegate decision-making in the daily course of business.

Credit Committee	• Measuring and supervising credit risk • Developing of policies governing credit risk, passing resolutions of credit business and credit limits within its authorisation, delegating credit authority and sanctioning credit risk reports
Risk Committee	• Reviewing and deciding on business conduct and risk standards, the ways in which risk is measured on an aggregate, Group-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), and the policies and procedures in place to mitigate risks and the actions to be taken if risk limits are exceeded • Ensuring appropriate measures are in place for businesses with increased reputational, compliance, legal and operational risk profiles • Reviewing and assessing the Group's information/cyber security strategy and the Group's business continuity management strategy
Group Asset and Liability Management Committee	• Pursuing the Group's aims to ensure adequate liquidity and funding of activities and to optimise net interest earnings and present value of future cash flows • Steering, monitoring and developing management of the Group's financial assets and liabilities held in banking books or balance sheet in general
Transformation Committee	• Defining and overseeing and steering the Group's transformation roadmap • Providing strategic steering of multiyear transformation programmes and significant individual projects as well as acting as escalation body for intraproject issues
Sustainability Board	• Defines, oversees and steers the overall Corporate Sustainability and Responsible Investment strategy and roadmap of JB • Providing strategic guidance and ensure overall coordination, alignment and prioritisation of the Corporate Sustainability and Responsible Investment roadmap within the Group

For further details, please refer to the Executive Board section of the Annual Report 2020 of Julius Baer Group Ltd.

Overall responsibility for the implementation of the Group's RMF lies with those members of the Executive Board of Julius Baer Group Ltd. with designated independent risk management duties – the Chief Risk Officer (CRO), and the Chief Financial Officer (CFO), in cooperation with the Group General Counsel (GGC).

The CRO division develops and oversees the global framework for risk identification, assessment, management, monitoring and reporting within the risk tolerance for the various business activities for the Bank, aiming at sustainable growth of the franchise. It accomplishes this mission by being an independent partner in constructively challenging the business activities from a risk management perspective.

The CRO division is responsible for the control of market risk (trading book and banking book), treasury risk (liquidity and financing risk of the banking book), operational risk as well as compliance and legal risk. Additionally, the CRO division oversees the interaction between risks and supports mitigation of risks together with other divisions. The CRO coordinates his activities with regard to legal risk (incl. regulatory risk) matters with the GGC.

The CFO division oversees the Bank's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up. It is also responsible for balance sheet, capital, funding and liquidity management and the management and oversight of credit risks. The CFO's duties thus include maintaining a sound ratio of eligible capital to risk-weighted positions and ensuring that sufficient liquidity is available. In doing so, the division maintains monitoring systems to ensure compliance with supervisory regulations on the above topics.

RISK CULTURE

The Bank recognises that successful risk management requires a combination of a sound risk culture, organisation and supporting processes as well as controls.

A sound risk culture is the key pillar in effectively managing risks. It promotes sound risk-taking and ensures that emerging risks or risk-taking activities beyond the Bank's risk tolerance are appropriately identified, assessed, escalated and addressed in a timely manner. To this effect, the following four levers are viewed as critical elements in ensuring a strong alignment between the expected behaviour standards and the strategic objectives of the Bank:

- *Strong leadership and tone from the top*: The Board and senior management communicate clear expectations in managerial standards with respect of risk-taking and management, as well as leadership culture, transparency, collaboration, responsibility and accountability on all levels. The Board of Directors and the EBG set the Group's Code of Business Conduct which outlines the principles of Care, Passion and Excellence to guide employee behaviour.
- *Accountability and clear roles and responsibilities*: In addition to a robust policy framework, the Bank ensures that clearly defined roles, responsibilities and accountability standards for specific risks and risk areas are in place in each of the three lines of defences.
- *Effective communication and challenge*: The Bank fosters a culture of open communication and constructive challenge in which decision-making processes encourage a range of views, allow for a continuous re-validation of current practices, stimulate a positive, critical attitude among staff members and promote an environment of open and effective employee engagement.
- *Employee life cycle and incentives*: Employees are rewarded for excellent performance including sound risk awareness and exemplary behaviour that will promote the long-term sustainable success of the organisation.

Based on Julius Baer's long-standing core values 'Care, Passion and Excellence', a set of guiding principles and professional standards for ethical business conduct have been established and formalized in the Group's Code of Ethics and Business Conduct (the Code).

The Code covers a range of topics, from values, beliefs, and culture to how behaviour affects clients, employees, and business activities. It supports the Bank's aspiration to act with the utmost professional expertise and integrity and articulates the Bank's expectation to adhere to high standards of ethical business conduct and to comply with all applicable laws and regulations.

The Code is globally applicable and the principles described in the Code are reflected in the Bank's internal policies and procedures. To ensure adherence to the Code, employees are regularly trained on its content and provide regular confirmations of their understanding and compliance through a formal self-attestation framework. Non-adherence to the Code is reflected in the employee's performance assessment and leads to disciplinary sanctions.

Consistent with the Bank's risk culture, employees are expected and encouraged to report any reasoned suspicion of misconduct. They are asked to discuss respective issues directly with their line management, Legal or Compliance, and/or Human Resources. Alternatively, other channels are available to report concerns, observations or complaints, such as contacting the Group's Ombudsman or reporting the incident anonymously through the Group's external reporting tool (integrity line). The Bank will not retaliate against any employee who reports a violation in good faith.

To support good practices and reinforce a sound risk culture, clear consequences are defined through performance management, compensation and disciplinary actions should an employee's behaviour contribute to a financial loss, reputational damage, a breach of fiduciary duty or represent a policy infringement. To ensure that incentive and compensation systems are aligned with the Bank's risk standards and target risk culture, RMs and their line managers are subject to the new RM Compensation Framework introduced in 2020. The procedures dealing with policy breaches by employees are defined in a separate policy and regulation breach process to ensure a standardised global approach to sanction non-compliant behaviour as well as policy and regulation infringements. The process aims to

- ensure quality of decision and fair treatment of all employees,
- conduct consolidated analyses and reports with the objective of identifying and preventing systemic risks,
- provide transparent information about the impact of non-compliant behaviour respectively policy and regulation breaches to employees, and
- ensure data protection and privacy.

Depending on the severity of the non-compliant behaviour, a variety of measures can be imposed, such as reprehension, reprimand, warning, promotion ban, financial sanction or termination of work contract.

GROUP RISK LANDSCAPE

In order to make risks transparent and to put them into perspective, a Risk Landscape is compiled annually and is continuously maintained. To comprehensively and holistically identify, assess existing and emerging risks and disclose them transparently to the BoD and EBG|ExB, the following multi-layered approach is applied:

- A bottom-up 'Risk and Control Self-Assessment' of operational, legal and compliance risks performed by the Bank and the business functions at Head Office and challenged by the second line of defence.
- This bottom-up assessment is complemented by the top-down 'Risk Type Owner Assessments' which are being performed annually by the RTOs for all operational, legal and compliance risk types.
- This process is supplemented by an annual stress risk assessment across all key risk categories with a view to quantify the total financial and business risk exposures under unlikely events and to put those in context of the Bank's overall risk capacity.

The Risk Landscape, which is discussed and evaluated at ExB and BoD level, is an integral part of the Bank's strategic capital planning process.

CAPITAL PLANNING AND LIQUIDITY CONTINGENCY PLAN

Regulatory capital standards require banks to calculate their capital requirements by quantifying all of the inherent risks the Bank is exposed to.

In the capital planning process of the Bank, the firm's ability is assessed, to withstand the impact of credit, market and other risk events. The current and future required capital is planned in relation to the strategic targets of the Bank, and therefore an integral part of the yearly budgeting and midterm planning process. It provides a reliable forecast of available capital on the basis of business planning and budgeting, future profits, dividend policy and targeted corporate transactions.

In assessing whether the capital base is adequate, the Bank takes into account the economic cycle and show in its capital planning that it is in a position to meet its capital adequacy requirements over a three-year horizon even in the event of an economic downturn and revenues falling sharply and a funding stress scenario.

This includes the risk of unplanned pension liabilities since the present value of future pension obligations minus plan assets currently calculated under IAS 19 is recorded in the balance sheet and as such, risk events could reduce the available eligible regulatory capital of the Bank. Possible reasons are (i) increasing liabilities, in particular due to regulatory change, such as higher minimum guaranteed amounts and decreasing interest rates; or (ii) decreasing assets, e.g. due to reduced assumed returns on investments; or (iii) a combination of both, e.g. due to changes to the pension fund scheme, acquisitions, increasing longevity or assumption of higher risks due to reduced insurance offering. In case of extraordinary situations, the capital plans are reviewed on an ad hoc basis.

The Liquidity Contingency Plan sets out procedures and action plans for the various departments to respond to severe disruptions in the Bank's ability to fund some or all of the activities in a timely manner. It enhances the Liquidity and Funding Manual that outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Bank.

In order to trigger the Liquidity Contingency Plan, the CFO (deputised by the CRO) convokes the Liquidity Crisis Committee and Liquidity Analysis Committee, whose members and responsibilities are defined in the Contingency Plan. A trigger can be based either on the development of early warning indicators, or based on an extraordinary event threatening the Bank's liquidity. Well defined escalation steps related to the number of triggered early warning indicators, which are monitored on a daily basis, are in place.

The Liquidity Contingency Plan is tested and reviewed at least once a year by the Group Asset and Liability Committee.

STRESS TESTING

The risks identified in the Risk Landscape process enter the capital planning process by means of direct stress impacts for financial risks and indirect stress impacts for idiosyncratic risks.

– Direct stress impacts, which are calibrated to the macroeconomic scenarios used as foundation of the capital plan, cover market driven financial risk events, i.e. considering trading and non-trading market risk in the trading and banking book, as well as credit risk materialising in the Lombard lending, mortgage, and investment book.
– Indirect stress impacts are used to cover non-correlated or idiosyncratic risk events as identified in the Risk Landscape.

Further stress testing may be conducted regularly or ad hoc both on a singular business or risk level (to assess the exposure in certain areas of the business or in specific risk categories) as well as for the whole Bank. It allows to estimate the potential impact on income, capital or liquidity (or other aspects if deemed relevant) resulting from significant changes in market conditions, credit environment, liquidity demands or other risk factors. All stress-testing activities are developed with input from a broad range of stakeholders, and results are integrated into management decision-making processes for capital, market risk limits, credit risk strategy and funding strategy. There are three types of stress testing:

– Standardised stress testing procedures are applied to assess the viability of the business under less favourable conditions and are used as input for the formulation and implementation of preparative and contingency activities.
– Reverse stress testing aims to identify scenarios which might be particularly harmful for the Bank. Whereas regular stress testing analyses the potential outcome of (historical or hypothetical) scenarios, reverse stress testing reveals potential causes of severe harm to the institution. Such reverse stress testing is performed at least annually in the context of the review of the Risk Landscape.
– Topical stress testing is being applied for a variety of specific topics to gain assurance that preventive, detective and responsive measures to defined scenarios are adequate.

The following financial risks are regularly stress-tested and are reported on a regular basis to the EBG and BoD:

– Credit risk: pledged portfolios (consisting of securities, precious metals, derivative exposures, OTC interest options/swaps, foreign exchange [FX] margins) are stress-tested twice a year to assess potential negative market impact on the Lombard credit book. The negative impact on the mortgage book is evaluated by reducing

the assigned property market value and stressing additionally pledged assets (e.g. pledged insurance policies, pledged portfolios, etc.).
– Market risk: on a daily basis, a set of granular and standardised scenarios are calculated and the results are measured against a set of limits. Further, once per week, historical stress tests serve as a source for insight of the risks in the trading book.
– Treasury risk: on a daily basis, liquidity stress tests serve to assess the liquidity posture of the Bank.

Stress testing of non-financial risks is performed at least annually as part of the Risk Landscape process.

– Operational risk, compliance and legal risk as well as strategic, business and reputational risk are assessed and reported within a structured process concentrating on the major risks relevant for the Bank. The compilation of such risks follows a stress scenario assumption, e.g. focusses on events which may happen, but only rarely, and whose severity, upon happening, is exceptionally high. In aiming to quantify the risks along the two dimensions 'probability of occurrence' and 'impact', a precedence of such risks is established allowing for focusing the discussion on the most relevant topics. In addition, the estimated losses are being used in reverse stress testing of the risk capacity.

RISK REPORTING

As a key component of an effective risk management framework, risk reporting is used to understand, monitor, manage and mitigate risks and escalate them to the senior management. It mainly aims at informing the respective levels of management up to the BoD and the EBG on the overall risk profile, particular risk exposures as well as the levels of the Bank's financial ratios and capital and risk indicators. It takes place in the form of regular financial risk and key ratios reports prepared by the CRO and CFO throughout the year.

The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas. They are generally catered to provide reassurance on the adherence to risk tolerance, to provide escalation on respective non-adherence and to provide early warnings for exposures to approach of risk levels, which may in turn exceed the Bank's RTF.

The Governance & Risk Committee and the Audit Committee are periodically (at least quarterly) informed by EBG about the general risk situation through the Group Quarterly Risk Report prepared by the CRO. Once a year, the Group Quarterly Risk Report is also discussed in the BoD. Additionally, Management informs the BoD immediately in case of exceptional events. The Bank allocates a sufficient level of resources to risk monitoring against approved risk limits. Processes are established for reporting changes in risks to the relevant management bodies and risk committees. This enables the BoD and the EBG to review their risk and crisis management frameworks early to implement new regulatory requirements, expand risk and crisis capabilities, and improve efficiency.

With regard to reporting of the adherence to risk tolerance thresholds, exposure reporting for risk tolerance metrics is integrated in the Quarterly Risk Report to the Governance & Risk Committee.

THE THREE LINES OF DEFENCE

The Bank has adopted the 'Three Lines of Defence' model as a guiding organisational framework for managing risk in the functions operating across the Bank. This encompasses the Internal Control System ('ICS'), which is, amongst others, the sum of controls and processes that operate across the three lines of defence to ensure that risk is being incurred in a deliberate and disciplined manner.

The Bank seeks to follow an approach of assigning clear accountability in identifying, assessing, managing, monitoring and reporting risks. In doing so, the Bank has implemented and continues to strengthen the three lines of defence model across its global business operations.

The 'Three Lines of Defence' model is defined according to the following key principles:

The 'Three Lines of Defence' model

Functions operating across the Group

First Line of Defence

- Comprises revenue-generating functions and other business units that incur risk
- Function heads are accountable for the risk that is being incurred in these functions
- Controls are operated to detect and prevent risk

Second Line of Defence

- Comprises independent control functions
- Responsible for overseeing the activities of the business and providing challenge
- Reviews the performance of first-line controls and operates independent controls

Third Line of Defence

- Comprises Internal Audit
- Responsible for performing periodic assurance to determine whether the first and second line are operating in accordance with their respective mandates
- Independent of first and second lines of defence

Internal Control System

CREDIT RISK

Credit risk is the risk of financial losses due to a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Bank.

The Bank's focus either is to lend money to its wealth management clients on a collateralised basis in form of Lombard lending or mortgages in combination with core business.

Professional counterparty exposure
The Bank 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 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 Bank 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 Bank has implemented a workflow system for managing and monitoring credit risks in the due from banks book. Several controls are incorporated in the system to ensure timely risk management and granting of credit facilities according to delegated credit approval authorities. Credit approvals are processed using a four-eye principle. Approval authorities are continuously kept up to date taking into consideration a number of factors such as risk type, counterparty risk rating and exposure. The credit risks associated with all the counterparties and issuers are subject to a wide range of rules and limits. These ensure that the Bank'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 Bank's risk capacity and the applicable regulatory limits.

The Bank 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 Bank 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 Bank 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 Bank holds cash collateral for the majority of the counterparty risk arising from its open derivatives positions. The Bank's securities lending business policies explicitly prohibit transactions involving correlation risk.

The Bank 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.

For professional counterparties a regular stress test is in place. The current exposure is stressed and set against current limits and against stressed equity of the counterparty. Additionally, a second stress test assesses the impact of a rating downgrade of the internal rating on the Bank's risk appetite.

Lombard lending
The Bank has a policy of lending to wealth management clients on a collateralised basis. The credit risk results from lending activities as well as actual and future receivables due to the Bank.

The Bank uses credit risk models and frameworks to assess the riskiness of its portfolio in line with the respective lending policies. On that basis, conservative lending values are set as a percentage of the collateral market value. Advanceable rates can be determined or adjusted for a specific security or for individual clients.

Every counterparty with a credit line is assigned an internal credit rating. The risk rating reflects the underlying credit risk and primarily depends on the collateral provided by the counterparty, collateral concentration and client-specific conditions. In the case of the rating classes R1 to R6 (neither past due nor impaired), the outstanding balances are serviced; the advancable 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. Balances in rating class R7 are past due, but the exposure is still covered by collateral. For balances in rating classes R7 to R10, loss allowances are established on a case-by-case basis.

The risk rating for the counterparty's limit size also determines the approval authority level, the monitoring and review frequency.

The Bank's 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 for example defines corridor values for credit penetration (the ratio of lending to assets under management). In addition, the Bank has implemented a set of regularly reviewed limits for the ongoing management and systematic monitoring of various credit risk concentrations in the Lombard business in line with its risk strategy. This includes limits related to single asset collaterals, client groups, geographical (on country-of-risk level) or risk rating concentrations; all of these limits have the same significance and are adhered to equally. Any breach of the limits becoming apparent would be dealt with in line with the general risk governance policy described above. Furthermore, management triggers exist for these limits, which allows the management to take the necessary actions at an early stage in order that any potential breach can be avoided. However, none of the internal risk limits has been exceeded during the business years 2020 and 2019; moreover, the current exposures are well below the set limits for all risk concentrations.

Additionally, an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically, is in place. The maximum ratio has not been exceeded during the business years 2020 and 2019.

Regular and ad hoc stress testings are performed. These are calibrated to reflect the prevailing market and political situation. The results are reviewed by the credit-monitoring units and reported to the relevant decision-making committees. All distressed and non-performing loans are identified at an early stage and managed proactively. Collateral shortfalls (e.g. margin calls) are processed on a daily basis and prioritised according to their severity.

The Bank has implemented a workflow system for managing and monitoring Lombard risks. The system draws the relevant position data from the bookkeeping systems of the Bank. 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 booking centres. Several controls are incorporated in these systems. All Lombard 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.

Mortgages

The Bank grants mortgages to wealth management clients in Switzerland and in a limited number of international locations. The properties pledged are assessed and valued individually as part of the risk management process. These valuations are carried out based either on 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 form of securities is required in addition to the pledged property itself. Every mortgage is assigned a risk rating. The rating reflects the underlying credit risk which primarily depends on the counterparty assessment and the property. The risk rating for the requested limit size also determines the approval level and review frequency. The Bank tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

The Bank conducts regular stress tests with different scenario size depending on the location and ad hoc portfolio analysis to assess potential negative market impacts on the mortgage book.

The mortgage positions are monitored in a supervision system globally. Additionally, a workflow system for monitoring and managing credit risks for the Swiss mortgage book is in place. Several controls are incorporated in these systems to ensure timely registration and collateral valuation, the granting of credit facilities according to delegated credit approval authorities, and formalised monitoring procedures.

MARKET RISK

Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors.

It could be further separated into:

- Trading market risk, resulting from trading book transactions, being pursued with the intention of benefiting 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.
- Non-trading market risk, resulting from the management of financial assets and liabilities held in the Bank's banking book with exposures mainly to interest rate risk, currency risk, credit spread risk, and equity risk.

The Bank assumes market risk exposure through activities of the subdivision Markets (trading market risk) and CFO (non-trading and trading market risk in the Treasury department) as well as through the purchase of participations and financial investments triggered by the authorised body.

Identification of trading and non-trading market risks is ensured with a strict product approval process including the assessment and validation of models, implementation in trading and risk systems to assure caption of all risk components. A regular review of positions and models in trading and banking books assures an ongoing identification of new risks or the need for changing models or processes.

The Bank uses statistical measures to assess trading and non-trading market risks and to represent these risks in the Risk Landscape. These measures are part of the toolbox used in the day-to-day market risk management and measurement process. As an example, the Bank calculates probability-loss curves using Value at Risk ('VaR') and Expected Shortfall measures. These curves determine the potential loss that may occur with a given probability over the next three years using the previous year's market data (and the assumption that after losses of four times the VaR, the risk positions would be hedged to avoid further losses). This is done separately for trading and non-trading market risk, producing two probability-loss curves.

Further, the Bank performs market risk portfolio analyses and stress testing on a regular basis as well as in relation to specific events. Efforts are made to ensure that the net effect under various stressed conditions is taken into account in the risk assessment and monitoring processes. Purpose of market risk stress testing is

- to assess the adequacy of the Bank's financial resources for periods of severe stress and develop contingency plans for the Bank if the need arises,
- to promote risk identification and add further insight into the need for setting new limits, and
- to serve as a supplement to the ongoing quality assurance for market risk management practices.

The stress testing programme provides additional perspectives on market risk by applying multiple methodologies to scenarios with various degrees of severity. The complexity of the methodologies ranges from simple sensitivity analyses to complex scenario stress testing (as required to meet the purpose of the stress test).

For trading market risk assumed in the Markets subdivision, the Market Risk and Product Control unit oversees the application of the framework set by the BoD. Authorities and responsibilities for trading activities are cascaded down from the EBG to the subdivision Head Markets to Business Line Heads and Trading Desk Heads.

For non-trading and trading market risk managed within the Treasury department, the Market Risk and Product Control unit oversees the application of the framework set by the BoD and the Asset and Liability Committee and issues additional rules and constraints as deemed required.

Market risk management activities are described in various key policies. A control environment for market risk has been implemented and integrated into key business processes. This ensures that products are approved to be in line with the strategy and risk tolerance, limits are in place and adhered to, front-to-back reconciliation processes are in place, and the valuation of positions follows a fair value approach.

The Bank uses a variety of metrics and models to continuously measure and control market risk exposures. Limits are set using these models, reflecting the Bank's risk tolerance, including:

– VaR limits
– Scenario and sensitivity limits
– Nominal | market value limits, sensitivity ('Greek') limits
– Stress scenario limits
– Stop loss limits and | or profit and loss volatility limits
– Intraday limits

Internal models are developed and maintained for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices. These models are independently certified and regularly reviewed based on a risk-materiality assessment.

Non-trading market risk models are subject to regular reviews:

– Scenario model to assess the risk of losses caused by interest rate moves on balance sheet mismatch positions and | or model risk arising from assets or liabilities with no fixed maturity
– Scenario model to assess the risk of losses on the balance sheet FX exposure due to unfavourable currency movements
– Scenario model to assess the credit spread risk due to the change in credit risk premium required in the market for a given credit quality of an investment

Regulatory back-testing is performed daily to document the performance of the internal VaR model. Risk and pricing models are independently validated prior to implementation and are subject to formal periodic review.

TREASURY RISK

Treasury risk consists of financing and liquidity risk.

Financing risk is the risk of the Bank being unable to finance its existing or planned activities on an ongoing basis at acceptable prices. Liquidity risk, conversely, is the risk of the Bank being unable to meet its payment obligations when they fall due.

The Treasury department of Bank Julius Baer & Co. Ltd. is responsible for the liquidity and funding activities. This includes executing the funding plan and managing the liquidity reserve. Liquidity management is centralised and conducted on a consolidated basis to ensure regulatory compliance at the Bank level and compliance with internal requirements.

The Market Risk and Product Control unit as part of the Risk Management department validates and challenges the models and assumptions used by the first line of defence for reporting risk measures.

Treasury risk is inherent in basic banking activities such as accepting deposits and providing loans and credits. The transformation of short-term deposits into long-term loans exposes banks to maturity mismatches that cannot be eliminated. The Bank manages this liquidity risk by holding sufficient liquidity to meet its obligations and follow its strategies – in particular regulatory obligations, business plans and rating ambitions – even in stressed situations. The key elements of the liquidity and financing risk framework are:

- Measurement of risk by using appropriate models
- Liquidity ratios and limits
- Stress testing
- Fund transfer pricing system
- Reporting

To identify risks and assure adherence to the liquidity and financing risk framework, the Bank follows:

- a new product approval process assuring that any new business or product is assessed by all stakeholders;
- a daily analysis of positions by risk management; and
- a regular review of models used in the measurement of liquidity and financing risks.

The assessment of liquidity and financing risks is primarily drawn from stress testing results. The Bank has a liquidity stress testing model in place that runs regular liquidity stress tests and enhanced liquidity stress tests taking into consideration longer time periods, currency shocks or contingent liquidity risks. While the Bank recognises that stress testing and the modelling of future cash flows are subject to model uncertainty, the liquidity stress testing approach captures both funding liquidity risk (e.g. 'bank run' scenarios where an entity may not be able to meet its short-term liabilities) and asset liquidity risk (e.g. the risk that assets valuations may be subject to large haircuts in value).

The Bank's liquidity risk management includes incentive measures to maintain a sound balance of short-term liabilities vs. the size of its balance sheet. Furthermore, delegated to the Treasury department, liquidity risk management seeks to ensure that sufficiently large liquid assets are in place (and available for drawdown in normal markets and stressed markets).

The stress testing models and parameters are annually reviewed and approved by the Group's Asset Liability Committee.

Various policies and controls are in place to manage treasury risk. The Group Funding Liquidity Manual outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Bank, and complements the Group Liquidity Risk and Funding Policy. The manual contains the Group Liquidity Contingency Plan, which would be deployed in the event of a severe deterioration of the Bank's liquidity situation. The contingency plan defines responsibilities and lists potential liquidity-generating measures to be evaluated on a case-by-case basis.

The risk management and measurement of liquidity and financing risks is based on the following risk metrics:

- Liquidity stress tests
- Liquidity Coverage Ratio (LCR). For additional information to the LCR, refer to the separate Basel III Pillar 3 Report, published in the Financial Reporting section of the www.juliusbaer.com website (this will be available at the end of April 2021)
- Net Stable Funding Ratio (NSFR)
- Funding gap analysis
- Funding concentration analysis
- Early warning indicators

NON-FINANCIAL RISK

The Bank is subject to various non-financial risks by providing services to clients and counterparties, by receiving services from third parties and by operating in a regulated industry.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud.

Compliance risk is the risk of financial loss or damage resulting from a breach of applicable laws and regulations or the non-adherence to internal or external rules and regulations or market practice. The loss or damage in such circumstances may take the form of fines and/or disgorgement imposed by regulatory and/or criminal authorities or other sanctions such as restrictions on business activities, the imposition of mandatory remedial measures (including monitoring) or even the loss of license.

Legal risk essentially comprises default and liability risk. Default risk is defined as the risk of loss or damage resulting from an entity being unable to enforce existing or anticipated rights against third parties. Liability risk, on the other hand, arises when an entity, 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.

Strategic risk is defined as the risk of employing a strategy that fails to secure the adequate returns available from the capital employed in the long run. The Bank is exposed to strategic risk in the pursuit of its growth strategy. It may arise from strategic decisions such as joint ventures, mergers and acquisitions, the pricing strategy and strategic recruiting or the lack of making timely decisions.

Sustainability risks are environmental, social or governance events or conditions which if they occur have or may have significant negative impacts on the assets, financial and earnings situation or the reputation.

Business risk is the risk arising from a bank's long-term business strategy of pure wealth management. It deals with a bank not being able to keep up with changing competition dynamics and|or an unfavourable fiscal, political or regulatory environment.

Reputational risk describes the risk that the reputation the Bank has with its stakeholders (including regulators, shareholders, clients, employees and the general public) deteriorates and the trust in its franchise and brand value is negatively influenced. The reputation may deteriorate due to cases in which stakeholders' perception of the Bank differs negatively from their expectations. Negative sentiment about an institution's business practices can involve any aspect of its operations, but usually relates to topics of business ethics and integrity, or quality of products and services. The Bank considers its reputation as the most important asset and the hardest one to re-establish in case of an unwanted deterioration. Thus, the Bank does not take extreme positions regarding tax, regulatory, political or suitability risks. Transactions that would compromise its reputation should it become public is, by definition, an unacceptable risk to the Bank.

The Bank has defined the underlying risk management processes for every risk type along a Risk Management Cycle.

The continuous identification (step 1) of relevant risks is a key risk management activity. This relates to both emerging threats/risks as well as to increasing risk profiles. New risks may arise by developing and launching new products and services, a change in the regulatory landscape or a change to the business model.

The assessment (step 2) of identified risks consists of the qualitative analysis and quantification of the inherent risk, the control risk and finally the residual risk along defined risk management principles and methods. It also includes the development, testing and validation of models to measure risks, as well as stress testing procedures to assess and measure risks in pre-defined scenarios.

The day-to-day risk management (step 3) has to ensure an adequate response to identified risks and the set risk tolerance. It includes all activities from risk evaluation to the definition and implementation of risk mitigation measures, which aim to prevent or reduce risks and damages, e.g. the setting of standards and controls, education and training, automation of processes, and the implementation of standards, limits and metrics.

Monitoring activities (step 4) include the performance of control activities or quality assurance procedures on implemented standards and controls to ensure that the risk profile and exposure is kept within the risk tolerance, e.g. via risk metrics (KRIs or KPIs) and limits.

The reporting (step 5) supports all hierarchy levels to have a transparent and accurate overview of the underlying risk profile and risk exposure. This includes also the timely escalation in case of breaches of set risk tolerances. The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas.

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

For information about capital management including regulatory capital, refer to the respective section in the Annual Report 2020 of Julius Baer Group Ltd.

KEY FIGURES[1]

	2020	2019
Available capital (CHF m)		
Common Equity Tier 1 capital (CET1)	**3,444.7**	3,116.6
Tier 1 capital	**3,924.7**	3,596.5
Total capital	**4,057.8**	3,695.5
Risk weighted assets (RWA) (CHF m)		
RWA	**19,320.4**	18,187.6
Minimum capital requirements	**1,545.6**	1,455.0
Risk-based capital ratios as a percentage of RWA		
Common equity tier 1 capital ratio (%)	**17.8**	17.1
Tier 1 capital ratio (%)	**20.3**	19.8
Total capital ratio (%)	**21.0**	20.3
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirement as per the Basel minimal standards (2.5% from 2019) (%)	**2.5**	2.5
Countercyclical buffer requirement (art. 44a CAO) as per the Basel minimal standards (%)	**0.1**	0.3
Total of Bank CET1 specific buffer requirements as per the Basel minimal standards (%)	**2.6**	2.8
CET1 available after meeting the Bank's minimum capital requirements as per the Basel minimal standards (%)	**13.0**	12.3
Target capital ratios according to appendix 8 CAO (% of RWA)		
Capital buffer according to appendix 8 CAO (%)	**4.0**	4.0
Countercyclical capital buffer (art. 44 and 44a CAO) (%)	**0.1**	0.5
CET1 target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**7.9**	8.3
Tier 1 target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**9.7**	10.1
Total capital target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**12.1**	12.5
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure (CHF m)	**92,145.2**	94,407.0
Basel III leverage ratio (%)	**4.3**	3.8
Liquidity coverage ratio		
Total HQLA (CHF m)	**20,918.5**	12,684.1
Total net cash outflow (CHF m)	**13,582.0**	8,467.7
LCR ratio (%)	**154.0**	149.8

[1] Row structur according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table KM1.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Amounts in the Bank's financial statements are stated in Swiss Francs. The accounting policies and valuation principles are based on the regulations of the Swiss Code of Obligations, on Swiss Banking Law and the Ordinance thereto, on the FINMA Accounting Ordinance (Rechnungslegungsverordnung-FINMA; RelV-FINMA) and the Guidelines of the Financial Market Supervisory Authority (FINMA) Circular 2020/1 'Accounting Banks'.

Bank Julius Baer & Co. Ltd., which has its headquarters in Zurich, Switzerland, applies the principles related to the statutory single-entity closing with reliable assessment.

USE OF ESTIMATES IN PREPARING THE STATUTORY FINANCIAL STATEMENTS

In preparing the 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 financial statements and are discussed in the corresponding notes: determining fair values of financial instruments, uncertainties in measuring provisions and loss allowances (measurement of expected credit losses), pension assets and pension liabilities (measurement of defined benefit obligation), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount), 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) and contingent considerations.

ACCOUNTING POLICIES

The Bank applies 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 current 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.

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

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2020	31.12.2019	**2020**	2019
USD/CHF	**0.8839**	0.9682	**0.9340**	0.9930
EUR/CHF	**1.0816**	1.0870	**1.0705**	1.1110
GBP/CHF	**1.2083**	1.2827	**1.2060**	1.2720

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

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

Due from banks, due from customers and mortgages
Amounts due from banks are recognised at nominal value. Amounts due from customers and mortgages are initially recorded at cost, which in general is equal to the principal amount for originated receivables.

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

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

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

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

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

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

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

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

Generally, ECL calculations are based on four components:

- Probability of default (PD),
- Exposure at default (EAD),
- Loss given default (LGD) and
- Discount rate (IR).

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

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

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

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 Bank's normal credit risk process.

Securities borrowed as well as securities received by the Bank as collateral under securities lending transactions are only recorded in the balance sheet if the Bank 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 Bank as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Bank 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 Bank'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
Repurchase transactions and reverse repurchase transactions are considered secured financing transactions and are recorded at the value of the cash collateral provided or received. The transactions are generally conducted under standard agreements employed by the market participants; the counterparties are subject to the Bank'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 Bank'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 result on trading activities and the fair value option.

Interest and dividend income and interest expense from trading positions are included in gross result on interest operations.

Precious metals held for trading purposes are measured at fair value less costs to sell with all changes in the fair value recognised in result on trading activities and the fair value option.

Financial assets/liabilities designated at fair value
Financial assets and liabilities may initially be designated at fair value through profit or loss (fair value option) if the following conditions are cumulatively met:

- they are measured at fair value and risk-managed similar to trading positions;
- there is an economic hedge relationship between the respective assets and liabilities which widely reduces or eliminates an accounting mismatch; and
- the possible effect of changes in the own credit rating on the fair value is not recognised in the income statement.

The Bank measures its issued structured products containing a debt instrument and an embedded derivative at fair value, with changes in fair value recognised in result on trading activities and the fair value option.

In addition, the Bank reports assets and liabilities related to certain structured investments where the client bears all the related risks and rewards from the investments, as designated at fair value.

Derivative financial instruments and hedging
The Bank applies the respective IFRS 9 guidelines for the treatment of derivative financial instruments including 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. 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 result on trading activities and the fair value option.

The Bank continues to apply IAS 39 for hedge accounting, as permitted by IFRS 9. The Bank uses derivative financial instruments for hedging the fair values (fair value hedges) or the net investments in foreign operations (net investment 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;
- 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%; and
- high probability of the underlying forecast transaction.

Fair value hedges: 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.

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

Financial investments
Security positions, including money market instruments, which are not held for trading purposes, are reported as financial investments.

Money market instruments: Money market instruments are measured at amortised cost. Interest on these instruments is accrued using the effective interest method, including the amortisation of premiums and discounts and is recognised in gross result on interest operations.

Debt and equity instruments: Debt and equity instruments are measured at the lower of cost or fair value. Changes in value are recognised under the item other ordinary income or other ordinary expenses. Write-ups are recorded up to the initial cost of the investments provided that the below-cost fair value subsequently rises again. Realised gains and losses are included under the item results from the sale of financial investments. Interest on debt securities is accrued and, together with dividend income on equity securities, recognised in gross result on interest operations.

Participations
Participations are investments in the equity of enterprises which are intended as a long-term investment irrespective of the percentage of voting shares held. They are recognised at initial cost less economically necessary depreciation.

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

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

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

Software that is purchased is capitalised and depreciated over its estimated useful life. Minor purchases are debited directly to general expenses. Similarly to purchased software, internally generated software is also capitalised if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and that the costs of the asset can be identified and measured reliably. The capitalised software is depreciated over its useful life which does not exceed ten years.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that the Bank 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.

Intangible assets
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 amortised using the straight-line method over a period of five years, in justified cases also over a maximum period of ten years.

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.

On each balance sheet date, goodwill and customer relationships are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the goodwill or client relationships is fully recoverable, and an impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Due to banks and due to customers
Amounts due to banks and customers are recognised at nominal value. Interest is debited to interest expenses on an accrual basis.

Taxes
The current taxes on the result for the period (income taxes) as well as the capital taxes are determined in accordance with the local tax regulations for calculating profit and the relevant capital and are recognised as expense in the accounting period in which the related profit arises. Direct taxes owed on current profit are recognised as accrued expenses.

Provisions
A provision is recognised if, as a result of a past event, the Bank 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 provisions and losses.

Post-employment benefits
The Bank applies IAS 19 Employee benefits for the recognition and measurement of its post-employment benefits (pension plans). However, amounts which are recognised in other comprehensive income directly in equity for IFRS purposes are recognised in the income statement for the purpose of these financial statements.

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 Bank 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. The Bank 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 also recognised in the income statement and 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 Bank.

Share-based payments
The Bank 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.

The Bank uses shares of its parent company Julius Baer Group Ltd (i.e. virtual equity instruments) for the settlement of the share plans; therefore, the expense recognised for the share plans are adjusted to the acquisition date fair value of the vested shares. Share capital

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

Statutory capital reserve
The statutory capital reserve represents the additional proceeds (premium) received from the issue of shares by Bank Julius Baer & Co. Ltd. and from the exercise of conversion rights and warrants on Bank Julius Baer & Co. Ltd.

Statutory retained earnings reserve
The statutory retained earnings reserve represents retained earnings which have been accumulated according to the legally mandatory requirements.

Voluntary retained earnings reserve
The voluntary retained earnings reserve represents retained earnings which have been accumulated in addition to the legally mandatory requirements.

Profit carried forward
The profit carried forward represents profits from previous years not allocated to the statutory and voluntary retained earnings reserves and not distributed to the shareholders.

Irrevocable commitments and contingent liabilities
The irrevocable commitments relate to unutilised irrevocable commitments to extend credit.

The contingent liabilities comprise, among other instruments, credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit, bid and performance bonds, and irrevocable liabilities under documentary letters of credit.

These items are recorded at nominal value. Provisions are established for foreseeable risks.

Fiduciary transactions
Fiduciary transactions consist of investments, credits and participations that the Bank enters into or grants in its own name but for the account of and at the risk of the client as per written instruction.

CHANGES IN ACCOUNTING POLICIES AND VALUATION PRINCIPLES

As of 1 January 2020, the Bank applied the new FINMA Accounting Ordinance (Rechnungslegungs-verordnung-FINMA; RelV-FINMA) and the Guidelines of the Financial Market Supervisory Authority (FINMA) Circular 2020/1 'Accounting Banks', which replaced the previously applied FINMA Circular 2015/1 'Accounting Banks'. As permitted in this new framework, the Bank applies the rules of IFRS 9 Financial instruments for the accounting of expected credit losses (ECL), including the related disclosure requirements. The application of the new accounting policy had no impact on the financial statements. The 2019 numbers are presented in the new format; however, the numbers did not have to be adjusted.

Apart from the ECL policy, the new framework did not result in any amendments to the existing accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GROSS RESULT ON INTEREST OPERATIONS

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Interest income on cash	**-38,308**	-15,926	-22,382	-140.5
of which negative interest	***-38,308***	*-15,926*	*-22,382*	*-140.5*
Interest income on amounts due from banks	**8,546**	47,741	-39,195	-82.1
of which negative interest	***-1,124***	*-435*	*-689*	*-158.4*
Interest income on loans	**573,967**	859,702	-285,735	-33.2
of which negative interest	***-883***	*-680*	*-203*	*-29.9*
Interest income on financial investments	**142,202**	222,504	-80,302	-36.1
Total interest income using the effective interest method	**686,407**	1,114,021	-427,614	-38.4
Dividend income on financial investments	**1,811**	17,480	-15,669	-89.6
Interest income on trading portfolios	**19,276**	142,294	-123,018	-86.5
Dividend income on trading portfolios	**229,678**	193,596	36,082	18.6
Total interest and dividend income	**937,172**	1,467,391	-530,219	-36.1
Interest expense	**205,327**	682,034	-476,707	-69.9
of which negative interest	***-26,862***	*-21,761*	*-5,101*	*-23.4*
Total interest expense using the effective interest method	**205,327**	682,034	-476,707	-69.9
Total	**731,845**	785,357	-53,512	-6.8

Negative interest related to assets is recognised in interest income as a reduction of the interest income. Negative interest related to liabilities is recognised in interest expense as a reduction of the interest expense.

NOTE 2 RESULT ON TRADING ACTIVITIES AND THE FAIR VALUE OPTION

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Debt instruments	**-83,169**	-4,182	-78,987	-
Equity instruments	**132,746**	-65,476	198,222	-
Foreign exchange	**637,340**	557,392	79,948	14.3
Total	**686,917**	487,734	199,183	40.8

In each case, the item includes results from trading in the corresponding derivative instruments.

NOTE 3 PERSONNEL EXPENSES

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Salaries and bonuses	**958,664**	947,031	11,633	1.2
Contributions to retirement plans (defined benefits)	**82,633**	77,567	5,066	6.5
Contributions to staff pension plans (defined contributions)	**20,809**	21,521	-712	-3.3
Change in net defined pension plans liability	**-54,606**	57,000	-111,606	-
Other social security contributions	**69,197**	65,109	4,088	6.3
Share-based payments	**52,495**	50,778	1,717	3.4
Other personnel expenses	**18,141**	28,823	-10,682	-37.1
Total	**1,147,333**	1,247,829	-100,496	-8.1

NOTE 4 GENERAL EXPENSES

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Occupancy expense	**62,876**	58,975	3,901	6.6
IT and other equipment expense	**77,808**	71,963	5,845	8.1
Information, communication and advertising expense	**130,324**	156,125	-25,801	-16.5
Service expense, fees and taxes	**386,741**	343,385	43,356	12.6
of which fees of audit firm				
- Audit fees	***3,571***	*4,410*	-839	-19.0
- Other fees	***1,353***	*927*	426	46.0
Other general expenses	**657**	1,056	-399	-37.8
Total	**658,406**	631,504	26,902	4.3

NOTE 5 PROVISIONS AND LOSSES

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Operating losses	**6,950**	8,962	-2,012	-22.5
Provision legal risks	**73,567**	182,141	-108,574	-59.6
Total	**80,517**	191,103	-110,586	-57.9

NOTE 6 TAXES

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Income taxes	**118,968**	100,383	18,585	18.5
Capital taxes	**3,800**	4,000	-200	-5.0
Total	**122,768**	104,383	18,385	17.6

On a total of CHF 677.7 million (2019: CHF 398.3 million) of net profit before taxes, Bank Julius Baer & Co. Ltd. recognised CHF 122.8 million (2019: CHF 104.4 million) of taxes which leads to an effective tax rate of 18.1% (2019: 26.2%).

NOTE 7 SECURITIES LENDING AND BORROWING TRANSACTIONS / REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Receivables				
Receivables from cash collateral provided in securities borrowing transactions	**6,210**	**94,196**	-87,986	-93.4
Receivables from cash collateral provided in reverse repurchase transactions	**1,257,988**	-	1,257,988	-
Total	**1,264,198**	94,196	1,170,002	1,242.1
Obligations				
Obligations to return cash collateral received in securities lending transactions	**252,112**	309,262	-57,150	-18.5
Obligations to return cash collateral received in repurchase transactions	**82,498**	20,213	62,285	308.1
Total	**334,610**	329,475	5,135	1.6
Securities collateral				
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1,092,179**	1,359,746	-267,567	-19.7
of which securities the right to pledge or sell has been granted without restriction	***1,092,179***	*1,359,746*	*-267,567*	*-19.7*
of which recognised in trading assets	***952,753***	*1,219,930*	*-267,177*	*-21.9*
of which recognised in financial investments	***139,426***	*139,816*	*-390*	*-0.3*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**4,267,602**	1,815,759	2,451,843	135.0
of which repledged	***3,241,645***	*1,318,784*	*1,922,861*	*145.8*
of which resold	***460,283***	*320,469*	*139,814*	*43.6*

NOTE 8 FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments. Refer to the comment on risk management/credit risk section and the summary of significant accounting policies for the relevant background information related to the recognition of expected credit losses.

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

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

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

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

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. These ratings are applied to positions with high credit risk; they are carried in the Bank's internal list of exposures which are in a loss position. Such positions show objective evidence of impairment and are referred to as defaulted. Generally, Lombard loans and mortgages are moved to these rating classes if the respective position is not fully covered anymore, i.e. the market value of the collateral is lower than the credit exposure.

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

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

Wherever the Bank uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside scenario. Expected probabilities are allocated to the respective scenario, which are based on the Bank Economic Research's view regarding their probability of occurrence. The weightings used for the current year's ECL calculation are 70% for the baseline scenario, 15% for the downside scenario and 15% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Bank's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stage 1 and 2.

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

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

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

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

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

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

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

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

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

taking into consideration their respective probabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit quality analysis

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

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2020 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		5,567.0	-	-	**5,567.0**
R5–R6: Increased risk		427.1	-	-	**427.1**
R7–R10: Impaired		-	-	-	**-**
Total		5,994.1	-	-	**5,994.1**
Loss allowance		-0.1	-	-	**-0.1**
Carrying amount		**5,994.0**	**-**	**-**	**5,994.0**
Due from customers, at amortised cost					
R1–R4: Low to medium risk		34,908.4	25.4	-	**34,933.8**
R5–R6: Increased risk		1,741.3	207.1	-	**1,948.4**
R7–R10: Impaired		-	-	93.1	**93.1**
Total		36,649.7	232.5	93.1	**36,975.3**
Loss allowance		-2.5	-0.3	-77.4	**-80.2**
Carrying amount		**36,647.2**	**232.2**	**15.7**	**36,895.1**
Mortgages, at amortised cost					
R1–R4: Low to medium risk		6,110.2	306.6	-	**6,416.8**
R5–R6: Increased risk		16.2	20.2	-	**36.4**
R7–R10: Impaired		-	-	28.5	**28.5**
Total		6,126.4	326.8	28.5	**6,481.7**
Loss allowance		-1.0	-0.1	-2.7	**-3.8**
Carrying amount		**6,125.4**	**326.7**	**25.8**	**6,477.9**
Financial investments (debt instruments)					
R1–R4: Low to medium risk	Aaa – Baa3	13,249.2	-	-	**13,249.2**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**13,249.2**	**-**	**-**	**13,249.2**
Loss allowance		-1.8	-	-	**-1.8**

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	31.12.2019 Total *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,571.1	-	-	6,571.1
R5–R6: Increased risk		265.0	-	-	265.0
R7–R10: Impaired		-	-	-	-
Total		6,836.1	-	-	6,836.1
Loss allowance		-0.2	-	-	-0.2
Carrying amount		6,835.9	-	-	6,835.9
Due from customers, at amortised cost					
R1–R4: Low to medium risk		36,256.1	48.4	-	36,304.5
R5–R6: Increased risk		1,386.3	295.7	-	1,682.0
R7–R10: Impaired		-	-	140.1	140.1
Total		37,642.4	344.1	140.1	38,126.6
Loss allowance		-4.5	-0.3	-40.4	-45.2
Carrying amount		37,637.9	343.8	99.7	38,081.4
Mortgages, at amortised cost					
R1–R4: Low to medium risk		6,055.4	432.8	-	6,488.2
R5–R6: Increased risk		-	23.2	-	23.2
R7–R10: Impaired		-	-	12.4	12.4
Total		6,055.4	456.0	12.4	6,523.8
Loss allowance		-0.6	-0.5	-2.7	-3.8
Carrying amount		6,054.8	455.5	9.7	6,520.0
Financial investments (debt instruments)					
R1–R4: Low to medium risk	Aaa – Baa3	12,725.5	-	-	12,725.5
R5–R6: Increased risk	Ba1 – B3	-	17.0	-	17.0
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		12,725.5	17.0	-	12,742.5
Loss allowance		-1.2	-0.1	-	-1.3

The Bank's credit portfolio is prudently managed using a sophisticated credit risk framework. This approach ensured quality also under the COVID-19-related market stress and did not result in material additional credit losses.

For year-end reporting purposes, management has assessed the unprecedented situation and has exercised the appropriate judgement, including considering the guidance issued by the IASB and supervisory authorities.

Considering both quantitative and qualitative indicators, the Bank did not experience significant increases in credit risk; hence, no material movements in the stage allocation had to be recognised in the credit portfolio.

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the changed economic environment and the related uncertainty. As a consequence, the growth assumption (based on the gross domestic products) used in the baseline scenario has been increased again for year-end reporting; this after the Bank has lowered it for the half-year reporting 2020 from a positive forecast in the year-end calculation 2019 to an assumed negative forecast for the following periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, and in line with external guidance, the models used for the ECL calculation have not been modified due to the pandemic.

Despite the COVID-19 pandemic, the ECL calculations did not reveal material additional losses to be recognised for year-end reporting 2020.

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

Expected credit losses

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

	12-month ECL (Stage 1) *CHF 1,000*	Lifetime ECL not credit-impaired (Stage 2) *CHF 1,000*	Lifetime ECL credit-impaired (Stage 3) *CHF 1,000*	**Total** *CHF 1,000*
Due from banks, at amortised cost				
Balance at 1 January 2020	0.2	-	-	**0.2**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New/increase financial assets	0.0	-	-	**0.0**
Financial assets that have been derecognised	-0.1	-	-	**-0.1**
Changes in models/risk parameters	0.0	-	-	**0.0**
Balance at 31 December 2020	**0.1**	**-**	**-**	**0.1**
Due from customers, at amortised cost				
Balance at 1 January 2020	4.5	0.4	40.3	**45.2**
Transfer to/(from) 12-month ECL	0.0	-0.0	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	**-**
Net remeasurement of loss allowance	-21.4	0.0	47.2	**25.8**
New/increase financial assets	22.1	0.2	6.0[1]	**28.3**
Financial assets that have been derecognised	-2.5	-0.3	-8.3	**-11.1**
Write-offs	-	-	-0.9	**-0.9**
Changes in models/risk parameters	-0.2	-0.0	-0.0	**-0.2**
Foreign exchange and other movements	-	-	-6.9	**-6.9**
Balance at 31 December 2020	**2.5**	**0.3**	**77.4**	**80.2**
Mortgages, at amortised cost				
Balance at 1 January 2020	0.6	0.5	2.7	**3.8**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	**-**
Net remeasurement of loss allowance	-0.1	0.0	2.2	**2.1**
New/increase financial assets	0.9	0.1	-	**1.0**
Financial assets that have been derecognised	-0.3	-0.5	-2.2	**-3.0**
Write-offs	-	-	-	**-**
Changes in models/risk parameters	-0.1	0.0	-	**-0.1**
Balance at 31 December 2020	**1.0**	**0.1**	**2.7**	**3.8**

[1] Including outstanding accumulated interest.

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Financial investments available-for-sale				
Balance at 1 January 2020	1.2	0.1	-	**1.3**
Net remeasurement of loss allowance	-0.2	-	-	**-0.2**
New financial assets purchased	1.3	-	-	**1.3**
Financial assets that have been derecognised	-0.5	-0.1	-	**-0.6**
Changes in models/risk parameters	-0.0	-	-	**-0.0**
Foreign exchange and other movements	-0.0	-	-	**-0.0**
Balance at 31 December 2020	**1.8**	**-**	**-**	**1.8**

	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost				
Balance at 1 January 2019	0.4	-	-	0.4
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.1	-	-	0.1
Financial assets that have been derecognised	-0.3	-	-	-0.3
Changes in models/risk parameters	0.0	-	-	0.0
Balance at 31 December 2019	0.2	-	-	0.2
Due from customers, at amortised cost				
Balance at 1 January 2019	5.1	0.1	17.4	22.6
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.1	0.1	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	-
Net remeasurement of loss allowance	-0.2	0.3	17.6	17.7
New/increase financial assets	1.4	0.0	6.3[1]	7.7
Financial assets that have been derecognised	-1.8	-0.1	-0.1	-2.0
Write-offs	-	-	-0.2	-0.2
Changes in models/risk parameters	0.1	0.0	0.0	0.1
Foreign exchange and other movements	-	-	-0.7	-0.7
Balance at 31 December 2019	4.5	0.4	40.3	45.2
Mortgages, at amortised cost				
Balance at 1 January 2019	1.1	1.5	4.6	7.2
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Net remeasurement of loss allowance	-0.1	-0.5	0.3	-0.3
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.5	-0.6	-1.6	-2.7
Write-offs	-	-	-0.6	-0.6
Changes in models/risk parameters	0.1	0.1	-	0.2
Balance at 31 December 2019	0.6	0.5	2.7	3.8
Financial investments available-for-sale				
Balance at 1 January 2019	2.0	0.1	-	2.1
Net remeasurement of loss allowance	-0.3	-0.0	-	-0.3
New financial assets purchased	0.5	-	-	0.5
Financial assets that have been derecognised	-1.0	-	-	-1.0
Changes in models/risk parameters	-0.0	-0.0	-	-0.0
Foreign exchange and other movements	-0.0	-0.0	-	-0.0
Balance at 31 December 2019	1.2	0.1	-	1.3

[1] Including outstanding accumulated interest.

NOTE 9 LISTING OF COLLATERAL

	Type of collateral			
	Mortgage collateral *CHF 1,000*	Other collateral *CHF 1,000*	Without collateral *CHF 1,000*	**Total** *CHF 1,000*
Balance sheet items[1]				
Due from banks	-	3,496,011	2,498,069	**5,994,080**
Due from customers	-	36,063,089	912,206	**36,975,295**
Mortgages	6,477,388	1,620	2,670	**6,481,678**
of which residential real estate	*5,978,010*	-	-	***5,978,010***
of which office and business premises	*109,818*	-	-	***109,818***
of which trade and industrial property	*389,560*	-	-	***389,560***
of which other	-	*1,620*	*2,670*	***4,290***
Total gross balance sheet items 31.12.2020	6,477,388	39,560,720	3,412,945	**49,451,053**
Total gross balance sheet items 31.12.2019	6,521,625	42,730,746	2,234,106	51,486,477

[1] The amounts presented in this table are gross of loss allowances and therefore not comparable to the net amounts in the balance sheet.

Off-balance sheet items				
Contingent liabilities	-	1,075,420	15,299	**1,090,719**
Irrevocable commitments	-	270,492	181,800	**452,292**
Total off-balance sheet items 31.12.2020	-	1,345,912	197,099	**1,543,011**
Total off-balance sheet items 31.12.2019	-	1,821,384	188,432	2,009,816

	Gross claims *CHF 1,000*	Estimated proceeds from liquidation of collateral *CHF 1,000*	Net claims *CHF 1,000*	Loss allowances *CHF 1,000*
Impaired receivables 31.12.2020	**119,598**	**39,466**	**80,132**	**80,084**
Impaired receivables 31.12.2019	150,475	107,477	42,998	42,954

NOTE 10 TRADING PORTFOLIOS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Trading assets				
Debt instruments	**3,397,877**	2,417,732	980,145	40.5
of which quoted	***2,664,756***	*2,143,393*	*521,363*	*24.3*
of which unquoted	***733,121***	*274,339*	*458,782*	*167.2*
Equity instruments	**10,155,654**	11,401,849	-1,246,195	-10.9
of which quoted	***8,223,052***	*8,033,710*	*189,342*	*2.4*
of which unquoted	***1,932,602***	*3,368,139*	*-1,435,537*	*-42.6*
Precious metals	**4,288,105**	1,382,165	2,905,940	210.2
Total	**17,841,636**	15,201,746	2,639,890	17.4
of which measurement is based on a valuation model	***6,473,273***	*4,851,166*	*1,622,107*	*33.4*
of which repo-eligible securities	***10,837***	*49,449*	*-38,612*	*-78.1*

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Trading liabilities				
Short positions - debt	**239,512**	143,935	95,577	66.4
of which quoted	***222,110***	*138,852*	*83,258*	*60.0*
of which unquoted	***17,402***	*5,083*	*12,319*	*242.4*
Short positions - equity	**657,008**	469,843	187,165	39.8
of which quoted	***626,284***	*453,886*	*172,398*	*38.0*
of which unquoted	***30,724***	*15,957*	*14,767*	*92.5*
Total	**896,520**	613,778	282,742	46.1
of which measurement is based on a valuation model	***53,238***	*15,957*	*37,281*	*233.6*

NOTE 11 FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Financial assets designated at fair value				
Financial investments	**252,178**	287,533	-35,355	-12.3
of which private equity	***178,903***	*198,060*	*-19,157*	*-9.7*
of which funds	***73,275***	*89,473*	*-16,198*	*-18.1*
Total	**252,178**	287,533	-35,355	-12.3
of which measurement is based on a valuation model	***243,643***	*267,960*	*-24,317*	*-9.1*

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Financial liabilities designated at fair value				
Issued certificates	**2,060,696**	1,686,013	374,683	22.2
of which interest instruments	***279,553***	*120,936*	*158,617*	*131.2*
of which equity instruments	***1,781,143***	*1,565,077*	*216,066*	*13.8*
Structured products	**11,090,052**	11,595,067	-505,015	-4.4
of which interest instruments	***8,278,434***	*8,810,497*	*-532,063*	*-6.0*
of which equity instruments	***1,620,529***	*1,422,689*	*197,840*	*13.9*
of which foreign exchange instruments	***1,191,089***	*1,361,881*	*-170,792*	*-12.5*
Total	**13,150,748**	13,281,080	-130,332	-1.0
of which measurement is based on a valuation model	***13,150,748***	*13,281,080*	*-130,332*	*-1.0*

NOTE 12 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

			31.12.2020			31.12.2019
	Positive replacement value *CHF m*	Negative replacement value *CHF m*	Contract volume *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*	Contract volume *CHF m*
Interest rate derivatives						
Swaps	**131.5**	**167.9**	**22,735**	91.9	130.8	20,220
Futures	**1.2**	**0.1**	**211**	0.7	0.6	354
Options (OTC)	**10.9**	**9.4**	**261**	8.8	7.0	299
Total	**143.6**	**177.4**	**23,207**	101.4	138.4	20,873
Foreign exchange derivatives						
Forward contracts	**753.6**	**1,055.6**	**95,263**	541.2	633.6	85,116
Combined interest rate/currency swaps	**2.3**	**20.3**	**910**	17.3	22.4	1,986
Futures	**-**	**4.8**	**249**	-	3.1	183
Options (OTC)	**290.9**	**244.9**	**26,634**	222.4	179.1	30,808
Total	**1,046.8**	**1,325.6**	**123,056**	780.9	838.2	118,093
Precious metals derivatives						
Forward contracts	**43.6**	**77.7**	**2,733**	33.9	31.7	2,365
Futures	**0.2**	**1.7**	**40**	0.2	1.7	336
Options (OTC)	**126.2**	**99.0**	**5,151**	90.5	72.7	6,384
Options (traded)	**-**	**56.1**	**1,611**	-	60.7	1,091
Total	**170.0**	**234.5**	**9,535**	124.6	166.8	10,176
Equity/indices derivatives						
Futures	**28.4**	**5.7**	**864**	20.5	7.0	1,020
Options (OTC)	**620.0**	**284.8**	**11,418**	256.9	220.7	13,264
Options (traded)	**536.4**	**632.7**	**19,415**	324.0	706.3	16,050
Total	**1,184.8**	**923.2**	**31,697**	601.4	934.0	30,334
Credit derivatives						
Credit default swaps	**0.2**	**1.3**	**110**	1.8	3.0	281
Total return swaps	**11.0**	**35.3**	**884**	0.9	20.7	843
Total	**11.2**	**36.6**	**994**	2.7	23.7	1,124
Other derivatives						
Futures	**0.2**	**0.8**	**65**	0.7	4.8	149
Total	**0.2**	**0.8**	**65**	0.7	4.8	149
Total derivatives held for trading	**2,556.6**	**2,698.1**	**188,554**	1,611.7	2,105.9	180,749

Derivatives held for hedging

	31.12.2020			31.12.2019		
	Positive replacement value *CHF m*	Negative replacement value *CHF m*	Contract volume *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*	Contract volume *CHF m*
Interest rate derivatives						
Swaps	**19.7**	**11.9**	**1,184**	31.5	14.7	2,079
Total	**19.7**	**11.9**	**1,184**	31.5	14.7	2,079
Total derivatives held for hedging	**19.7**	**11.9**	**1,184**	31.5	14.7	2,079
Total derivative financial instruments	**2,576.3**	**2,710.0**	**189,738.0**	1,643.2	2,120.6	182,828.0

	Positive replacement value *CHF m*	Negative replacement value *CHF m*	Contract volume *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*	Contract volume *CHF m*
Analysis according to remaining life						
up to 12 months	**2,078.4**	**2,193.5**	**169,276**	1,305.1	1,709.0	167,356
1 to 5 years	**426.8**	**432.1**	**19,168**	271.1	344.1	13,867
over 5 years	**71.1**	**84.4**	**1,294**	67.0	67.5	1,605
Total	**2,576.3**	**2,710.0**	**189,738**	1,643.2	2,120.6	182,828
of which measurement is based on a valuation model	***2,546.2***	***2,696.9***		*1,621.0*	*2,103.4*	
after netting	***2,576.3***	***2,710.0***		*1,643.2*	*2,120.6*	

	31.12.2020			31.12.2019		
	Central clearing houses *CHF m*	Banks and brokers *CHF m*	Other clients *CHF m*	Central clearing houses *CHF m*	Banks and brokers *CHF m*	Other clients *CHF m*
After netting						
Positive replacement value after netting	**545.4**	**990.9**	**1,040.0**	-	1,087.3	555.9
Total	**545.4**	**990.9**	**1,040.0**	-	1,087.3	555.9

NOTE 13A FINANCIAL INVESTMENTS

	31.12.2020 Carrying value *CHF 1,000*	31.12.2019 Carrying value *CHF 1,000*	**31.12.2020** Fair value *CHF 1,000*	31.12.2019 Fair value *CHF 1,000*
Government and agency bonds	**4,226,945**	*4,980,822*	**4,254,605**	4,996,337
Financial institution bonds	**5,204,675**	*4,553,828*	**5,261,375**	4,575,826
Corporate bonds	**3,815,788**	*3,206,513*	**3,864,687**	3,222,189
Debt instruments	**13,247,408**	12,741,163	**13,380,667**	12,794,352
of which quoted	***8,785,711***	*8,658,707*	***8,903,652***	*8,703,466*
of which unquoted	***4,461,697***	*4,082,456*	***4,477,015***	*4,090,886*
of which valued at lower of cost or fair value	***13,247,408***	*12,741,163*	***13,380,667***	*12,794,352*
Equity instruments	**81,477**	46,929	**272,346**	233,931
of which unquoted	***81,477***	*46,929*	***272,346***	*233,931*
Total	**13,328,885**	12,788,092	**13,653,013**	13,028,283
of which repo-eligible securities	***696,349***	*654,119*		

NOTE 13B FINANCIAL INVESTMENTS – CREDIT RATINGS

Debt instruments by the Bank's credit rating classes	**Fitch, S&P**	**Moody's**	**31.12.2020** *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*
1–2	AAA – AA-	Aaa – Aa3	**7,817,274**	8,312,524	-495,250
3	A+ – A-	A1 – A3	**4,974,763**	3,880,013	1,094,750
4	BBB+ – BBB-	Baa1 – Baa3	**455,371**	531,701	-76,330
5	BB+ – BB-	Ba1 – Ba3	**-**	16,925	-16,925
Total			**13,247,408**	12,741,163	506,245

NOTE 14 GOODWILL, INTANGIBLE ASSETS AND TANGIBLE FIXED ASSETS

	Goodwill *CHF 1,000*	Customer relationships *CHF 1,000*	**Total intangible assets** *CHF 1,000*	Bank premises *CHF 1,000*	Software *CHF 1,000*	Other tangible fixed assets *CHF 1,000*	**Total tangible fixed assets** *CHF 1,000*
Historical cost							
Balance on 01.01.2019	1,516,085	1,389,192	2,905,277	317,238	893,209	178,630	1,389,077
Additions	-	-	-	4,454	122,336	15,556	142,346
Acquisition of subsidiaries[1]	-	-	-	39,581	-	-	39,581
Disposals/transfers[2]	-	-	-	-	10,894	13,225	24,119
Balance on 31.12.2019	1,516,085	1,389,192	2,905,277	361,273	1,004,651	180,961	1,546,885
Additions	-	-	-	4,800	149,869	15,723	170,392
Disposals/transfers[2]	-	-	-	-	56,797	26,417	83,214
Balance on 31.12.2020	1,516,085	1,389,192	2,905,277	366,073	1,097,723	170,267	1,634,063
Depreciation and amortisation							
Balance on 01.01.2019	974,732	1,148,890	2,123,622	109,013	380,588	136,439	626,040
Charge for the period	77,031	71,316	148,347	9,595	65,414[3]	18,880[3]	93,889
Disposals/transfers[2]	-	-	-	-11,081	10,894	13,225	13,038
Balance on 31.12.2019	1,051,763	1,220,206	2,271,969	129,689	435,108	142,094	706,891
Charge for the period	74,608	56,675	131,283	7,995	76,905[4]	21,837[4]	106,737
Disposals/transfers[2]	-	-	-	-	56,797	26,417	83,214
Balance on 31.12.2020	1,126,371	1,276,881	2,403,252	137,684	455,216	137,514	730,414
Carrying value							
Balance on 31.12.2019	464,322	168,986	633,308	231,584	569,543	38,867	839,994
Balance on 31.12.2020	**389,714**	**112,311**	**502,025**	**228,389**	**642,507**	**32,753**	**903,649**

[1] In January 2019, the Bank integrated Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten
[2] Includes derecognition of fully depreciated assets
[3] Includes impairment of CHF 4.6 million related to software and other property and equipment not used anymore
[4] Includes impairment of CHF 7.8 million related to software and other property and equipment not used anymore

NOTE 15 OTHER ASSETS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Compensation account	**17,688**	24,244	-6,556	-27.0
Withholding taxes, VAT and other taxes	**1,668,762**	1,927,137	-258,375	-13.4
Other	**384,809**	350,244	34,565	9.9
Total	**2,071,259**	2,301,625	-230,366	-10.0

NOTE 16 OTHER LIABILITIES

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Compensation account	***14,755***	*10,597*	*4,158*	39.2
Withholding taxes, VAT and other taxes	**45,464**	33,886	11,578	34.2
Other	**166,715**	200,274	-33,559	-16.8
Total	**226,934**	244,757	-17,823	-7.3

NOTE 17 ASSETS PLEDGED OR CEDED TO SECURE OWN COMMITMENTS AND ASSETS SUBJECT TO RETENTION OF TITLE

	31.12.2020 Carrying value *CHF 1,000*	**31.12.2020** Effective commitment *CHF 1,000*	31.12.2019 Carrying value *CHF 1,000*	31.12.2019 Effective commitment *CHF 1,000*
Securities	**1,080,826**	**1,080,826**	1,321,914	1,321,914
Other	**10,892**	**10,892**	12,845	12,845
Total	**1,091,718**	**1,091,718**	1,334,759	1,334,759

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading.

NOTE 18 PENSION PLANS

The Bank 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 company 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 employees' 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 Bank's financial statements.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Bank. In case the plans become significantly underfunded over an extended time period according to the Swiss pension law basis, the Bank 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.

	2020 CHF 1,000	2019 CHF 1,000
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-3,090,290**	-2,787,422
Current service cost	**-79,059**	-73,400
Employees' contribution	**-44,499**	-44,974
Interest expense on defined benefit obligation	**-7,873**	-24,770
Past service cost, curtailments, settlements, plan amendments	**-554**	-2,750
Benefits paid (incl. benefits paid directly by employer)	**115,011**	133,629
Transfer payments in/out	**-567**	-990
Experience gains/(losses) on defined benefit obligation	**-30,043**	-76,776
Actuarial gains/(losses) arising from change in demographic assumptions	**-**	1,015
Actuarial gains/(losses) arising from change in financial assumptions	**-41,788**	-213,426
Translation differences	**1,436**	-426
Present value of defined obligation at the end of the year	**-3,178,226**	-3,090,290
whereof due to active members	***-2,106,676***	*-2,083,174*
whereof due to deferred members	***-14,703***	*-13,489*
whereof due to pensioners	***-1,056,847***	*-993,627*
Fair value of plan assets at the beginning of the year	**2,953,207**	2,707,412
Interest income on plan assets	**7,615**	24,654
Employees' contributions	**44,499**	44,974
Employer's contributions	**96,932**	97,729
Curtailments, settlements, plan amendments	**-1,730**	-247
Benefits paid by fund	**-115,011**	-133,629
Transfer payments in/out	**567**	990
Administration cost (excluding asset management cost)	**-1,032**	-1,054
Return on plan assets (excl. interest income)	**112,138**	212,025
Translation differences	**-1,051**	353
Fair value of plan assets at the end of the year	**3,096,134**	2,953,207

	31.12.2020 CHF 1,000	31.12.2019 CHF 1,000
2. Balance sheet		
Fair value of plan assets	**3,096,134**	2,953,207
Present value of funded obligation	**-3,178,226**	-3,090,290
Net defined benefit asset/(liability)[1]	**-82,092**	-137,083

[1] This amount has been recognised as a provision under Swiss GAAP (see Note 19).

3. Income statement	**2020** *CHF 1,000*	2019 *CHF 1,000*
Current service cost (employer)	**-79,059**	-73,400
Interest expense on defined benefit obligation	**-7,873**	-24,770
Past service cost, curtailments, settlements, plan amendments	**-2,284**	-2,997
Interest income on plan assets	**7,615**	24,654
Administration cost (excluding asset management cost)	**-1,032**	-1,054
Defined benefit cost recognised in the income statement	**-82,633**	-77,567
whereof service cost	***-82,375***	*-77,451*
whereof net interest on the net defined benefit/(liability) asset	***-258***	*-116*
Expense recognised in the income statement	**-82,633**	-77,567

4. Movement in defined benefit liability	**2020** *CHF 1,000*	2019 *CHF 1,000*
Net defined benefit asset/(liability) at the beginning of the year	**-137,083**	-80,010
Translation differences	**385**	-73
Defined benefit cost recognised in the income statement	**-82,633**	-77,567
Employer's contributions	**96,932**	97,729
Remeasurements of the net defined benefit liability/(asset)	**40,307**	-77,162
Amounts recognised in the balance sheet[1]	**-82,092**	-137,083

Remeasurements of the net defined benefit liability/(asset)	**2020** *CHF 1,000*	2019 *CHF 1,000*
Actuarial gains/(losses) of defined benefit obligation	**-71,831**	-289,187
Return on plan assets excl. interest income	**112,138**	212,025
Total recognised in other comprehensive income[2]	**40,307**	-77,162

[1] This amount has been recognised as a provision under Swiss GAAP (see Note 19).
[2] This amount has been recognised in the income statement under Swiss GAAP.

5. Composition of plan assets	**2020** *CHF 1,000*	2019 *CHF 1,000*
Cash	**90,597**	124,475
Debt instruments	**866,248**	841,717
Equity instruments	**1,172,490**	1,033,643
Real estate	**541,247**	486,475
Alternative instruments	**420,050**	353,205
Other	**5,502**	113,692
Total	**3,096,134**	2,953,207

6. Aggregation of plan assets – quoted market prices in active markets	2020 *in %*	2019 *in %*
Cash	**2.93**	4.21
Debt instruments	**26.74**	27.24
Equity instruments	**37.87**	35.00
Real estate	**7.93**	7.48
Other	**6.10**	5.21
Total	**81.57**	79.14

7. Sensitivities	2020 *CHF 1,000*	2019 *CHF 1,000*
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	**-99,140**	-102,181
Effect on service cost	**-3,560**	-4,561
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	**88,186**	85,469
Effect on service cost	**2,984**	2,924
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	**10,434**	10,493
Effect on service cost	**986**	981
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	**-10,669**	-10,730
Effect on service cost	**-1,010**	-1,005
Life expectancy		
Increase in longevity by one additional year	**-72,413**	-69,701

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2020. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 99% (2019: 99%) of all benefit obligations and plan assets:

	2020	2019
Discount rate	**0.20%**	0.25%
Average future salary increases	**0.50%**	0.50%
Future pension increases	**0.00%**	0.00%
Duration (years)	**15**	15

Investment in Julius Baer Group Ltd. shares

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

Expected employer contributions

The expected employer contributions for the 2021 financial year related to defined benefit plans are estimated at CHF 87.6 million.

Outstanding liabilities to pension plans

The Bank had outstanding liabilities to various pension plans in the amount of CHF 4.4 million (2019: CHF 5.3 million).

Defined contribution pension plans

The Bank maintains a number of defined contribution pension plans outside. 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 20.8 million for the 2020 financial year (2019: CHF 21.5 million).

NOTE 19 PROVISIONS

	Balance on 01.01.2020 *CHF 1,000*	Specific usage *CHF 1,000*	Currency differences *CHF 1,000*	New creation charged to income statement *CHF 1,000*	Reversals credited to income statement *CHF 1,000*	**Balance on 31.12.2020** *CHF 1,000*
Pension obligations	137,083	-	-	-	54,991	**82,092**
Legal risks	172,284	151,682	-5,306	87,667	14,100	**88,863**
Other	1,604	24	-	-	-	**1,580**
Total provisions	310,971	151,706	-5,306	87,667	69,091	**172,535**

Introduction
The Bank 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 Bank 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 Bank'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 Bank is and may be confronted with information and clarification requests and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions etc.) as well as with enforcement procedures with respect to certain topics. As a matter of principle, the Bank 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 Bank is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Bank's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually or together with other circumstances materially adversely affect the Bank's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities
The Bank 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 Bank – depending on the status of related proceedings – is difficult to assess.

The Bank 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 Bank and if the amount of such obligation or loss can already be reasonably estimated.

In rare cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 31 December 2020. 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 the Bank and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), the latter having served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over 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 in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and, in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. A decision on the merits of the appeal is expected in 2021. Whilst such appeal is pending, the Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. Such decision can be appealed.

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

The Bank is confronted with a claim by the liquidator of a Lithuanian corporation arguing that the Bank did not prevent two of its clients from embezzling assets of such corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank was served with a claim from said Lithuanian corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in Lithuania. On 19 October 2018, the Lithuanian court of last instance definitively rejected local jurisdiction, thereby terminating the litigation against the Bank in Lithuania. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the Lithuanian corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, the Bank was served with the corresponding claim in the amount of EUR 335 million plus 5% interest since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

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 was initiated against the Bank in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter, scheduled to be trialed in Court in early June 2021. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

The Bank 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 then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 135 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, the Bank was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by the Bank in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total 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 consequent upon the liquidation of almost their entire portfolio of assets in May 2010 and argues that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

The Bank has been cooperating with authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests in particular focused on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment '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 opened investigations and have been 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. FINMA's related enforcement procedure against the Bank and Julius Baer Group Ltd. has been closed by an order as published on 20 February 2020. On 9 November 2020, the Bank has announced an agreement in principle with the US Department of Justice (DOJ) to settle its FIFA matter. Such agreement entails the Bank entering into a three-year deferred prosecution agreement and a financial component, for which the Bank has taken a provision of USD 79.7 million in 2020.

Similarly, the Bank has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focus on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations against third parties, 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. FINMA's related enforcement procedure against the Bank and Julius Baer Group Ltd. has been closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities, whilst on 21 January 2021, FINMA concluded the investigation regarding individual accountability of former employees of Julius Baer following the FIFA/PDVSA-related conclusion of the enforcement proceeding. Save for in one case of a middle manager, FINMA did not open individual proceedings and closed the investigation with reprimands. Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer is contesting the claim and seizure request whilst taking appropriate measures to defend its interests.

As publicly stated, FINMA has initiated an additional enforcement procedure against the Bank and Julius Baer Group Ltd. related to the compliance treatment of a historical Latin American client relationship. Julius Baer has been fully cooperating with FINMA in its investigative work.

The Bank is confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ('OFAC') sanctions. The procedure relates to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank is defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020; however, the claimant has appealed this decision to the Swiss Federal Supreme Court. In addition, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank has addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations.

NOTE 20 CAPITAL STRUCTURE OF BANK JULIUS BAER & CO. LTD., ZURICH

	31.12.2020	31.12.2019
Share capital		
Notional amount (CHF)	**100**	100
Number of shares	**5,750,000**	5,750,000
Share capital entitled to dividend (CHF)	**575,000,000**	575,000,000

There is no authorised capital or conditional capital.
All registered shares are fully paid.

NOTE 21 SIGNIFICANT SHAREHOLDERS[1]

Bank Julius Baer is a wholly owned subsidiary of Julius Baer Group Ltd.

Significant shareholders/participants of Julius Baer Group Ltd.[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
Wellington Management Group LLP[5]	5.00%	
BlackRock, Inc.[6]	4.80%	0.03%
T. Rowe Price Associates Inc.[7]	3.18%	
Government of Singapore[8]	3.09%	
UBS Fund Management (Switzerland) AG[9]	3.09%	

[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] Purchase positions disclosed pursuant to art. 14 para. 1 a FINMA Financial Market Infrastructure Ordinance (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] Wellington Management Group LLP, Boston/USA (reported on 30 November 2020)

[6] BlackRock, Inc., New York/USA (reported on 23 December 2020)

[7] T. Rowe Price Associates, Inc., Baltimore/USA (reported on 24 June 2020)

[8] Government of Singapore, Singapore (reported on 31 May 2019)

[9] UBS Fund Management (Switzerland) AG, Basle/Switzerland (reported on 26 September 2019)

NOTE 22 SHARE-BASED PAYMENTS

The programmes described below reflect the plan landscape as at 31 December 2020. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Bank's overall compensation landscape is described in the chapter Remuneration Report of Julius Baer Group Ltd.

Deferred variable compensation plans

Cash-based variable compensation – Deferred Cash Plan

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

These annually granted deferred cash awards vest in equal one-third tranches, subject to continued employment, and accrued over a three-year plan period. The DCP may be granted outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long Term Incentive Plan award (as described below).

Deferred Bonus Plan

Similar to the DCP, the Deferred Bonus Plan (DBP) promotes sound business activities by remaining subject to forfeiture (as from performance year 2019) while providing an inherently less volatile payout than shares. The DBP grant is made once per year and is determined in reference to the annual variable compensation awarded to the individual concerned.

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

These annually granted deferred cash awards vest in equal one-fifth tranches, subject to continued employment.

Equity-based variable compensation – Premium Share Plan

The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Bank 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 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 Bank.

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

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

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

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant 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.

Long-Term Incentive Plan (LTI)
In certain specific situations the Bank 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 Bank generally operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff vesting of all granted shares in one single tranche at the end of a three-year period.

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

The objective of this plan is to strengthen the employee's identification with the Bank, 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 Bank.

Financing of share plans
Julius Baer Bank hedges its liabilities from share-based payments by purchasing the shares from the market on grant date through the Loteco Foundation. Until vesting, the granted shares are administered by the foundation. The Bank finances these shares purchased by the Loteco Foundation. At the end of the reporting period, the Bank recognised the amount of CHF 53.6 million (2019: CHF 59.4 million) as 'prefinanced share-based payments' included in other assets. This asset will be recovered over the vesting period by way of a capital distribution representing the recharge of share-based payments made by the Loteco Foundation.

In the reporting period this capital distribution amounted to CHF 52.5 million (2019: CHF 50.8 million).

To the extent that the prefinanced share-based payments will not result in vested share-based payments the asset will be recovered in cash from the Loteco Foundation.

The expense related to prefinanced share-based payments amounts to CHF 52.5 million (2019: CHF 50.8 million).

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

		31.12.2020		31.12.2019
	Number of units Economic Profit	Number of units Total Shareholder Return	Number of units Economic Profit	Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**786,068**	**786,068**	608,643	608,643
Granted during the year	**257,991**	**257,991**	404,484	404,484
Exercised during the year	**-197,186**	**-197,187**	-181,165	-181,165
Forfeited during the year	**-8,568**	**-8,567**	-45,894	-45,894
Unvested units outstanding, at the end of the year	**838,305**	**838,305**	786,068	786,068

	31.12.2020	31.12.2019
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**867,228**	820,096
Granted during the year	**436,080**	499,283
Vested during the year	**-371,425**	-384,820
Transferred (net) during the year	**1,846**	447
Forfeited during the year	**-24,533**	-67,778
Unvested shares outstanding, at the end of the year	**909,196**	867,228
Weighted average fair value per share granted (CHF)	**49.19**	40.58
Fair value of outstanding shares at the end of the year (CHF 1,000)	**46,369**	43,301

Long-Term Incentive Plan	**31.12.2020**	31.12.2019
Unvested shares outstanding, at the beginning of the year	**485,125**	408,889
Granted during the year	**163,224**	315,034
Vested during the year	**-161,262**	-210,034
Transferred (net) during the year	**-**	1,848
Forfeited during the year	**-38,064**	-30,612
Unvested shares outstanding, at the end of the year	**449,023**	485,125
Weighted average fair value per share awarded (CHF)	**44.98**	42.74
Fair value of outstanding shares at the end of the year (CHF 1,000)	**22,900**	24,222

Staff Participation Plan	**31.12.2020**	31.12.2019
Unvested shares outstanding, at the beginning of the year	**108,552**	104,751
Granted during the year	**67,530**	47,909
Vested during the year	**-38,501**	-39,654
Transferred (net) during the year	**-304**	-371
Forfeited during the year	**-1,831**	-4,083
Unvested shares outstanding, at the end of the year	**135,446**	108,552
Weighted average fair value per share granted (CHF)	**34.32**	42.65
Fair value of outstanding shares at the end of the year (CHF 1,000)	**6,908**	5,420

Number and value of equity securities or options on equity securities across all plans held by all executives and directors and by employees:

	31.12.2020 Number of equity securities	**31.12.2020** Value of equity securities *CHF m*	31.12.2019 Number of equity securities	31.12.2019 Value of equity securities *CHF m*
Equity plans				
Total granted during the year	**666,834**	**31.1**	862,226	35.8
of which members of executive bodies	***9,972***	***0.4***	*30,508*	*1.4*
of which employees	***656,862***	***30.7***	*831,718*	*34.4*

	31.12.2020 Number of units	**31.12.2020** Value of units *CHF m*	31.12.2019 Number of units	31.12.2019 Value of units *CHF m*
Plans based on units				
Total granted during the year	**515,982**	**21,115.9**	808,968	25.9
of which members of executive bodies	***215,788***	***8,830.8***	*364,663*	*11.7*
of which employees	***300,194***	***12,285.1***	*444,305*	*14.2*

Compensation expense recognised for the various share plans are:

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Compensation expense		
Equity Performance Plan	**22.0**	21.4
Premium Share Plan	**19.5**	17.9
Long-Term Incentive Plan	**9.0**	9.7
Staff Participation Plan	**2.0**	1.8
Total	**52.5**	50.8

NOTE 23 RELATED PARTY TRANSACTIONS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Claims on	**3,164,288**	3,069,982	94,306	3.1
affiliated companies	**361,727**	463,230	-101,503	-21.9
significant shareholders	**2,777,019**	2,583,088	193,931	7.5
members of the Bank's corporate bodies	**25,542**	23,664	1,878	7.9
of which Board of Directors	***4,326***	*4,551*	*-225*	*-4.9*
of which Group and Bank Executive Boards	***21,216***	*19,113*	*2,103*	*11.0*
Liabilities to	**7,123,008**	7,047,792	75,216	1.1
affiliated companies	**4,946,728**	4,587,531	359,197	7.8
significant shareholders	**2,155,077**	2,444,305	-289,228	-11.8
members of the Bank's corporate bodies	**16,755**	10,660	6,095	57.2
of which Board of Directors	***4,605***	*3,876*	*729*	*18.8*
of which Group and Bank Executive Boards	***12,150***	*6,784*	*5,366*	*79.1*
own pension funds	**4,448**	5,296	-848	-16.0
Credit guarantees to	**44,858**	53,356	-8,498	-15.9
affiliated companies	**44,638**	51,643	-7,005	-13.6
members of the Bank's corporate bodies	**220**	1,713	-1,493	-87.2
of which Board of Directors	***184***	*1,671*	*-1,487*	*-89.0*
of which Group and Bank Executive Boards	***36***	*42*	*-6*	*-14.3*
Services provided to	**486,003**	457,140	28,863	6.3
affiliated companies	**343,352**	329,052	14,300	4.3
significant shareholders	**142,290**	127,657	14,633	11.5
members of the Bank's corporate bodies	**361**	431	-70	-16.2
of which Board of Directors	***129***	*96*	*33*	*34.4*
of which Group and Bank Executive Boards	***232***	*335*	*-103*	*-30.7*
Services provided by	**68,032**	79,528	-11,496	-14.5
affiliated companies	**61,545**	65,523	-3,978	-6.1
significant shareholders	**6,487**	14,005	-7,518	-53.7

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis. Transactions with the Bank and own pension funds are at arm's length.

The interest rates of the Lombard loans and mortgage loans 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.

NOTE 24 ASSETS – COUNTRY RATINGS

			31.12.2020		31.12.2019
		CHF 1,000	*%*	*CHF 1,000*	*%*
Total assets by the Bank's country risks rating classes	**Moody's**				
1–2	Aaa – Aa3	**78,943,202**	**78.4**	70,202,799	75.4
3	A1 – A3	**9,099,963**	**9.1**	9,649,883	10.4
4	Baa1 – Baa3	**2,574,329**	**2.6**	2,264,837	2.4
5	Ba1 – Ba3	**592,231**	**0.6**	314,110	0.3
6–7	B1 – Caa3	**989,072**	**1.0**	549,986	0.6
8–9	Ca – C	**188,094**	**0.2**	4,060	-
Unrated		**8,116,221**	**8.1**	10,143,786	10.9
Total		**100,503,112**	**100.0**	93,129,461	100.0

NOTE 25 COMPANY STRUCTURE AS AT 31 DECEMBER 2020

	Domicile	Currency	Share capital m	Equity interest %
Companies				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion				
St. Gallen, St. Moritz, Verbier, Zurich				
Representative Offices in Abu Dhabi, Bogotá, Istanbul, Johannesburg,				
Mexico City, Santiago de Chile, Shanghai, Tel Aviv				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*

NOTE 26 CONTINGENT LIABILITIES

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit	**1,090,719**	1,509,160	-418,441	-27.7

NOTE 27 IRREVOCABLE COMMITMENTS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Unutilised irrevocable commitments to extend credit	**400,384**	446,032	-45,648	-10.2
Irrevocable commitments to the deposit guarantee institution	**51,908**	54,574	-2,666	-4.9
Total	**452,292**	500,606	-48,314	-9.7

NOTE 28 OBLIGATION TO MAKE ADDITIONAL CONTRIBUTIONS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Obligation to pay up shares and make further contributions	**-**	50	-50	-100.0

NOTE 29 UNUSED TAX LOSSES CARRIED FORWARD

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Unused tax losses carried forward related to foreign branches	**-**	3,760	-3,760	-100.0

NOTE 30 FIDUCIARY TRANSACTIONS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Fiduciary deposits at third-party banks	**7,104,764**	12,552,548	-5,447,784	-43.4

NOTE 31 ASSETS UNDER MANAGEMENT

	31.12.2020 *CHF m*	31.12.2019 *CHF m*	Change *CHF m*	Change *%*
Assets with discretionary mandate	**50,675**	48,168	2,507	5.2
Other assets under management	**301,713**	296,925	4,788	1.6
Total assets under management (including double counting)	**352,388**	345,093	7,295	2.1
of which double counting	***14,349***	*9,462*	*4,887.0*	*51.6*
Change through net new money	**11,367**	10,219	1,148	
Change through market and currency impacts	**-3,547**	31,582	-35,129	
Change through divestment	**-517**[1]	-2,080[1]	1,563	
Change through other effects	**-8**[2]	-3,698[2]	-3,690	
Client assets	**424,213**	418,081	6,132	1.5

1 Assets under management were affected by the Bank's decision to discontinue its offering to clients from a number of selected countries.
2 Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland.

Assets under management include all bankable assets managed by or deposited with the Bank for investment purposes. Assets included are portfolios of wealth management clients for which the Bank provides discretionary or advisory asset management services. Assets deposited with the Bank held for transactional or safekeeping/custody purposes, and for which the Bank 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 Bank, and cover assets deposited with the Bank as well as assets deposited at third-party institutions. Other assets under management are defined as the 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 Bank.

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

Client assets are defined as all bankable assets managed by or deposited with the Bank 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.

NOTE 32 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2020 financial year.

REPORT OF THE STATUTORY AUDITOR TO THE ORDINARY ANNUAL GENERAL MEETING OF BANK JULIUS BAER & CO. LTD., ZURICH

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Bank Julius Baer & Co. Ltd., Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Bank Julius Baer & Co. Ltd., which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 4 to 77) for the year ended 31 December 2020.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and dis-closures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

KPMG

Bank Julius Baer & Co. Ltd., Zurich
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders
Financial Statements 2020

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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

M. Liberto C. Wipfler

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

Corina Wipfler
Licensed Audit Expert

Zurich, 17 February 2021

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2020** CHF 1,000	2019 CHF 1,000	Change %
Interest income on financial instruments measured at amortised cost or FVOCI		**744,572**	1,186,082	-37.2
Interest expense on financial instruments measured at amortised cost		**179,678**	456,325	-60.6
Net interest income	1	**564,894**	729,757	-22.6
Commission and fee income		**1,861,412**	1,701,389[1]	9.4
Commission expense		**505,086**	452,267	11.7
Net commission and fee income	2	**1,356,326**	1,249,122	8.6
Net income from financial instruments measured at FVTPL	3	**832,475**	549,673	51.4
Net credit losses/(recoveries) on financial assets		**35,958**	18,215	97.4
Other ordinary results	4	**85,820**	*117,105*[1]	-26.7
Operating income		**2,803,557**	2,627,442	6.7
Personnel expenses	5	**1,187,221**	1,171,180	1.4
General expenses	6	**701,622**	788,874	-11.1
Depreciation of property and equipment	11	**72,474**	70,277	3.1
Amortisation of customer relationships	12	**32,220**	46,861	-31.2
Amortisation and impairment of intangible assets	12	**76,905**	65,414	17.6
Operating expenses		**2,070,442**	2,142,606	-3.4
Profit before taxes		**733,115**	484,836	51.2
Income taxes	7	**119,348**	75,709	57.6
Net profit attributable to the shareholder of Bank Julius Baer & Co. Ltd.		**613,767**	409,127	50.0

[1] The 2019 numbers have been aligned to the improved structure of commission reporting.

	Note	**2020** CHF	2019 CHF	Change %
Share information				
Basic earnings per share (EPS)	18	**106.74**	71.15	50.0
Diluted earnings per share (EPS)	18	**106.74**	71.15	50.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 *CHF 1,000*	2019 *CHF 1,000*
Net profit recognised in the income statement	**613,767**	409,127
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**104,822**	106,905
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-15,204**	-9,501
Net credit losses on debt instruments measured at FVOCI	**491**	-809
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**-11,382**	66,648
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**-3,895**	0
Remeasurement of defined benefit obligation	**32,960**	-69,606
Other comprehensive income	**107,792**	93,637
Total comprehensive income attributable to the shareholder of Bank Julius Baer & Co. Ltd.	**721,559**	502,764

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2020** *CHF 1,000*	31.12.2019 *CHF 1,000*
Assets			
Cash		**12,095,674**	7,573,152
Due from banks		**7,258,188**	6,930,081
Loans	25	**43,394,815**	44,629,063
Financial assets measured at FVTPL	9/24	**13,557,552**	13,819,581
Derivative financial instruments	23	**2,576,313**	1,643,235
Financial assets designated at fair value	24	**252,178**	287,533
Financial assets measured at FVOCI	10/25	**13,653,013**	13,028,283
Property and equipment	11	**469,044**	519,485
Goodwill and other intangible assets	12	**2,205,318**	2,164,573
Accrued income and prepaid expenses		**296,472**	323,274
Other assets	17	**6,337,280**	3,659,547
Total assets		**102,095,847**	94,577,807

	Note	**31.12.2020** *CHF 1,000*	31.12.2019 *CHF 1,000*
Liabilities and equity			
Due to banks		**8,519,471**	6,520,416
Due to customers		**69,842,674**	65,239,485
Financial liabilities measured at FVTPL	9/24	**896,520**	613,778
Derivative financial instruments	23	**2,710,008**	2,120,631
Financial liabilities designated at fair value	14	**13,154,769**	13,281,080
Accrued expenses and deferred income		**501,393**	536,882
Current tax liabilities		**192,066**	173,610
Deferred tax liabilities	15	**56,136**	45,464
Provisions	16	**90,443**	173,889
Other liabilities	17	**461,576**	572,921
Total liabilities		**96,425,056**	89,278,156
Share capital	18	**575,000**	575,000
Capital reserves		**1,931,051**	1,931,051
Retained earnings		**2,925,232**	2,628,706
Other components of equity		**239,508**	164,894
Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd.		**5,670,791**	5,299,651
Total liabilities and equity		**102,095,847**	94,577,807

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF 1,000*	Capital reserves *CHF 1,000*
At 1 January 2019	575,000	1,915,907
Net profit	-	-
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	-	-
Capital contribution[2]	-	15,144
Dividend payment	-	-
Share-based payments expensed for the year	-	-
Distribution to the parent related to share-based payments for the year	-	-
At 31 December 2019	575,000	1,931,051
At 1 January 2020	**575,000**	**1,931,051**
Net profit	-	-
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	-	-
Dividend payment	-	-
Share-based payments expensed for the year	-	-
Distribution to the parent related to share-based payments for the year	-	-
At 31 December 2020	**575,000**	**1,931,051**

1 Including OCI related to ECL changes on debt instruments at FVOCI

2 In January 2019, the Bank acquired Zurich-based Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten from its parent company Julius Baer Group Ltd. The transaction was accounted for as a common control transaction, meaning that the book values of the transferred assets and liabilities have not been adjusted. The equity (net asset value) of the acquired company was recognised as addition in the Bank's capital reserves and reflects the capital contribution from the parent.

	Other components of equity			
Retained earnings *CHF 1,000*	OCI related to equity instruments at FVOCI *CHF 1,000*	OCI related to debt instruments at FVOCI[1] *CHF 1,000*	Own credit risk on financial liabilities designated at FV *CHF 1,000*	Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. *CHF 1,000*
2,688,672	65,349	-63,698	0	5,181,230
409,127	-	-	-	409,127
-	-	96,595	-	96,595
-69,606	66,648	-	-	-2,958
-69,606	66,648	96,595	-	93,637
339,521	66,648	96,595	-	502,764
-	-	-	-	15,144
-400,000	-	-	-	-400,000
50,778	-	-	-	50,778
-50,265	-	-	-	-50,265
2,628,706	131,997	32,897	0	5,299,651
2,628,706	**131,997**	**32,897**	**0**	**5,299,651**
613,767	**-**	**-**	**-**	**613,767**
-	**-**	**90,109**	**-**	**90,109**
33,178	**-11,600**	-	**-3,895**	**17,683**
33,178	**-11,600**	**90,109**	**-3,895**	**107,792**
646,945	**-11,600**	**90,109**	**-3,895**	**721,559**
-350,000	**-**	**-**	**-**	**-350,000**
52,495	**-**	**-**	**-**	**52,495**
-52,914	**-**	**-**	**-**	**-52,914**
2,925,232	**120,397**	**123,006**	**-3,895**	**5,670,791**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 *CHF 1,000*	2019 *CHF 1,000*
Net profit	**613,767**	409,127
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	**72,474**	70,277
- Amortisation and impairment of intangible assets	**109,125**	112,275
- Change in loss allowance	**35,958**	18,215
- Deferred tax expense/(benefit)	**380**	-24,674
- Net loss/(gain) from investing activities	**-679**	-23,035
- Other non-cash income and expenses	**52,495**	50,778
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**-3,103,922**	-2,258,710
– Net financial assets measured at FVTPL and derivative financial instruments	**236,425**	-3,977,699
- Net loans/due to customers	**5,801,913**	-2,465,494
- Issuance and repayment of financial liabilities designated at fair value	**-130,206**	-422,518
- Accrued income, prepaid expenses and other assets	**-2,650,931**	-415,299
- Accrued expenses, deferred income, other liabilities and provisions	**-185,792**	168,165
Adjustment for income tax expenses	**118,968**	100,383
Income taxes paid	**-100,453**	-85,432
Cash flow from operating activities	**869,522**	-8,743,641
Purchase of property and equipment and intangible assets	**-170,392**	-142,345
Disposal of property and equipment and intangible assets	**7**	-
Net (investment in)/divestment of financial assets measured at FVOCI	**3,470,995**	2,083,457
Cash flow from investing activities	**3,300,610**	1,941,112
Dividend payments	**-350,000**	-400,000
Distribution to the parent related to share-based payments for the year	**-52,914**	-50,265
Cash flow from financing activities	**-402,914**	-450,265
Net (decrease)/increase in cash and cash equivalents	**3,767,218**	-7,252,794
Cash and cash equivalents at the beginning of the year	**15,978,114**	23,181,593
Cash flow from operating activities	**869,522**	-8,743,641
Cash flow from investing activities	**3,300,610**	1,941,112
Cash flow from financing activities	**-402,914**	-450,265
Effects of exchange rate changes on cash and cash equivalents	**-84,548**	49,315
Cash and cash equivalents at the end of the year	**19,660,784**	15,978,114

Cash and cash equivalents are structured as follows:

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*
Cash	**12,095,674**	7,573,152
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**5,821,670**	1,886,595
Due from banks (original maturity of less than three months)	**1,743,440**	6,518,367
Total	**19,660,784**	15,978,114

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*
Additional information		
Interest received	**815,688**	1,308,310
Interest paid	**-300,590**	-709,269
Dividends on equities received	**231,489**	211,075

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*
Leasing		
Cash payments – leases	**-33,249**	-36,041
Cash payments – interest paid	**-4,527**	-4,894
Short-term lease payments	**-640**	-456
Total	**-38,416**	-41,391

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Bank Julius Baer & Co. Ltd. is a Swiss corporation. All of its shares are owned by Julius Baer Group Ltd., the ultimate parent company of the Julius Baer Group. Bank Julius Baer & Co. Ltd. is the central underwriter for traditional and innovative banking products. The Board of Directors approved these financial statements on 29 January 2021. In addition, they are submitted for approval at the Annual General Meeting on 26 March 2021.

Amounts in the annual consolidated financial statements are stated in Swiss francs. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets measured at fair value through profit or loss or at fair value through other comprehensive income, derivative financial instruments, as well as certain financial liabilities, 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, assessment of the business model when classifying financial instruments, uncertainties in measuring provisions and contingent liabilities, loss allowances (measurement of expected credit losses), pension assets and liabilities (measurement of defined benefit obligation), income taxes (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.

The outbreak of COVID-19 in 2020 has also resulted in enormous economic damage. Global gross domestic product (GDP) has contracted significantly in the first half of the year, and a sharp increase in the volatility of the prices for financial instruments was observed, especially at the beginning of the pandemic. Despite the ongoing impact of COVID-19 on the economies around the world, the Bank's relatively conservative lending policies related to Lombard loans and mortgages, as well as the Bank's treasury policy of investing in high-quality bonds, prevented it from material losses on its financial instruments across 2020.

Despite the widely held belief in a positive development of the world economy and hence the optimistic forecasts, management had to overhaul its significant judgements and assumptions, and the estimation uncertainty increased accordingly. Refer to the Notes on goodwill impairment and credit quality for details on the COVID-19 impact on the Bank's financial statements.

ACCOUNTING POLICIES

All Bank 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 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.

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

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2020	31.12.2019	**2020**	2019
USD/CHF	**0.8839**	0.9682	**0.9340**	0.9930
EUR/CHF	**1.0816**	1.0870	**1.0705**	1.1110
GBP/CHF	**1.2083**	1.2827	**1.2060**	1.2720

Revenue recognition
The Bank uses a model for the recognition of revenues which 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 Bank satisfies a performance obligation (step 5).

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

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

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

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

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

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

– by collecting contractual cash flows, i.e. cash flows stem primarily from interest payments and repayment of principal;

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

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

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

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

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

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

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

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

Fair value through other comprehensive income (FVOCI): A debt instrument is measured at fair value through other comprehensive income if it meets the following conditions:

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

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

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

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

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

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

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

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

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

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

Financial liabilities may initially be designated as at fair value through profit or loss (the fair value option – see conditions above).

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

The Bank applies the fair value option for its issued structured notes.

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

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

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

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

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

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

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

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

Generally, ECL calculations are based on four components:

- Probability of default (PD),
- Exposure at default (EAD),
- Loss given default (LGD) and
- Discount rate (IR).

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

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

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

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

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

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

Securities borrowed as well as securities received by the Bank as collateral under securities lending transactions are only recorded in the balance sheet if the Bank 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 Bank as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Bank 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 Bank'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 Bank'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 Bank's right to receive it back is recognised.

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

Derivative financial instruments 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 income from financial instruments measured at FVTPL.

The Bank continues to apply IAS 39 for hedge accounting, as permitted by IFRS 9. The Bank uses derivative financial instruments for hedging the fair values (fair value hedges) or the net investments in foreign operations (net investment hedges) when transactions meet the specified criteria to obtain the respective 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%.

Fair value hedges: 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.

Net investment hedges: Derivative instruments or non-derivative financial assets and liabilities may be used and designated as the hedging instrument in a hedge of a net investment in a foreign operation. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and reported as translation differences within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation.

Economic hedges: Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Bank. 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.

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

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

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

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that the Bank 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.

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 Bank 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 Bank and that the costs of the asset can be identified and measured reliably.
The capitalised software is amortised using the straight-line method over its useful life not exceeding ten years.

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

Provisions
A provision is recognised if, as a result of a past event, the Bank 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 Bank 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 Bank 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 Bank determines the net interest expense based on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation. The remeasurement of the net defined benefit liability which comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost) is recognised in other comprehensive income.

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

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

Share-based payment plans that are settled in equity instruments are not remeasured for subsequent changes in the fair value of the underlying equity instruments.

The Bank applies equity-settled accounting for the services received from its employees, with a corresponding increase recognised in its equity as a contribution from the parent.

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

Capital reserves
Capital reserves represent the additional proceeds (premium) received from the issue of shares by Bank Julius Baer & Co. Ltd. and from the exercise of conversion rights and warrants on Bank Julius Baer & Co. Ltd.

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

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

As of 1 January 2020, the Bank applied the following new standards for the first time. All these amendments had no material impact on the Bank's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)
The amendments clarify the definition of 'material': Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements as a whole.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
These first-phase amendments related to the interbank offered rates (IBOR) reform provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to the IBOR reform by modifying some specific hedge accounting requirements. More specifically, an entity shall assume that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform.

Definition of a Business (Amendments to IFRS 3)
The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 9 – Expected credit losses
End of March 2020, the IASB issued a statement on accounting for expected credit losses (ECL) under IFRS 9 Financial Instruments due to the uncertainty resulting from the COVID-19 pandemic.

The core message that the applied models regarding the determination of the ECL should not be adjusted, but the input factors into the model may have to be adjusted based on management's judgement, has been considered by the Bank. The critical uncertainties existing in particular when assessing future macroeconomic conditions and whether a significant increase in credit risk has occurred, have been addressed accordingly. Refer to Note 27 Financial Instruments – Expected Credit Losses (especially the section Credit Quality Analysis) for the impact of the statement and the COVID-19 outbreak in general on the Bank's credit portfolio.

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 Bank plans not to adopt these in advance. A number of these changes may have an impact on the Bank's consolidated financial statements, as outlined below.

The following amendments may be relevant to the Bank:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7 and IFRS 16)
These second amendments related to the interbank offered rates (IBOR) reform address issues that might affect financial reporting, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, and hedge accounting.

The amended standards will be effective 1 January 2021. The amendments are not expected to have a material impact on the Bank's financial statements.

COMMENT ON RISK MANAGEMENT

In pursuing its strategy and business, Bank Julius Baer & Co. Ltd. ('the Bank') is exposed to risks, e.g. events which may have an impact on its financial, business, regulatory and reputational standing. Risk management as a result is an integral part of the Bank's business model and is designed to protect its franchise and reputation.

The tight organisational as well as commercial relationship between Julius Baer Group ('the Group') and the Bank as the principal operating entity of the Group makes the risk management principles explained herein analogous to the risk management principles of the Group.

RISK MANAGEMENT FRAMEWORK

The Group's Risk Management Framework ('RMF') links and integrates all relevant activities, governance and processes of the Bank to identify, assess, manage, monitor and report risks across the organization.

Risk management activities are structured according to the Group's Risk Categorisation which represents the material risks the organisation is exposed to.

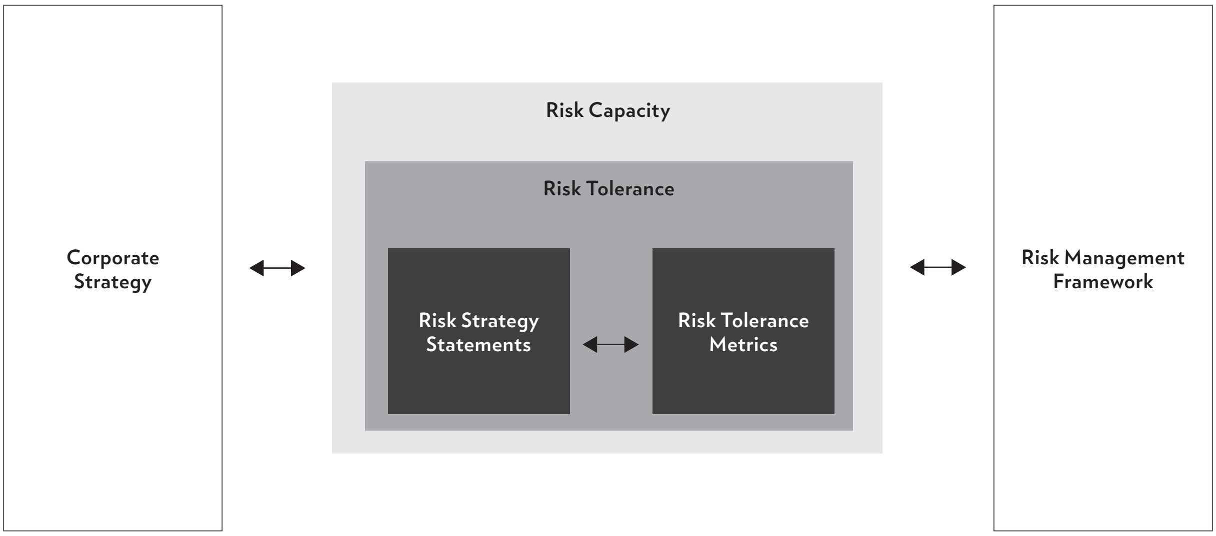
Beside credit, market and treasury risk, the Bank is exposed to non-financial risks, covering operational risk, compliance and legal risk, as well as strategic, business and reputational risk. The Risk Categorisation allows for individual assignment of responsibilities to Risk Type Owners (RTO), who maintain the risk management framework of each material risk type by means and in accordance with the RMF.

RISK TOLERANCE FRAMEWORK

Not all risks can be eliminated, fully controlled and mitigated at all times. However, the Group's Risk Tolerance Framework ('RTF') supports and ensures that risk-taking is in line with the strategic objectives and within the Bank's overall risk capacity. The Bank's risk tolerance is defined as the aggregate level of risk, subject to appropriate mitigating actions, that the Bank is willing to accept across all relevant risk categories. It is formalised by a set of qualitative risk statements and quantitative risk metrics along the Bank's key risk categories.

The risk capacity describes the maximum level of risk the Bank can assume given the Bank's capabilities and resources taking account of capital, earnings and liquidity constraints (financial risk capacity), regulatory requirements and the firm's reputational standing (regulatory and reputational risk capacity). The latter reflects all relevant laws and regulations that affect the overall business operations and conduct of the Bank.

The key components of the Bank's RTF are illustrated by the following figure:



RISK GOVERNANCE

The Bank has established a robust Risk Governance, involving several stakeholders across the organisation and various committees, functions and business units.

The Board of Directors (BoD) is responsible for establishing the strategic course of the Bank and the guiding principles for the Bank's corporate culture. It approves the Bank-wide RMF and RTF. This ensures that risks are managed effectively at Bank level and that suitable processes are in place.

Regular reporting enables the BoD to monitor whether the risk tolerance, policies, instructions and mandates are being complied with and whether they remain appropriate, given the Bank's business model, risk profile and strategy. In addition, the BoD regularly reviews reports analysing the Bank's risk exposure.

The Board of Directors has established the following committees to supervise specific risk management-related areas and to prepare topics for consideration by the complete board.

Governance & Risk Committee	• Ensuring requirements for proper compliance and the promotion of an adequate compliance/conduct culture and organisation are given the necessary attention • Assessing the Group's exposure to compliance/conduct issues as well as the Compliance Framework and related projects to address such matters, in particular as regards topics of AML, KYC, client on-boarding, monitoring and off-boarding, PEPs, economic and trade sanctions, anti-bribery and anti-corruption as well as client tax compliance • Developing and upholding principles of corporate governance for the Company and the Group • Authorising certain market, credit and financial activities taking into consideration the respective risk parameters • Ensuring the standards and methodologies for risk control which are employed to comply with principle and risk profile adopted by the BoD and other bodies
Audit Committee	• Examining and assessing compliance with laws and regulations, articles of incorporation, internal regulations and policies • Discussing the financial statements, the scope and quality of the audit work performed and the appropriateness of the internal control systems (financial and non-financial)
Nomination & Compensation Committee	• Drawing up the remuneration principles and policies aligned with the Group's overall business strategy • Annually reviewing compensation elements and sharing ownership programmes by considering possible impacts of regulatory developments and stakeholder feedback • Assisting the BoD in the effective discharge of its responsibilities in accordance with applicable laws and regulations as well as principles of sound corporate governance • Leading and preparing the long-term succession planning at the level of the BoD, CEO and the other members of the EBG/ExB
Development & Innovation Committee	• Supporting the Board of Directors in its overall oversight responsibilities relating to long-term transformational challenges, business development, innovation and to respective plans as developed by the Executive Board • Identifying and assessing existing and future trends in the areas such as structural changes in the financial industry, the business and operating model of the Group, the applied technology and innovation, as well as assessing their possible impact on the Group and new business opportunities

For further details, please refer to the Board of Directors section of the Annual Report 2020 of Julius Baer Group Ltd.

The Executive Board (EBG) is overall responsible to develop and maintain the RMF and the RTF. It defines specific instructions with regard to risk management, implements the RMF and enforces that the Bank's risk management practices are sound and in accordance with the business model, strategy plan, risk tolerances and the defined mitigating actions set therein.

The following committees enable the Executive Board to delegate decision-making in the daily course of business.

Credit Committee	• Measuring and supervising credit risk • Developing of policies governing credit risk, passing resolutions of credit business and credit limits within its authorisation, delegating credit authority and sanctioning credit risk reports
Risk Committee	• Reviewing and deciding on business conduct and risk standards, the ways in which risk is measured on an aggregate, Group-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), and the policies and procedures in place to mitigate risks and the actions to be taken if risk limits are exceeded • Ensuring appropriate measures are in place for businesses with increased reputational, compliance, legal and operational risk profiles • Reviewing and assessing the Group's information/cyber security strategy and the Group's business continuity management strategy
Group Asset and Liability Management Committee	• Pursuing the Group's aims to ensure adequate liquidity and funding of activities and to optimise net interest earnings and present value of future cash flows • Steering, monitoring and developing management of the Group's financial assets and liabilities held in banking books or balance sheet in general
Transformation Committee	• Defining and overseeing and steering the Group's transformation roadmap • Providing strategic steering of multiyear transformation programmes and significant individual projects as well as acting as escalation body for intraproject issues
Sustainability Board	• Defines, oversees and steers the overall Corporate Sustainability and Responsible Investment strategy and roadmap of JB • Providing strategic guidance and ensure overall coordination, alignment and prioritisation of the Corporate Sustainability and Responsible Investment roadmap within the Group

For further details, please refer to the Executive Board section of the Annual Report 2020 of Julius Baer Group Ltd.

Overall responsibility for the implementation of the Group's RMF lies with those members of the Executive Board of Julius Baer Group Ltd. with designated independent risk management duties – the Chief Risk Officer (CRO), and the Chief Financial Officer (CFO), in cooperation with the Group General Counsel (GGC).

The CRO division develops and oversees the global framework for risk identification, assessment, management, monitoring and reporting within the risk tolerance for the various business activities for the Bank, aiming at sustainable growth of the franchise. It accomplishes this mission by being an independent partner in constructively challenging the business activities from a risk management perspective.

The CRO division is responsible for the control of market risk (trading book and banking book), treasury risk (liquidity and financing risk of the banking book), operational risk as well as compliance and legal risk. Additionally, the CRO division oversees the interaction between risks and supports mitigation of risks together with other divisions. The CRO coordinates his activities with regard to legal risk (incl. regulatory risk) matters with the GGC.

The CFO division oversees the Bank's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up. It is also responsible for balance sheet, capital, funding and liquidity management and the management and oversight of credit risks. The CFO's duties thus include maintaining a sound ratio of eligible capital to risk-weighted positions and ensuring that sufficient liquidity is available. In doing so, the division maintains monitoring systems to ensure compliance with supervisory regulations on the above topics.

RISK CULTURE

The Bank recognises that successful risk management requires a combination of a sound risk culture, organisation and supporting processes as well as controls.

A sound risk culture is the key pillar in effectively managing risks. It promotes sound risk-taking and ensures that emerging risks or risk-taking activities beyond the Bank's risk tolerance are appropriately identified, assessed, escalated and addressed in a timely manner. To this effect, the following four levers are viewed as critical elements in ensuring a strong alignment between the expected behaviour standards and the strategic objectives of the Bank:

– *Strong leadership and tone from the top*: The Board and senior management communicate clear expectations in managerial standards with respect of risk-taking and management, as well as leadership culture, transparency, collaboration, responsibility and accountability on all levels. The Board of Directors and the EBG set the Group's Code of Business Conduct which outlines the principles of Care, Passion and Excellence to guide employee behaviour.
– *Accountability and clear roles and responsibilities*: In addition to a robust policy framework, the Bank ensures that clearly defined roles, responsibilities and accountability standards for specific risks and risk areas are in place in each of the three lines of defences.
– *Effective communication and challenge*: The Bank fosters a culture of open communication and constructive challenge in which decision-making processes encourage a range of views, allow for a continuous re-validation of current practices, stimulate a positive, critical attitude among staff members and promote an environment of open and effective employee engagement.
– *Employee life cycle and incentives*: Employees are rewarded for excellent performance including sound risk awareness and exemplary behaviour that will promote the long-term sustainable success of the organisation.

Based on Julius Baer's long-standing core values 'Care, Passion and Excellence', a set of guiding principles and professional standards for ethical business conduct have been established and formalized in the Group's Code of Ethics and Business Conduct (the Code).

The Code covers a range of topics, from values, beliefs, and culture to how behaviour affects clients, employees, and business activities. It supports the Bank's aspiration to act with the utmost professional expertise and integrity and articulates the Bank's expectation to adhere to high standards of ethical business conduct and to comply with all applicable laws and regulations.

The Code is globally applicable and the principles described in the Code are reflected in the Bank's internal policies and procedures. To ensure adherence to the Code, employees are regularly trained on its content and provide regular confirmations of their understanding and compliance through a formal self-attestation framework. Non-adherence to the Code is reflected in the employee's performance assessment and leads to disciplinary sanctions.

Consistent with the Bank's risk culture, employees are expected and encouraged to report any reasoned suspicion of misconduct. They are asked to discuss respective issues directly with their line management, Legal or Compliance, and/or Human Resources. Alternatively, other channels are available to report concerns, observations or complaints, such as contacting the Group's Ombudsman or reporting the incident anonymously through the Group's external reporting tool (integrity line). The Bank will not retaliate against any employee who reports a violation in good faith.

To support good practices and reinforce a sound risk culture, clear consequences are defined through performance management, compensation and disciplinary actions should an employee's behaviour contribute to a financial loss, reputational damage, a breach of fiduciary duty or represent a policy infringement. To ensure that incentive and compensation systems are aligned with the Bank's risk standards and target risk culture, RMs and their line managers are subject to the new RM Compensation Framework introduced in 2020.

The procedures dealing with policy breaches by employees are defined in a separate policy and regulation breach process to ensure a standardised global approach to sanction non-compliant behaviour as well as policy and regulation infringements. The process aims to

- ensure quality of decision and fair treatment of all employees,
- conduct consolidated analyses and reports with the objective of identifying and preventing systemic risks,
- provide transparent information about the impact of non-compliant behaviour respectively policy and regulation breaches to employees, and
- ensure data protection and privacy.

Depending on the severity of the non-compliant behaviour, a variety of measures can be imposed, such as reprehension, reprimand, warning, promotion ban, financial sanction or termination of work contract.

GROUP RISK LANDSCAPE

In order to make risks transparent and to put them into perspective, a Risk Landscape is compiled annually and is continuously maintained. To comprehensively and holistically identify, assess existing and emerging risks and disclose them transparently to the BoD and EBG|ExB, the following multi-layered approach is applied:

- A bottom-up 'Risk and Control Self-Assessment' of operational, legal and compliance risks performed by the Bank and the business functions at Head Office and challenged by the second line of defence.
- This bottom-up assessment is complemented by the top-down 'Risk Type Owner Assessments' which are being performed annually by the RTOs for all operational, legal and compliance risk types.
- This process is supplemented by an annual stress risk assessment across all key risk categories with a view to quantify the total financial and business risk exposures under unlikely events and to put those in context of the Bank's overall risk capacity.

The Risk Landscape, which is discussed and evaluated at ExB and BoD level, is an integral part of the Bank's strategic capital planning process.

CAPITAL PLANNING AND LIQUIDITY CONTINGENCY PLAN

Regulatory capital standards require banks to calculate their capital requirements by quantifying all of the inherent risks the Bank is exposed to.

In the capital planning process of the Bank, the firm's ability is assessed, to withstand the impact of credit, market and other risk events. The current and future required capital is planned in relation to the strategic targets of the Bank, and therefore an integral part of the yearly budgeting and midterm planning process. It provides a reliable forecast of available capital on the basis of business planning and budgeting, future profits, dividend policy and targeted corporate transactions.

In assessing whether the capital base is adequate, the Bank takes into account the economic cycle and show in its capital planning that it is in a position to meet its capital adequacy requirements over a three-year horizon even in the event of an economic downturn and revenues falling sharply and a funding stress scenario.

This includes the risk of unplanned pension liabilities since the present value of future pension obligations minus plan assets currently calculated under IAS 19 is recorded in the balance sheet and as such, risk events could reduce the available eligible regulatory capital of the Bank. Possible reasons are (i) increasing liabilities, in particular due to regulatory change, such as higher minimum guaranteed amounts and decreasing interest rates; or (ii) decreasing assets, e.g. due to reduced assumed returns on investments; or (iii) a combination of both, e.g. due to changes to the pension fund scheme, acquisitions, increasing longevity or assumption of higher risks due to reduced insurance offering. In case of extraordinary situations, the capital plans are reviewed on an ad hoc basis.

The Liquidity Contingency Plan sets out procedures and action plans for the various departments to respond to severe disruptions in the Bank's ability to fund some or all of the activities in a timely manner. It enhances the Liquidity and Funding Manual that outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Bank.

In order to trigger the Liquidity Contingency Plan, the CFO (deputised by the CRO) convokes the Liquidity Crisis Committee and Liquidity Analysis Committee, whose members and responsibilities are defined in the Contingency Plan. A trigger can be based either on the development of early warning indicators, or based on an extraordinary event threatening the Bank's liquidity. Well defined escalation steps related to the number of triggered early warning indicators, which are monitored on a daily basis, are in place.

The Liquidity Contingency Plan is tested and reviewed at least once a year by the Group Asset and Liability Committee.

STRESS TESTING

The risks identified in the Risk Landscape process enter the capital planning process by means of direct stress impacts for financial risks and indirect stress impacts for idiosyncratic risks.

- Direct stress impacts, which are calibrated to the macroeconomic scenarios used as foundation of the capital plan, cover market driven financial risk events, i.e. considering trading and non-trading market risk in the trading and banking book, as well as credit risk materialising in the Lombard lending, mortgage, and investment book.
- Indirect stress impacts are used to cover non-correlated or idiosyncratic risk events as identified in the Risk Landscape.

Further stress testing may be conducted regularly or ad hoc both on a singular business or risk level (to assess the exposure in certain areas of the business or in specific risk categories) as well as for the whole Bank. It allows to estimate the potential impact on income, capital or liquidity (or other aspects if deemed relevant) resulting from significant changes in market conditions, credit environment, liquidity demands or other risk factors. All stress-testing activities are developed with input from a broad range of stakeholders, and results are integrated into management decision-making processes for capital, market risk limits, credit risk strategy and funding strategy. There are three types of stress testing:

- Standardised stress testing procedures are applied to assess the viability of the business under less favourable conditions and are used as input for the formulation and implementation of preparative and contingency activities.
- Reverse stress testing aims to identify scenarios which might be particularly harmful for the Bank. Whereas regular stress testing analyses the potential outcome of (historical or hypothetical) scenarios, reverse stress testing reveals potential causes of severe harm to the institution. Such reverse stress testing is performed at least annually in the context of the review of the Risk Landscape.
- Topical stress testing is being applied for a variety of specific topics to gain assurance that preventive, detective and responsive measures to defined scenarios are adequate.

The following financial risks are regularly stress-tested and are reported on a regular basis to the EBG and BoD:

- Credit risk: pledged portfolios (consisting of securities, precious metals, derivative exposures, OTC interest options/swaps, foreign exchange [FX] margins) are stress-tested twice a year to assess potential negative market impact on the Lombard credit book. The negative impact on the mortgage book is evaluated by reducing the assigned property market value and stressing additionally pledged assets (e.g. pledged insurance policies, pledged portfolios, etc.).
- Market risk: on a daily basis, a set of granular and standardised scenarios are calculated and the results are measured against a set of limits. Further, once per week, historical stress tests serve as a source for insight of the risks in the trading book.
- Treasury risk: on a daily basis, liquidity stress tests serve to assess the liquidity posture of the Bank.

Stress testing of non-financial risks is performed at least annually as part of the Risk Landscape process.

- Operational risk, compliance and legal risk as well as strategic, business and reputational risk are assessed and reported within a structured process concentrating on the major risks relevant for the Bank. The compilation of such risks follows a stress scenario assumption, e.g. focusses on events which may happen, but only rarely, and whose severity, upon happening, is exceptionally high. In aiming to quantify the risks along the two dimensions 'probability of occurrence' and 'impact', a precedence of such risks is established allowing for focusing the discussion on the most relevant topics. In addition, the estimated losses are being used in reverse stress testing of the risk capacity.

RISK REPORTING

As a key component of an effective risk management framework, risk reporting is used to understand, monitor, manage and mitigate risks and escalate them to the senior management. It mainly aims at informing the respective levels of management up to the BoD and the EBG on the overall risk profile, particular risk exposures as well as the levels of the Bank's financial ratios and capital and risk indicators. It takes place in the form of regular financial risk and key ratios reports prepared by the CRO and CFO throughout the year.

The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas. They are generally catered to provide reassurance on the adherence to risk tolerance, to provide escalation on respective non-adherence and to provide early warnings for exposures to approach of risk levels, which may in turn exceed the Bank's RTF.

The Governance & Risk Committee and the Audit Committee are periodically (at least quarterly) informed by EBG about the general risk situation through the Group Quarterly Risk Report prepared by the CRO. Once a year, the Group Quarterly Risk Report is also discussed in the BoD. Additionally, Management informs the BoD immediately in case of exceptional events. The Bank allocates a sufficient level of resources to risk monitoring against approved risk limits. Processes are established for reporting changes in risks to the relevant management bodies and risk committees. This enables the BoD and the EBG to review their risk and crisis management frameworks early to implement new regulatory requirements, expand risk and crisis capabilities, and improve efficiency.

With regard to reporting of the adherence to risk tolerance thresholds, exposure reporting for risk tolerance metrics is integrated in the Quarterly Risk Report to the Governance & Risk Committee.

THE THREE LINES OF DEFENCE

The Bank has adopted the 'Three Lines of Defence' model as a guiding organisational framework for managing risk in the functions operating across the Bank. This encompasses the Internal Control System ('ICS'), which is, amongst others, the sum of controls and processes that operate across the three lines of defence to ensure that risk is being incurred in a deliberate and disciplined manner.

The Bank seeks to follow an approach of assigning clear accountability in identifying, assessing, managing, monitoring and reporting risks. In doing so, the Bank has implemented and continues to strengthen the three lines of defence model across its global business operations.

The 'Three Lines of Defence' model is defined according to the following key principles:

The 'Three Lines of Defence' model

Functions operating across the Group

First Line of Defence

- Comprises revenue-generating functions and other business units that incur risk
- Function heads are accountable for the risk that is being incurred in these functions
- Controls are operated to detect and prevent risk

Second Line of Defence

- Comprises independent control functions
- Responsible for overseeing the activities of the business and providing challenge
- Reviews the performance of first-line controls and operates independent controls

Third Line of Defence

- Comprises Internal Audit
- Responsible for performing periodic assurance to determine whether the first and second line are operating in accordance with their respective mandates
- Independent of first and second lines of defence

Internal Control System

CREDIT RISK

Credit risk is the risk of financial losses due to a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Bank.

The Bank's focus either is to lend money to its wealth management clients on a collateralised basis in form of Lombard lending or mortgages in combination with core business.

Professional counterparty exposure
The Bank 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 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 Bank 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 Bank has implemented a workflow system for managing and monitoring credit risks in the due from banks book. Several controls are incorporated in the system to ensure timely risk management and granting of credit facilities according to delegated credit approval authorities. Credit approvals are processed using a four-eye principle. Approval authorities are continuously kept up to date taking into consideration a number of factors such as risk type, counterparty risk rating and exposure. The credit risks associated with all the counterparties and issuers are subject to a wide range of rules and limits. These ensure that the Bank'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 Bank's risk capacity and the applicable regulatory limits.

The Bank 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 Bank 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 Bank 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 Bank holds cash collateral for the majority of the counterparty risk arising from its open derivatives positions. The Bank's securities lending business policies explicitly prohibit transactions involving correlation risk.

The Bank 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.

For professional counterparties a regular stress test is in place. The current exposure is stressed and set against current limits and against stressed equity of the counterparty. Additionally, a second stress test assesses the impact of a rating downgrade of the internal rating on the Bank's risk appetite.

Lombard lending

The Bank has a policy of lending to wealth management clients on a collateralised basis. The credit risk results from lending activities as well as actual and future receivables due to the Bank.

The Bank uses credit risk models and frameworks to assess the riskiness of its portfolio in line with the respective lending policies. On that basis, conservative lending values are set as a percentage of the collateral market value. Advanceable rates can be determined or adjusted for a specific security or for individual clients.

Every counterparty with a credit line is assigned an internal credit rating. The risk rating reflects the underlying credit risk and primarily depends on the collateral provided by the counterparty, collateral concentration and client-specific conditions. In the case of the rating classes R1 to R6 (neither past due nor impaired), the outstanding balances are serviced; the advancable 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. Balances in rating class R7 are past due, but the exposure is still covered by collateral. For balances in rating classes R7 to R10, loss allowances are established on a case-by-case basis.

The risk rating for the counterparty's limit size also determines the approval authority level, the monitoring and review frequency.

The Bank's 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 for example defines corridor values for credit penetration (the ratio of lending to assets under management). In addition, the Bank has implemented a set of regularly reviewed limits for the ongoing management and systematic monitoring of various credit risk concentrations in the Lombard business in line with its risk strategy. This includes limits related to single asset collaterals, client groups, geographical (on country-of-risk level) or risk rating concentrations; all of these limits have the same significance and are adhered to equally. Any breach of the limits becoming apparent would be dealt with in line with the general risk governance policy described above. Furthermore, management triggers exist for these limits, which allows the management to take the necessary actions at an early stage in order that any potential breach can be avoided. However, none of the internal risk limits has been exceeded during the business years 2020 and 2019; moreover, the current exposures are well below the set limits for all risk concentrations.

Additionally, an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically, is in place. The maximum ratio has not been exceeded during the business years 2020 and 2019.

Regular and ad hoc stress testings are performed. These are calibrated to reflect the prevailing market and political situation. The results are reviewed by the credit-monitoring units and reported to the relevant decision-making committees. All distressed and non-performing loans are identified at an early stage and managed proactively. Collateral shortfalls (e.g. margin calls) are processed on a daily basis and prioritised according to their severity.

The Bank has implemented a workflow system for managing and monitoring Lombard risks. The system draws the relevant position data from the bookkeeping systems of the Bank. 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 booking centres. Several controls are incorporated in these systems. All Lombard 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.

Mortgages

The Bank grants mortgages to wealth management clients in Switzerland and in a limited number of international locations. The properties pledged are assessed and valued individually as part of the risk management process. These valuations are carried out based either on 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 form of securities is required in addition to the pledged property itself. Every mortgage is assigned a risk rating. The rating reflects the underlying credit risk which primarily depends on the counterparty assessment and the property. The risk rating for the requested limit size also determines the approval level and review frequency. The Bank tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

The Bank conducts regular stress tests with different scenario size depending on the location and ad hoc portfolio analysis to assess potential negative market impacts on the mortgage book.

The mortgage positions are monitored in a supervision system globally. Additionally, a workflow system for monitoring and managing credit risks for the Swiss mortgage book is in place. Several controls are incorporated in these systems to ensure timely registration and collateral valuation, the granting of credit facilities according to delegated credit approval authorities, and formalised monitoring procedures.

MARKET RISK

Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors.

It could be further separated into:

- Trading market risk, resulting from trading book transactions, being pursued with the intention of benefiting 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.
- Non-trading market risk, resulting from the management of financial assets and liabilities held in the Bank's banking book with exposures mainly to interest rate risk, currency risk, credit spread risk, and equity risk.

The Bank assumes market risk exposure through activities of the subdivision Markets (trading market risk) and CFO (non-trading and trading market risk in the Treasury department) as well as through the purchase of participations and financial investments triggered by the authorised body.

Identification of trading and non-trading market risks is ensured with a strict product approval process including the assessment and validation of models, implementation in trading and risk systems to assure caption of all risk components. A regular review of positions and models in trading and banking books assures an ongoing identification of new risks or the need for changing models or processes.

The Bank uses statistical measures to assess trading and non-trading market risks and to represent these risks in the Risk Landscape. These measures are part of the toolbox used in the day-to-day market risk management and measurement process. As an example, the Bank calculates probability-loss curves using Value at Risk ('VaR') and Expected Shortfall measures. These curves determine the potential loss that may occur with a given probability over the next three years using the previous year's market data (and the assumption that after losses of four times the VaR, the risk positions would be hedged to avoid further losses). This is done separately for trading and non-trading market risk, producing two probability-loss curves.

Further, the Bank performs market risk portfolio analyses and stress testing on a regular basis as well as in relation to specific events. Efforts are made to ensure that the net effect under various stressed conditions is taken into account in the risk assessment and monitoring processes. Purpose of market risk stress testing is

- to assess the adequacy of the Bank's financial resources for periods of severe stress and develop contingency plans for the Bank if the need arises,
- to promote risk identification and add further insight into the need for setting new limits, and
- to serve as a supplement to the ongoing quality assurance for market risk management practices.

The stress testing programme provides additional perspectives on market risk by applying multiple methodologies to scenarios with various degrees of severity. The complexity of the methodologies ranges from simple sensitivity analyses to complex scenario stress testing (as required to meet the purpose of the stress test).

For trading market risk assumed in the Markets subdivision, the Market Risk and Product Control unit oversees the application of the framework set by the BoD. Authorities and responsibilities for trading activities are cascaded down from the EBG to the subdivision Head Markets to Business Line Heads and Trading Desk Heads.

For non-trading and trading market risk managed within the Treasury department, the Market Risk and Product Control unit oversees the application of the framework set by the BoD and the Asset and Liability Committee and issues additional rules and constraints as deemed required.

Market risk management activities are described in various key policies. A control environment for market risk has been implemented and integrated into key business processes. This ensures that products are approved to be in line with the strategy and risk tolerance, limits are in place and adhered to, front-to-back reconciliation processes are in place, and the valuation of positions follows a fair value approach.

The Bank uses a variety of metrics and models to continuously measure and control market risk exposures. Limits are set using these models, reflecting the Bank's risk tolerance, including:

- VaR limits
- Scenario and sensitivity limits
- Nominal | market value limits, sensitivity ('Greek') limits
- Stress scenario limits
- Stop loss limits and | or profit and loss volatility limits
- Intraday limits

Internal models are developed and maintained for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices. These models are independently certified and regularly reviewed based on a risk-materiality assessment.

Non-trading market risk models are subject to regular reviews:

- Scenario model to assess the risk of losses caused by interest rate moves on balance sheet mismatch positions and | or model risk arising from assets or liabilities with no fixed maturity
- Scenario model to assess the risk of losses on the balance sheet FX exposure due to unfavourable currency movements
- Scenario model to assess the credit spread risk due to the change in credit risk premium required in the market for a given credit quality of an investment

Regulatory back-testing is performed daily to document the performance of the internal VaR model. Risk and pricing models are independently validated prior to implementation and are subject to formal periodic review.

TREASURY RISK

Treasury risk consists of financing and liquidity risk.

Financing risk is the risk of the Bank being unable to finance its existing or planned activities on an ongoing basis at acceptable prices. Liquidity risk, conversely, is the risk of the Bank being unable to meet its payment obligations when they fall due.

The Treasury department of Bank Julius Baer & Co. Ltd. is responsible for the liquidity and funding activities. This includes executing the funding plan and managing the liquidity reserve. Liquidity management is centralised and conducted on a consolidated basis to ensure regulatory compliance at the Bank level and compliance with internal requirements.

The Market Risk and Product Control unit as part of the Risk Management department validates and challenges the models and assumptions used by the first line of defence for reporting risk measures.

Treasury risk is inherent in basic banking activities such as accepting deposits and providing loans and credits. The transformation of short-term deposits into long-term loans exposes banks to maturity mismatches that cannot be eliminated. The Bank manages this liquidity risk by holding sufficient liquidity to meet its obligations and follow its strategies – in particular regulatory obligations, business plans and rating ambitions – even in stressed situations. The key elements of the liquidity and financing risk framework are:

- Measurement of risk by using appropriate models
- Liquidity ratios and limits
- Stress testing
- Fund transfer pricing system
- Reporting

To identify risks and assure adherence to the liquidity and financing risk framework, the Bank follows:

- a new product approval process assuring that any new business or product is assessed by all stakeholders;
- a daily analysis of positions by risk management; and
- a regular review of models used in the measurement of liquidity and financing risks.

The assessment of liquidity and financing risks is primarily drawn from stress testing results. The Bank has a liquidity stress testing model in place that runs regular liquidity stress tests and enhanced liquidity stress tests taking into consideration longer time periods, currency shocks or contingent liquidity risks. While the Bank recognises that stress testing and the modelling of future cash flows are subject to model uncertainty, the liquidity stress testing approach captures both funding liquidity risk (e.g. 'bank run' scenarios where an entity may not be able to meet its short-term liabilities) and asset liquidity risk (e.g. the risk that assets valuations may be subject to large haircuts in value).

The Bank's liquidity risk management includes incentive measures to maintain a sound balance of short-term liabilities vs. the size of its balance sheet. Furthermore, delegated to the Treasury department, liquidity risk management seeks to ensure that sufficiently large liquid assets are in place (and available for drawdown in normal markets and stressed markets).

The stress testing models and parameters are annually reviewed and approved by the Group's Asset Liability Committee.

Various policies and controls are in place to manage treasury risk. The Group Funding Liquidity Manual outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Bank, and complements the Group Liquidity Risk and Funding Policy. The manual contains the Group Liquidity Contingency Plan, which would be deployed in the event of a severe deterioration of the Bank's liquidity situation. The contingency plan defines responsibilities and lists potential liquidity-generating measures to be evaluated on a case-by-case basis.

The risk management and measurement of liquidity and financing risks is based on the following risk metrics:

- Liquidity stress tests
- Liquidity Coverage Ratio (LCR). For additional information to the LCR, refer to the separate Basel III Pillar 3 Report, published in the Financial Reporting section of the www.juliusbaer.com website (this will be available at the end of April 2021)
- Net Stable Funding Ratio (NSFR)
- Funding gap analysis
- Funding concentration analysis
- Early warning indicators

NON-FINANCIAL RISK

The Bank is subject to various non-financial risks by providing services to clients and counterparties, by receiving services from third parties and by operating in a regulated industry.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud.

Compliance risk is the risk of financial loss or damage resulting from a breach of applicable laws and regulations or the non-adherence to internal or external rules and regulations or market practice. The loss or damage in such circumstances may take the form of fines and/or disgorgement imposed by regulatory and/or criminal authorities or other sanctions such as restrictions on business activities, the imposition of mandatory remedial measures (including monitoring) or even the loss of license.

Legal risk essentially comprises default and liability risk. Default risk is defined as the risk of loss or damage resulting from an entity being unable to enforce existing or anticipated rights against third parties. Liability risk, on the other hand, arises when an entity, 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.

Strategic risk is defined as the risk of employing a strategy that fails to secure the adequate returns available from the capital employed in the long run. The Bank is exposed to strategic risk in the pursuit of its growth strategy. It may arise from strategic decisions such as joint ventures, mergers and acquisitions, the pricing strategy and strategic recruiting or the lack of making timely decisions.

Sustainability risks are environmental, social or governance events or conditions which if they occur have or may have significant negative impacts on the assets, financial and earnings situation or the reputation.

Business risk is the risk arising from a bank's long-term business strategy of pure wealth management. It deals with a bank not being able to keep up with changing competition dynamics and|or an unfavourable fiscal, political or regulatory environment.

Reputational risk describes the risk that the reputation the Bank has with its stakeholders (including regulators, shareholders, clients, employees and the general public) deteriorates and the trust in its franchise and brand value is negatively influenced. The reputation may deteriorate due to cases in which stakeholders' perception of the Bank differs negatively from their expectations. Negative sentiment about an institution's business practices can involve any aspect of its operations, but usually relates to topics of business ethics and integrity, or quality of products and services. The Bank considers its reputation as the most important asset and the hardest one to re-establish in case of an unwanted deterioration. Thus, the Bank does not take extreme positions regarding tax, regulatory, political or suitability risks. Transactions that would compromise its reputation should it become public is, by definition, an unacceptable risk to the Bank.

The Bank has defined the underlying risk management processes for every risk type along a Risk Management Cycle.

The continuous identification (step 1) of relevant risks is a key risk management activity. This relates to both emerging threats/risks as well as to increasing risk profiles. New risks may arise by developing and launching new products and services, a change in the regulatory landscape or a change to the business model.

The assessment (step 2) of identified risks consists of the qualitative analysis and quantification of the inherent risk, the control risk and finally the residual risk along defined risk management principles and methods. It also includes the development, testing and validation of models to measure risks, as well as stress testing procedures to assess and measure risks in pre-defined scenarios.

The day-to-day risk management (step 3) has to ensure an adequate response to identified risks and the set risk tolerance. It includes all activities from risk evaluation to the definition and implementation of risk mitigation measures, which aim to prevent or reduce risks and damages, e.g. the setting of standards and controls, education and training, automation of processes, and the implementation of standards, limits and metrics.

Monitoring activities (step 4) include the performance of control activities or quality assurance procedures on implemented standards and controls to ensure that the risk profile and exposure is kept within the risk tolerance, e.g. via risk metrics (KRIs or KPIs) and limits.

The reporting (step 5) supports all hierarchy levels to have a transparent and accurate overview of the underlying risk profile and risk exposure. This includes also the timely escalation in case of breaches of set risk tolerances. The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas.

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

For information about capital management including regulatory capital, refer to the respective section in the Annual Report 2020 of Julius Baer Group Ltd.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

NOTE 1 NET INTEREST AND DIVIDEND INCOME

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *%*
Interest income on amounts due from banks	**9,670**	48,176	-79.9
Interest income on loans	**574,850**	860,382	-33.2
Interest income on debt instruments at FVOCI	**133,190**	255,764	-47.9
Negative interest received on financial liabilities	**26,862**	21,760	23.4
Interest income on financial instruments measured at amortised cost or FVOCI	**744,572**	1,186,082	-37.2
Interest expense on amounts due to banks	**10,388**	26,150	-60.3
Interest expense on amounts due to customers	**124,448**	408,240	-69.5
Negative interest paid on financial assets	**40,315**	17,041	136.6
Interest expense on lease liabilities	**4,527**	4,894	-7.5
Interest expense on financial instruments measured at amortised cost	**179,678**	456,325	-60.6
Total	**564,894**	729,757	-22.6

NOTE 2 NET COMMISSION AND FEE INCOME

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *%*
Advisory and management fees	**1,042,152**	1,064,632	-2.1
Brokerage commissions and income from securities underwriting	**756,076**	557,844	35.5
Commission income from credit-related activities	**20,782**	8,431	146.5
Commission and fee income on other services	**42,402**	70,482[1]	-39.8
Total commission and fee income	**1,861,412**	1,701,389	9.4
Commission expense	**505,086**	452,267	11.7
Total	**1,356,326**	1,249,122	8.6

[1] The 2019 numbers have been aligned to the improved structure of commission reporting (see Note 4).

NOTE 3 NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FVTPL

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *%*
Net gains/(losses) from debt instruments and foreign exchange	**470,051**	421,553	11.5
Net gains/(losses) from equity instruments	***362,424***	*128,120*	*182.9*
Total	**832,475**	549,673	51.4

NOTE 4 OTHER ORDINARY RESULTS

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *%*
Dividend income on equity instruments at FVOCI	**1,811**	17,480	-89.6
Result from disposal of debt instruments at FVOCI	**14,713**	10,310	42.7
Real estate income	**5,099**	6,902	-26.1
Other ordinary income	**64,211**	82,428[1]	-22.1
Other ordinary expenses	**14**	15	-6.7
Total	**85,820**	117,105	-26.7

[1] The 2019 numbers have been aligned to the improved structure of commission reporting (see Note 2).

NOTE 5 PERSONNEL EXPENSES

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *%*
Salaries and bonuses	**944,365**	926,870	1.9
Contributions to staff pension plans (defined benefits)	**82,633**	77,567	6.5
Contributions to staff pension plans (defined contributions)	**20,809**	21,521	-3.3
Other social security contributions	**69,197**	65,109	6.3
Share-based payments	**52,495**	50,778	3.4
Other personnel expenses	**17,722**	29,335	-39.6
Total	**1,187,221**	1,171,180	1.4

NOTE 6 GENERAL EXPENSES

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change *%*
Occupancy expense	**22,288**	21,492	3.7
IT and other equipment expense	**77,296**	71,712	7.8
Information, communication and advertising expense	**130,324**	156,125	-16.5
Service expense, fees and taxes	**388,741**	343,385	13.2
Provisions and losses	**80,516**	191,103	-57.9
Other general expenses	**2,457**	5,057	-51.4
Total	**701,622**	788,874	-11.1

NOTE 7 INCOME TAXES

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change %
Income tax on profit before taxes (statutory tax expense)	**146,767**	106,462	37.9
Effect of tax rate differences in foreign jurisdictions	**-19,269**	-22,497	-
Effect of domestic tax rate differences	**-**	-1,229	-
Income subject to a reduced tax rate	**-15,582**	-21,412	-
Adjustments related to prior years	**-4,722**	13,996	-
Non-deductible expenses	**12,637**	420	-
Other	**-483**	-31	-
Actual income tax expense	**119,348**	75,709	-

The basis for the above table is the statutory income tax rate of 20% (2019: 22%) which corresponds to the average Bank tax rate in Switzerland.

There is no unrecognised accumulated loss carryforwards in the Bank.

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

Adoption of Swiss corporate tax reform
The tax reform has entered into force on 1 January 2020. The changes had no material impact on the tax liability of the Bank. Additionally, the enacted tax rate reduction in certain cantons has been already reflected in the deferred tax positions in 2019.

	2020 *CHF 1,000*	2019 *CHF 1,000*	Change %
Domestic income taxes	**65,635**	39,405	66.6
Foreign income taxes	**53,713**	36,304	48.0
Total	**119,348**	75,709	57.6

Current income taxes	**118,968**	100,383	18.5
Deferred income taxes	**380**	-24,674	-
Total	**119,348**	75,709	57.6

Tax effects relating to components of other comprehensive income

			2020
	Before-tax amount *CHF 1,000*	Tax (expense)/ benefit *CHF 1,000*	Net of tax amount *CHF 1,000*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	110,568	-5,746	104,822
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-15,668	464	-15,204
Net credit losses on debt instruments measured at FVOCI	491	-	491
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	-14,103	2,721	-11,382
Gains/(losses) from own credit risk on financial liabilities designated at fair value	-3,895	-	-3,895
Remeasurement of defined benefit obligation	40,691	-7,731	32,960
Other comprehensive income	**118,084**	**-10,292**	**107,792**

			2019
	Before-tax amount *CHF 1,000*	Tax (expense)/ benefit *CHF 1,000 restated*	Net of tax amount *CHF 1,000*
Items that may be reclassified subsequently to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	122,054	-15,149	106,905
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-10,446	945	-9,501
Net credit losses on debt instruments measured at FVOCI	-809	-	-809
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	78,487	-11,839	66,648
Remeasurement of defined benefit obligation	-77,234	7,628	-69,606
Other comprehensive income	112,052	-18,415	93,637

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

NOTE 8 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

						31.12.2020
	Mandatory at FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	**Total** *CHF m*
Financial assets						
Cash	-	-	-	-	12,095.7	**12,095.7**
Due from banks	-	-	-	-	7,258.2	**7,258.2**
Lombard loans	-	-	-	-	36,895.1	**36,895.1**
Mortgages	-	-	-	-	6,499.7	**6,499.7**
Financial assets measured at FVTPL	13,557.6	-	-	-	-	**13,557.6**
Derivative financial instruments	2,576.3	-	-	-	-	**2,576.3**
Financial assets designated at fair value	-	252.2	-	-	-	**252.2**
Financial assets measured at FVOCI	-	-	13,380.7	272.3	-	**13,653.0**
Accrued income	-	-	-	-	254.8	**254.8**
Other assets	-	-	-	-	5.3	**5.3**
Total	**16,133.9**	**252.2**	**13,380.7**	**272.3**	**63,008.8**	**93,047.9**
Financial liabilities						
Due to banks	-	-	-	-	8,519.5	**8,519.5**
Due to customers	-	-	-	-	69,842.7	**69,842.7**
Financial liabilities measured at FVTPL	896.5	-	-	-	-	**896.5**
Derivative financial instruments	2,710.0	-	-	-	-	**2,710.0**
Financial liabilities designated at fair value	-	13,154.8	-	-	-	**13,154.8**
Accrued expense	-	-	-	-	138.7	**138.7**
Other liabilities	-	-	-	-	4.6	**4.6**
Total	**3,606.5**	**13,154.8**	**-**	**-**	**78,505.5**	**95,266.8**

31.12.2019

	Mandatory at FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	Total *CHF m*
Financial assets						
Cash	-	-	-	-	7,573.2	7,573.2
Due from banks	-	-	-	-	6,930.1	6,930.1
Lombard loans	-	-	-	-	38,081.4	38,081.4
Mortgages	-	-	-	-	6,547.7	6,547.7
Financial assets measured at FVTPL	13,819.6	-	-	-	-	13,819.6
Derivative financial instruments	1,643.2	-	-	-	-	1,643.2
Financial assets designated at fair value	-	287.5	-	-	-	287.5
Financial assets measured at FVOCI	-	-	12,794.4	233.9	-	13,028.3
Accrued income	-	-	-	-	287.0	287.0
Other assets	-	-	-	-	10.5	10.5
Total	15,462.8	287.5	12,794.4	233.9	59,429.9	88,208.5
Financial liabilities						
Due to banks	-	-	-	-	6,520.4	6,520.4
Due to customers	-	-	-	-	65,239.5	65,239.5
Financial liabilities measured at FVTPL	613.8	-	-	-	-	613.8
Derivative financial instruments	2,120.6	-	-	-	-	2,120.6
Financial liabilities designated at fair value	-	13,281.1	-	-	-	13,281.1
Accrued expense	-	-	-	-	183.3	183.3
Other liabilities	-	-	-	-	1.7	1.7
Total	2,734.4	13,281.1	-	-	71,944.9	87,960.4

NOTE 9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FVTPL

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*
Financial assets measured at FVTPL			
Trading securities – debt FVTPL	**3,397,877**	2,417,732	980,145
of which quoted	***2,664,756***	*2,143,393*	*521,363*
of which unquoted	***733,121***	*274,339*	*458,782*
Trading securities – equity FVTPL	**10,159,675**	11,401,849	-1,242,174
of which quoted	***8,223,053***	*8,033,710*	*189,343*
of which unquoted	**1,936,622**	3,368,139	-1,431,517
Total	**13,557,552**	13,819,581	-262,029
Financial liabilities measured at FVTPL			
Short positions - debt instruments	**239,512**	143,935	95,577
of which quoted	***222,110***	*138,852*	*83,258*
of which unquoted	***17,402***	*5,083*	*12,319*
Short positions - equity instruments	**657,008**	469,843	187,165
of which quoted	***626,284***	*453,886*	*172,398*
of which unquoted	***30,724***	*15,957*	*14,767*
Total	**896,520**	613,778	282,742

NOTE 10 FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*	Change *CHF 1,000*
Government and agency bonds	**4,254,605**	4,996,338	-741,733
Financial institution bonds	**5,261,374**	4,575,825	685,549
Corporate bonds	**3,864,687**	3,222,189	642,498
Debt instruments at FVOCI	**13,380,666**	12,794,352	586,314
of which quoted	***8,903,652***	*8,703,466*	*200,186*
of which unquoted	***4,477,014***	*4,090,886*	*386,128*
Equity instruments at FVOCI	**272,347**	233,931	38,416
of which unquoted	***272,347***	*233,931*	*38,416*
Total	**13,653,013**	13,028,283	624,730

NOTE 11 PROPERTY, EQUIPMENT AND LEASES

	Bank premises *CHF m*	Leases *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost				
Balance on 01.01.2019	376.3	219.6	180.1	776.0
Additions	4.4	19.5	15.6	39.5
Additions from business combinations[1]	79.2	-	-	79.2
Disposals/transfers[2]	39.7	-	13.0	52.7
Balance on 31.12.2019	420.2	239.1	182.7	842.0
Additions	4.8	1.5	15.7	22.0
Disposals/transfers[2]	-	-	26.5	26.5
Balance on 31.12.2020	425.0	240.6	171.9	837.5
Depreciation and impairment				
Balance on 01.01.2019	116.4	-	137.9	254.3
Charge for the period	11.1	40.3	18.9	70.3
Disposals/transfers[2]	-10.9	-	13.0	2.1
Balance on 31.12.2019	138.4	40.3	143.8	322.5
Charge for the period	9.5	41.2	21.8	72.5
Disposals/transfers[2]	-	-	26.5	26.5
Balance on 31.12.2020	147.9	81.5	139.1	368.5
Carrying value				
Balance on 31.12.2019	281.8	198.8	38.9	519.5
Balance on 31.12.2020	**277.1**	**159.1**	**32.8**	**469.0**

[1] In January 2019, the Bank acquired Zurich-based Aktiengesellschaft formerly Waser Söhne & Cie, Werdmühle Altstetten from its parent company Julius Baer Group Ltd. The transaction was accounted for as a common control transaction, meaning that the book values of the transferred assets and liabilities have not been adjusted. The equity (net asset value) of the acquired company was recognised as addition in the Bank's capital reserves and reflects the capital contribution from the parent.

[2] Includes also derecognition of fully depreciated assets

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

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Amounts recognised in the income statement		
Depreciation charge	**41.2**	40.3
Interest expense on lease liability	**4.5**	4.9
Expense related to short-term/low-value leases	**0.6**	0.4
Total	**46.3**	45.6
Total cash outflows for leases (excluding short-term/low-value leases)	**37.8**	40.9
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**42.4**	40.2
One to five years	**88.4**	133.8
More than five years	**53.7**	54.9
Total undiscounted lease liabilities	**184.5**	228.9

NOTE 12 GOODWILL AND INTANGIBLE ASSETS

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Historical cost				
Balance on 01.01.2019	1,501.7	1,185.5	905.0	3,592.2
Additions	-	-	122.3	122.3
Disposals/transfers[1]	-	-	10.6	10.6
Balance on 31.12.2019	1,501.7	1,185.5	1,016.7	3,703.9
Additions	-	-	149.9	149.9
Disposals/transfers[1]	-	-	56.8	56.8
Balance on 31.12.2020	1,501.7	1,185.5	1,109.8	3,797.0
Amortisation and impairment				
Balance on 01.01.2019	-	1,046.1	391.6	1,437.7
Charge for the period	-	46.9	65.4[2]	112.3
Disposals/transfers[1]	-	-	10.6	10.6
Balance on 31.12.2019	-	1,093.0	446.4	1,539.4
Charge for the period	-	32.2	76.9[3]	109.1
Disposals/transfers[1]	-	-	56.8	56.8
Balance on 31.12.2020	-	1,125.2	466.5	1,591.7
Carrying value				
Balance on 31.12.2019	1,501.7	92.5	570.3	2,164.5
Balance on 31.12.2020	**1,501.7**	**60.3**	**643.3**	**2,205.3**

[1] Includes also derecognition of fully amortised assets
[2] Includes impairment of CHF 4.6 million related to software not used anymore
[3] Includes impairment of CHF 7.7 million related to software not used anymore

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 Bank, 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 Bank level (see also Note 19 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Bank.

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

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

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows for the next five years, whereof the first three years are based on the detailed budgeting and the remaining two years on the less detailed mid-term planning (particularly net new money). The Bank expects in the medium and long term a favourable development of the wealth management activities which is reflected in the respective growth of the key parameters, although the Bank cannot exclude short-term market disruptions. The Bank also takes into consideration its relative strength as a pure wealth management provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments 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 11.0% (2019: 8.8%). The discount rate used in the calculation represents the Bank's specific risk-weighted rate based on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

The Bank'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 Bank 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 Bank vis-à-vis its respective competitors and in its industry. The long-term growth rate beyond management's planning horizon of five years for assets under management is assumed at 1%. 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 Bank's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rate and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions (i.e. discount rate and growth rate) would not result in the carrying amount exceeding the Bank's recoverable amount.

Therefore, no impairment resulted from the ordinary analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market and business-specific environment.

NOTE 13 ASSETS PLEDGED OR CEDED TO SECURE OWN COMMITMENTS AND ASSETS SUBJECT TO RETENTION OF TITLE

		31.12.2020		31.12.2019
	Carrying value *CHF 1,000*	Effective commitment *CHF 1,000*	Carrying value *CHF 1,000*	Effective commitment *CHF 1,000*
Securities	**1,080,826**	**1,080,826**	1,321,914	1,321,914
Other	**10,892**	**10,892**	12,845	12,845
Total	**1,091,718**	**1,091,718**	1,334,759	1,334,759

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading.

NOTE 14 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2021 *CHF m*	2022 *CHF m*	2023 *CHF m*	2024 *CHF m*	2025 *CHF m*	2026–2032 *CHF m*	un-assigned *CHF m*	**31.12.2020** *CHF m*	31.12.2019 *CHF m*
Fixed rate	5,361.1	213.3	24.1	-	-	-	-	**5,598.5**	7,434.1
Interest rates (ranges in %)	0.07–100	1.47–28.62	1.71–10.78	-	-	-	-	**-**	-
Floating rate	2,214.9	722.7	543.2	341.5	306.0	338.3	3,089.7	**7,556.3**	5,847.0
Total	**7,576.0**	**936.0**	**567.3**	**341.5**	**306.0**	**338.3**	**3,089.7**	**13,154.8**	13,281.1

The Bank issues to its wealth management 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 99.02%. 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 Bank cannot determine the difference between the carrying amount and the amount the Bank 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.

NOTE 15A DEFERRED TAX ASSETS

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*
Balance at the beginning of the year	**-**	2,263
Recognised directly in OCI	**-**	-2,263
Balance at the end of the year	**-**	-

The components of deferred tax assets are as follows:

Pension liabilities	**15,597**	26,046
Employee compensation and benefits	**5,061**	5,008
Property and equipment	**645**	-
Other	**1,606**	926
Deferred tax assets before set-off[1]	**22,909**	31,980
Offset	**-22,909**	-31,980
Total	**-**	-

[1] For balance sheet purposes, the Bank recognises either a deferred tax asset or a deferred tax liability as per 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.

NOTE 15B DEFERRED TAX LIABILITIES

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*
Balance at the beginning of the year	**45,464**	53,986
Income statement - charge	**4,649**	4,167
Income statement - credit	**-4,269**	-28,841
Recognised directly in OCI	**10,292**	16,152
Balance at the end of the year[1]	**56,136**	45,464

The components of deferred tax liabilities are as follows:

Property and equipment	**28,782**	29,258
Financial assets at FVOCI	**44,866**	38,655
Intangible assets	**5,397**	8,854
Other	**-**	677
Deferred tax liability before set-off	**79,045**	77,444
Offset	**-22,909**	-31,980
Total	**56,136**	45,464

[1] For balance sheet purposes, the Bank 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.

NOTE 16 PROVISIONS

	Legal risks *CHF 1,000*	Other *CHF 1,000*	**2020** **Total** *CHF 1,000*	2019 Total *CHF 1,000*
Balance at the beginning of the year	**172,284**	**1,605**	**173,889**	15,074
Utilised during the year	**-151,682**	**-**	**-151,682**	-21,099
Recoveries	**-**	**-**	**-**	50
Provisions made during the year	**87,667**	**-**	**87,667**	183,893
Provisions reversed during the year	**-14,100**	**-25**	**-14,125**	-1,752
Translation differences	**-5,306**	**-**	**-5,306**	-2,277
Balance at the end of the year	**88,863**	**1,580**	**90,443**	173,889

Maturity of provisions				
Up to one year	**6,316**	**492**	**6,808**	163,234
Over one year	**82,547**	**1,088**	**83,635**	10,655

Introduction
The Bank 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 Bank and/or its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the order to suspend or limit certain activities, the suspension or expulsion from a particular jurisdiction or market of any of the Bank's business organisations or their key personnel, the imposition of fines, the disgorgement of profit, and censures on companies and employees with respective impact on the reputation of the Bank and its relation with clients, business partners and other stakeholders. In certain markets, authorities, such as regulatory or tax authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local laws and regulations. Also, from time to time, the Bank is and may be confronted with information and clarification requests and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions etc.) as well as with enforcement procedures with respect to certain topics. As a matter of principle, the Bank 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 Bank is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Bank's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually or together with other circumstances materially adversely affect the Bank's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities
The Bank 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 Bank – depending on the status of related proceedings – is difficult to assess.

The Bank 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 Bank and if the amount of such obligation or loss can already be reasonably estimated.

In rare cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 31 December 2020. The contingent liabilities might have a material effect on the Bank or for other reasons might be of interest for investors and other stakeholders.

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

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

The Bank is confronted with a claim by the liquidator of a Lithuanian corporation arguing that the Bank did not prevent two of its clients from embezzling assets of such corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders (‘Betreibungsbegehren’) against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank was served with a claim from said Lithuanian corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in Lithuania. On 19 October 2018, the Lithuanian court of last instance definitively rejected local jurisdiction, thereby terminating the litigation against the Bank in Lithuania. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the Lithuanian corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, the Bank was served with the corresponding claim in the amount of EUR 335 million plus 5% interest since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

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 was initiated against the Bank in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter, scheduled to be trialed in Court in early June 2021. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

The Bank 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 then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 135 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, the Bank was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by the Bank in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total 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 consequent upon the liquidation of almost their entire portfolio of assets in May 2010, and argues that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds’ directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.
In addition, such claims are subject to acquisition-related representations and warranties.

The Bank has been cooperating with authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the U.S. These requests in particular focused on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment '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 opened investigations and have been 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. FINMA's related enforcement procedure against the Bank and Julius Baer Group Ltd. has been closed by an order as published on 20 February 2020. On 9 November 2020, the Bank has announced an agreement in principle with the U.S. Department of Justice (DOJ) to settle its FIFA matter. Such agreement entails the Bank entering into a three-year deferred prosecution agreement and a financial component, for which the Bank has taken a provision of USD 79.7 million in 2020.

Similarly, the Bank has received inquiries from, and has been cooperating with, authorities in Switzerland and the U.S. investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focus on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations against third parties, 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. FINMA's related enforcement procedure against the Bank and Julius Baer Group Ltd. has been closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities, whilst on 21 January 2021, FINMA concluded the investigation regarding individual accountability of former employees of Julius Baer following the FIFA/PDVSA related conclusion of the enforcement proceeding. Save for in one case of a middle manager FINMA did not open individual proceedings and closed the investigation with reprimands. Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer is contesting the claim and seizure request whilst taking appropriate measures to defend its interests.

As publicly stated, FINMA has initiated an additional enforcement procedure against the Bank and Julius Baer Group Ltd. related to the compliance treatment of a historical Latin American client relationship. Julius Baer has been fully cooperating with FINMA in its investigative work.

The Bank is confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ('OFAC') sanctions. The procedure relates to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank is defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020; however, the claimant has appealed this decision to the Swiss Federal Supreme Court. In addition, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank has addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations.

NOTE 17A OTHER ASSETS

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Precious metals (physical)	**4,288.1**	1,382.2
Tax receivables	**1,668.8**	1,927.1
Accounts receivable	**5.3**	10.5
Other	**375.1**	339.7
Total	**6,337.3**	3,659.5

NOTE 17B OTHER LIABILITIES

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Lease liability	**169.6**	203.2
Pension liability	**-**	137.1
Other tax payable	**45.5**	33.9
Accounts payable	**4.6**	1.7
Other	**241.9**	197.0
Total	**461.6**	572.9

ADDITIONAL INFORMATION

NOTE 18 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2020	2019
Basic earnings per share		
Net profit (CHF 1,000)	**613,767**	409,127
Weighted average number of shares outstanding	**5,750,000**	5,750,000
Basic earnings per share (CHF)	**106.74**	71.15

	31.12.2020	31.12.2019
Shares outstanding		
Total shares issued (par value CHF 100)	**5,750,000**	5,750,000

	31.12.2020	31.12.2019
Share capital		
Total share capital outstanding (CHF 1,000)	**575,000**	575,000

	2020	2019
Dividend proposal		
Dividend proposal 2020 and dividend 2019 per share (CHF)	**62.61**	60.87

There are no dilutive effects.
There is no authorised share capital.

NOTE 19 REPORTING BY SEGMENT

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

The Bank'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 Julius Baer Group Ltd., the ultimate parent of the Bank, 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 Bank.

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 Bank consists of a single reportable segment. This is in line with the strategy and business model of Bank Julius Baer & Co. Ltd. and reflects the management structure and the use of information by management in making operating decisions.

Therefore, the Bank does not disclose separate segment information, as the external reporting provided in these financial statements reflects the internal management accounting.

Entity-wide disclosures

	31.12.2020 Total assets *CHF m*	31.12.2019 *CHF m*	**2020** Operating income *CHF m*	2019 *CHF m*	**2020** Investments *CHF m*	2019 *CHF m*
Switzerland	**82,654**	76,666	**1,934**	1,825	**149.3**	206.7
Europe (excl. Switzerland)	**23,402**	27,573	**152**	143	**0.7**	0.5
Asia and other countries	**26,358**	26,408	**824**	729	**20.4**	14.3
Less consolidation items	**30,318**	36,069	**106**	70	**-**	-
Total	**102,096**	94,578	**2,804**	2,627	**170.4**	221.5

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

NOTE 20 RELATED PARTY TRANSACTIONS

	31.12.2020 CHF 1,000	31.12.2019 CHF 1,000
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**19,036**	14,647
Post-employment benefits	**984**	748
Share-based payments	**13,471**	8,748
Total	**33,491**	24,143
Receivables from		
Julius Baer Group entities	**361,727**	463,230
significant shareholders[2]	**2,777,019**	2,583,088
key management personnel	**6,112**	6,769
Total	**3,144,858**	3,053,087
Liabilities to		
Julius Baer Group entities	**4,946,728**	4,587,531
significant shareholders[2]	**2,155,077**	2,444,305
key management personnel	**8,736**	5,479
own pension funds	**4,448**	5,296
Total	**7,114,989**	7,042,611
Credit guarantees to		
Julius Baer Group entities	**44,638**	51,643
key management personnel	**184**	1,671
Total	**44,822**	53,314
Income from services provided to		
Julius Baer Group entities	**343,352**	329,052
significant shareholders[2]	**142,290**	127,657
key management personnel	**182**	164
Total	**485,824**	456,873
Services provided by		
Julius Baer Group entities	**61,545**	65,523
significant shareholders[2]	**6,487**	14,005
Total	**68,032**	79,528

[1] Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd.
In 2020, the Executive Board of the Group company consists of the Chief Executive Officer, Chief Financial Officer, Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas), Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer.
In 2019, The Executive Board of the Group company consisted 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.

[2] Julius Baer Group Ltd.

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of securities portfolios) and mortgages on a fixed and variable basis.

Transactions with Group entities and own pension funds are at arm's length.

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.

NOTE 21 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

The Bank 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 Bank 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 Bank's financial statements.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Bank. In case the plans become significantly underfunded over an extended time period according to the Swiss pension law basis, the Bank 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.

	2020 *CHF 1,000*	2019 *CHF 1,000*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-3,090,290**	-2,787,422
Current service cost	**-79,059**	-73,400
Employees' contributions	**-44,499**	-44,974
Interest expense on defined benefit obligation	**-7,873**	-24,770
Past service cost, curtailments, settlements, plan amendments	**-554**	-2,750
Benefits paid (including benefits paid directly by employer)	**115,011**	133,629
Transfer payments in/out	**-567**	-990
Experience gains/(losses) on defined benefit obligation	**-30,043**	-76,776
Actuarial gains/(losses) arising from change in demographic assumptions	**-**	1,015
Actuarial gains/(losses) arising from change in financial assumptions	**-41,788**	-213,426
Translation differences	**1,436**	-426
Present value of defined benefit obligation at the end of the year	**-3,178,226**	-3,090,290
whereof due to active members	***-2,106,676***	*-2,083,174*
whereof due to deferred members	***-14,703***	*-13,489*
whereof due to pensioners	***-1,056,847***	*-993,627*
Fair value of plan assets at the beginning of the year	**2,953,207**	2,707,412
Interest income on plan assets	**7,615**	24,654
Employees' contributions	**44,499**	44,974
Employer's contributions	**96,932**	97,729
Curtailments, settlements, plan amendments	**-1,730**	-247
Benefits paid by fund	**-115,011**	-133,629
Transfer payments in/out	**567**	990
Administration cost (excluding asset management cost)	**-1,032**	-1,054
Return on plan assets (excluding interest income)	**112,138**	212,025
Translation differences	**-1,051**	353
Fair value of plan assets at the end of the year	**3,096,134**	2,953,207

	31.12.2020 *CHF 1,000*	31.12.2019 *CHF 1,000*
2. Balance sheet		
Fair value of plan assets	**3,096,134**	2,953,207
Present value of defined benefit obligation	**-3,178,226**	-3,090,290
Net defined benefit asset/(liability)	**-82,092**	-137,083

	2020 CHF 1,000	2019 CHF 1,000
3. Income statement		
Current service cost	**-79,059**	-73,400
Interest expense on defined benefit obligation	**-7,873**	-24,770
Past service cost, curtailments, settlements, plan amendments	**-2,284**	-2,997
Interest income on plan assets	**7,615**	24,654
Administration cost (excluding asset management cost)	**-1,032**	-1,054
Defined benefit cost recognised in the income statement	**-82,633**	-77,567
whereof service cost	***-82,375***	*-77,451*
whereof net interest on the net defined benefit/(liability) asset	***-258***	*-116*

	2020	2019
4. Movement in defined benefit liability		
Net defined benefit asset/(liability) at the beginning of the year	**-137,083**	-80,010
Translation differences	**385**	-73
Defined benefit cost recognised in the income statement	**-82,633**	-77,567
Employer's contributions	**96,932**	97,729
Remeasurements of the net defined benefit liability/(asset)	**40,307**	-77,162
Amounts recognised in the balance sheet	**-82,092**	-137,083

	2020	2019
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	**-71,831**	-289,187
Return on plan assets (excluding interest income)	**112,138**	212,025
Total recognised in other comprehensive income	**40,307**	-77,162

	2020	2019
5. Composition of plan assets		
Cash	**90,597**	124,475
Debt instruments	**866,248**	841,717
Equity instruments	**1,172,490**	1,033,643
Real estate	**541,247**	486,475
Alternative investments	**420,050**	353,205
Other	**5,502**	113,692
Total	**3,096,134**	2,953,207

	2020 %	2019 %
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	**2.93**	4.21
Debt instruments	**26.74**	27.24
Equity instruments	**37.87**	35.00
Real estate	**7.93**	7.48
Other	**6.10**	5.21
Total	**81.57**	79.14

	2020 CHF 1,000	2019 CHF 1,000
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	**-99,140**	-102,181
Effect on service cost	**-3,560**	-4,561
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	**88,186**	85,469
Effect on service cost	**2,984**	2,924
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	**10,434**	10,493
Effect on service cost	**986**	981
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	**-10,669**	-10,730
Effect on service cost	**-1,010**	-1,005
Life expectancy		
Increase in longevity by one additional year	**-72,413**	-69,701

Actuarial calculation of pension assets and obligations
The latest actuarial calculation was carried out as at 31 December 2020. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 99% (2019: 99%) of all benefit obligations and plan assets:

	2020	2019
Discount rate	**0.20%**	0.25%
Average future salary increases	**0.50%**	0.50%
Future pension increases	**0.00%**	0.00%
Duration (years)	**15**	15

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

Expected employer contributions
The expected employer contributions for the 2021 financial year related to defined benefit plans are estimated at CHF 87.6 million.

Outstanding liabilities to pension plans
The Bank had outstanding liabilities to various pension plans in the amount of CHF 4.4 million (2019: CHF 5.3 million).

Defined contribution pension plans
The Bank maintains a number of defined contribution pension plans 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 20.8 million for the 2020 financial year (2019: CHF 21.5 million).

NOTE 22 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Receivables		
Receivables from cash provided in securities borrowing transactions	**6.2**	94.2
of which recognised in due from banks	***6.2***	*94.2*
Receivables from cash provided in reverse repurchase transactions	**1,258.0**	-
of which recognised in due from banks	***1,258.0***	-
Obligations		
Obligations to return cash received in securities lending transactions	**252.1**	309.3
of which recognised in due to banks	***252.1***	*309.3*
Obligations to return cash received in repurchase transactions	**82.5**	20.2
of which recognised in due to banks	***82.5***	*20.2*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1,092.2**	1,359.7
of which securities the right to pledge or sell has been granted without restriction	***1,092.2***	*1,359.7*
of which recognised in financial assets measured at FVTPL	***952.8***	*1,219.9*
of which recognised in financial assets measured at FVOCI	***139.4***	*139.8*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**4,267.6**	1,815.8
of which repledged or resold securities	***3,701.9***	*1,639.3*

The Bank 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 on the balance sheet are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	95,263.1	753.6	1,055.6
Futures	249.4	-	4.8
Cross-currency swaps	909.6	2.3	20.3
Options (OTC)	26,634.2	290.9	244.9
Total foreign exchange derivatives 31.12.2020	**123,056.3**	**1,046.8**	**1,325.6**
Total foreign exchange derivatives 31.12.2019	118,093.5	780.9	838.2
Interest rate derivatives			
Swaps	22,735.0	131.5	167.9
Futures	210.8	1.2	0.1
Options (OTC)	260.8	10.9	9.4
Total interest rate derivatives 31.12.2020	**23,206.6**	**143.6**	**177.4**
Total interest rate derivatives 31.12.2019	20,872.8	101.4	138.4
Precious metals derivatives			
Forward contracts	2,733.6	43.6	77.7
Futures	39.8	0.2	1.7
Options (OTC)	5,150.4	126.2	99.0
Options (traded)	1,611.2	-	56.1
Total precious metals derivatives 31.12.2020	**9,535.0**	**170.0**	**234.5**
Total precious metals derivatives 31.12.2019	10,176.4	124.5	166.8
Equity/indices derivatives			
Futures	863.6	28.4	5.7
Options (OTC)	11,418.5	619.9	284.8
Options (traded)	19,414.9	536.4	632.7
Total equity/indices derivatives 31.12.2020	**31,697.0**	**1,184.7**	**923.2**
Total equity/indices derivatives 31.12.2019	30,333.6	601.5	934.0
Other derivatives			
Futures	64.5	0.3	0.8
Total other derivatives 31.12.2020	**64.5**	**0.3**	**0.8**
Total other derivatives 31.12.2019	148.9	0.7	4.8

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	110.1	0.2	1.3
Total return swaps	883.9	11.0	35.3
Total credit derivatives 31.12.2020	**994.0**	**11.2**	**36.6**
Total credit derivatives 31.12.2019	1,123.9	2.7	23.7
Total derivatives held for trading 31.12.2020	**188,553.4**	**2,556.6**	**2,698.1**
Total derivatives held for trading 31.12.2019	180,749.1	1,611.7	2,105.9

Derivatives held for hedging

Derivatives designated as fair value hedges			
Interest rate swaps	1,184.3	19.7	11.9
Total derivatives held for hedging 31.12.2020	**1,184.3**	**19.7**	**11.9**
Total derivatives held for hedging 31.12.2019	2,079.1	31.5	14.7
Total derivative financial instruments 31.12.2020	**189,737.7**	**2,576.3**	**2,710.0**
Total derivative financial instruments 31.12.2019	182,828.2	1,643.2	2,120.6

NOTE 24A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	31.12.2020 Carrying value CHF m	31.12.2020 Fair value CHF m	31.12.2019 Carrying value CHF m	31.12.2019 Fair value CHF m
Financial assets measured at amortised cost				
Cash	**12,095.7**	**12,095.7**	7,573.2	7,573.2
Due from banks	**7,258.2**	**7,261.1**	6,930.1	6,936.7
Loans	**43,394.8**	**43,784.8**	44,629.1	45,172.0
Accrued income	**254.8**	**254.8**	287.0	287.0
Other assets	**5.3**	**5.3**	10.5	10.5
Total	**63,008.8**	**63,401.7**	59,429.9	59,979.4
Financial assets measured at FVTPL				
Financial assets measured at FVTPL	**13,557.6**	**13,557.6**	13,819.6	13,819.6
Derivative financial instruments	**2,576.3**	**2,576.3**	1,643.2	1,643.2
Financial assets designated at fair value	**252.2**	**252.2**	287.5	287.5
Total	**16,386.1**	**16,386.1**	15,750.3	15,750.3
Financial assets measured at FVOCI				
Financial assets measured at FVOCI	**13,653.0**	**13,653.0**	13,028.3	13,028.3
Total	**13,653.0**	**13,653.0**	13,028.3	13,028.3
Total financial assets	**93,047.9**	**93,440.8**	88,208.5	88,758.0

Financial liabilities

	31.12.2020 Carrying value CHF m	31.12.2020 Fair value CHF m	31.12.2019 Carrying value CHF m	31.12.2019 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**8,519.5**	**8,523.6**	6,520.4	6,520.5
Due to customers	**69,842.7**	**69,978.0**	65,239.5	65,318.8
Accrued expenses	**138.7**	**138.7**	183.3	183.3
Other liabilities	**4.6**	**4.6**	1.7	1.7
Total	**78,505.5**	**78,644.9**	71,944.9	72,024.3
Financial liabilities measured at FVTPL				
Financial liabilities measured at FVTPL	**896.5**	**896.5**	613.8	613.8
Derivative financial instruments	**2,710.0**	**2,710.0**	2,120.6	2,120.6
Financial liabilities designated at fair value	**13,154.8**	**13,154.8**	13,281.1	13,281.1
Total	**16,761.3**	**16,761.3**	16,015.5	16,015.5
Total financial liabilities	**95,266.8**	**95,406.2**	87,960.4	88,039.8

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

Short-term financial instruments
Financial instruments measured at amortised cost with a maturity or a refinancing profile of one year or less are generally classified as short-term. This includes the balance sheet items cash and, depending on the maturity, due from banks, loans, due to banks and due to customers. 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
Financial instruments measured at amortised cost with a maturity or refinancing profile of over one year are included in the following balance sheet items: due from banks, loans, due to banks and due to customers. The fair value of these long-term financial instruments which do not have a market price is derived by using the net present value method. For loans, generally, the 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. For amounts due to banks and due to customers, a Libor-based internal rate is used.

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

NOTE 24B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

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

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

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

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

Financial assets measured at FVTPL and financial assets measured at FVOCI: The Bank holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Bank holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or 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 2020, dividends related to these investments in the amount of CHF 1.8 million (2019: CHF17.5 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Bank issues to its wealth management clients a limited number of specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Bank'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 Bank's income statement or shareholders' equity.

To measure the fair values of the private equity investments, the Bank 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	**31.12.2020** **Total** CHF m
Assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,866.2	298.8	232.9	3,397.9
Trading – equity instruments at FVTPL	8,222.9	1,886.4	50.4	10,159.7
Total financial assets measured at FVTPL	**11,089.1**	**2,185.2**	**283.3**	**13,557.6**
Foreign exchange derivatives	-	1,046.8	-	1,046.8
Interest rate derivatives	1.2	162.1	-	163.3
Precious metal derivatives	0.2	169.8	-	170.0
Equity/indices derivatives	28.4	1,156.3	-	1,184.7
Credit derivatives	-	11.2	-	11.2
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	**30.1**	**2,546.2**	**-**	**2,576.3**
Financial assets designated at fair value	**8.6**	**64.7**	**178.9**	**252.2**
Debt instruments at FVOCI	10,252.6	3,128.1	-	13,380.7
Equity instruments at FVOCI	-	-	272.3	272.3
Financial assets measured at FVOCI	**10,252.6**	**3,128.1**	**272.3**	**13,653.0**
Total assets	**21,380.4**	**7,924.2**	**734.5**	**30,039.1**
Short positions – debt instruments	217.0	22.5	-	239.5
Short positions – equity instruments	626.3	30.7	-	657.0
Total financial liabilities measured at FVTPL	**843.3**	**53.2**	**-**	**896.5**
Foreign exchange derivatives	4.8	1,320.8	-	1,325.6
Interest rate derivatives	0.1	189.2	-	189.3
Precious metal derivatives	1.7	232.8	-	234.5
Equity/indices derivatives	5.7	917.5	-	923.2
Credit derivatives	-	36.6	-	36.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	**13.1**	**2,696.9**	**-**	**2,710.0**
Financial liabilities designated at fair value	**-**	**12,889.8**	**265.0**	**13,154.8**
Total liabilities	**856.4**	**15,639.9**	**265.0**	**16,761.3**

For financial instruments measured at FVTPL, no material shifts between the fair value levels have occurred due to COVID-19.

	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	31.12.2019 Total CHF m
Assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,160.3	209.1	48.4	2,417.8
Trading – equity instruments at FVTPL	8,033.7	3,259.9	108.2	11,401.8
Total financial assets measured at FVTPL	10,194.0	3,469.0	156.6	13,819.6
Foreign exchange derivatives	-	780.9	-	780.9
Interest rate derivatives	0.7	132.2	-	132.9
Precious metal derivatives	0.2	124.3	-	124.5
Equity/indices derivatives	20.6	580.9	-	601.5
Credit derivatives	-	2.7	-	2.7
Other derivatives	0.7	-	-	0.7
Total derivative financial instruments	22.2	1,621.0	-	1,643.2
Financial assets designated at fair value	19.6	69.9	198.0	287.5
Debt instruments at FVOCI	9,582.6	3,211.8	-	12,794.4
Equity instruments at FVOCI	-	-	233.9	233.9
Financial assets measured at FVOCI	9,582.6	3,211.8	233.9	13,028.3
Total assets	19,818.4	8,371.7	588.5	28,778.6
Short positions – debt instruments	143.9	-	-	143.9
Short positions – equity instruments	453.9	16.0	-	469.9
Total financial liabilities measured at FVTPL	597.8	16.0	-	613.8
Foreign exchange derivatives	3.1	835.1	-	838.2
Interest rate derivatives	0.6	152.5	-	153.1
Precious metal derivatives	1.7	165.1	-	166.8
Equity/indices derivatives	7.0	927.0	-	934.0
Credit derivatives	-	23.7	-	23.7
Other derivatives	4.8	-	-	4.8
Total derivative financial instruments	17.2	2,103.4	-	2,120.6
Financial liabilities designated at fair value	-	12,983.4	297.7	13,281.1
Total liabilities	615.0	15,102.8	297.7	16,015.5

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*	**31.12.2020** **Total** *CHF m*
Financial assets and liabilities disclosed at fair value				
Cash	12,095.7	-	-	12,095.7
Due from banks	-	7,261.1	-	7,261.1
Loans	-	43,784.8	-	43,784.8
Accrued income	-	254.8	-	254.8
Other assets	-	5.3	-	5.3
Total assets	**12,095.7**	**51,306.0**	**-**	**63,401.7**
Due to banks	-	8,523.6	-	8,523.6
Due to customers	-	69,978.0	-	69,978.0
Accrued expenses	-	138.7	-	138.7
Other liabilities	-	4.6	-	4.6
Total liabilities	**-**	**78,644.9**	**-**	**78,644.9**

	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*	31.12.2019 Total *CHF m*
Financial assets and liabilities disclosed at fair value				
Cash	7,573.2	-	-	7,573.2
Due from banks	-	6,936.7	-	6,936.7
Loans	-	45,172.0	-	45,172.0
Accrued income	-	287.0	-	287.0
Other assets	-	10.5	-	10.5
Total assets	7,573.2	52,406.2	-	59,979.4
Due to banks	-	6,520.5	-	6,520.5
Due to customers	-	65,318.8	-	65,318.8
Accrued expenses	-	183.3		183.3
Other liabilities	-	1.7	-	1.7
Total liabilities	-	72,024.3	-	72,024.3

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

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Transfers from level 1 to level 2		
Financial assets measured at FVTPL	14.1	195.5
Financial assets measured at FVOCI	42.4	39.0
Financial assets designated at fair value	5.6	-
Financial liabilities	0.5	-
Transfers from level 2 to level 1		
Financial assets measured at FVTPL	45.7	10.6
Financial assets measured at FVOCI	103.5	122.7

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.

NOTE 25A FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments. Refer to the comment on risk management/credit risk section and the summary of significant accounting policies for the relevant background information related to the recognition of expected credit losses.

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

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

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

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

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

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

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

Wherever the Bank uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside scenario. Expected probabilities are allocated to the respective scenario, which are based on the Bank Economic Research's view regarding their probability of occurrence. The weightings used for the current year's ECL calculation are 70% for the baseline scenario, 15% for the downside scenario and 15% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Bank's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stage 1 and 2.

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

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

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

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

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

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

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

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

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

taking into consideration their respective probabilities.

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

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

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

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

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

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

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

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

Loss Given Default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (Loan-to-Value ratio; LTV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process.

However, instead of applying a fixed percentage for the negative scenario to all real estate uniformly, the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate specific criteria:

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

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

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

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

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

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

Credit quality analysis

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

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2020 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,831.2	-	-	**6,831.2**
R5–R6: Increased risk		427.1	-	-	**427.1**
R7–R10: Impaired		-	-	-	**-**
Total		7,258.3	-	-	**7,258.3**
Loss allowance		-0.1	-	-	**-0.1**
Carrying amount		**7,258.2**	**-**	**-**	**7,258.2**
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		34,908.4	25.4	-	**34,933.8**
R5–R6: Increased risk		1,741.3	207.1	-	**1,948.4**
R7–R10: Impaired		-	-	87.3	**87.3**
Total		36,649.7	232.5	87.3	**36,969.5**
Loss allowance		-2.5	-0.3	-71.6	**-74.4**
Carrying amount		**36,647.2**	**232.2**	**15.7**	**36,895.1**
Mortgages, at amortised cost					
R1–R4: Low to medium risk		6,132.1	306.6	-	**6,438.7**
R5–R6: Increased risk		16.2	20.2	-	**36.4**
R7–R10: Impaired		-	-	28.4	**28.4**
Total		6,148.3	326.8	28.4	**6,503.5**
Loss allowance		-1.0	-0.1	-2.7	**-3.8**
Carrying amount		**6,147.3**	**326.7**	**25.7**	**6,499.7**
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,382.5	-	-	**13,382.5**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**13,382.5**	**-**	**-**	**13,382.5**
Loss allowance		-1.8	-	-	**-1.8**

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2019 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,665.3	-	-	6,665.3
R5–R6: Increased risk		265.0	-	-	265.0
R7–R10: Impaired		-	-	-	-
Total		6,930.3	-	-	6,930.3
Loss allowance		-0.2	-	-	-0.2
Carrying amount		6,930.1	-	-	6,930.1
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		36,256.1	48.4	-	36,304.5
R5–R6: Increased risk		1,386.3	295.7	-	1,682.0
R7–R10: Impaired		-	-	133.8	133.8
Total		37,642.4	344.1	133.8	38,120.3
Loss allowance		-4.5	-0.3	-34.1	-38.9
Carrying amount		37,637.9	343.8	99.7	38,081.4
Mortgages, at amortised cost					
R1–R4: Low to medium risk		6,083.0	432.8	-	6,515.8
R5–R6: Increased risk		-	23.3	-	23.3
R7–R10: Impaired		-	-	12.4	12.4
Total		6,083.0	456.1	12.4	6,551.5
Loss allowance		-0.6	-0.5	-2.7	-3.8
Carrying amount		6,082.4	455.6	9.7	6,547.7
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,778.8	-	-	12,778.8
R5–R6: Increased risk	Ba1 – B3	-	16.9	-	16.9
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		12,778.8	16.9	-	12,795.7
Loss allowance		-1.2	-0.1	-	-1.3

The Bank's credit portfolio is prudently managed using a sophisticated credit risk framework. This approach ensured quality also under the COVID-19-related market stress and did not result in material additional credit losses.

For year-end reporting purposes, management has assessed the unprecedented situation and has exercised the appropriate judgement, including considering the guidance issued by the IASB and supervisory authorities.

Considering both quantitative and qualitative indicators, the Bank did not experience significant increases in credit risk; hence, no material movements in the stage allocation had to be recognised in the credit portfolio.

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the changed economic environment and the related uncertainty. As a consequence, the growth assumption (based on the gross domestic products) used in the baseline scenario has been increased again for year-end reporting; this after the Bank has lowered it for the half-year reporting 2020 from a positive forecast in the year-end calculation 2019 to an assumed negative forecast for the following periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, and in line with external guidance, the models used for the ECL calculation have not been modified due to the pandemic.

Despite the COVID-19 pandemic, the ECL calculations did not reveal material additional losses to be recognised for year-end reporting 2020.

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

Expected credit losses

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

	12-month ECL (Stage 1) *CHF 1,000*	Lifetime ECL not credit-impaired (Stage 2) *CHF 1,000*	Lifetime ECL credit-impaired (Stage 3) *CHF 1,000*	**Total** *CHF 1,000*
Due from banks, at amortised cost				
Balance at 1 January 2020	0.2	-	-	**0.2**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New/increase financial assets	0.0	-	-	**0.0**
Financial assets that have been derecognised	-0.1	-	-	**-0.1**
Changes in models/risk parameters	0.0	-	-	**0.0**
Balance at 31 December 2020	**0.1**	**-**	**-**	**0.1**
Lombard loans, at amortised cost				
Balance at 1 January 2020	4.5	0.4	34.0	**38.9**
Transfer to/(from) 12-month ECL	0.0	-0.0	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	**-**
Net remeasurement of loss allowance	-21.4	0.0	47.2	**25.8**
New/increase financial assets	22.1	0.2	6.0[1]	**28.3**
Financial assets that have been derecognised	-2.5	-0.3	-8.3	**-11.1**
Write-offs	-	-	-0.9	**-0.9**
Changes in models/risk parameters	-0.2	-0.0	-0.0	**-0.2**
Foreign exchange and other movements	-	-	-6.4	**-6.4**
Balance at 31 December 2020	**2.5**	**0.3**	**71.6**	**74.4**
Mortgages, at amortised cost				
Balance at 1 January 2020	0.6	0.5	2.7	**3.8**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	**-**
Net remeasurement of loss allowance	-0.1	0.0	2.2	**2.1**
New/increase financial assets	0.9	0.1	-	**1.0**
Financial assets that have been derecognised	-0.3	-0.5	-2.2	**-3.0**
Changes in models/risk parameters	-0.1	0.0	-	**-0.1**
Balance at 31 December 2020	**1.0**	**0.1**	**2.7**	**3.8**

[1] Including outstanding accumulated interest.

	12-month ECL (Stage 1) *CHF 1,000*	Lifetime ECL not credit-impaired (Stage 2) *CHF 1,000*	Lifetime ECL credit-impaired (Stage 3) *CHF 1,000*	**Total** *CHF 1,000*
Debt instruments, at FVOCI				
Balance at 1 January 2020	1.2	0.1	-	**1.3**
Net remeasurement of loss allowance	-0.2	-	-	**-0.2**
New financial assets purchased	1.3	-	-	**1.3**
Financial assets that have been derecognised	-0.5	-0.1	-	**-0.6**
Changes in models/risk parameters	-0.0	-	-	**-0.0**
Foreign exchange and other movements	-0.0	-	-	**-0.0**
Balance at 31 December 2020	**1.8**	**-**	**-**	**1.8**

	12-month ECL (Stage 1) *CHF 1,000*	Lifetime ECL not credit-impaired (Stage 2) *CHF 1,000*	Lifetime ECL credit-impaired (Stage 3) *CHF 1,000*	Total *CHF 1,000*
Due from banks, at amortised cost				
Balance at 1 January 2019	0.4	-	-	0.4
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.1	-	-	0.1
Financial assets that have been derecognised	-0.3	-	-	-0.3
Changes in models/risk parameters	0	-	-	0.0
Balance at 31 December 2019	0.2	-	-	0.2
Lombard loans, at amortised cost				
Balance at 1 January 2019	5.1	0.1	11.0	16.2
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.1	0.1	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	-
Net remeasurement of loss allowance	-0.2	0.3	17.6	17.7
New/increase financial assets	1.4	0.0	6.3[1]	7.7
Financial assets that have been derecognised	-1.8	-0.1	-0.1	-2.0
Write-offs	-	-	-0.2	-0.2
Changes in models/risk parameters	0.1	0.0	0.0	0.1
Foreign exchange and other movements	-	-	-0.6	-0.6
Balance at 31 December 2019	4.5	0.4	34.0	38.9
Mortgages, at amortised cost				
Balance at 1 January 2019	1.1	1.5	4.6	7.2
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Net remeasurement of loss allowance	-0.1	-0.5	0.3	-0.3
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.5	-0.6	-1.6	-2.7
Write-offs	-	-	-0.6	-0.6
Changes in models/risk parameters	0.1	0.1	-	0.2
Balance at 31 December 2019	0.6	0.5	2.7	3.8
Debt instruments, at FVOCI				
Balance at 1 January 2019	2.0	0.1	-	2.1
Net remeasurement of loss allowance	-0.3	-0.0	-	-0.3
New financial assets purchased	0.5	-	-	0.5
Financial assets that have been derecognised	-1.0	-	-	-1.0
Changes in models/risk parameters	-0.0	-0.0	-	-0.0
Foreign exchange and other movements	-0.0	-0.0	-	-0.0
Balance at 31 December 2019	1.2	0.1	-	1.3

NOTE 25B FINANCIAL INSTRUMENTS – CREDIT RISK ANALYSIS

Maximum exposure to credit risk
The following table shows the Bank'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

	31.12.2020 Gross maximum exposure *CHF m*	31.12.2019 Gross maximum exposure *CHF m*
Due from banks	**7,258.2**	6,930.1
Loans	**43,394.8**	44,629.1
Financial assets measured at FVTPL	**3,397.9**	2,417.7
Derivative financial instruments	**2,576.3**	1,643.2
Financial assets designated at fair value	**252.2**	287.5
Financial assets measured at FVOCI	**13,380.7**	12,794.4
Accrued income	**254.8**	287.0
Other assets	**5.3**	10.5
Total[1]	**70,520.2**	68,999.5
Off-balance sheet		
Irrevocable commitments[2]	**452.3**	500.6
Total maximum exposure to credit risk	**70,972.5**	69,500.1

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

Refer to the comment on risk management/credit risk section for discussions on concentration of credit risk.

NOTE 25C FINANCIAL INSTRUMENTS – COLLATERAL ANALYSIS

Collateral analysis

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

	31.12.2020	31.12.2019
	CHF m	*CHF m*
Loan-to-Value ratio (LTV)		
Lombard loans		
Less than 50%	23,375.0	21,595.9
51–70%	9,244.2	10,653.0
71–90%	4,025.3	5,030.9
91–100%	200.6	660.9
More than 100%	34.3	41.0
Total	**36,879.4**	37,981.7
Mortgages		
Less than 50%	2,600.9	2,644.9
51–70%	3,198.3	3,288.2
71–90%	665.3	588.3
91–100%	9.4	16.6
More than 100%	-	-
Total	**6,473.9**	6,538.0
Credit-impaired Lombard loans		
Less than 50%	-	-
51–70%	-	-
71–100%	-	53.0
More than 100%	15.7	46.7
Total	**15.7**	99.7
Credit-impaired mortgages		
Less than 50%	-	-
51–70%	1.6	9.7
71–100%	24.2	-
More than 100%	-	-
Total	**25.8**	9.7

NOTE 25D FINANCIAL INSTRUMENTS – OFFSETTING

As a wealth manager, the Bank 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 Bank applies credit mitigation strategies in the ordinary course of business. The Bank 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 Bank's arrangements may not fulfil the strict offsetting criteria as required by IFRS, the Bank 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 Bank does not apply netting on its balance sheet, the cash collateral provided in securities borrowing and reverse repurchase transactions in the amount of CHF 1,264.2 million (2019: CHF 94.2 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 334.6 million (2019: CHF 329.5 million) as disclosed in Note 22 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 2,009.8 million (positive replacement values) and CHF 2,008.1 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 Bank's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet.

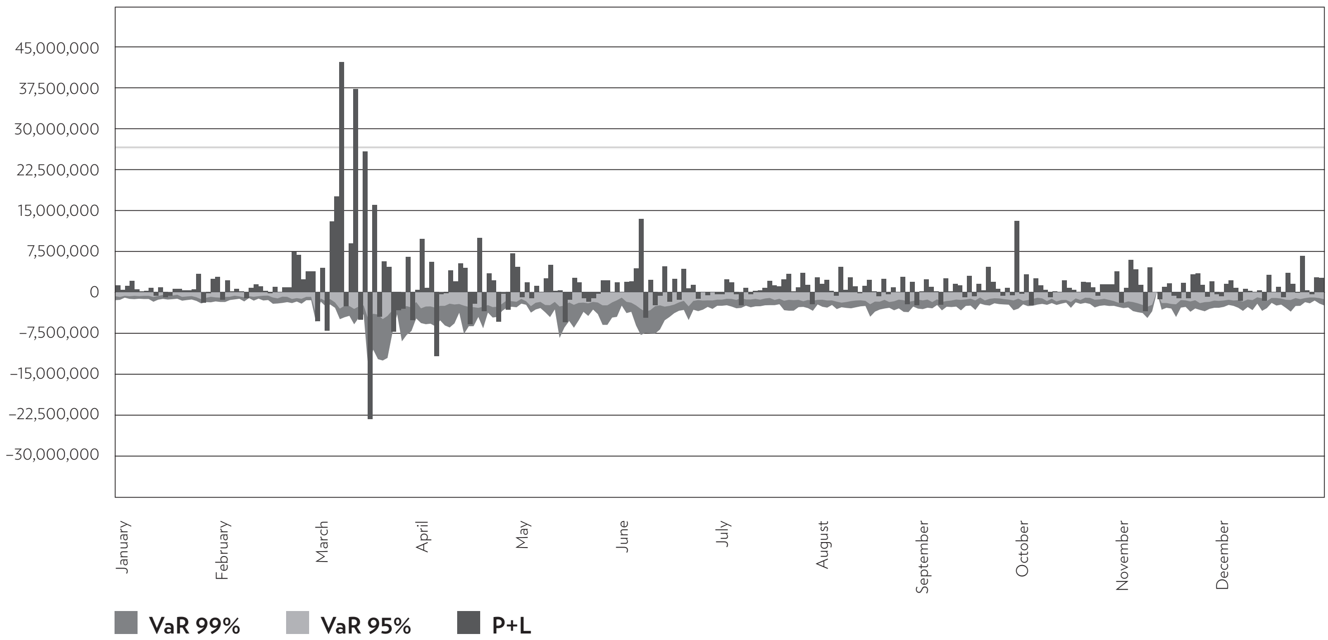
NOTE 26 MARKET RISK MEASURES

Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors. Refer to the comment on risk management/market risk section for the relevant background information related to the Bank's market risk.

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

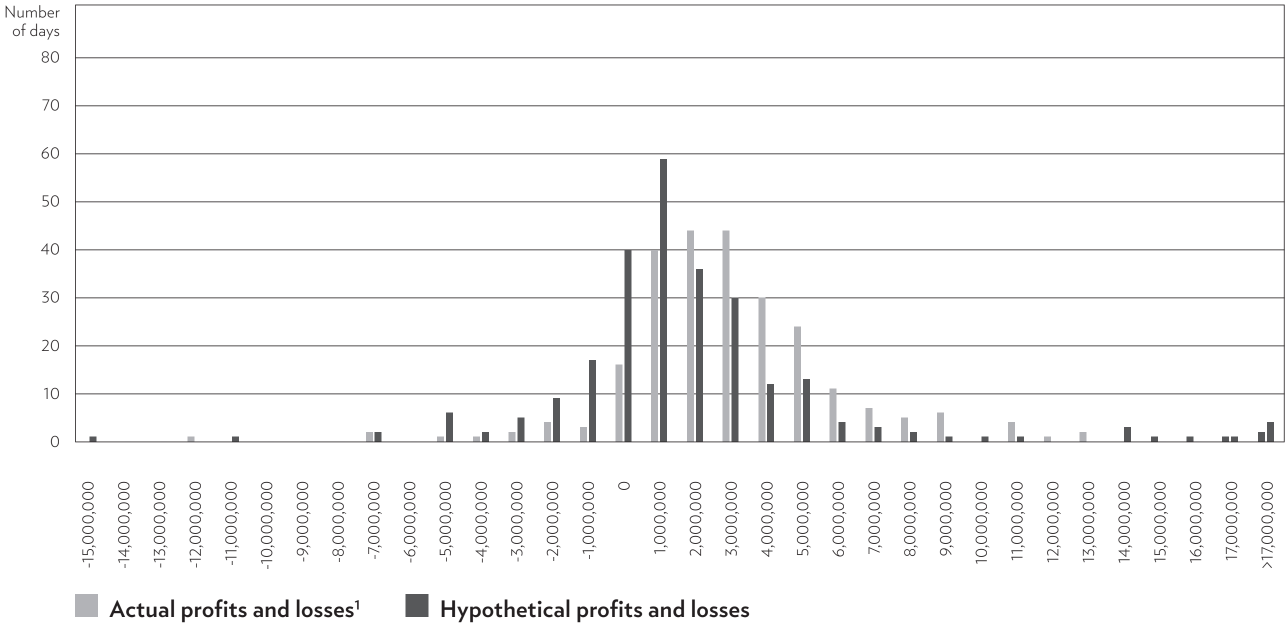
The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 0.94 million on 31 December 2020 and CHF 0.78 million on 31 December 2019 (one-day holding period, 95% confidence interval).
The maximum VaR recorded in 2020 amounted to CHF 5.07 million; the minimum was CHF 0.51 million (CHF 4.01 million and CHF 0.65 million in 2019). 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 2020 (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 Bank Julius Baer trading book positions in 2020 (CHF)



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

Distribution of daily revenues from trading activities of Bank Julius Baer for 2020 (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 2020, the preceding 12-month period contained one back-testing exception that fell out of the observation period during the course of 2020. During the COVID-19 pandemic additional six back-testing exceptions were registered. The drivers for all six exceptions were exceptional market movements in terms of equity prices and volatilities, which were extreme compared to what the Bank has experienced over the last 12 months. In November an additional exceed was recorded due to a technical issue in data delivery from a front office trading system. As of 31 December 2020, the overall number of back-testing exceptions stands therefore at seven.

According to Circular 2008/20, FINMA may disregard individual exceptions if the institution is able to prove that these exceptions are not attributable to a lack of precision of the risk aggregation model. FINMA has used this discretion according to FINMA Guidance 06/2020 so that the back-testing exceptions caused by the COVID-19 pandemic will not lead to an increase of VaR capital multipliers. As such, the VaR capital multiplier applied by the Bank remained constant based on one exception for the 12-month period since 31 December 2019.

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

VaR method and regulatory capital
For its VaR calculation, the Bank 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 Bank 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 3.82 million on 31 December 2020 and CHF 1.10 million on 31 December 2019 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2020 amounted to CHF 6.77 million; the minimum was CHF 0.78 million (CHF 4.44 million and CHF 0.85 million in 2019). Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

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 website www.juliusbaer.com (this will be available at the end of April 2021).

Given the limited materiality of the positions concerned, the specific risk of the Bank'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 Bank's trading portfolios:

Market risk – VaR positions by risk type

	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	**2020** Minimum *CHF 1,000*
Equities	**-82**	**-831**	**-3,451**	**1**
Interest rates	**-1,379**	**-971**	**-1,642**	**-657**
Foreign exchange/precious metals	**-199**	**-413**	**-1,545**	**4**
Effects of correlation	**720**			
Total	**-940**	**-1,719**	**-5,073**	**-511**

	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	2019 Minimum *CHF 1,000*
Equities	-428	-509	-1,973	10
Interest rates	-944	-795	-1,152	-541
Foreign exchange/precious metals	-92	-529	-1,272	-6
Effects of correlation	682			
Total	-782	-1,340	-4,013	-652

NOTE 27 INTEREST RATE MARKET RISK MEASURES

One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2020. 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 Bank 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 1,000*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2020	**8,668**	**-551**	**27,536**	**38,648**	**-51,927**	**22,374**
2019	6,898	995	21,778	38,410	-888	67,193
USD						
2020	**11,338**	**-5,246**	**9,703**	**39,923**	**8,007**	**63,725**
2019	4,190	-5,115	-2,500	46,634	64	43,273
EUR						
2020	**4,848**	**-4,663**	**-8,475**	**4,801**	**-8,628**	**-12,117**
2019	4,266	-4,552	-13,910	39,961	-560	25,205
Other						
2020	**2,491**	**-4,264**	**901**	**27,287**	**-353**	**26,062**
2019	836	-5,011	76	28,197	-6	24,092

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 Bank took no mitigating action, the modelled effect on interest earnings would have been CHF -118.6 million at the end of 2020 (2019: CHF -85.9 million).

Fair value hedges of interest rate risk

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

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the time deposits of the Bank which are denominated in USD, CHF or SGD, as well as a very limited number of mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) time deposits and mortgages. As such, the interest rate risk of each asset is substantially reduced to the interest rate risk of the floating rate leg of the respective swap.

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

	Hedges of time deposits (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	**31.12.2020** Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	**635.1**	**20.4**	**526.0**
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	**18.9**	**0.8**	**35.6**
Carrying amount hedged items	**654.0**	**21.2**	**561.6**
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 1.31%)	**636.3**		
- whereof remaining maturity 1–5 years (average fixed interest rate: 1.48%)	***548.0***		
- whereof remaining maturity > 5 years (average fixed interest rate: 0.3%)	***88.4***		
Notional amount (overall average fixed interest rate: -0.31%)		**18.0**	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		***18.0***	
Notional amount (overall average fixed interest rate: 0.57%)			**530.0**
- whereof remaining maturity < 1 year (average fixed interest rate: -0.09%)			***120.0***
- whereof remaining maturity 1–5 years years (average fixed interest rate: 0.77%)			***410.0***
- whereof remaining maturity > 5 years (average fixed interest rate: -0.25%)			-
Positive replacement value	**19.7**	-	-[1]
- related notional amount	***548.0***	-	-
Negative replacement value	**-0.3**	**-0.1**	**-11.5**[1]
- related notional amount	***88.4***	***18.0***	***530.0***
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**-18.9**	**0.8**	**-0.7**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**19.4**	**-0.1**	**0.6**[1]
Amount of hedge ineffectiveness recognised in the income statement	**0.5**	**0.7**	**-0.1**
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	**36.3**

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

	Hedges of time deposits (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	31.12.2019 Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	898.5	20.7	1,166.0
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	13.9	0.4	41.8
Carrying amount hedged items	912.4	21.1	1,207.8
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 1.88%)	901.1		
- whereof remaining maturity 1–5 years (average fixed interest rate: 2.53%)	*324.0*		
- whereof remaining maturity > 5 years (average fixed interest rate: 1.51%)	*577.1*		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		*18.0*	
Notional amount (overall average fixed interest rate: 0.38%)			1,160.0
- whereof remaining maturity < 1 year (average fixed interest rate: 0.72%)			*50.0*
- whereof remaining maturity 1–5 years years (average fixed interest rate: 0.43%)			*1,010.0*
- whereof remaining maturity > 5 years (average fixed interest rate: -0.25%)			*100.0*
Positive replacement value	14.2	0.3	17.0[1]
- related notional amount	*901.1*	*18.0*	*455.0*
Negative replacement value			-14.7[1]
- related notional amount			*705.0*
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	-13.9	0.4	-4.1
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	14.2	0.3	4.4[1]
Amount of hedge ineffectiveness recognised in the income statement	0.3	0.7	0.3
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	45.9

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

Liquidity analysis

The following table shows an analysis of the Bank'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 Bank.

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	7,906.9	940.1	9.8	2.2	-	**8,859.0**
Due to customers	61,411.6	5,396.5	1,280.5	1,672.4	307.9	**70,068.9**
Financial liabilities measured at FVTPL	896.5	-	-	-	-	**896.5**
Derivative financial instruments	2,698.1	0.1	0.3[1]	11.1[1]	0.4[1]	**2,710.0**
Financial liabilities designated at fair value	3,089.6	4,698.5	3,024.5	2,156.5	338.3	**13,307.4**
Accrued expenses	-	138.7	-	-	-	**138.7**
Other liabilities	-	4.6	-	-	-	**4.6**
Total 31.12.2020	76,002.7	11,178.5	4,315.1	3,842.2	646.6	**95,985.1**
Due to banks	5,222.2	1,196.1	100.0	2.2	-	6,520.5
Due to customers	42,807.4	18,497.9	2,486.7	864.3	857.8	65,514.1
Financial liabilities measured at FVTPL	613.8	-	-	-	-	613.8
Derivative financial instruments	2,087.0	0.3	0.5[1]	29.6[1]	3.2[1]	2,120.6
Financial liabilities designated at fair value	2,528.4	5,675.2	2,736.8	1,990.8	500.2	13,431.4
Accrued expenses	-	183.3	-	-	-	183.3
Other liabilities	-	1.7	-	-	-	1.7
Total 31.12.2019	53,258.8	25,554.5	5,324.0	2,886.9	1,361.2	88,385.4
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[2]	361.3	0.4	29.6	54.9	6.1	**452.3**
Total 31.12.2020	361.3	0.4	29.6	54.9	6.1	**452.3**
Total 31.12.2019	473.1	10.2	11.4	5.9	-	500.6

[1] These derivatives are not held for trading but for hedging purposes.

[2] These amounts reflect the maximum payments the Bank is committed to making.

NOTE 28A COMPANIES CONSOLIDATED

	Head Office	Currency	Share capital *m*	Equity interest *%*
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion,				
St. Gallen, St. Moritz, Verbier, Zurich				
Representative Offices in Abu Dhabi, Bogotá, Istanbul, Johannesburg,				
Mexico City, Santiago de Chile, Shanghai, Tel Aviv				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*

NOTE 28B UNCONSOLIDATED STRUCTURED ENTITIES

The Bank 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 Bank's clients. The Bank 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 Bank 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 Bank does not have control over the underlying investments, but only consolidates the limited partnerships.

NOTE 29 ACQUISITIONS

The following transaction was executed:

Aktiengesellschaft formerly Waser Söhne & CIE, Werdmühle Altstetten
In January 2019, the Bank acquired the Zurich-based Aktiengesellschaft formerly Waser Söhne & Cie from its parent company Julius Baer Group Ltd. The transaction was accounted for as a common control transaction, meaning that the book values of the transferred assets and liabilities have not been adjusted. The equity (net asset value) of the acquired company was recognised as addition in the Bank's capital reserves and reflects the capital contribution from the parent.

The business acquired has been fully integrated into the existing Bank structure. Therefore the Bank is not able to disclose any income statement impacts of the acquired Aktiengesellschaft formerly Waser Söhne & Cie business on the Bank's financial statements.

The assets and liabilities of Aktiengesellschaft formerly Waser Söhne & Cie were recorded as follows (unchanged since 2019):

	Fair value *CHF 1,000*
Purchase price	
Capital contribution in kind	15,144
Total	15,144
Assets acquired	
Due from banks	11,047
All other assets	28,500
Total	39,547
Liabilities assumed	
Due to banks	24,000
All other liabilities	403
Total	24,403

NOTE 30 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2020. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Bank's overall compensation landscape is described in the Remuneration Report of Julius Baer Group Ltd.

Deferred variable compensation plans

Cash-based variable compensation – Deferred Cash Plan

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

These annually granted deferred cash awards vest in equal one-third tranches, subject to continued employment, and accrued over a three-year plan period. The DCP may be granted during outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long-Term Incentive Plan award (as described below).

Deferred Bonus Plan

Similar to the DCP, the Deferred Bonus Plan (DBP) promotes sound business activities by remaining subject to forfeiture (as from performance year 2019) while providing an inherently less volatile payout than shares. The DBP grant is made once per year and is determined in reference to the annual variable compensation awarded to the individual concerned.

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

These annually granted deferred cash awards vest in equal one-fifth tranches, subject to continued employment.

Equity-based variable compensation – Premium Share Plan

The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Bank 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 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 Bank.

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

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

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

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant 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.

Long-Term Incentive Plan (LTI)
In certain specific situations the Bank 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 Bank generally operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff vesting of all granted shares in one single tranche at the end of a three-year period.

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

The objective of this plan is to strengthen the employee's identification with the Bank, 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 Bank.

Financing of share plans
Julius Baer Group Ltd. hedges its liabilities from share-based payments by purchasing the shares from the market on grant date through the Loteco Foundation. Until vesting, the granted shares are administered by the foundation. The Bank finances these shares purchased by the Loteco Foundation. At the end of the reporting period the Bank recognised the amount of CHF 53.6 million (2019: CHF 59.4 million) as 'prefinanced share-based payments' included in other assets. This asset will be recovered over the vesting period by way of a capital distribution representing the recharge of share-based payments made by the Loteco Foundation.

In the reporting period this capital distribution amounted to CHF 52.9 million (2019: CHF 50.3 million).

To the extent that the prefinanced share-based payments will not result in vested share-based payments the asset will be recovered in cash from the Loteco Foundation.

The expense related to prefinanced share-based payments amounts to CHF 52.5 million (2019: CHF 50.8 million).

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

	31.12.2020 Number of units Economic Profit	31.12.2020 Number of units Total Shareholder Return	31.12.2019 Number of units Economic Profit	31.12.2019 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**786,068**	**786,068**	608,643	608,643
Granted during the year	**257,991**	**257,991**	404,484	404,484
Exercised during the year	**-197,186**	**-197,187**	-181,165	-181,165
Forfeited during the year	**-8,568**	**-8,567**	-45,894	-45,894
Unvested units outstanding, at the end of the year	**838,305**	**838,305**	786,068	786,068

	31.12.2020	31.12.2019
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**867,228**	820,096
Granted during the year	**436,080**	499,283
Vested during the year	**-371,425**	-384,820
Transferred (net) during the year	**1,846**	447
Forfeited during the year	**-24,533**	-67,778
Unvested shares outstanding, at the end of the year	**909,196**	867,228
Weighted average fair value per share granted (CHF)	**49.19**	40.58
Fair value of outstanding shares at the end of the year (CHF 1,000)	**46,369**	43,301

	31.12.2020	31.12.2019
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	**485,123**	408,889
Granted during the year	**163,224**	315,034
Vested during the year	**-161,262**	-210,034
Transferred (net) during the year	**-**	1,846
Forfeited during the year	**-38,064**	-30,612
Unvested shares outstanding, at the end of the year	**449,021**	485,123
Weighted average fair value per share awarded (CHF)	**44.98**	42.74
Fair value of outstanding shares at the end of the year (CHF 1,000)	**22,900**	24,222

	31.12.2020	31.12.2019
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	**108,552**	104,751
Granted during the year	**67,530**	47,909
Vested during the year	**-38,501**	-39,654
Transferred (net) during the year	**-304**	-371
Forfeited during the year	**-1,831**	-4,083
Unvested shares outstanding, at the end of the year	**135,446**	108,552
Weighted average fair value per share granted (CHF)	**34.32**	42.65
Fair value of outstanding shares at the end of the year (CHF 1,000)	**6,908**	5,420

Compensation expense recognised for the various share plans are:

	31.12.2020 *CHF m*	31.12.2019 *CHF m*
Compensation expense		
Equity Performance Plan	**22.0**	21.4
Premium Share Plan	**19.5**	17.9
Long-Term Incentive Plan	**9.0**	9.7
Staff Participation Plan	**2.0**	1.8
Total	**52.5**	50.8

NOTE 31 ASSETS UNDER MANAGEMENT

Assets under management include all bankable assets managed by or deposited with the Bank for investment purposes. Assets included are portfolios of wealth management clients for which the Bank provides discretionary or advisory asset management services. Assets deposited with the Bank held for transactional or safekeeping/custody purposes, and for which the Bank 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 the assets for which the investment decisions are made by the Bank, and cover assets deposited with the Bank as well as assets deposited at third-party institutions. Other assets under management are defined as the 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 Bank.

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

Assets under management

	2020 CHF m	2019 CHF m	Change %
Assets with discretionary mandate	**50,675**	48,168	5.2
Other assets under management	**301,713**	296,925	1.6
Total assets under management (including double counting)	**352,388**	345,093	2.1
of which double counting	***14,349***	*9,462*	*51.6*
Change through net new money	**11,367**	10,219	
Change through market and currency impacts	**-3,547**	31,582	
Change through divestment	**-517**[1]	-2,080[1]	
Change through other effects	**-8**[2]	-3,698[2]	
Client assets	**424,213**	418,081	1.5

[2] Assets under management were affected by the Bank's decision to discontinue its offering to clients from a number of selected countries.
[3] Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland.

Client assets are defined as all bankable assets managed by or deposited with the Bank 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

	2020 %	2019 %
By types of investment		
Equities	**30**	29
Bonds (including convertible bonds)	**18**	21
Investment funds	**25**	23
Money market instruments	**2**	4
Client deposits	**18**	17
Structured products	**5**	5
Other	**2**	1
Total	**100**	100

By currencies		
CHF	**11**	11
EUR	**15**	16
USD	**53**	52
GBP	**5**	5
SGD	**2**	2
HKD	**5**	4
Other	**9**	10
Total	**100**	100

NOTE 32 REQUIREMENTS OF SWISS BANKING LAW

The Bank 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, on the FINMA Accounting Ordinance (RelV-FINMA) and the Guidelines of the FINMA Circular 2020/1 'Accounting Banks'.

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

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.

NOTE 33 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2020 financial year.

REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF BANK JULIUS BAER & CO. LTD., ZURICH

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Bank Julius Baer & Co. Ltd., Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bank Julius Baer & Co. Ltd. and its subsidiaries (the Bank), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows (pages 4 to 107) for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank as at 31 December 2020, 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 Bank in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

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 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.

KPMG

Bank Julius Baer & Co. Ltd., Zurich
Statutory Auditor's Report on the Audit of the Consolidated Financial Statements to the General Meeting Consolidated Financial Statements 2020

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 Bank'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 Bank 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 Bank'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 Bank'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 Bank 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 Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

Bank Julius Baer & Co. Ltd., Zurich
Statutory Auditor's Report on the Audit of the Consolidated Financial Statements to the General Meeting Consolidated Financial Statements 2020

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.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and 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

Mirko Liberto Licensed Audit Expert Auditor in Charge	Corina Wipfler Licensed Audit Expert

Zurich, 17 February 2021