

Julius Bär

Bank Julius Baer & Co. Ltd., Zurich

(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**")

Registration Document

pursuant to Section 12 Paragraph 1
Sentence 3 of the German Securities
Prospectus Act (*Wertpapierprospektgesetz*)

dated 19 June 2017

Julius Bär

Bank Julius Bär & Co. AG, Zürich

(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**")

Registrierungsformular

gemäß § 12 Absatz 1 Satz 3 des
Wertpapierprospektgesetzes

vom 19. Juni 2017

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I. RISK FACTORS

I. RISK FACTORS

BJB is exposed to a variety of risks that could adversely affect its results of operations or financial condition. In case one or more of these risks materialises, the Issuer may not be able to fulfil all or a part of its obligations under products and investors in products could lose all or a part of their investment in, and any expected return on, products.

An investor assumes with the purchase of products of BJB next to product specific risks also the counterparty risk, i.e. the risk that BJB at due redemption date is unable to fulfil its payment obligations. The following description, which is not exhaustive, entails according to BJB the most significant risks, which in light of current understanding could impair BJB's ability to fulfil its obligations towards the investors of products issued by BJB. The order in which the following risk factors are presented is not an indication of the likelihood of their occurrence or their importance. Also to be taken into account is the fact that the risk factors described below may also apply cumulatively and therefore their effect may be increased as a result. The materialisation of one or more of the risk factors described below may have considerable negative effects on BJB's results of operation, business and financial position.

As a result investors may lose part or all of their investment (i.e. the total loss of their invested capital may occur). The decision on any investment must be made on the basis of an independent examination made by the potential investor and, insofar as the investor considers it necessary, on the basis of professional advice, such as that provided by an investment advisor.

A deterioration of BJB's credit ratings could result in increased funding costs, may adversely affect client's perceptions of BJB and/or may have a material adverse impact on BJB's liquidity and/or on the market value of products issued by BJB

BJB's credit rating affects both the terms on which creditors are willing to transact with BJB and the willingness of clients to do business with BJB. Because the interest rate and other terms of BJB's debt agreements depend, amongst other, on its credit rating, any deterioration in its credit rating or a negative outlook

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I. RISIKOFAKTOREN

Die BJB ist einer Vielzahl von Risiken ausgesetzt, die sich ungünstig auf ihr Geschäftsergebnis oder ihre finanzielle Lage auswirken könnten. Verwirklicht sich eines oder mehrere dieser Risiken, kann die Emittentin ihre Verpflichtungen aus Produkten unter Umständen nicht oder nur teilweise erfüllen, und Anleger in Produkte könnten ihr gesamtes in Produkte angelegtes Kapital oder einen Teil davon sowie eine darauf erwartete Rendite verlieren.

Ein Anleger geht mit dem Kauf von Produkten der BJB neben produktspezifischen Risiken auch ein Gegenparteirisiko ein, d.h. das Risiko, dass BJB zum Fälligkeitszeitpunkt ihre Zahlungsverpflichtungen nicht erfüllen kann. Die folgende - nicht abschliessende - Darstellung enthält die nach Ansicht der BJB wesentlichsten Risiken, welche nach derzeitiger Auffassung die Fähigkeit der BJB beeinträchtigen könnten, ihren Verpflichtungen im Rahmen ihr emittierter Produkte gegenüber den Anlegern nachzukommen. Die gewählte Reihenfolge, in der die nachstehenden Risiken dargestellt sind, stellt weder einen Hinweis über deren Eintrittswahrscheinlichkeit noch über deren Bedeutung dar. Zu berücksichtigen ist des Weiteren, dass die nachfolgend beschriebenen Risikofaktoren auch kumulativ vorliegen können und sich deren Effekt dadurch verstärken kann. Die Verwirklichung eines oder mehrerer der nachfolgend beschriebenen Risikofaktoren kann erhebliche negative Auswirkungen auf die Ertrags-, Geschäfts- und Finanzlage der BJB haben.

Als Ergebnis könnten Anleger ihr Investment teilweise oder insgesamt verlieren (d.h. es könnte zu einem Totalverlust des vom Anleger eingesetzten Kapitals kommen). Die Anlageentscheidung ist aufgrund einer unabhängigen Prüfung durch die potenziellen Anleger und, soweit sie dies für erforderlich halten, aufgrund einer professionellen Beratung, etwa durch Anlageberater, zu treffen.

Eine Herabstufung des Bonitätsratings der BJB könnte zu erhöhten Finanzierungskosten führen, die Wahrnehmung der Kunden gegenüber BJB nachteilig beeinflussen und/oder die Liquidität der BJB und/oder den Marktwert von durch BJB emittierten Produkten wesentlich beeinträchtigen

Das Bonitätsrating der BJB hat eine Auswirkung sowohl auf die Bedingungen, zu denen Gläubiger Geschäfte mit BJB zu tätigen bereit sind, als auch auf die Bereitschaft der Kunden, Geschäfte mit BJB einzugehen. Da der Zinssatz und andere Konditionen von Schuldvereinbarungen der BJB unter anderem vom

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given by a rating agency could result in increased funding costs and may limit its funding sources or impact its liquidity. In addition, rating downgrades may limit BJB's ability to conduct certain businesses and/or may cause clients to be reluctant to do business with BJB. Because of the negative consequences of a credit rating downgrade on BJB's funding costs and the impact on BJB's liquidity, a reduction in BJB's credit rating as the principal operating entity within the Julius Baer Group could have a material adverse effect on BJB's business, results of operations and financial condition.

The general assessment of the creditworthiness of BJB may possibly affect the market value of the products issued by BJB. The assessment of the market value depends, amongst other things, on ratings allocated to BJB or affiliated companies by rating agencies, such as Moody's.

Structured products are from a legal perspective bonds (*Schuldverschreibungen*) respectively claims (*Forderungen*) and therefore the risk of default of structured products, as for debenture loans (*Obligationsanleihen*), are subject to the creditworthiness of the respective issuer. Therefore, the creditworthiness of the issuer should play an important role for the investor when selecting a structured product.

BJB is exposed to third-party credit risk, and financial or other problems experienced by third parties that may adversely affect BJB's business, results of operations and financial condition

BJB is exposed to the risk that third parties which owe BJB money, securities or other assets will not perform their obligations. These parties include BJB's clients, trading counterparties, clearing agents, exchanges, clearing houses and other financial institutions. These parties may default on their obligations to BJB due to lack of liquidity, operational failure, bankruptcy or other reasons.

Credit risk not only entails the risk of partial or complete default in agreed interest and/or redemption payments that are due by a contracting party. The worse the creditworthiness of the contractual party is, the higher the risk of default is. Credit risk also includes the country-specific risk. The country-specific risk is the risk that a foreign debtor, despite its own ability to pay its debts,

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Bonitätsrating abhängt, könnte die Herabstufung des Bonitätsratings oder eine negative Prognose-Stellung durch eine Rating-Agentur zur Erhöhung der Finanzierungskosten der BJB führen und die Finanzierungsmöglichkeiten einschränken bzw. die Liquidität der BJB beeinträchtigen. Rating-Herabstufungen könnten auch die Fähigkeit der BJB beeinträchtigen, bestimmte Geschäfte durchzuführen und/oder dazu führen, dass Kunden gegenüber Geschäften mit der BJB abgeneigt sind. Aufgrund der nachteiligen Folgen einer Herabstufung des Bonitätsratings auf die Finanzierungskosten der BJB und auf die Liquidität der BJB, könnte eine Herabstufung des Bonitätsratings der BJB wesentliche nachteilige Auswirkungen auf den Geschäftsbetrieb sowie die Ertrags- und Finanzlage der BJB haben.

Die allgemeine Einschätzung der Kreditwürdigkeit der BJB kann möglicherweise den Marktwert der von BJB emittierten Produkte beeinflussen. Die Beurteilung des Marktwerts der Produkte hängt unter anderem von Ratings ab, die der BJB oder mit ihr verbundener Unternehmen von Rating-Agenturen, wie z.B. Moody's, erteilt werden.

Strukturierte Produkte sind rechtlich gesehen Schuldverschreibungen bzw. Forderungen, so dass das Ausfallrisiko bei strukturierten Produkten, wie bei Obligationsanleihen, von der Bonität (*Kreditwürdigkeit*) des jeweiligen Emittenten abhängt. Daher sollte die Bonität des Emittenten bei der Auswahl eines strukturierten Produkts für den Anleger eine wichtige Rolle spielen.

BJB ist dem Kreditrisiko Dritter sowie finanziellen bzw. anderen Problemen Dritter ausgesetzt, welche den Geschäftsbetrieb, die Ertrags- und Finanzlage der BJB beeinträchtigen könnten

BJB ist dem Risiko ausgesetzt, dass Dritte, die BJB Geld, Wertpapiere oder anderes Vermögen schulden, ihre Verpflichtungen nicht erfüllen. Dritte können BJBs Kunden oder Gegenparteien, Clearing-Stellen, Börsen, Clearing-Banken und andere Finanzinstitute sein. Diese Parteien kommen möglicherweise ihren Verpflichtungen gegenüber BJB infolge mangelnder Liquidität, Misserfolgen beim Geschäftsbetrieb, Konkurs oder aus anderen Gründen nicht nach.

Das Kreditrisiko beinhaltet nicht nur das Risiko des teilweisen oder vollständigen Ausfalls von vereinbarten Zins- und/oder Tilgungszahlungen, die von einem Vertragspartner zu erbringen sind. Je schlechter die Bonität des Vertragspartners ist, desto höher ist das Ausfallrisiko. Das Kreditrisiko umfasst auch das Länderrisiko. Das Länderrisiko ist das Risiko, dass ein

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might not make its interest and/or redemption payments or not make them on due date, for example as a result of a lack of foreign exchange reserves at the responsible central bank ("economic risk") or as a result of political intervention by the government concerned ("political risk"). Finally, credit risk entails also the fulfilment risk ("settlement risk"), which arises at transactions with bilateral payment or deliver obligation when one party has to effectuate a delivery obligation, without being able to assure, the performance in return will be effectuated.

The risk of counterparty default has become increasingly relevant in recent years. Market conditions have led to the failure or merger under distressed conditions of a number of prominent financial institutions. Financial institution failures or near-failures in the past have resulted in losses, including for BJB, as a consequence of defaults on securities issued by such institutions and defaults under Over-the-Counter-("OTC")-derivatives and other contracts entered into with such entities.

Generally, the largest portion of BJB's credit activities are comprising of secured lending and margin trading activities for its clients, which are secured by pledges of marketable securities. As a result, BJB's risk management procedures focus primarily on the value of the collateral securing BJB's Lombard credits. In cases where BJB has engaged in margin lending, however, BJB may find that it has become under-collateralised, for example, as a result of sudden declines in market values that reduce the value of collateral securities. BJB may incur losses up to the amount by which the obligation owed to BJB exceeds the value of the collateral securing such obligation. These losses may have a material adverse effect on BJB's business, results of operations and financial condition.

The largest exposure to credit risk arises from the financial investments held by the treasury department of BJB in highly liquid and good quality bonds and notes. Such investments have the potential to be temporarily or permanently impaired due to financial problems of their issuers.

BJB is exposed to market risks arising from open positions in e.g. interest rate, foreign exchange rates and equity and commodities prices, which could have adverse effects on BJB's results of operations

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ausländischer Schuldner trotz eigener Zahlungsfähigkeit, etwa aufgrund eines Mangels an Devisenreserven der zuständigen Zentralbank ("wirtschaftliches Risiko") oder aufgrund politischer Intervention der jeweiligen Regierung ("politisches Risiko"), seine Zins- und/oder Tilgungsleistungen nicht oder nicht termingerecht erbringen kann. Das Kreditrisiko umfasst auch das Erfüllungsrisiko ("Settlement Risk"), welches bei Transaktionen mit gegenseitigen Zahlungs- oder Lieferverpflichtungen entsteht, wenn die eine Partei Lieferverpflichtungen nachkommen muss, ohne sicherstellen zu können, dass die Gegenleistung erbracht wird.

Das Risiko eines Ausfalls bei einer Gegenpartei hat in letzter Zeit zunehmend an Relevanz gewonnen. Marktbedingungen haben bei einer Reihe von angesehenen Finanzinstituten zum Ausfall bzw. zum Zusammenschluss unter nachteiligen Bedingungen geführt. Zusammenbrüche bzw. Beinahe-Zusammenbrüche von Finanzinstituten in der Vergangenheit führten zu Verlusten, auch bei BJB, infolge Ausfällen von Wertpapieren, die von diesen Instituten ausgestellt wurden sowie Ausfällen bei Over-the-Counter-("OTC")-Derivaten und anderen mit diesen Instituten abgeschlossenen Verträgen.

Grundsätzlich besteht der grösste Teil des Kreditgeschäfts der BJB aus Lombard- und Wertpapierleihegeschäften, die durch Verpfändung verkaufsfähiger Wertpapiere gesichert sind. Deshalb richtet sich das Risikomanagement-Verfahren der BJB in erster Linie nach dem Wert der Sicherheiten für die Lombardgeschäfte von BJB. Bei den Lombardgeschäften der BJB kann es jedoch vorkommen, dass BJB unterbesichert ist, z.B. infolge von plötzlichen Abfällen der Marktwerte, die den Wert der als Sicherheit dienenden Wertpapiere mindert. BJB könnte Verluste bis zur Höhe des Betrages erleiden, mit dem die an BJB geschuldete Verpflichtung den Wert der Sicherheit für die Verpflichtung übersteigt. Diese Verluste könnten den Geschäftsbetrieb, die Ertrags- und Finanzlage von BJB wesentlich beeinträchtigen.

Die grössten Kreditrisiken Dritter resultieren aus finanziellen Investitionen der Treasury Abteilung der BJB in hoch-liquide Anleihen und Schuldverschreibungen von Emittenten guter Bonität. Solche Investitionen können infolge finanzieller Probleme ihrer Emittenten zeitweilig oder dauerhaft gefährdet sein.

BJB ist Marktrisiken aus offenen Positionen ausgesetzt, z.B. in Bezug auf Zinssätze, Währungswechselkurse sowie Aktienkurse und Rohstoffpreise, die negative Auswirkungen auf BJB's Ertragslage haben können

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The market risk is the risk of making a loss as a result of changes in market prices, in particular as a result of changes in foreign exchange rates, interest rates, equity and commodities prices as well as price fluctuations of goods and derivatives. Market risks result primarily because of adverse and unexpected developments in the economic environment, the competitive position, the interest rates, equity and exchange rates as well as in the prices of commodities. Changes in market price may, not least, result from the extinction of markets and accordingly no market price may any longer be determined for a product. The credit- and country-specific risk factors or company intrinsic events arising from price changes of the underlying values are to be considered also as a market risk. In times of high market uncertainty with regard to the development of the world economy, the investor should be particularly considerate of the market risk.

BJB has operating subsidiaries and booking centres located in multiple jurisdictions outside of Switzerland. The results of operations and financial condition of such subsidiaries and booking centres are reported in currencies other than Swiss francs. In each case, the results of operations and financial condition are translated into Swiss francs at the applicable exchange rates for inclusion in BJB's consolidated financial statements. This exposes BJB to currency fluctuations. Because BJB's consolidated financial statements are stated in Swiss francs, the translation effect of these other currencies could have a material adverse effect on BJB's results of operations and financial condition and may affect the comparability of BJB's results between financial periods.

BJB bears the risk of being unable to obtain sufficient financing at acceptable conditions and, following this, the risk of having insufficient liquidity which may negatively affect its ability to fulfil its due obligations

Liquidity and financing risk is the risk that, due to the current market situation and due to unexpected changes, BJB does not have enough liquidity to fulfil due obligations, and that no sufficient funding on appropriate conditions is available.

In times of high uncertainty in the market and a high level of distrust amongst market participants, an investor

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Das Marktrisiko ist das Verlustrisiko aufgrund der Veränderung von Marktpreisen, insbesondere wegen der Änderung von Währungswechselkursen, Zinssätzen, Aktienkursen und Rohstoffpreisen sowie Preisschwankungen von Gütern und Derivaten. Marktrisiken ergeben sich primär durch eine ungünstige und unerwartete Entwicklung des konjunkturellen Umfelds, der Wettbewerbslage, der Zinssätze, der Aktien- und Wechselkurse, sowie der Preise von Rohstoffen. Veränderungen von Marktpreisen können nicht zuletzt auch dadurch ausgelöst werden, dass für ein Produkt plötzlich gar kein Markt mehr vorhanden ist und entsprechend gar kein Marktpreis mehr ermittelt werden kann. Kredit- und länderspezifische Risikofaktoren oder unternehmensinterne Ereignisse, die aus Preisveränderungen der zugrunde liegenden Werte entstehen, gelten ebenfalls als Marktrisiko. In Zeiten grosser Verunsicherung im Markt über die weitere Entwicklung der Weltwirtschaft sollte ein Anleger dem Marktrisiko besondere Beachtung schenken.

BJB hat operative Tochtergesellschaften und Buchungszentren in vielen Ländern ausserhalb der Schweiz. Die Ertrag- und Finanzlage dieser Tochtergesellschaften und Buchungszentren werden in anderen Währungen als Schweizer Franken berichtet. Für die Einbeziehung in die Konzernabschlüsse der BJB werden diese Geschäftsergebnisse jeweils zum massgeblichen Wechselkurs in Schweizer Franken umgerechnet. BJB ist somit Währungsschwankungen ausgesetzt. Da der Konzernabschluss der BJB in Schweizer Franken lautet, kann die Umrechnung dieser anderen Währungen die Ertrags- und Finanzlage der BJB wesentlich beeinträchtigen, und dies könnte Auswirkungen auf die Vergleichbarkeit der Ergebnisse der BJB in unterschiedlichen Abrechnungsperioden haben.

BJB ist dem Risiko ausgesetzt, nicht in der Lage zu sein, ausreichende Finanzierung zu angemessenen Bedingungen zu erhalten und entsprechend keine ausreichende Liquidität zu haben, was ihre Fähigkeit, ihren fälligen Verpflichtungen nachzukommen, nachteilig beeinträchtigen könnte

Liquiditäts- und Finanzierungsrisiko ist das Risiko, dass BJB aufgrund der aktuellen Marktsituation und aufgrund von unerwarteten Veränderungen nicht über die ausreichende Liquidität zur Bedienung von fälligen Forderungen verfügt, und dass keine ausreichende Finanzierung zu angemessenen Bedingungen möglich ist.

In Zeiten grosser Verunsicherung im Markt und grossen Misstrauens der Marktteilnehmer untereinander, sollte ein

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should give special consideration to the liquidity risk. Even if the central banks abundantly supply the market with liquidity, the liquidity risk is neither limited nor fully eliminated.

BJB relies on internal processes, people and/or systems. Inadequacies or failures thereof or resulting from external events may disrupt BJB's businesses, result in regulatory action against it or limit BJB's growth

The operational risk is the risk of losses that arise as a result of inadequacies or failures of internal procedures, employees, systems or as a result of the occurrence of external events, whether intentional or random or in the natural course of events. It includes the risk of unexpected losses from isolated events, caused for example by faulty information systems, unsuitable organisational structures or deficient control mechanisms, as well as the risk of the occurrence of cost increases or profit cuts due to unfavourable general economic or sector specific trends. This risk category does also comprise reputation risks that result, for example, from the disruption of business processes. The operational risk is an element of all the activities of BJB and cannot be eliminated per se.

BJB faces operational risks arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted. BJB's businesses are highly dependent on its ability to process, on a rapid basis, a large number of transactions across several and diverse markets in many currencies, and the transactions BJB processes have become increasingly complex. Consequently, BJB relies heavily on its financial, accounting and other data processing systems. In the future, if any of these systems does not operate properly or is disabled, BJB could suffer financial loss, a disruption to its business, liability to clients, regulatory intervention and/or reputational damage. In addition, if BJB's systems were unable to accommodate a substantial increase in the volume of transactions, BJB's ability to expand its business could be constrained.

BJB uses third parties for certain services, and if these third parties do not perform as contractually

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Anleger dem Liquiditätsrisiko besondere Beachtung schenken. Denn auch wenn beispielsweise die Zentral- und Notenbanken die Märkte grosszügig mit Liquidität versorgen, ist damit das Liquiditätsrisiko nicht notwendigerweise begrenzt oder gar eliminiert.

BJB vertraut auf interne Prozesse, Personen und/oder Systeme. Unzulänglichkeiten oder Ausfälle dieser Prozesse, Personen und Systeme oder externe Einflüsse könnten die Geschäfte der BJB stören und zu regulatorischen Massnahmen gegen BJB bzw. zur Einschränkung des Wachstums der BJB führen

Das operationelle Risiko ist das Risiko, dass infolge der Unangemessenheit oder des Versagens von internen Verfahren, Mitarbeitern, Systemen oder infolge des Eintretens von externen Ereignissen, ob absichtlich oder zufällig herbeigeführt, oder natürlichen Ursprungs, Verluste eintreten. Es umfasst das Risiko unerwarteter Verluste durch Einzelereignisse, hervorgerufen z.B. durch fehlerhafte Informationssysteme, unangemessene Organisationsstrukturen oder mangelnde Kontrollmechanismen, ebenso wie das Risiko des Auftretens von Kostensteigerungen oder Ertragseinbussen aufgrund ungünstiger gesamtwirtschaftlicher oder branchenspezifischer Trends. Auch Reputationsrisiken, die z.B. aus der Unterbrechung von Geschäftsprozessen resultieren, werden in dieser Risikogruppe berücksichtigt. Das operationelle Risiko ist Bestandteil aller Aktivitäten der BJB und kann nicht per se eliminiert werden.

BJB ist operativen Risiken ausgesetzt, welche aufgrund von Fehlern bei der Bestätigung bzw. Durchführung von Transaktionen bzw. der nicht ordnungsgemässen Erfassung, Bewertung oder Bilanzierung von Transaktionen entstehen. Die Geschäfte der BJB hängen im hohen Masse von ihrer Fähigkeit ab, eine grosse Anzahl von Transaktionen in verschiedenen und unterschiedlichen Märkten in verschiedenen Währungen schnell zu verarbeiten, und die Geschäftsprozesse bei BJB sind zunehmend komplex geworden. BJB verlässt sich daher in erheblichem Masse auf finanzielle, buchungs- und andere Datenverarbeitungssysteme. Falls ein solches System künftig nicht ordnungsgemäss funktioniert oder ausfällt, könnte BJB dadurch finanzielle Verluste, eine Störung ihres Geschäftsbetriebes, Haftung gegenüber Kunden, regulatorische Eingriffe und/oder Reputationsschäden erleiden. Darüber hinaus könnte die Fähigkeit von BJB, ihr Geschäft auszubauen, eingeschränkt sein, falls die Systeme von BJB eine wesentliche Erhöhung der Transaktionsmengen nicht bewältigen könnten.

BJB setzt für gewisse Dienstleistungen Dritte ein, und falls diese nicht wie vertraglich vereinbart oder

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required or expected, BJB may be subject to the risk of client attrition, its reputation may suffer and businesses may not perform as expected

In providing private banking services to its clients, BJB depends also on third parties for certain services. Although BJB engages in due diligence and closely scrutinises the third parties it procures services from, ultimately BJB does not control these third parties and is subject to risk if these third parties do not perform as expected, including as contractually or legally required.

BJB is involved in, and may become involved in, legal or other regulatory proceedings, including those related to tax matters, that may be costly and time consuming

BJB in the ordinary course of business is involved in, and may become involved in, legal or other regulatory proceedings, including those arising out of activities of any entity which has fully or partially been merged with, or taken over by BJB, or any entity which will be one of the foregoing, which may be costly to defend and could result in large monetary losses, including punitive damage awards, and cause significant harm to BJB's reputation. In particular, BJB is involved in a number of third-party claims made against it. In certain of these claims, BJB is unable to make a reasonable estimate of the amount or range of any loss that could result from an unfavourable outcome. Even if BJB is successful in defending the claims against it or in its claims against third parties, such proceedings may result in expenditures of sums which prove to be irrecoverable and may divert management's attention and resources. Consistent with applicable accounting standards, BJB from time to time takes provisions against any losses which it is more likely than not to incur.

BJB operates in an industry that is highly regulated. Increased regulation of BJB's business could decrease BJB's revenues and profitability

BJB's operations are subject to oversight by regulatory authorities in multiple jurisdictions. In general, laws and regulations applied at national, state, provincial, communal or local level grant broad administrative

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erwartet diese Dienstleistungen vornehmen, könnte BJB Kunden verlieren, ihre Reputation könnte darunter leiden, und die Geschäftsbereiche könnten die erwartete Leistung nicht erbringen

Bei der Erbringung der Dienstleistungen als Privatbank gegenüber ihren Kunden ist BJB für bestimmte Dienstleistungen auch von Dritten abhängig. Obwohl BJB Dritte, mit denen sie zusammenarbeitet, sorgfältig überprüft und eng überwacht, hat BJB letztendlich keine Kontrolle über diese Dritten und ist somit einem Risiko ausgesetzt, wenn diese Dritten die erwarteten Leistungen nicht erbringen, auch wenn diese Leistungen vertraglich bzw. rechtlich vorgeschrieben sind.

BJB ist an Gerichtsverfahren bzw. sonstigen aufsichtsrechtlichen Verfahren, einschliesslich steuerrechtlicher Verfahren, beteiligt, die kosten- und zeitaufwendig sein können, und BJB könnte zukünftig in solchen Verfahren beteiligt werden

Im Rahmen des üblichen Geschäftsbetriebes ist BJB an Gerichtsverfahren und anderen aufsichtsrechtlichen Verfahren beteiligt und kann zukünftig daran beteiligt werden, einschliesslich Verfahren aus Tätigkeiten von Gesellschaften, die teilweise oder vollständig mit BJB fusioniert sind bzw. fusionieren werden oder von BJB übernommen wurden bzw. werden, bei denen die Vertretung kostenintensiv sein kann und die zu erheblichen finanziellen Einbussen einschliesslich von Strafschadenersatz und dadurch zu einem erheblichen Reputationsschaden der BJB führen können. Insbesondere macht eine Reihe von Dritten Ansprüche gegen BJB geltend. Bei einigen dieser Ansprüche kann BJB keine angemessene Schätzung der Höhe des Verlustes bzw. des Verlustrahmens im Falle eines ungünstigen Ausgangs treffen. Auch wenn BJB bei der Abwehr der gegen sie geltend gemachten Ansprüche oder bei den eigenen Ansprüchen gegen Dritte erfolgreich ist, können solche Verfahren zu Ausgaben führen, die nicht wieder erlangt werden können, und die Aufmerksamkeit der Geschäftsführung beanspruchen und Ressourcen ablenken. Entsprechend den massgeblichen Grundsätzen ordnungsgemässer Buchführung bildet BJB von Zeit zu Zeit Rückstellungen für Verluste, die wahrscheinlich eintreten werden.

BJB ist in einer streng regulierten Branche tätig. Erhöhte Aufsicht des Geschäftsbetriebes der BJB könnte die Einnahmen und die Profitabilität der BJB mindern

Der Geschäftsbetrieb der BJB unterliegt der Aufsicht durch Aufsichtsbehörden in einer Vielzahl von Ländern. Die auf nationaler, einzelstaatlicher, regionaler, kommunaler oder örtlicher Ebene angewendeten

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discretion over BJB's activities, including the power to limit or restrict business activities, to governmental agencies and industry self-regulatory authorities. It is possible that laws and regulations governing BJB's operations could be amended or interpreted in a manner that is adverse to it. To the extent that amendments to existing regulations or new regulations reduce the demand for BJB's services, BJB's assets under management and revenues could be adversely affected. (See "*BJB is subject to the risk that markets in which it operates will become less attractive to clients, in particular due to regulatory or tax changes in such jurisdictions or in the clients' home jurisdictions*" below).

BJB's costs and therefore its profitability could also be adversely affected due to increased cost of compliance resulting from an increase in the scope of regulation to which BJB is subject. Due to the complexity of the regulatory environment in which BJB operates, BJB expects that any increase in regulation will result in an overall corresponding increase in the cost of compliance.

BJB is subject to various rules and regulations regarding money laundering prevention. Monitoring compliance with increasingly stringent anti-money laundering rules will place a significant financial burden on BJB and pose a significant challenge in ensuring that BJB's anti-money laundering standards are up-to-date and consistently applied in all circumstances by BJB's employees across all branches and subsidiaries. In the recent past, BJB and other financial services institutions have experienced increased regulation of their activities as a result of anti-money laundering initiatives in a number of jurisdictions. Furthermore, Switzerland and other jurisdictions in which BJB operates have proposed or adopted regulations to strengthen prohibitions on money laundering and terrorist financing. Any violation or potential violation of anti-money laundering rules or even the mere suggestion of such violations may have severe legal, regulatory and reputational consequences for BJB and may adversely affect BJB's business, results of operations and financial condition.

Non-compliance with regulatory requirements may result in enforcement measures or subject BJB to significant penalties and could adversely affect BJB's

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Gesetze und Vorschriften geben den Behörden und brancheneigenen Aufsichtsbehörden ein breites verwaltungsrechtliches Ermessen über die Tätigkeiten der BJB, einschliesslich der Befugnis zur Beschränkung von Geschäftstätigkeiten. Es ist möglich, dass die für den Geschäftsbetrieb der BJB massgeblichen Gesetze und Verordnungen in einer Weise geändert oder ausgelegt werden könnten, die für BJB nachteilig ist. Sofern Änderungen der bestehenden Verordnungen bzw. neue Verordnungen die Nachfrage für die Dienstleistungen der BJB mindern, könnte das von BJB unter Verwaltung stehende Vermögen und die Erträge daraus beeinträchtigt werden. (Siehe "*BJB unterliegt dem Risiko, dass die Märkte, in denen BJB tätig ist, für Kunden weniger attraktiv werden könnten, insbesondere infolge von aufsichtsrechtlichen bzw. steuerrechtlichen Änderungen in solchen Ländern oder in den Heimatländern der Kunden*".)

Die Kosten der BJB und somit die Profitabilität könnten auch durch erhöhte Compliance-Kosten infolge einer Verstärkung der Regulierung, welcher BJB unterliegt, beeinträchtigt werden. Aufgrund der Komplexität des regulatorischen Umfelds, in dem BJB tätig ist, erwartet BJB, dass eine verstärkte Reglementierung insgesamt zu einem entsprechenden Anstieg der Compliance-Kosten führen werden.

BJB unterliegt verschiedenen Regeln und Bestimmungen betreffend die Verhinderung von Geldwäsche. Die Überwachung der Einhaltung von zunehmend strengeren Anti-Geldwäsche-Bestimmungen wird eine erhebliche Kostenlast für BJB zur Folge haben und ist eine erhebliche Herausforderung im Rahmen von BJBs Massnahmen, ihre internen Anti-Geldwäsche-Standards auf dem jeweils aktuellen Stand zu halten und zu gewährleisten, dass diese einheitlich von allen Mitarbeitern der BJB in sämtlichen Zweigniederlassungen und Tochtergesellschaften angewendet werden. Im Rahmen von Massnahmen zur Geldwäsche-Bekämpfung hat sich in einigen Ländern kürzlich die Regulierung der Geschäftstätigkeit der BJB und anderer Finanzdienstleistungsinstitute verstärkt. Darüber hinaus haben die Schweiz und andere Länder, in denen BJB tätig ist, Bestimmungen zur Verstärkung der Verbote von Geldwäsche und Terror-Finanzierung vorgeschlagen bzw. verabschiedet. Ein Verstoß bzw. ein möglicher Verstoß gegen Regeln über Geldwäsche oder auch nur der blosse Verdacht solcher Verstöße könnte ernsthafte rechtliche und regulatorische Folgen und einen Reputationsschaden für BJB zur Folge haben und den Geschäftsbetrieb, die Ertrags- und Finanzlage von BJB beeinträchtigen.

Die Missachtung aufsichtsrechtlicher Anforderungen könnte zu Vollstreckungsmassnahmen bzw. empfindlichen Strafen gegen BJB führen und die

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reputation, all of which could result in a significant decline in assets under management and hence, revenue and profitability

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action against BJB. 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 BJB's business organisations or their key personnel, the imposition of fines and censures on BJB and its employees, the enforcement of payment obligations to clients or market participants and the imposition of additional capital requirements. BJB cannot give any assurance that it will not be subject to future regulatory scrutiny, which could give rise to adverse publicity, damage BJB's reputation and/or have a material adverse effect on BJB's business. Any loss of investor and/or client confidence as a result of non-compliance or alleged non-compliance with regulatory requirements could lead to a significant decline in assets under management, which would have an adverse effect on BJB's business, results of operations and financial condition.

BJB faces increased competition

BJB competes with a number of large commercial banks, insurance companies and other broad-based financial institutions that have the ability to offer a wide range of products, including loans, deposit-taking, insurance, securities, investment banking and asset management services. Generally, they also have substantial financial resources and, accordingly, have the ability to support securities, investment banking and asset management services in an effort to gain market share, which could result in pricing and other competitive pressures on BJB's business. The ability of BJB's clients to withdraw assets on short notice requires careful monitoring of, and quick responses to, the activities of BJB's competitors. If BJB is not able to respond to these activities rapidly enough, BJB could lose significant assets under management and/or clients, which would have a material adverse effect on BJB's business, results of operations and financial condition.

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Reputation von BJB beeinträchtigen, und dies könnte zu einer wesentlichen Minderung des verwalteten Vermögens und somit der Einnahmen und der Profitabilität führen

Die Missachtung aufsichtsrechtlicher Anforderungen könnte dazu führen, dass Aufsichtsbehörden Durchsetzungsmassnahmen gegen BJB ergreifen. Mögliche Sanktionen umfassen die Aufhebung der Genehmigung zur Führung von bestimmten Geschäften, den vorläufigen Ausschluss bzw. den Verweis aus einem bestimmten Land oder einem Markt hinsichtlich des Geschäftsbetriebes bzw. wichtiger Mitarbeiter von BJB oder zu Bussgeldern und Strafen für BJB und deren Mitarbeiter oder zur Durchsetzung von Zahlungsverpflichtungen gegenüber Kunden oder Marktteilnehmern und zur Auferlegung von weitergehenden Kapitalerfordernissen führen. BJB kann keine Zusicherung abgeben, dass sie nicht Gegenstand einer künftigen aufsichtsrechtlichen Ermittlung sein wird, die zur nachteiligen Öffentlichkeitswirkung und einem Reputationsschaden der BJB führen und/oder eine wesentliche nachteilige Auswirkung auf den Geschäftsbetrieb von BJB haben könnte. Der Verlust des Vertrauens eines Anlegers und/oder Kunden infolge der Missachtung oder einer angeblichen Missachtung der aufsichtsrechtlichen Bestimmungen könnte zu einer erheblichen Minderung des verwalteten Vermögens führen, was zu einer Beeinträchtigung des Geschäftsbetriebs, der Ertrags- und Finanzlage der BJB führen könnte.

BJB ist mit zunehmendem Wettbewerb konfrontiert

BJB steht im Wettbewerb mit einer Reihe von grossen Handelsbanken, Versicherungsgesellschaften und anderen breit aufgestellten Finanzinstituten, die eine breite Palette von Produkten einschliesslich Darlehen, des Einlagengeschäfts, Versicherung, des Wertpapiergeschäfts, Investmentbanking und Vermögensverwaltung anbieten. Diese verfügen im Allgemeinen auch über erhebliche finanzielle Ressourcen und haben daher die Möglichkeit, das Wertpapiergeschäft, das Investmentbanking und das Vermögensverwaltungsgeschäft zu unterstützen, um Marktanteile zu gewinnen. Dies könnte zu einem Preisdruck und anderem Konkurrenzdruck auf den Geschäftsbetrieb der BJB führen. Weil die Kunden der BJB die Möglichkeit haben, ihr Vermögen kurzfristig abziehen, ist eine sorgfältige Überwachung der Tätigkeiten der Konkurrenten der BJB sowie schnelle Reaktion darauf erforderlich. Kann BJB nicht schnell genug auf diese Tätigkeiten reagieren, könnte BJB erhebliches verwaltetes Vermögen und/oder Kunden verlieren, was den Geschäftsbetrieb sowie die Ertrags- und Finanzlage der BJB wesentlich beeinträchtigen

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BJB's revenue may decline due to competition from alternative trading systems

Securities and futures transactions are increasingly being conducted through the internet and other alternative, non-traditional trading systems, and it appears that this trend toward the use of alternative trading systems will continue and may accelerate. A dramatic increase in electronic trading may adversely affect BJB's commission and trading income and could reduce BJB's market share.

BJB faces competition with respect to attracting and retaining key management and personnel, and in particular BJB's client relationship managers

BJB's business model relies on experienced client relationship managers to attract and retain clients. As a result, BJB's ability to attract and retain experienced relationship managers, and the relationship managers' ability to recruit and retain clients, is central to BJB's ability to maintain and grow its assets under management and revenues. Individual relationship managers often maintain strong personal relationships with BJB's clients that are based on BJB's clients' trust in the relationship manager. Accordingly, any loss of client relationship managers could cause a loss of clients, thereby resulting in a decline in BJB's assets under management.

The employment agreements BJB has with its employees, including key management and client relationship managers, generally do not contain non-competition restrictions in the event they leave BJB, and therefore, there is nothing that legally prevents them from leaving BJB to engage in competing business activities. In addition, losing the services of one or more members of BJB's management team could adversely affect BJB's business and possibly prevent BJB from carrying out its strategy successfully.

It has been BJB's policy to provide the relationship managers and other key personnel with compensation and benefits that BJB believes are competitive with other leading private banks. However, the market for experienced relationship managers and other professionals is competitive, particularly in Asia where

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könnte.

Der Umsatz der BJB könnte infolge der Konkurrenz durch Alternativhandelssysteme sinken

Wertpapier- und Termingeschäfte werden vermehrt über das Internet und andere alternative, neue Handelssysteme getätigt, und diese Tendenz in Richtung des Einsatzes von alternativen Handelssystemen wird sich voraussichtlich fortsetzen und vielleicht beschleunigen. Ein dramatischer Anstieg des elektronischen Handels könnte die Provisionseinnahmen und die Handelserträge der BJB beeinträchtigen und den Marktanteil von BJB reduzieren.

BJB konkurriert mit anderen Wettbewerbern bei der Anwerbung und dem Erhalt von wichtigem Personal im Bereich des Managements und bei anderen Mitarbeitern insbesondere bei den Kundenbetreuern von BJB

Das Geschäftsmodell der BJB beruht auf erfahrenen Kundenbetreuern, um Kunden zu gewinnen und zu behalten. Daher ist die Fähigkeit von BJB, erfahrene Kundenbetreuer zu gewinnen und zu behalten, sowie die Fähigkeit der Kundenbetreuer, Kunden zu gewinnen und zu behalten, ein Hauptfaktor bei der Fähigkeit von BJB, das verwaltete Vermögen und die Einnahmen aufrechtzuerhalten und auszubauen. Einzelne Kundenbetreuer haben oft enge persönliche Beziehungen zu den Kunden von BJB, die auf dem persönlichen Vertrauen der Kunden von BJB zum Kundenbetreuer beruhen. Demzufolge könnte der Verlust von Kundenbetreuern den Verlust von Kunden nach sich ziehen und damit zur Minderung des bei BJB verwalteten Vermögens führen.

Die Arbeitsverträge der BJB mit ihren Mitarbeitern einschliesslich Manager in Schlüsselpositionen und Kundenbetreuer sehen grundsätzlich keine Wettbewerbsverbote beim Ausscheiden aus der BJB vor, und es gibt daher keine rechtlichen Hindernisse, wenn sie BJB verlassen, um einer konkurrierenden Tätigkeit nachzugehen. Darüber hinaus könnte der Verlust der Dienste von einem oder mehreren Mitgliedern der Geschäftsführung der BJB den Geschäftsbetrieb der BJB beeinträchtigen und möglicherweise BJB daran hindern, ihre Strategie erfolgreich umzusetzen.

Es ist die Geschäftspolitik von BJB, Kundenbetreuern und anderen wichtigen Mitarbeitern eine Vergütung und Vergünstigungen zu gewähren, die BJB für wettbewerbsfähig mit anderen führenden Privatbanken hält. Allerdings gibt es eine starke Konkurrenz im Bereich der erfahrenen Kundenbetreuer und anderem

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growth in private banking has been high and recruitment is often based on hiring relationship managers and other professionals from competitors. Consequently, there can be no assurance that BJB will be successful in its efforts to recruit and retain the required personnel. Any failure to recruit or retain suitably experienced relationship managers and other professionals could limit BJB's ability to grow its assets under management which could adversely affect BJB's business, results of operations and financial condition.

BJB's reputation is one of the most important assets BJB has and if that reputation is harmed, BJB may not be able to retain and attract clients and its business, results of operations and financial condition may suffer

BJB is exposed to the risk that negative or adverse publicity, press speculation and threatened or actual legal proceedings concerning BJB's business or BJB's clients will harm its reputation. Any negative or adverse publicity could be based on actual or perceived misconduct of BJB's employees (including arising out of the activities entities which have been merged with BJB or will be in the future or which have been taken over by BJB or will be in the future), misconduct and potential misconduct by an existing or newly acquired client which could have a negative impact on BJB through allegations that BJB does not fully comply with regulatory requirements or anti-money laundering rules, publicity about politically exposed persons, if any, in BJB's client base or allegations that a regulator or prosecutor is conducting investigations involving BJB. BJB could suffer from an adverse impact on its reputation for instance if investments or financial products BJB recommends do not perform as expected. Negative publicity or legal proceedings could also result from failures in BJB's IT system, loss or theft of clients' data or confidential information, failure in BJB's risk management or internal control procedures as well as fraud or misconduct committed by one of BJB's employees, agents or third-party distributors. Any resulting damage to BJB's reputation could cause disproportionate damage to BJB's business regardless of whether the negative publicity or speculation is factually accurate or legal proceedings are commenced.

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Fachpersonal insbesondere in Asien, wo das Privatbankgeschäft stark gewachsen ist, und die Neueinstellung auf der Abwerbung von Kundenbetreuern und anderem Fachpersonal von Wettbewerbern beruht. Daher gibt es keine Sicherheit, dass BJB bei ihren Bemühungen, das erforderliche Personal einzustellen und zu behalten, erfolgreich sein wird. Ein Misserfolg bei der Einstellung und dem Erhalt von gut ausgebildeten und erfahrenen Kundenbetreuern und anderem Fachpersonal könnte die Fähigkeit der BJB einschränken, ihr verwaltetes Vermögen auszubauen, und dies könnte den Geschäftsbetrieb, die Ertrags- und Finanzlage der BJB beeinträchtigen.

Die Reputation der BJB gehört zu den wichtigsten Vermögenswerten der BJB, und bei einer Schädigung der Reputation könnte BJB nicht in der Lage sein, Kunden zu behalten bzw. zu gewinnen, und der Geschäftsbetrieb, die Ertrags- und Finanzlage von BJB könnten darunter leiden

BJB ist dem Risiko ausgesetzt, dass negative bzw. nachteilige Veröffentlichungen, Vermutungen in der Presse und drohende bzw. tatsächliche Gerichtsverfahren betreffend des Geschäftsbetriebs oder der Kunden der BJB die Reputation von BJB schädigen könnten. Eine negative bzw. nachteilige Veröffentlichung könnte auf tatsächlichem bzw. vermutetem Fehlverhalten von Mitarbeitern der BJB (einschliesslich aus den Tätigkeiten von Gesellschaften, die mit BJB fusioniert sind oder werden bzw. von BJB übernommen wurden oder werden) oder auf Fehlverhalten bzw. möglichem Fehlverhalten von einem bestehenden oder neu gewonnenen Kunden beruhen. Dies könnte sich auf BJB nachteilig auswirken infolge von Behauptungen, dass BJB die aufsichtsrechtlichen Anforderungen oder die Regeln gegen Geldwäsche nicht umfassend beachte, infolge von Veröffentlichungen über politisch exponierten Personen aus dem Kundenstamm der BJB oder infolge von Vermutungen über aufsichtsrechtliche bzw. strafrechtliche Ermittlungen betreffend BJB. BJB könnte infolge eines Reputationsschadens Nachteile erleiden, wenn z.B. von BJB empfohlene Anlagen bzw. Finanzprodukte nicht den erwarteten Erfolg bringen. Negative Veröffentlichungen bzw. Gerichtsverfahren könnten sich auch als Folge von Fehlleistungen des EDV-Systems der BJB, dem Verlust bzw. der Entwendung von Kundendaten oder vertraulichen Informationen, einem Versagen beim Risiko-Management der BJB oder interner Kontrollmassnahmen sowie Arglist oder Fehlverhalten seitens eines Mitarbeiters, eines Bevollmächtigten oder eines Vertriebspartners der BJB ergeben. Ein daraus entstehender Reputationsschaden für BJB könnte den Geschäftsbetrieb von BJB ohne Rücksicht darauf, ob die nachteilige Veröffentlichung bzw. Vermutung tatsächlich zutreffend ist oder Gerichtsverfahren eingeleitet werden, schädigen.

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Any damage to BJB's reputation, including those arising out of the activities of any entity which has been merged with, or taken over by, or will be any of the foregoing, could cause existing clients to withdraw their assets from BJB, potential clients to be reluctant to do business with BJB, and investors to shy away from investing in BJB's shares. Furthermore, negative publicity or potential or actual legal proceedings may result in increasing regulatory scrutiny and influence market perception of BJB. Any of these negative effects could adversely affect BJB's business, results of operations or financial condition.

BJB could be adversely affected by recent developments in the private banking industry, including increased legal restrictions in its clients

Recent developments in the private banking industry, both in Switzerland and internationally, could have a material adverse effect on BJB.

In the recent past, the Swiss banking client confidentiality laws, and low-tax jurisdictions in general, sparked new and intensified interest at the international level. In March 2009, Switzerland, in common with several other jurisdictions, announced its decision to renegotiate its double taxation treaties to be in line with Article 26 of the OECD Model Tax Convention on Income and Capital, and the OECD Model Agreement on Exchange of Information on Tax Matters. Subsequently, Switzerland signed revised double taxation treaties with a number of countries, including the United States. Any future significant change to Swiss banking client confidentiality laws and practice and any additional or enhanced enforcement campaigns by tax and other authorities against participants in the private banking industry or their clients could have an adverse impact on the private banking industry in Switzerland generally and consequently on BJB. Self-disclosures to tax authorities made by bank clients might be expected to lead to increased regulatory scrutiny of the Swiss private banking industry, including BJB. The focus on tax compliance and changes in enforcement practices could further lead to asset outflows from customers. In addition, continued publicity about the subject may place pressure on BJB's business, results of operations and financial position.

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Ein Reputationsschaden der BJB, einschliesslich solcher aufgrund der Tätigkeiten von Gesellschaften, die mit der BJB fusioniert sind oder fusionieren werden oder die von BJB übernommen wurden oder werden, könnte bestehende Kunden dazu veranlassen, ihr Vermögen bei der BJB abzuziehen, bei potenziellen Kunden eine Zurückhaltung bei Geschäften mit BJB hervorrufen und/oder Anleger davon abhalten, in Aktien der BJB zu investieren. Darüber hinaus können nachteilige Veröffentlichungen bzw. mögliche oder tatsächliche Gerichtsverfahren zu verstärkter aufsichtsrechtlicher Überwachung führen und die Wahrnehmung der Märkte bezüglich BJB beeinflussen. Jede dieser nachteiligen Auswirkungen könnte den Geschäftsbetrieb und/oder die Ertrags- bzw. Finanzlage der BJB beeinträchtigen.

BJB könnte durch die Entwicklungen im Private Banking Sektor in der jüngeren Vergangenheit, einschliesslich verstärkter rechtlicher Beschränkungen, die ihren Kunden auferlegt werden, nachteilig beeinflusst werden

Entwicklungen in der letzten Zeit bei den Privatbanken sowohl in der Schweiz als auch international könnten BJB wesentlich nachteilig beeinträchtigen.

In jüngerer Vergangenheit haben die Schweizer Gesetze über das Bankgeheimnis, sowie Länder mit niedriger Steuerbelastung im Allgemeinen, ein neues und verstärktes Interesse auf internationaler Ebene ausgelöst. Die Schweiz hat zusammen mit einigen anderen Ländern im März 2009 ihre Entscheidung zur Neuverhandlung ihrer Doppelbesteuerungsabkommen angekündigt, um diese mit Artikel 26 des OECD Mustersteuerabkommens über Einkommen und Kapital und der OECD Mustervereinbarung über den Austausch von Informationen über steuerrechtliche Angelegenheiten in Einklang zu bringen. Daraufhin hat die Schweiz überarbeitete Doppelbesteuerungsabkommen mit einer Reihe von Ländern einschliesslich der Vereinigten Staaten unterzeichnet. Eine künftig bedeutende Änderung der Schweizer Gesetze über das Bankgeheimnis und der Handhabung des Bankgeheimnisses und etwaige zusätzliche bzw. ergänzende Durchsetzungskampagnen seitens der Steuerbehörden und anderen Behörden gegen Teilnehmer der Privatbankenindustrie bzw. deren Kunden könnten die Privatbanken in der Schweiz allgemein und somit BJB beeinträchtigen. Selbstanzeigen an Steuerbehörden durch Bankkunden könnten voraussichtlich zur erhöhten aufsichtsrechtlichen Überwachung der Schweizer Privatbanken, einschliesslich der BJB, führen. Zudem könnten die Fokussierung auf die Einhaltung von Steuergesetzen und Änderungen in der Vollstreckungspraxis zu einem Abfluss von Kundenvermögen führen. Darüber hinaus könnte

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In a landmark decision on so-called retrocessions the Swiss Federal Supreme Court ruled 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 law of mandate a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived to reclaim such fees. BJB has been assessing the Court decision, mandate structures to which the Court decision might be applicable and documentation as well as the impact of respective waivers and communicated bandwidths having been introduced some years ago and implemented appropriate measures to address the matter. While BJB believes that its current policies regarding such fees, both paid and received, are in compliance with general market practice and the law presently in force, it remains unclear how the law and practice will continue to develop, and any such development could have an adverse impact on BJB's business, results of operations and financial position.

BJB is subject to the risk that markets in which it operates will become less attractive to clients, in particular due to regulatory or tax changes in such jurisdictions or in the clients' home jurisdictions

BJB is exposed to the risk that one or more jurisdictions in which BJB books client assets may become a less attractive location for its clients to hold their assets. In particular, legal, regulatory or tax changes in such jurisdictions might cause clients to move their assets to other jurisdictions. Clients may also have an incentive, through beneficial tax treatments due to changes in tax laws or tax amnesties, to move their assets into jurisdictions including the clients' home jurisdictions where BJB does not have banking operations, thereby negatively impacting BJB's assets under management. Because a significant portion of BJB's assets under

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weiteres Aufsehen in Bezug auf dieses Thema den Geschäftsbetrieb, die Ertrags- und Finanzlage von BJB unter Druck setzen.

In einem Grundsatzentscheid betreffend sogenannte Retrozessionen hat das Schweizerische Bundesgericht entschieden, dass durch den Zufluss von Bestandespflegekommissionen im Zusammenhang mit der Ausübung eines Vermögensverwaltungsmandats bei einer Bank ein Interessenskonflikt entstehen kann. Das Gericht kam zum Schluss, dass wegen dem Erhalt von Bestandespflegekommissionen im Zusammenhang mit einem solchen Mandat eine Bank versucht sein könnte, nicht im besten Interesse des Kunden zu handeln. Entsprechend habe eine Bank gestützt auf schweizerisches Auftragsrecht die im Zusammenhang mit der Mandatsausführung von Dritten erhaltenen Bestandespflegekommissionen gegenüber dem Kunden nicht nur auszuweisen, sondern auch weiterzuleiten, es sei denn der Kunde habe rechtmässig auf die Bestandespflegekommissionen verzichtet. BJB hat den Gerichtsentscheid und die Mandatsstrukturen, auf die der Gerichtsentscheid Anwendung finden könnte, analysiert. Sie hat sodann die entsprechenden Dokumentationen inklusive die in den letzten Jahren eingeholten Verzichtserklärungen und gemachten Bandbreitenangaben, analysiert und geeignete Massnahmen implementiert, um die Angelegenheit in geeigneter Weise zu adressieren. Obwohl BJB der Auffassung ist, dass ihre gegenwärtige Politik hinsichtlich jener sowohl gezahlten als auch erhaltenen Gebühren der üblichen allgemeinen Praxis im Markt und der gegenwärtigen Gesetzeslage entspricht, bleibt es unklar, wie sich das Recht und die Praxis weiter entwickeln werden, und eine solche Entwicklung könnte den Geschäftsbetrieb, die Ertrags- und Finanzlage von BJB nachteilig beeinträchtigen.

BJB unterliegt dem Risiko, dass die Märkte, in denen BJB tätig ist, für Kunden weniger attraktiv werden könnten, insbesondere infolge von aufsichtsrechtlichen bzw. steuerrechtlichen Änderungen in solchen Ländern oder in den Heimatländern der Kunden

BJB ist dem Risiko ausgesetzt, dass eines oder mehrere Länder, in denen BJB Kundenvermögen hält, als Standort für das Vermögen ihrer Kunden weniger attraktiv werden könnte. Insbesondere rechtliche, aufsichtsrechtliche bzw. steuerrechtliche Änderungen in diesen Ländern könnten Kunden veranlassen, ihr Vermögen in andere Länder zu verlagern. Kunden könnten auch einen Anreiz haben, durch bevorzugte Steuerbehandlung in Folge von steuerrechtlichen Änderungen bzw. einer Steueramnestie, ihr Vermögen in Länder einschliesslich der Heimatländer der Kunden abziehen, in denen BJB keine Bankgeschäfte betreibt,

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management are booked in a location other than the clients' home jurisdictions, BJB is particularly exposed to regulatory and tax changes that make Switzerland and BJB's other booking centres less attractive locations for clients to hold their assets.

Changes to regulations or tax laws or their interpretation and enforcement may, even retroactively, affect the attractiveness and reduce sales of certain of BJB's products that currently have favourable regulatory and tax treatment.

BJB may be exposed to increases in capital requirements causing potential costs which may not be compensated by additional profits thereby potentially reducing the profitability and the BJB's ability to engage in acquisitions

Switzerland's new capital adequacy requirements (in accordance with Basel III, hereinafter 'Basel III') came into force on 1 January 2013. The Basel III international standard approach requires "*common equity tier 1*" ("**CET 1**") equivalent to at least 4.5%, plus a CET 1 capital buffer of 2.5%, plus 1.5% of additional tier 1 ("**AT 1**") capital (or better-quality capital), plus 2% of supplementary tier 2 capital (or better-quality capital) of risk-weighted assets. In aggregate, this amounts to an overall capital requirement of at least 10.5% of risk-weighted assets. FINMA minimum capital requirements for the Group are 7.8% for CET 1, 1.8% for AT 1 and 2.4% for tier 2, which puts its overall minimum capital requirement at 12% of risk-weighted assets. At present, the Group is also required to hold an additional anti-cyclical CET 1 capital buffer for mortgages on residential properties in Switzerland which adds a further 0.2% to its minimum capital requirement of 12% of risk-weighted assets. The capital held by the Group is sufficient to meet the relevant BIS and FINMA requirements. It cannot be excluded that the new provisions result in an augmentation of the cost of business activities of BJB. There is a risk that the increased costs cannot be compensated by increased income and therefore reduced profits cannot be precluded. In addition, there is a risk that the increase of the capital requirements could adversely affect the ability of BJB of engaging in acquisitions.

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und dies könnte das von BJB verwaltete Vermögen beeinträchtigen. Da ein wesentlicher Teil des von BJB verwalteten Vermögens an einem anderen Ort als im Heimatland der Kunden geführt wird, ist BJB insbesondere aufsichtsrechtlichen und steuerrechtlichen Änderungen ausgesetzt, die dazu führen, dass die Schweiz und die anderen Buchungszentren, bei denen Vermögen gehalten werden, weniger attraktiv für die Kunden zur Haltung ihres Vermögens sind.

Änderungen von Verordnungen bzw. bei der Steuergesetzgebung oder deren Auslegung und Durchsetzung können die Attraktivität von einigen Produkten der BJB, gegebenenfalls auch nachträglich, beeinflussen, die gegenwärtig eine günstige aufsichtsrechtliche und steuerrechtliche Behandlung erfahren, und den Verkauf dieser Produkte mindern.

BJB könnte dem Risiko von erhöhten Kapitalanforderungen ausgesetzt sein, was zu potenziellen Kosten führen könnte, welche nicht durch zusätzliche Gewinne kompensiert werden können und dadurch die Profitabilität mindern und die Fähigkeit von BJB beeinträchtigen können, Akquisitionen vorzunehmen

In der Schweiz sind die neuen Eigenmittelvorschriften (gemäss Basel-III-Vorgaben, fortan «Basel III» genannt) am 1. Januar 2013 in Kraft getreten). Der internationale Ansatz unter Basel III erfordert Kapitalquoten für "*common equity tier 1*" bzw. "*hartes Kernkapital tier 1*" ("**CET 1**") von mindestens 4,5% sowie den Eigenmittelpuffer (CET 1-Kapital) von 2,5% sowie das "*additional tier 1*" bzw. "*zusätzliche Kernkapital tier 1*" ("**AT 1**") von 1,5% (oder bessere Kapitalqualität) und das Ergänzungskapital (Tier 2) von 2% (oder bessere Kapitalqualität) der risikogewichteten Aktiven. Dies ergibt eine Gesamtkapitalquote von mindestens 10,5% der risikogewichteten Aktiven. Gemäss den FINMA-Kapitalvorschriften sind für die Gruppe die minimalen Anforderungen an die Kapitalquoten für CET 1 7,8%, das AT 1 1,8% und Tier 2 2,4%, resultierend in einer minimalen Anforderung an die Gesamtkapitalquote von 12% der risikogewichteten Aktiven. Zusätzlich muss gegenwärtig ein antizyklischer Puffer (CET 1-Kapital) auf Hypothekarkrediten zur Finanzierung von Wohnliegenschaften in der Schweiz gehalten werden, mit einem Effekt von plus 0,2% auf die minimale regulatorische Gesamtkapitalquote von 12% der risikogewichteten Aktiven gerechnet. Auch unter diesen neuen Vorschriften ist BJB ausreichend kapitalisiert gemäss den jeweils geltenden Richtlinien der BIZ und der FINMA. Es ist nicht auszuschliessen, dass diese neuen Vorschriften die Geschäftstätigkeit der BJB verteuern. Es besteht das Risiko, dass diese höheren Kosten nicht durch höhere Einnahmen kompensiert werden können, so dass sinkende Erträge nicht ausgeschlossen werden

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In case of financial difficulties, FINMA has the power to open restructuring or liquidation proceedings in respect of, and/or impose protective measures in relation to, BJB, which proceedings or measures may have a material adverse effect on the terms and market value of products issued by BJB and/or the ability of BJB to make payments thereunder and/or the obligations of BJB under the products

Pursuant to article 25 et seq. of the Swiss Banking Act, FINMA has broad statutory powers to take measures and actions in relation to BJB if it is (i) over indebted, (ii) has serious liquidity problems, or (iii) fails to fulfill the applicable adequacy provisions after expiry of a deadline set by FINMA. If one of these pre-requisites is met, FINMA is authorised (a) to open restructuring proceedings (*Sanierungsverfahren*) or (b) to open liquidation (bankruptcy) proceedings (*Bankenkonkurs*) in respect of, and/or (c) impose protective measures (*Schutzmassnahmen*) in relation to, BJB. The Swiss Banking Act, as last amended as of 1 January 2016, grants significant discretion to FINMA in connection with the aforementioned proceedings and measures. In particular, protective measures that may be imposed by FINMA include a broad variety of measures such as a bank moratorium (Stundung) or a maturity postponement (*Fälligkeitsaufschub*) and may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. In a restructuring proceeding, the resolution plan may, among other things provide for (i) the transfer of BJB's assets or parts thereof with assets and debt as well as contracts to another entity, (ii) the conversion of BJB's debt or other obligations (including its obligations under any Products) into equity, and/or (iii) potentially haircuts on respectively partial or full write-down of obligations of BJB (including its obligations under any products).

BJB as a wholly owned subsidiary of Julius Baer Group Ltd. is dependent on the development/decisions of its parent and the Julius Baer Group as a whole

BJB, as a one hundred per cent subsidiary of Julius Baer Group Ltd. (Julius Baer Group Ltd. together with its

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können. Darüber hinaus besteht das Risiko, dass die Verschärfung der Eigenkapitalanforderungen die Akquisitionsfähigkeiten der BJB negativ beeinflussen könnte.

Im Falle von finanziellen Schwierigkeiten ist die FINMA befugt, in Bezug auf die BJB Sanierungs- oder Liquidationsverfahren zu eröffnen und/oder Schutzmassnahmen zu ergreifen, die erhebliche nachteilige Auswirkungen auf die Bedingungen und den Marktwert der von der BJB begebenen Produkte und/oder die Fähigkeit der BJB zur Leistung von Zahlungen auf diese Produkte und/oder die Verbindlichkeiten der BJB aus Produkten haben könnten

Nach Artikel 25 ff. des Schweizer Bankengesetzes hat die FINMA weitreichende gesetzliche Befugnisse zur Einleitung von Massnahmen und Schritten in Bezug auf die BJB, wenn diese (i) überschuldet ist, (ii) ernsthafte Liquiditätsprobleme hat oder (iii) die Eigenmittelvorschriften nach Ablauf einer von der FINMA festgesetzten Frist nicht erfüllt. Ist eine dieser Voraussetzungen erfüllt, so kann die FINMA in Bezug auf die BJB (a) ein Sanierungsverfahren oder (b) die Konkursliquidation (Bankenkonkurs) oder (c) Schutzmassnahmen anordnen. Nach dem Schweizerischen Bankengesetz, wie letztmals revidiert am 1. Januar 2016, wird der FINMA ein weitreichender Ermessensspielraum im Hinblick auf die vorgenannten Verfahren und Massnahmen eingeräumt. Insbesondere kann die FINMA diverse Massnahmen wie eine Stundung oder einen Fälligkeitsaufschub sowohl selbständig als auch in Verbindung mit einer Sanierung oder Konkursliquidation anordnen. Im Rahmen eines Sanierungsverfahrens kann der Sanierungsplan unter anderem (i) die Übertragung des Vermögens der Bank oder von Teilen davon mit Vermögenswerten und Verbindlichkeiten sowie der Vertragsverhältnisse auf einen anderen Rechtsträger, (ii) die Umwandlung von Fremdkapital oder sonstigen Verbindlichkeiten der BJB (einschliesslich ihrer Verbindlichkeiten aus Produkten) in Eigenkapital und/oder (iii) allenfalls einen Schuldenschnitt bzw. eine teilweise oder vollständige Reduktion der Verbindlichkeiten der BJB (einschliesslich ihrer Verbindlichkeiten aus Produkten) vorsehen.

BJB ist als hundertprozentige Tochtergesellschaft der Julius Bär Gruppe AG abhängig von den Entwicklungen/Entscheidungen ihrer Muttergesellschaft und der Julius Bär Gruppe als Ganzes

Die BJB ist als hundertprozentige Tochtergesellschaft der Julius Bär Gruppe AG (Julius Bär Gruppe AG zusammen

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subsidiaries the "**Julius Baer Group**"), is particularly dependent on the development of the parent company and on its decisions as well as on the development of the Julius Baer Group as a whole.

BJB's growth in new and existing markets and its potential failure to correctly implement applicable law and regulations may have consequences, such as the revocation of local authorisations and, therefore, give rise to potential market withdrawals and may lead to financial expenditures and reputational harm

Further risks may arise from the growth strategy of BJB. The growth markets are Asia, Middle East, East Europe and South America. In addition, BJB pursues a growth strategy in the existing markets in Switzerland and Germany.

In the context of realisation of the BJB's growth strategy, there is the risk, not only from new but also existing markets, that BJB does not implement its activities in compliance with the applicable local law. Infringement of local regulations may result in the imposition of fines or in the revocation of any local permission, which may lead to a withdrawal of BJB from the affected market. In addition to the consequential direct financial disadvantages, there is also the risk of damage to BJB's reputation domestically and abroad as a result from the violation of local law.

BJB is exposed to all risks associated with (past and possible future) acquisitions and investments by Julius Baer Group and by BJB which may result in material financial expenditures and losses in particular in case such investments are not successful and indented synergies are not achieved

Part of the growth strategy of the Julius Baer Group is also the acquisition of other domestic or foreign banks, asset managers or any other operating companies in the financial industry or of business segments. It is intended by the Julius Baer Group, to execute selected acquisitions also in the future, in order to reinforce and enhance existing activities. Announcements in respect of possible acquisitions and investments by Julius Baer Group may follow at any time. The successful realisation of such growth strategy is subject to various factors, in particular, of the ability of the group to identify profitable acquisition opportunities, the executions of the acquisition

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mit ihren Tochtergesellschaften die "**Julius Bär Gruppe**") in besonderem Masse von der Entwicklung der Muttergesellschaft und von deren Entscheidungen sowie von der Entwicklung der gesamten Julius Bär Gruppe abhängig.

Das Wachstum der BJB in neuen und bestehenden Märkten und das potenzielle Versagen der BJB bei der richtigen Umsetzung anwendbarer Gesetze, könnte beispielsweise den Entzug lokaler Bewilligungen nach sich ziehen, was wiederum zum Marktrückzug, und dies zu finanziellen Aufwendungen und Reputationsschäden führen könnte

Weitere Risiken könnten sich aus der Wachstumsstrategie der BJB ergeben. Die Wachstumsmärkte sind Asien, der Mittlere Osten, Osteuropa und Südamerika. Darüber hinaus verfolgt BJB eine Wachstumsstrategie in den bestehenden Märkten in der Schweiz und in Deutschland.

Im Rahmen der Umsetzung der Wachstumsstrategie der BJB besteht nicht nur in neuen, sondern auch in bestehenden Märkten das Risiko, dass BJB ihre Aktivitäten nicht gemäss lokalem Recht umsetzt. Werden die lokalen Bestimmungen verletzt, droht die Verhängung von Bussgeldern oder der Entzug einer etwaigen lokalen Bewilligung, welcher zu einem Rückzug der BJB aus dem betroffenen Markt führen könnte. Zusätzlich zu den daraus resultierenden direkten finanziellen Nachteilen besteht das Risiko von Reputationsschäden bei BJB im In- und Ausland infolge der Verletzung lokaler Bestimmungen.

BJB ist jeglichem Risiko im Zusammenhang mit (vergangenen und möglichen zukünftigen) Akquisitionen und Investitionen der Julius Bär Gruppe und von BJB ausgesetzt, welche zu wesentlichen finanziellen Ausgaben und Verlusten führen können, insbesondere für den Fall, dass diese Investitionen nicht erfolgreich sind und beabsichtigte Synergien nicht erzielt werden können

Bestandteil der Wachstumsstrategie der Julius Bär Gruppe sind auch Akquisitionen von anderen in- oder ausländischen Banken, Vermögensverwaltern oder sonstigen im Finanzbereich tätigen Unternehmen oder von Geschäftsteilen. Die Julius Bär Gruppe beabsichtigt, auch in Zukunft ausgewählte Akquisitionen zu tätigen, um ihre bisherigen Aktivitäten zu stärken und weiterzuentwickeln. Ankündigungen über mögliche Akquisitionen und Investitionen der Julius Bär Gruppe können jederzeit erfolgen. Die erfolgreiche Umsetzung dieser Wachstumsstrategie hängt von verschiedenen Faktoren ab, insbesondere von der Fähigkeit der Gruppe,

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at adequate costs and generate adequate profits from the effected acquisitions.

Acquisitions of companies and business segments are subject to risks at all times. Particularly the integration of acquired companies or business segments into the group may result in material financial expenditures and draw upon management resources. There is a risk that the integration costs are substantially higher than expected, or that the integration of the acquired companies or business segments is not or not completely successful and the sought business goals by the acquisition may not be accomplished. Additionally, there is a risk that underlying synergy potentials to the acquisition may not or not completely be realised. Costs or delays in connection with the integration of the acquired company or business segments and/or the failure to realise the synergy potential may have an adverse effect on the net assets, financial position and results of operation of the Julius Baer Group and BJB.

The acquisitions which have been effected by the Julius Baer Group or may possibly be effected may involve further risks, which usually are associated with the acquisition of companies or business segments. Particularly there is the risk that the value of the acquired company or business segment does not correspond to the amount paid. Acquisitions and investments abroad may be subject to special investment regulations. It cannot be guaranteed that the Julius Baer Group can at all times comply with all applicable investment regulations and regulatory requirements for legal systems, in which it undertakes investments. The materialisation of these risks may have an adverse effect on the net assets, financial position and results of operation of the Julius Baer Group and BJB.

If BJB fails or is unable to adequately protect its intellectual property rights, BJB's competitive position could be adversely affected

The protection of BJB's brand names is extremely important to BJB's business. Even though BJB registered BJB's brand names in the countries in which it operates, it may become necessary for BJB to defend its intellectual property rights in order to prevent others from misappropriating or infringing on BJB's brand names. Should BJB be unable to adequately protect BJB's brand names its competitive position could be adversely

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gewinnbringende Akquisitionen zu identifizieren, die Akquisitionen zu angemessenen Kosten zu tätigen und aus den getätigten Akquisitionen einen angemessenen Ertrag zu erzielen.

Akquisitionen von Unternehmen und Geschäftsteilen sind stets mit Risiken verbunden. Insbesondere kann die Integration von erworbenen Unternehmen oder Geschäftsteilen in die Gruppe erhebliche finanzielle Aufwendungen verursachen und Management-Ressourcen beanspruchen. Es besteht das Risiko, dass die Integrationskosten wesentlich höher ausfallen als erwartet, oder dass die Integration des erworbenen Unternehmens oder Geschäftsteils nicht oder nicht vollständig gelingt und die mit der Akquisition verfolgten Geschäftsziele nicht erreicht werden können. Des Weiteren besteht das Risiko, dass die der Akquisition zugrunde gelegten Synergie-Potenziale möglicherweise nicht oder nicht vollständig realisiert werden können. Kosten oder Verzögerungen im Zusammenhang mit der Integration des erworbenen Unternehmens oder Geschäftsteils und/oder die Nichtrealisierung von Synergie-Potenzialen können einen negativen Einfluss auf die Vermögens-, Finanz- und Ertragslage der Julius Bär Gruppe und der BJB haben.

Die Akquisitionen, welche die Julius Bär Gruppe getätigt hat oder möglicherweise tätigen wird, können weitere Risiken mit sich bringen, welche üblicherweise mit der Akquisition von Unternehmen oder Geschäftsteilen verbunden sind. Insbesondere besteht das Risiko, dass der Wert des erworbenen Unternehmens oder Geschäftsteils nicht dem bezahlten Kaufpreis entspricht. Akquisitionen und Investitionen im Ausland können besonderen Anlagevorschriften unterstehen. Es kann nicht garantiert werden, dass die Julius Bär Gruppe zu jeder Zeit in sämtlichen Rechtsordnungen, in welchen sie Investitionen tätigt, die anwendbaren Anlagevorschriften und behördlichen Auflagen erfüllen kann. Wenn sich diese Risiken verwirklichen, kann dies einen negativen Einfluss auf die Vermögens-, Finanz- und Ertragslage der Julius Bär Gruppe und der BJB haben.

Sollte BJB nicht in der Lage sein, ihre geistigen Eigentumsrechte adäquat zu schützen, könnte die Wettbewerbsposition der BJB beeinträchtigt werden

Der Schutz der Marken der BJB ist für den Geschäftsbetrieb von BJB ausserordentlich wichtig. Obwohl BJB die Marken der BJB in den Ländern, in denen BJB tätig ist, eingetragen hat, kann es für BJB erforderlich sein, ihre geistigen Eigentumsrechte zu verteidigen, um Dritte davon abzuhalten, die Marken für sich in Anspruch zu nehmen bzw. die Marken der BJB zu verletzen. Falls BJB ihre Marken nicht ausreichend

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affected. BJB' brand and thereby BJB's reputation might furthermore be adversely affected if a third party, using BJB's brand under a licence agreement, is exposed to negative or adverse publicity, press speculation and threatened or actual legal proceedings. Any misuse of or other adverse impact on the "Julius Baer" brand could adversely affect BJB's reputation, competitive position and results of operations.

BJB has been and expects to continue to be affected by the ongoing financial crisis and economic downturn

As a Private Bank operating internationally and with a global client base, BJB's business is subject to changing conditions in the global financial markets and economic conditions generally. Compared to previous years, these conditions have recently deteriorated significantly and may continue to deteriorate.

Since the second half of 2007, and particularly since September 2008, the financial services industry and the global financial markets have been materially and adversely affected by significant declines in the values of nearly all classes of financial assets from pre-crisis levels. The financial markets have been characterised by unprecedented levels of volatility and limited liquidity. This has materially and adversely affected the availability and the performance of instruments used to hedge positions and manage risks. Furthermore, there has been a widespread loss of investor confidence.

While governments, regulators and central banks worldwide have taken numerous steps designed to increase liquidity and to restore investor confidence, asset values have continued to decline and access to liquidity continues to be very limited.

The overall decrease in investor confidence has resulted in, and may continue to result in, clients switching to more conservative, lower margin products and services as well as a decline in the volume of transactions that BJB executes for its clients and hence to reduced commission income and to margin erosion.

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schützen kann, könnte die Wettbewerbsposition der BJB beeinträchtigt werden. Die Marke der BJB und somit die Reputation der BJB könnten ebenfalls beeinträchtigt werden, falls ein Dritter unter Verwendung der Marke der BJB aufgrund einer Lizenzvereinbarung negativer bzw. nachteiliger Berichterstattung in der Öffentlichkeit, Vermutungen in der Presse und drohenden oder tatsächlichen Gerichtsverfahren ausgesetzt ist. Ein Missbrauch oder andere nachteilige Auswirkungen auf die Marke "Julius Bär" könnte die Reputation, die Wettbewerbsposition und die Ertragslage der BJB beeinträchtigen.

BJB ist und geht weiterhin davon aus, dass sie von der anhaltenden Finanzkrise und Konjunkturschwäche beeinflusst sein wird

Als eine international tätige Privatbank mit einem globalen Kundenstamm unterliegt der Geschäftsbetrieb von BJB den sich ändernden Bedingungen in den globalen Finanzmärkten und allgemeinen konjunkturellen Bedingungen. Im Vergleich zu früheren Jahren haben sich diese Bedingungen in jüngster Zeit erheblich verschlechtert, und sie können sich weiter verschlechtern.

Seit der zweiten Hälfte 2007 und insbesondere seit September 2008 sind die Finanzdienstleistungsbranche und die globalen Finanzmärkte im erheblichen Umfang durch stark sinkende Werte bei fast sämtlichen Arten von Finanzanlagen im Vergleich zu den Werten vor der Krise beeinträchtigt worden. Die Finanzmärkte sind durch nie vorher gesehene Volatilität und eingeschränkte Liquidität gekennzeichnet. Dies hat die Verfügbarkeit und die Ertragskraft von Instrumenten, die zur Absicherung von Positionen und Handhabung von Risiken eingesetzt wurden, erheblich beeinträchtigt. Darüber hinaus hat sich ein Verlust am Vertrauen seitens der Anleger breitgemacht.

Während Regierungen, Aufsichtsbehörden und Zentralbanken weltweit verschiedene Massnahmen zur Erhöhung der Liquidität und zur Wiederherstellung des Vertrauens der Anleger vorgenommen haben, sind die Vermögenswerte weiter gesunken, und Zugriff auf Liquidität bleibt weiterhin sehr eingeschränkt.

Der allgemeine Rückgang des Vertrauens der Anleger hat dazu geführt und kann weiterhin dazu führen, dass Kunden auf konservativere Produkte mit geringen Margen und Dienstleistungen umgestiegen sind, und der Umfang von Transaktionen, die BJB für ihre Kunden ausführt, ist gesunken, so dass die Provisionseinnahmen und die Margen gesunken sind.

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The effects of the financial crisis on the real economy – with corporate losses rising, overall employee compensation coming under pressure, especially in the upper salary bands, the decline of values across asset classes, and thereby a need to liquidate investments – could be of significant importance to the investment behaviour of BJB's core client group, i.e. high-net-worth individuals. BJB, similar to other financial institutions, could be confronted with net outflows of assets under management, and could experience difficulties attracting new clients, resulting in a material adverse effect on BJB's business, results of operations and financial condition.

BJB has generated, and may continue to generate, lower income from commissions and fees due to fluctuations in the financial markets and clients experiencing weaker than expected returns on their investments

BJB's results of operations depend, to a significant extent, on factors such as the returns enjoyed by its clients on their investments as well as the ability to attract net new money inflows. Weak investment performance in the financial markets, in general, will adversely impact the value of the assets BJB manages for its clients and, therefore, could also have a material adverse effect on BJB's results of operations. In addition, clients experiencing weaker than expected returns on investments BJB offers or recommends relative to investment solutions of or recommended by its competitors could trigger substantial redemptions and outflows from BJB's clients' accounts and hence also have a material adverse effect on BJB's results of operations and financial condition.

BJB's risk management policies and procedures may leave BJB exposed to unidentified or unmitigated risks, which could lead to material losses

BJB has risk management policies and procedures in place to cover strategic and business risk, credit risk, market risk, liquidity and financing risk, operational risk and reputational risk. If these policies and procedures are inadequate to address all the risks BJB faces or are not properly adhered to, BJB may experience material losses.

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Die Auswirkung der Finanzkrise auf die Realwirtschaft – mit der damit einhergehenden Steigerung bei Unternehmensverlusten, dem Druck auf allgemeine Vergütung für Mitarbeiter insbesondere in den oberen Gehaltsbereichen, den sinkenden Werten bei sämtlichen Vermögensklassen und einer daraus entstehenden Notwendigkeit zur Auflösung von Anlagen – könnte von wesentlicher Bedeutung bei dem Anlageverhalten des Kernkundenstamms von BJB sein, d.h. vermögenden Privatpersonen. Ähnlich wie andere Finanzinstitute könnte die BJB mit Nettoabgängen von Vermögen unter deren Verwaltung konfrontiert sein und Schwierigkeiten bei der Gewinnung von neuen Kunden erfahren, und dies könnte den Geschäftsbetrieb, die Ertrags- und die Finanzlage der BJB wesentlich beeinträchtigen.

BJB hat und könnte weiterhin geringe Provisions- und Gebühreneinnahmen infolge von Schwankungen in den Finanzmärkten und infolge der Erwirtschaftung von schwächeren Renditen ihrer Kunden erzielen

Die Betriebsergebnisse der BJB hängen im erheblichen Umfang von Faktoren wie die von ihren Kunden auf deren Anlagen erzielten Renditen sowie von der Fähigkeit zur Gewinnung von neuen Geldeinlagen ab. Schwache Leistung bei Investitionen in den Finanzmärkten wird allgemein den Wert des von BJB für ihre Kunden verwalteten Vermögens beeinträchtigen und könnte somit eine wesentliche nachteilige Auswirkung auf die Ertragslage der BJB haben. Darüber hinaus könnten schwächere Renditen als erwartet für die Kunden bei den der BJB angebotenen bzw. empfohlenen Anlagen im Vergleich zu Investitionslösungen, die von den Wettbewerbern von BJB angeboten oder empfohlen werden, zu erheblichen Rückzahlungen und Mittelabflüssen von Kundenkonten bei BJB führen und somit die Ertrags- und die Finanzlage der BJB wesentlich beeinträchtigen.

Die Richtlinien und das Verfahren des Risikomanagements bei BJB könnten dazu führen, dass BJB nicht identifizierte und nicht geminderte Risiken hat, die zu wesentlichen Verlusten führen könnten

BJB hat Richtlinien und Verfahren zum Risikomanagement, um das strategische und Geschäftsrisiko, das Kreditrisiko, das Marktrisiko, das Liquiditäts- und Finanzrisiko, das Betriebsrisiko und das Reputationsrisiko abzudecken. Falls diese Richtlinien und das Verfahren nicht ausreichend sind, um sämtliche Risiken bei BJB abzudecken oder falls diese nicht ordnungsgemäss eingehalten werden, könnte BJB erhebliche Verluste erleiden.

I. RISK FACTORS

BJB takes various actions to address risks that arise in its businesses, including entering into hedging transactions to address the market risks relating to BJB's market making and proprietary trading activities. BJB, prescribes among other things, limits on the amount and type of credit risk per counterparty that BJB may incur in its margin lending activities and prescribes acceptance and monitoring procedures relating to legal and regulatory risks that could arise in connection with its relationship with external asset managers. Some of these and other methods of managing risks that BJB employs are based on previous observations of market behaviour. BJB applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. BJB's policies and procedures to identify, monitor and manage risks may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks which BJB fails to identify or anticipate. These methods may not be effective in predicting future risk exposures, which could be significantly greater than historical measures indicate. This is particularly true during times of extreme market conditions when, for instance, historically observed patterns of correlation and volatility of asset values break down, market-wide liquidity constraints materialise and counterparty risk increases to dramatic levels. Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that is publicly available or otherwise accessible. This information may not in all cases be accurate, up-to-date or properly evaluated.

BJB has a certain degree of client concentration, and to the extent BJB is unable to retain these clients or sufficiently diversify its client base, its results of operations may suffer

As a pure private banking organisation, BJB is exposed to a certain degree of client concentration risk. A significant portion of BJB's customers are high net worth clients. Those individuals and their households have, to a certain degree, similar socio-economic characteristics and they are likewise exposed to comparable macroeconomic and regulatory risks. Although BJB has made progress in diversifying the geographical mix of its client base, it will continue to be exposed to client concentration risk. In addition, a limited number of ultra-high-net-worth individuals will continue to be significant to BJB in terms of assets under management. If BJB is

I. RISIKOFAKTOREN

BJB trifft verschiedene Vorkehrungen, um den Risiken zu begegnen, die sich aus ihrer Geschäftstätigkeit ergeben, einschliesslich des Abschlusses von Absicherungsgeschäften gegen Marktrisiken im Zusammenhang mit BJB's Market-Making- und Eigenhandelsaktivitäten. BJB setzt dafür unter anderem für jede Gegenpartei Grenzen für Betrag und Art des Kreditrisikos, welches der BJB beim Lombardgeschäft entsteht, sowie Verfahren zur Annahme und Überwachung der rechtlichen und regulatorischen Risiken, die sich im Zusammenhang mit BJB's Beziehungen mit externen Vermögensverwaltern ergeben, fest. Einige dieser und anderer von der BJB eingesetzten Methoden zur Bewältigung von Risiken, basierend auf früheren Beobachtungen des Marktverhaltens. BJB wendet bei diesen Beobachtungen statistische und andere Instrumente an, um ihre Risiken zu quantifizieren. BJB's Richtlinien und Verfahren zur Feststellung, Überwachung und Bewältigung ihrer Risiken sind möglicherweise nicht umfassend erfolgreich bei der Reduzierung der Risiken in sämtlichen wirtschaftlichen Marktumgebungen bzw. bei sämtlichen Risikoarten, einschliesslich solcher Risiken, die BJB nicht erkennt bzw. nicht erwartet. Diese Methoden wirken möglicherweise nicht bei der Vorhersage zukünftiger Risiken, welche wesentlich grösser sein können als es die historischen Werte vermuten lassen. Dies gilt insbesondere in Zeiten extremer Marktbedingungen, wenn beispielsweise in der Vergangenheit beobachtete Korrelations- und Volatilitätsmuster von Vermögenswerten nicht mehr gelten, im ganzen Markt Liquiditätsdruck entsteht und das Gegenparteirisiko dramatisch steigt. Andere Methoden des Risikomanagements hängen von der Beurteilung der Marktinformationen, der Kundeninformation und anderen öffentlich verfügbaren bzw. zugänglichen Informationen ab. Diese Informationen könnten nicht in allen Fällen richtig und aktuell sein bzw. richtig bewertet werden.

BJB hat einen bestimmten Grad an Kundendichte, und sofern BJB diese Kunden nicht behalten kann oder ihren Kundenstamm nicht ausreichend diversifizieren kann, könnte die Ertragslage der BJB darunter leiden

Als eine reine Privatbank ist BJB einem gewissen Klumpenrisiko bei ihren Kunden ausgesetzt. Ein wesentlicher Anteil der Kunden der BJB sind vermögende Privatpersonen. Diese Personen und deren Familien haben in einem bestimmten Masse ähnliche gesellschaftliche und wirtschaftliche Eigenschaften, und sie haben ebenfalls vergleichbare konjunkturelle und regulatorische Risiken. Obwohl BJB bei der Diversifizierung der geographischen Zusammensetzung des Kundenstamms Fortschritte gemacht hat, wird BJB weiterhin ein Klumpenrisiko hinsichtlich der Kunden haben. Darüber hinaus wird eine beschränkte Anzahl von

I. RISK FACTORS

unable to retain these clients or sufficiently diversify its client base, its results of operations and financial condition may be adversely affected.

BJB may incur significant losses from its market making and proprietary trading activities due to market fluctuations

BJB engages in certain limited market making activities principally in respect of its own structured products and proprietary trading activities in foreign exchange, fixed-income and equity markets, including derivatives markets, as well as in precious metals, and is therefore exposed to losses in the event of adverse market movements (whether up or down) in specific equities, fixed-income or other products, baskets of securities, indices and the markets generally. BJB's trading positions can also be adversely affected by the level of volatility in the financial markets (that is, the degree to which prices fluctuate over a particular period) regardless of market levels. There can be no assurance that future results from market making and proprietary trading will not be materially and adversely different from those experienced in recent periods.

In connection with its market making and proprietary trading activities, BJB attempts to mitigate related market risks by entering into hedging transactions, which may include over-the-counter derivative contracts or the purchase or sale of securities, financial futures, options or forward contracts. If any of the variety of instruments and strategies BJB uses to hedge its exposure to market risks are not effective, BJB may incur losses. Many of BJB's strategies are based on historical trading patterns and correlations. However, these strategies may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk. Unexpected market developments may in the future also affect a number of hedging strategies.

BJB is exposed to the risk of losses as a result of employee fraud, misconduct or improper practice

Fraud, misconduct or improper practice by any of BJB's employees could expose it to the risk of direct and/or indirect financial loss and damage to its reputation. Such fraud, misconduct and improper practice could involve,

I. RISIKOFAKTOREN

sehr vermögenden Privatpersonen weiterhin für BJB im Hinblick auf das verwaltete Vermögen von erheblicher Bedeutung sein. Falls BJB diese Kunden nicht behalten oder ihren Kundenstamm nicht ausreichend diversifizieren kann, könnte die Ertrags- und Finanzlage der BJB beeinträchtigt werden.

BJB könnte erhebliche Verluste aus ihren Market-Making und Eigenhandelstätigkeiten infolge von Marktschwankungen erleiden

BJB übt in beschränktem Umfang Market-Making-Tätigkeiten hauptsächlich hinsichtlich ihrer eigenen strukturierten Produkte aus und betreibt Eigenhandel in Devisen-, Anleihen- und Aktien- einschliesslich Derivate-Märkten sowie Edelmetalleigenhandel und hat daher ein Verlustrisiko bei nachteiligen Bewegungen im Markt (seien sie aufwärts oder abwärts) im Rahmen von bestimmten Aktien, Anleihen und anderen Produkten sowie bei Körben von Wertpapieren, Indizes und allgemein in den Märkten. Die Handelspositionen von BJB könnten auch durch den Grad der Volatilität in den Finanzmärkten (d.h. die Schwankungen von Preisen über einen bestimmten Zeitraum) ungeachtet des Marktstands beeinträchtigt werden. Es gibt keine Sicherheit, dass künftige Ergebnisse aus dem Market-Making und Eigenhandel sich nicht wesentlich und nachteilig von den Ergebnissen in den letzten Zeiträumen unterscheiden können.

Im Zusammenhang mit ihren Market-Making und Eigenhandelstätigkeiten versucht BJB, die damit zusammenhängenden Marktrisiken durch den Abschluss von Absicherungsgeschäften zu mindern, einschliesslich ausserbörslichen Derivaten oder den Kauf bzw. Ankauf von Wertpapieren, Finanztermingeschäften, Optionen oder Termingeschäften. Falls eines der von BJB zur Absicherung ihres Marktrisikos eingesetzten Instrumente und Strategien nicht wirksam ist, könnten der BJB dadurch Verluste entstehen. Viele Strategien der BJB beruhen auf historischen Handelsmustern und Korrelationen. Diese Strategien könnten jedoch bei der Minderung des Risikos in allen Marktumgebungen und bei sämtlichen Arten von Risiken nicht voll wirksam sein. Unerwartete Entwicklungen im Markt könnten künftig auch eine Reihe von Absicherungsstrategien beeinflussen.

BJB ist dem Risiko ausgesetzt, aufgrund von Betrug, Fehlverhalten oder nicht ordnungsgemässer Handhabung durch Mitarbeiter Verluste zu erleiden

Betrug, Fehlverhalten oder nicht ordnungsgemässe Handhabung durch Mitarbeiter von BJB könnten zum Risiko von unmittelbaren und/oder mittelbaren finanziellen Verlusten und Reputationsschäden führen.

I. RISK FACTORS

for example, fraudulent transactions entered into for a client's account, the intentional or inadvertent release of confidential customer information or failure to follow internal procedures. Such actions by employees may, again by way of example only, expose BJB to financial losses resulting from the need to reimburse customers or as a result of fines or other regulatory sanctions and may lead to damage BJB's reputation. Such financial losses and reputational damages may adversely affect BJB's business, results of operations and financial condition.

I. RISIKOFAKTOREN

Ein solcher Betrug, solches Fehlverhalten und eine nicht ordnungsgemäße Handhabung könnten zum Beispiel im Abschluss von betrügerischen Transaktionen für Rechnung eines Kunden, vorsätzlicher bzw. fahrlässiger Offenlegung von vertraulichen Kundeninformationen oder Nichtbeachtung von internen Verfahrensregeln bestehen. Solche Handlungen durch Mitarbeiter könnten BJB beispielsweise der Gefahr von finanziellen Verlusten infolge der Notwendigkeit zur Rückerstattung von Geldern an Kunden oder infolge von Bussgeldern oder anderen regulatorischen Sanktionen aussetzen und zum Reputationsschaden bei der BJB führen. Solche finanziellen Verluste und ein solcher Reputationsschaden könnte den Geschäftsbetrieb, die Ertrags- und Finanzlage der BJB beeinträchtigen.

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

1. General Information about BJB

As depicted in below chart, BJB, together with the group companies as Bank Julius Bär Europe AG, Bank Julius Baer (Monaco) S.A.M., Bank Julius Baer Luxembourg S.A. and others, is a fully owned subsidiary of Julius Baer Group Ltd. (Julius Baer Group Ltd. together with its subsidiaries the "**Julius Baer Group**"). Julius Baer Group Ltd. was formed in 2009 out of a split-up of business segments of Julius Baer Holding Ltd. The Julius Baer Group mainly comprises banks and finance companies.

As of the date of this Registration Document BJB itself holds 100 per cent. in the shares of Bank Julius Baer Nominees (Singapore) Pte. Ltd., Singapore and of Arpese SA, Lugano.

In March 2014, Julius Baer Group Ltd. has acquired an additional 50 per cent of São-Paulo-based GPS Investimentos Financeiros e Participações S.A. ("**GPS**"). This increased Julius Baer Group Ltd.'s participation in GPS to 80 per cent from the 30 per cent acquired in May 2011. On 1 March 2016, Julius Baer Group Ltd. Increased its participation in GPS to 100%.

In November 2015, Julius Baer Group agreed to exercise its option and to increase its stake in Kairos Investment Management S.p.A. by acquiring an additional 60.1% interest of the Milan-based company, following its initial purchase of 19.9% in 2013. The transaction was exercised on 1 April 2016.

On 1 April 2016, Julius Baer Group exercised its call option to acquire the outstanding 40% interest in its Japanese-market-focused subsidiary Julius Bär Wealth Management AG (JBWM), formerly named TFM Asset Management AG. Julius Baer Group paid CHF 2.5 million in cash for this additional interest which was fully funded by existing excess capital of Julius Baer Group. JBWM, a Switzerland-registered independent asset management company, specialises in discretionary asset management services for HNW Japanese and Swiss private clients and holds investment advisory and investment management licences granted by the Japanese FSA.

II. BANK JULIUS BÄR & CO. AG, ZÜRICH

II. BANK JULIUS BÄR & CO. AG, ZÜRICH

1. Allgemeine Informationen über BJB

Wie im untenstehenden Diagramm dargestellt, ist BJB, zusammen mit den Gruppengesellschaften Bank Julius Bär Europe AG, Bank Julius Baer (Monaco) S.A.M., Bank Julius Baer Luxembourg S.A. und anderen, eine vollständige Tochtergesellschaft der Julius Bär Gruppe AG (Julius Bär Gruppe AG zusammen mit allen Tochtergesellschaften die "**Julius Bär Gruppe**"). Die Julius Bär Gruppe AG ist 2009 aus der Aufteilung der Geschäftsbereiche der ehemaligen Julius Bär Holding AG hervorgegangen. Die Julius Bär Gruppe besteht hauptsächlich aus Banken und Finanzgesellschaften.

BJB hält zum Datum dieses Registrierungsformulars 100% der Anteile an Bank Julius Baer Nominees (Singapore) Pte. Ltd., Singapur und Arpese SA, Lugano.

Im März 2014 hat die Julius Bär Gruppe AG einen weiteren Anteil von 50 Prozent an der in São Paulo domizilierten GPS Investimentos Financeiros e Participações ("**GPS**") erworben. Dadurch erhöhte sich die Beteiligung der Julius Bär Gruppe AG an GPS von den im Mai 2011 akquirierten 30 Prozent auf 80 Prozent. Am 1. März 2016 erhöhte die Julius Bär Gruppe AG die Beteiligung an GPS auf 100%.

Im November 2015 hat die Julius Bär Gruppe beschlossen, ihre Option auszuüben und ihren Anteil an der in Mailand domizilierten Kairos Investment Management SpA durch den Kauf des zusätzlichen Anteils von 60.1% zu erhöhen. 2013 hatte die Julius Bär Gruppe bereits einen Anteil von 19.9% erworben. Die Transaktion wurde am 1. April 2016 ausgeführt.

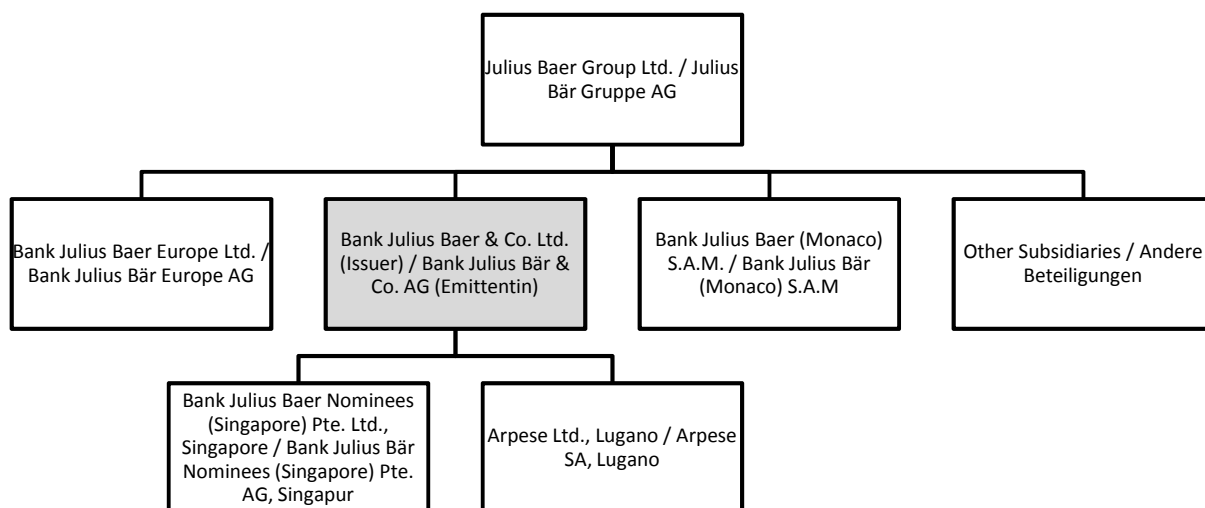
Am 1. April 2016 hat die Julius Bär Gruppe ihre Option auf den Erwerb des ausstehenden 40%-Anteils ihrer auf den japanischen Markt fokussierten Tochtergesellschaft Julius Bär Wealth Management AG (JBWM), die frühere TFM Asset Management Ltd., ausgeübt. Die Julius Bär Gruppe bezahlte einen Betrag von CHF 2.5 Millionen in bar für den zusätzlichen Anteil, der vollständig aus bestehendem Überschusskapital der Julius Bär Gruppe beglichen wurde. JBWM, eine in der Schweiz registrierte unabhängige Assetmanagement-Gesellschaft, ist spezialisiert auf diskretionäre Vermögensverwaltungsdienstleistungen für vermögende Privatkunden aus Japan und der Schweiz und hält

II. BANK JULIUS BAER & CO. LTD., II. BANK JULIUS BÄR & CO. AG, ZÜRICH ZÜRICH

On 4 July 2016, Julius Baer Group acquired Commerzbank International S.A. Luxembourg, a fully licensed private bank. This transaction will significantly strengthen Julius Baer Group's presence in Luxembourg and in addition will provide Julius Baer Group with further strategic flexibility for its European business, also due to the included booking platform (*Source: Internal data*). The purchase price of CHF 84.9 million was paid in cash and fully funded by existing excess capital of Julius Baer Group. The acquired entity has been renamed into Bank Julius Baer Luxembourg S.A., Luxembourg.

Lizenzen der japanischen Finanzmarktaufsicht für die Anlageberatung sowie das Investmentmanagement.

Am 4. Juli 2016 hat die Julius Bär Gruppe die Commerzbank International S.A. Luxembourg, erworben. Diese verfügt über eine Lizenz als Privatbank. Die Transaktion wird die Präsenz der Julius Bär Gruppe in Luxemburg erheblich stärken und verschafft der Julius Bär Gruppe zusätzliche strategische Flexibilität bezüglich ihres Europa- Geschäftes, unter anderem weil damit auch der Erwerb einer Buchungsplattform verbunden ist (*Quelle: Interne Daten*). Der Kaufpreis in der Höhe von CHF 84.9 Millionen wurde vollständig in bar aus bestehendem Überschusskapital der Gruppe bezahlt. Die erworbene Gesellschaft wurde in Bank Julius Baer Luxembourg S.A, Luxemburg, umfirmiert.



BJB is dependent on its sole shareholder, Julius Baer Group Ltd., and thus on its business strategy for the entire Julius Baer Group.

BJB ist abhängig von seinem einzigen Aktionär, der Julius Bär Gruppe AG, und damit auch von deren Geschäftsstrategie für die gesamte Julius Bär Gruppe.

An important function provided by Julius Baer Group is risk management. Risk management is regarded by the Julius Baer Group as a business enabler and as such forms a cornerstone of the management procedures of the Julius Baer Group. The overall responsibility for the implementation of risk management in the Julius Baer Group is that of the group management.

Die Julius Bär Gruppe übernimmt mit dem Risikomanagement eine bedeutende Funktion. Risikomanagement ist innerhalb der Julius Bär Gruppe anerkannt als notwendige Voraussetzung für die Geschäftstätigkeit und ist deshalb einer der Grundpfeiler des Verfahrens- und Prozessmanagements der Julius Bär Gruppe. Die übergreifende Verantwortung für die Umsetzung des Risikomanagements innerhalb der Julius Bär Gruppe liegt bei der Leitung der Gruppe.

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

BJB is registered with the names Bank Julius Bär & Co. AG, Banque Julius Baer & Cie. SA, Bank Julius Baer & Co. Ltd. and Banca Julius Baer & Co. SA in the Commercial Register of the Canton of Zurich under the number CH-020.3.902.727-1 since 31 December 1974 and in the UID-Register under CHE-105.940.833. Those names refer to one and the same entity. BJB has no commercial names.

BJB is a stock corporation with limited liability under the laws of Switzerland and was founded in Switzerland on 31 December 1974. It is acting through its head office or a designated branch. BJB took over the banking operations of its predecessor, the private bank Julius Baer & Co., which began its operations in the 1890s.

Its registered office is at Bahnhofstrasse 36, 8001 Zurich, Switzerland (telephone number: +41 (0) 58 888 1111). BJB has branch offices in Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Kreuzlingen, Lausanne, Lugano, Lucerne, Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zug and Zurich. It also has representations in Abu Dhabi, Dubai, Istanbul, Montevideo (subsidiary of Julius Baer Group Ltd., acting as representative office of Bank Julius Baer & Co. Ltd.), Moscow, Panama City, Santiago de Chile, Shanghai and Tel Aviv.

BJB's branch in Guernsey has its registered office at Lefebvre Court, Lefebvre Street, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS (telephone number: +44 (0) 1 481 726 618). It is licensed in Guernsey under the Banking Supervision (Bailiwick of Guernsey) Law 1994 and The Protection of Investors (Bailiwick of Guernsey) Law 1987.

2. Statutory Auditors of BJB

For the financial years ended 31 December 2015 and 31 December 2016, the independent auditors of BJB were KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland, acting in terms of the provisions of company and banking law. KPMG AG have audited the consolidated financial statements of BJB for the financial years ended 31 December 2015 and 31 December 2016 and the financial statements of BJB for the years ended 31 December 2015 and 31 December 2016. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants with registered office in Zurich.

II. BANK JULIUS BÄR & CO. AG, ZÜRICH

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.

BJB ist eine Aktiengesellschaft nach Schweizer Recht und wurde am 31. Dezember 1974 in der Schweiz gegründet. Sie handelt durch ihre Hauptniederlassung oder eine dazu bestimmte Zweigniederlassung. BJB übernahm das Bankgeschäft der vormaligen Privatbank Julius Bär & Co., deren Anfänge in die 90er Jahre des 19. Jahrhunderts zurückreichen.

Der Sitz der Emittentin ist in der Bahnhofstrasse 36, 8001 Zürich, Schweiz (Telefonnummer: +41 (0) 58 888 1111). BJB hat Niederlassungen in Basel, Bern, Crans-Montana, Genf, Guernsey, Hongkong, Kreuzlingen, Lausanne, Lugano, Luzern, Singapur, Sion, St. Gallen, St. Moritz, Verbier, Zug und Zürich. Sie hat Vertretungen in Abu Dhabi, Dubai, Istanbul, Montevideo (dies ist eine Tochtergesellschaft der Julius Bär Gruppe AG handelnd als Vertreter für BJB), Moskau, Panama City, Santiago de Chile, Shanghai und Tel Aviv.

Die Zweigniederlassung der BJB in Guernsey hat ihren Sitz in Lefebvre Court, Lefebvre Street, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS (Telefonnummer: +44 (0) 1 481 726 618). Sie ist lizenziert in Guernsey unter dem Banking Supervision (Bailiwick of Guernsey) Law 1994 und The Protection of Investors (Bailiwick of Guernsey) Law 1987.

2. Abschlussprüfer | Gesetzliche Revisionsstelle der BJB

Für die am 31. Dezember 2015 und am 31. Dezember 2016 beendeten Geschäftsjahre war KPMG AG Badenerstrasse 172, 8004 Zürich, Schweiz der unabhängigen Abschlussprüfer der BJB gemäss Gesellschafts- und Bankrecht. KPMG AG hat die konsolidierten Finanzberichte der BJB für die am 31. Dezember 2015 und am 31. Dezember 2016 beendeten Geschäftsjahre und die Finanzberichte der BJB für die am 31. Dezember 2015 und am 31. Dezember 2016 beendeten Geschäftsjahre geprüft. KPMG AG ist Mitglied der Treuhandskammer mit Sitz in Zürich.

3. Business overview of BJB

Principal Activities

BJB operates a bank and may, in accordance with Article 2 of its articles of incorporation dated 30 November 2015, execute all transaction which are directly or indirectly related to the purpose of BJB as well as all transactions which may further the purpose of BJB; such transactions may be executed for BJB 's own account or for third parties. BJB may purchase real estate, pledge it as security and sell it. BJB may be active domestically and abroad. BJB may establish branches and agencies domestically and abroad.

BJB's core business is wealth management and investment counselling for private clients, family offices and external asset managers from around the world. 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. Within 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.

Principal Markets

The most important markets are the home market in Switzerland, Asia and continental Europe. BJB expects the markets in the Middle East and South America to gain in importance. In 2016, BJB achieved (according to the audited BJB Consolidated Financial Information 2016 which has been prepared in accordance with International Financial Reporting Standards ("IFRS") (See "II.8. Historical Financial Information of BJB" below, Appendix 2 page G-28) an operating income of CHF 2,328 million, thereof CHF 1,803 million in Switzerland, CHF 113 million in Europe (excluding Switzerland), CHF 468 million in Asia and other countries and CHF -56 million consolidation items. (on BJB's branches and representative offices See "II. 1. General Information about BJB" above).

3. Geschäftsüberblick der BJB

Haupttätigkeiten

BJB betreibt eine Bank und kann, entsprechend Artikel 2 ihrer Statuten vom 30. November 2015, alle mit diesem Zweck direkt oder indirekt im Zusammenhang stehenden Geschäfte sowie alle Geschäfte, die diesen Zweck zu fördern geeignet sind, für eigene oder fremde Rechnung tätigen. Die Gesellschaft kann Grundstücke erwerben, belasten und veräussern. Der Geschäftsbereich erstreckt sich auf das In- und Ausland. BJB darf Niederlassungen und Agenturen im In- und Ausland eröffnen.

Das wichtigste Geschäftsgebiet der BJB ist die Vermögensverwaltung und Anlageberatung für Privatkunden, Familienunternehmen und unabhängige Vermögensverwalter aus aller Welt. 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 Julius Bär Gruppe übernimmt BJB die zentrale Funktion als Emissionshaus für traditionelle und innovative derivative Anlageprodukte wahr. Zudem ist die Emittentin aktiv im Wertpapierleihgeschäft (Securities Lending and Borrowing).

Wichtigste Märkte

Die wichtigsten Märkte sind der Heimatmarkt Schweiz sowie Asien und Kontinentaleuropa. BJB erwartet, dass die Märkte Mittlerer Osten und Südamerika an Bedeutung gewinnen. 2016 erreichte BJB gemäss den geprüften BJB Konsolidierten Finanzinformationen 2016, die gemäss den internationalen Rechnungslegungsstandards IFRS ("IFRS") erstellt wurden, (siehe "II.8. Historische Finanzinformationen der BJB" nachstehend, Appendix 2 Seite G-28) ein Betriebsertrag in Höhe von CHF 2.328 Millionen, davon CHF 1.803 Millionen in der Schweiz, CHF 113 Millionen in Europa (ohne Schweiz), CHF 468 Millionen in Asien und anderen Ländern sowie CHF -56 Million Konsolidierungsposten. (zu BJB's Niederlassungen und Repräsentanzen siehe "II. 1. Allgemeine Informationen über BJB" oben).

Competitive Position

The following information on the Issuer's competitive position is based on BJB's own assessment of the situation:

The Julius Baer Group is well established in the market as an international offeror with a tailor-made and versatile range of products and is currently present in some 50 locations worldwide. Julius Baer Group engages exclusively in private banking activities primarily in Switzerland, Europe, Asia, the Middle East and South America.

BJB's asset management business is characterised by increasing competition and accelerating consolidation in private banking in Switzerland. The consolidation is not least being forced along by the rising costs of information technology and increasing regulation, which are growing ever more burdensome for smaller institutions. In addition, there has been a growth in competition between international financial centres such as London, Singapore and Switzerland. In view of these circumstances, BJB is endeavouring to strengthen its private banking position in Switzerland and to selectively develop its private banking activities abroad. Further events in the past years, which have an impact on the private banking business in Switzerland are, in particular, the increase of pressure on Swiss banking secrecy provisions, the announcement of tax amnesties by certain countries, such as Italy as well as the new negotiation of double taxation treaties.

4. Trend Information regarding the Business Prospects

There has been no material adverse change in the prospects of BJB, since the date of its last published audited financial statements (31 December 2016).

With improving growth prospects for the world economy, continuing supply of liquidity by central banks and a rising number of outright political shocks, investor focus shifted from deflation fear to political fear in 2016. These developments were met by volatile but relatively resilient financial markets and gave ample opportunity to guide and advise clients. It is expected that the prevailing uncertainty will keep client activity subdued also in 2017, which continued to weigh on margins (*Source: Internal data*).

Wettbewerbsposition

Die nachfolgende Information über die Wettbewerbsposition der Emittentin basiert auf der eigenen Einschätzung der BJB:

Die Julius Bär Gruppe ist als internationaler Anbieter einer massgeschneiderten und vielfältigen Produktpalette gut im Markt etabliert und ist derzeit an rund 50 Standorten weltweit präsent. Die Julius Bär Gruppe konzentriert sich ausschliesslich auf Private-Banking Aktivitäten, und zwar vorwiegend in der Schweiz, in Europa, in Asien, im Mittleren Osten und in Südamerika.

BJBs Vermögensverwaltungsgeschäft ist durch zunehmenden Wettbewerb und fortschreitende Konsolidierung des Private Banking-Sektors in der Schweiz geprägt. Die Konsolidierung wird nicht zuletzt beschleunigt durch steigende Kosten für Informationstechnologien und zunehmende Regulierung, welche auf kleineren Institutionen noch stärker lasten. Zusätzlich nimmt der Wettbewerb zwischen internationalen Finanzzentren wie London, Singapur und der Schweiz zu. Vor dem Hintergrund dieser Umstände bemüht sich BJB, ihre Private Banking Position in der Schweiz zu stärken und seine Private Banking Tätigkeiten im Ausland gezielt zu entwickeln. Zudem haben in den letzten Jahren weitere Ereignisse das Private Banking-Geschäft in der Schweiz beeinflusst, insbesondere der steigende Druck auf das Schweizer Bankgeheimnis, die Verkündung von Steueramnestien in bestimmten Ländern, wie in Italien, sowie die Neuverhandlung von Doppelbesteuerungsabkommen.

4. Trendinformationen in der Geschäftsentwicklung

Es haben sich im Hinblick auf die Aussichten der BJB seit dem Datum der letzten geprüften und veröffentlichten Jahresabschlüsse (31. Dezember 2016) keine wesentlich nachteiligen Änderungen ergeben.

Mit den sich verbessernden Wachstumsaussichten für die Weltwirtschaft, der fortgesetzten Liquiditätsversorgung durch die Zentralbanken und einer steigenden Zahl regelrechter politischer Schocks verlagerte sich der Fokus der Anleger 2016 von Deflationsängsten zu politischen Ängsten. Diese Entwicklungen trafen auf volatile, aber relativ robuste Finanzmärkte und boten reichlich Gelegenheit, Kunden zu begleiten und zu beraten. Es ist zu erwarten, dass die anhaltende Unsicherheit die Kundenaktivitäten auch im

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5. Management of BJB

BJB has a Board of Directors and an Executive Board. The Executive Board is appointed by the Board of Directors. The Executive Board and Board of Directors are, as required by Swiss banking law, kept strictly separate from each other. The Board of Directors is responsible for the supreme management and strategic orientation of BJB and for the supervision of the Executive Board. The Executive Board is responsible for the operational management of the company.

Members of the Board of Directors of BJB are identical to members of the Board of Directors of Julius Baer Group Ltd. The members of the Board of Directors are newly elected or re-elected a 1 year-term. Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the Annual General Meeting, the Board of Directors constitutes itself. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members of the Board of Directors shall as a general rule not stand for re-election as from the year in which they reach the age of 75 years. The Executive Board of BJB has some members who are also members of the Executive Board of Julius Baer Group Ltd.

Board of Directors of BJB

All members of the Board of Directors of BJB are non-executive members. The Board of Directors of BJB is composed of the same members as the Board of Directors of Julius Baer Group Ltd.

As of the date of this Registration Document the members of the Board of Directors of BJB the members of the Board of Directors of were:

2017 gedämpft hält, was weiter auf den Margen lastete
(Quelle: Interne Daten).

5. Geschäftsführung der BJB

BJB hat einen Verwaltungsrat und eine Geschäftsleitung. Der Verwaltungsrat ernennt die Geschäftsleitung. Die Geschäftsleitung und der Verwaltungsrat sind gemäss Schweizer Bankrecht, streng voneinander getrennt. Der Verwaltungsrat ist verantwortlich für die oberste Führung des Geschäfts und für die strategische Ausrichtung der BJB sowie für die Aufsicht der Geschäftsleitung. Die Geschäftsleitung ist verantwortlich für die operative Führung des Unternehmens.

Die Mitglieder des Verwaltungsrats der BJB sind identisch mit den Mitgliedern des Verwaltungsrats der Julius Bär Gruppe AG. Neu zu wählende sowie wieder zu wählende Verwaltungsratsmitglieder werden für die Dauer von 1 Jahr gewählt. Mit Ausnahme der Wahl des Präsidenten des Verwaltungsrates sowie der Mitglieder des Compensation Committee durch die Generalversammlung konstituiert sich der Verwaltungsrat selbst. Die maximale (kumulierte) Amtsdauer für die Mitglieder des Verwaltungsrates beträgt in der Regel zwölf Jahre. Mitglieder des Verwaltungsrats stellen sich in der Regel ab jenem Jahr nicht mehr zur Wiederwahl, in welchem sie ihr 75. Lebensjahr vollenden. Die Geschäftsleitung der BJB hat einzelne Mitglieder, die auch in der der Geschäftsleitung der Julius Bär Gruppe AG vertreten sind.

Verwaltungsrat der BJB

Alle Mitglieder des Verwaltungsrates der BJB sind nicht exekutive Mitglieder. Der Verwaltungsrat der BJB wird in identischer personeller Besetzung geführt wie der Verwaltungsrat der Julius Bär Gruppe AG.

Zum Datum dieses Registrierungsformulars gehören folgende Personen dem Verwaltungsrat der BJB an:

Name, place of origin/Name, Bürgerort Business address /Geschäftsadresse	Position held / Ausgeübte Position	Significant outside activities / Wesentliche externe Tätigkeiten
Daniel J. Sauter, Zug Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland	Chairman / Präsident des Verwaltungsrats	Co-Founder and Chairman of the Board of Directors of Trinsic AG, Zug, Switzerland / Mitgründer und Präsident des Verwaltungsrates der Trinsic AG, Zug, Schweiz

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		<p>Member of the Foundation Board of Avenir Suisse, Zurich, Switzerland / Mitglied des Stiftungsrates der Avenir Suisse, Zürich, Schweiz</p> <p>Member of the Board of Directors of ARAS Holding AG, Lenzburg, Switzerland and AS Print AG, Villmergen and Richnerstutz AG / Präsident des Verwaltungsrates der ARAS Holding AG, Lenzburg, Schweiz (Dachgesellschaft), inkl. AS Print AG, Villmergen und Richnerstutz AG, Villmergen Schweiz</p> <p>Chairman of the Board of Directors of Hadimec AG, Maegenwil, Switzerland / Präsident des Verwaltungsrates der Hadimec AG, Mägenwil, Schweiz</p> <p>Chairman of the Board of Directors of Tabulum AG, Zug, Switzerland / Präsident des Verwaltungsrates der Tabulum AG, Zug, Schweiz</p> <p>Member of the Board of Directors of Sika Ltd, Baar, Switzerland / Mitglied des Verwaltungsrates der Sika AG, Baar, Schweiz</p>
<p>Gilbert Achermann, Basel Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Chairman of the Board of Directors of Strauman Group, Basle, Switzerland / Präsident des Verwaltungsrates der Straumann Group, Basel, Schweiz</p> <p>Member of the Board of Directors of the ITI Association and ITI Foundation, Basle, Switzerland / Mitglied des Verwaltungsrates der ITI Association und ITI Foundation, Basel, Schweiz</p> <p>Member of the Executive Committee of 'Groove Now! Basel' Basle, Switzerland / Mitglied des Vorstands von 'Groove Now! Basel', Basel, Schweiz</p>
<p>Ann Almeida, London Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Member of the Board of Trustees of 88 Foundation, London, UK / Mitglied des Stiftungsrates von 88 Foundation, London, Grossbritannien</p> <p>Adviser, Chairperson of the Nomination & Remuneration Committee of Fajr Capital, Dubai, United Arab Emirates / Beraterin, Vorsitzende des Nomination & Remuneration Committee von Fajr Capital, Dubai, Vereinigte Arabische Emirate</p> <p>Advisor, Chairman of the Nomination & Remuneration Committee of Jadwa Investment, Riyadh, Saudi Arabia / Beraterin, Vorsitzende des Nomination & Remuneration Committee von Jadwa Investment, Riyadh, Saudi Arabien</p>
<p>Andreas Amschwand, Kerns Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Chairman of the Board of Directors, EMFA Holding AG, Kerns, Switzerland / Präsident des Verwaltungsrates von EMFA Holding AG, Kerns, Schweiz</p> <p>Chairman of Verein Standortpromotion Kanton Obwalden, Sarnen, Switzerland / Präsident des Vereins Standortpromotion</p>

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		<p>Kanton Obwalden, Sarnen, Schweiz</p> <p>Chairman of the Board of Directors of Agricola Tirgu Frumos SA, Razboieni, Romania / Präsident des Verwaltungsrates von Agricola Tirgu Frumos SA, Razboieni, Rumänien</p> <p>Administrator of SC AA Agriculture Farm SRL, Razboieni, Romania / Verwalter von SC AA Agriculture Farm SRL, Razboieni, Rumänien</p> <p>Administrator of Agro Verd Cozmesti SRL, Razboieni, Romania / Verwalter von Agro Verd Cozmesti SRL, Razboieni, Rumänien</p> <p>Administrator of SC Agro Verd SRL, Butea, Romania / Verwalter von SC Agro Verd SRL, Butea, Rumänien</p> <p>Administrator of SC Vicsani Farm SRL, Razboieni, Romania / Verwalter von SC Vicsani Farm SRL, Razboieni, Rumänien</p> <p>Chairman of Alois Amschwand AG, Kerns, Switzerland / Präsident des Verwaltungsrates von Alois Amschwand, Kerns, Schweiz</p>
<p>Dr. Heinrich Baumann, Zollikon</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Vice President of the Board of Directors of Atlis AG, Biberist, Switzerland / Vizepräsident des Verwaltungsrates der Atlis AG, Biberist, Schweiz</p> <p>Vice President of the Board of Directors of Completo AG, Biberist, Switzerland / Vizepräsident des Verwaltungsrates der Completo AG, Biberist, Schweiz</p> <p>Member of the Foundation Board of the International Foundation for Research Paraplegia, Chêne-Bourg, Switzerland / Mitglied des Stiftungsrates der Internationalen Stiftung für Forschung in Paraplegie, Chêne-Bourg, Schweiz</p>
<p>Claire Giraut, Neuilly sur Seine, France</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Member of the Board of Directors of DBV Technologies, Montrouge, France / Mitglied des Verwaltungsrates von DBV Technologies, Montrouge, Frankreich</p>
<p>Gareth Penny, London, United Kingdom</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Non-executive Chairman of the Board of Directors of Edcon Holdings Limited, Johannesburg, South Africa / Nicht-geschäftsführender Präsident des Verwaltungsrates von Edcon Holdings Limited, Johannesburg, Südafrika</p> <p>Non-executive Chairman of the Board of Directors of Pangolin Diamonds Corp., Toronto, Canada / Nicht-geschäftsführender Präsident des Verwaltungsrates von Pangolin Diamonds Corp., Toronto, Kanada</p> <p>Non-executive Chairman of the Board of Directors of Norilsk Nickel, Moscow, Russia / Nicht-geschäftsführender Präsident des Verwaltungsrates, Norilsk Nickel, Moskau, Russland</p>

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<p>Charles G.T. Stonehill, New York, USA</p> <p>Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Co-Founder and Partner of Green & Blue Advisors LLC, New York, USA / Mitbegründer und Partner von Green & Blue Advisors LLC, New York, USA</p> <p>Governor, Harrow School, Harrow on the Hill, London, UK / Direktor, Harrow School, Harrow on the Hill, London, Grossbritannien</p> <p>Member of the Advisory Board of Rubicon Technology Partners L.P., Menlo Park, CA, USA / Mitglied des Verwaltungsrates der Rubicon Technology Partners L.P., Menlo Park, Kalifornien, USA</p> <p>Non-executive Member of the Board of Directors of CommonBond Inc., New York USA / Nicht-geschäftsführendes Mitglied des Verwaltungsrates von CommonBond Inc., New York, USA</p> <p>Member of the Board of Directors of PlayMagnus A/S., Oslo, Norway / Mitglied des Verwaltungsrates der PlayMagnus A/S., Oslo, Norwegen</p> <p>Member of the Foundation Board of Fondation Georg Solti Accademia, Geneva, Switzerland / Mitglied des Stiftungsrates der Fondation Georg Solti Accademia, Genf, Schweiz</p>
<p>Paul Man Yiu Chow, Hong Kong</p> <p>Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Independent Non Executive Member of the Board of Directors and Member of the Remuneration Committee of CITIC Limited, Hong Kong / Unabhängiger Verwaltungsrat ohne Exekutivfunktion und Mitglied des Remuneration Committee von CITIC Limited, Hong Kong</p> <p>Independent Non Executive Member of the Board of Directors. Chairman of the Nomination Committee as well as Member of the Audit Committee and the Remuneration Committee of China Mobile Limited, China / Unabhängiger nicht-geschäftsführendes Mitglied des Verwaltungsrates, Vorsitzender des Nominations-Ausschusses sowie Mitglied des Audit Committee und Vergütungs-Ausschusses von China Mobile Limited, China</p>
<p>Dr. Ivo Furrer</p> <p>Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland</p>	<p>Member of the Board of Directors / Mitglied des Verwaltungsrats</p>	<p>Vice Chairman of the Board of Directors Sanitas Health Insurance / Vizepräsident des Verwaltungsrates der Sanitas Krankenversicherung</p> <p>Member of the Board of Directors of the Financial Market Authority Liechtenstein / Mitglied des Aufsichtsrates der Finanzmarktaufsicht Liechtenstein</p> <p>Member of the Steering Committee of Digital Switzerland / Mitglied des Steering Committee von Digital Switzerland</p> <p>Member of the Foundation Board of Stiftung für Kinder in der Schweiz / Mitglied des Stiftungsrates der Stiftung für Kinder in der Schweiz</p>

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		<p>Member Swiss Economic Forum/Powerpreneurs Mitglied des Swiss Economic Forum/Powerpreneurs</p> <p>Member of the Board of Directors of Helvetia Insurance / Mitglied des Verwaltungsrates der Helvetia Versicherung</p> <p>Member of the Board of Directors of inventix / Mitglied des Verwaltungsrates der inventix</p>
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For information: The place of origin (*Bürgerort*) is a Swiss peculiarity. It is the place of citizenship of a Swiss citizen and originally the family register for the person concerned was kept there. The places of origin of the members of the board are entered in the Commercial Register and this is why it is also indicated here. For non-Swiss persons the place of birth is indicated.

Executive Board of BJB

As of the date of this Registration Document the members of the Executive Board of BJB of were

Hinweis: Der Bürgerort ist eine Schweizerische Besonderheit. Es bezeichnet den Ort, an welchem ein Schweizer Bürger heimatberechtigt ist und ursprünglich wurde auch das Familienregister der betreffenden Person dort geführt. Der Heimatort der Verwaltungsratsmitglieder ist im Handelsregister eingetragen, weshalb der Heimatort auch in diesem Dokument erwähnt wird. Für Nicht-Schweizer Bürger ist der Geburtsort angegeben.

Geschäftsleitung der BJB

Zum Datum dieses Registrierungsformulars gehören folgende Personen der Geschäftsleitung der BJB an:

Name, place of origin / Name, Bürgerort Business address / Geschäftsadresse	Position held / Ausgeübte Position	Significant outside activities / Wesentliche externe Tätigkeiten
<p>Boris F.J. Collardi,</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	<p>Chief Executive Officer</p>	<p>Chief Executive Officer of Julius Baer Group Ltd. / Chief Executive Officer der Julius Bär Gruppe AG</p> <p>Member of the Board and the Committee of the Governing Board of the Board of Directors of the Swiss Bankers Association, Basle, Switzerland / Mitglied des Verwaltungsrates sowie des Verwaltungsratsausschusses der Schweizerischen Bankiervereinigung, Basel, Schweiz</p> <p>President of the Association of Swiss Asset and Wealth Management Banks, Zurich, Switzerland / Präsident des Vorstandes der Vereinigung Schweizerischer Assetmanagement- und Vermögensverwaltungsbanken, Zürich, Schweiz</p> <p>Member of the Foundation Board of the Swiss Finance Institute, Zurich, Switzerland / Mitglied des Stiftungsrates des Swiss Finance Institute, Zürich, Schweiz</p> <p>Initial Council of Masayoshi Son Foundations for Scholarship, Tokio, Japan / Initial Council von Masayoshi Son Foundations for Scholarship, Tokio, Japan</p> <p>Member of the Foundation Board "Fondation du Festival et Académie de Verbier", Verbier, Switzerland / Mitglied des Stiftungsrates</p>

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		<p>"Fondation du Festival et Académie de Verbier", Verbier, Schweiz</p> <p>Member of the Advisory Board of the Lee Kong Chian School of Business, Singapore Management University, Singapore / Mitglied des Beirates der Lee Kong Chian School of Business, Singapore Management University, Singapur</p> <p>Member of the Board of Directors of BlueOrchard SA, Geneva, Switzerland / Mitglied des Verwaltungsrates der BlueOrchard AG, Genf</p> <p>Member of the Foundation Board of "IMD – International Institute of Management Development", Lausanne, Switzerland / Mitglied des Stiftungsrates des "IMD – International Institute of Management Development", Lausanne, Schweiz</p> <p>Member of the Honorary Committee of the Interpol Foundation, Geneva, Switzerland / Mitglied des Ehrenkomitees</p>
<p>Dieter A. Enkelmann</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	Chief Financial Officer	<p>Chief Financial Officer of Julius Baer Group Ltd. / Chief Financial Officer der Julius Bär Gruppe AG</p> <p>Member of the Board of Directors of Cosmo Pharmaceuticals S.p.A., Lainate, Italy, including Head of the Audit Committee and member of the Nomination Committee / Mitglied des Verwaltungsrates von Cosmo Pharmaceuticals S.p.A., Lainate, Italien, einschliesslich Head Audit Committee und Mitglied des Nomination Committee</p> <p>Chairman of the Foundation Board of Stiftung für angewandte Krebsforschung, Zurich, Switzerland / Präsident des Stiftungsrates der Stiftung für angewandte Krebsforschung, Zürich, Schweiz</p>
<p>Bernhard Hodler</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	Chief Risk Officer	<p>Chief Risk Officer of Julius Baer Group Ltd. / Chief Risk Officer der Julius Bär Gruppe AG</p> <p>Member of the Board of Directors of ifb Ltd, Cologne, Germany / Mitglied des Verwaltungsrats der ifb AG Köln, Deutschland</p>
<p>Nic Dreckmann</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	Chief Operating Officer	
<p>Philipp Rickenbacher</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p> <p>8001 Zurich</p> <p>Switzerland</p>	Head Advisory Solutions / Leiter Advisory Solutions	
<p>Rémy A. Bersier</p> <p>Bank Julius Bär & Co. AG</p> <p>Bahnhofstrasse 36</p>	Head Emerging Markets Leiter Emerging Markets	

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ZÜRICH

8001 Zurich Switzerland		
Gian A. Rossi Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland	Head Switzerland / Leiter Schweiz	
Gustavo Raitzin Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland	Head Latin America / Leiter Lateinamerika	
Jimmy Lee Kong Eng Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland	Head Asia Pacific / Leiter Asien-Pazifik	
Yves Robert-Charrue Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland	Head Europe / Leiter Europa	
Yves Henri Bonzon Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland	Head Investment Management, Chief Investment Officer	
Peter Gerlach Bank Julius Bär & Co. AG Bahnhofstrasse 36 8001 Zurich Switzerland	Head Markets / Leiter Markets	

The members of the Board of Directors and the Executive Board of BJB have additional external positions (as described in the respective column titled "Significant outside activities" in the two preceding tables) which may potentially result in conflicts of interest between their duties towards BJB and their private interests or other duties, insofar as some of the members of the Board of Directors and the Executive Board have additional functions within Julius Baer Group. In particular in the cases where a member of the Board of Directors or the Executive Board (as set out in the two preceding tables) has a function within a company (as set out in the two preceding tables) or will have such position and the shares of such company would be traded by BJB or if such company would have a business relationship with BJB, conflicts of interest may arise. At the date of this Registration Document no

Die Mitglieder des Verwaltungsrats und der Geschäftsleitung der BJB haben zusätzliche externe Positionen inne (wie jeweils in der mit "Wesentliche externe Tätigkeiten" benannten Spalte der beiden vorstehenden Tabellen beschrieben), welche zu Interessenkonflikten zwischen ihren Verpflichtungen gegenüber der BJB und ihren privaten oder externen Verpflichtungen resultieren können, insbesondere insoweit als einige Mitglieder des Verwaltungsrats und der Geschäftsleitung auch andere Funktionen innerhalb der Julius Bär Gruppe ausüben. Insbesondere in den Fällen, in denen ein Mitglied des Verwaltungsrats oder der Geschäftsführung (wie in den beiden vorstehenden Tabellen genannt) eine Funktion innerhalb eines Unternehmens ausübt (wie in den beiden vorstehenden Tabellen genannt) oder ausüben wird und deren Aktien von BJB gehandelt würden oder wenn ein solches

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further potential conflicts of interest exist between any duties to BJB of the members of its Board of Directors or its Executive Board and their private interest and/or other duties.

6. Share Capital of BJB and Main Shareholders of Julius Baer Group Ltd.

BJB is a company limited by shares under Swiss law. As at the date of this Registration Document, the share capital of the Issuer amounts to CHF 575 million. The share capital is now divided into 5,750,000 fully paid-up registered shares, each with a nominal amount of CHF 100. There is no category of shares that carry preferential rights. At the general meeting, each share carries one vote. BJB has neither authorised nor conditional capital. BJB does not hold any of its own shares. There is no capital made up of participation certificates or profit-sharing certificates. As at the date of this Registration Document, there are no debentures outstanding within the meaning of Art. 1156 ff. of the Swiss Code of Obligations.

BJB is a one hundred per cent subsidiary of Julius Baer Group Ltd., the parent and public company of the Julius Baer Group, which is active in the financial services industry operating on a global basis. Julius Baer Group Ltd. evolved from the split-up of business segments of the former Julius Baer Holding Ltd.

As far as BJB is aware, the following persons/groups are as the date of this Registration Document the main shareholders in Julius Baer Group Ltd.:

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Unternehmen mit BJB eine Geschäftsbeziehung unterhalten würde, könnten Interessenkonflikte entstehen. Zum Datum dieses Registrierungsformulars gibt es darüber hinaus keine potenziellen Interessenkonflikte zwischen den Verpflichtungen gegenüber der Emittentin seitens der Mitglieder ihres Verwaltungsrats oder ihrer Geschäftsleistung und deren privaten Interessen und/oder sonstigen Verpflichtungen.

6. Aktienkapital der BJB und Hauptgesellschafter der Julius Bär Gruppe AG

BJB ist eine Aktiengesellschaft nach Schweizer Recht. Zum Datum dieses Registrierungsformulars betrug das Aktienkapital CHF 575 Millionen. Das Aktienkapital ist eingeteilt in 5.750.000 vollständig einbezahlte Namenaktien, jede mit einem Nennwert von CHF 100. Es gibt keine Aktien mit Vorzugsrechten. Auf jede Aktie entfällt eine Stimme in der Generalversammlung. Es gibt weder genehmigtes noch bedingtes Kapital. BJB hält keine eigenen Aktien. Es gibt keine Partizipationsscheine oder Genussscheine. Zum Datum dieses Registrierungsformulars stehen keine Anleiheobligationen im Sinne von Art. 1156 ff. des Schweizerischen Obligationenrechts aus.

BJB ist eine hundertprozentige Tochter der Julius Bär Gruppe AG, die Konzernobergesellschaft der Julius Bär Gruppe, welche weltweit in der Finanzindustrie tätig ist. Julius Bär Gruppe AG ist aus der Aufteilung der Geschäftsbereiche der ehemaligen Julius Bär Holding AG hervorgegangen.

Soweit BJB bekannt, waren zum Datum dieses Registrierungsformulars die folgenden Personen/Gruppen die wesentlichen Aktionäre der Julius Bär Gruppe AG:

Name/Name	Portion of the Share Capital/ Anteil am Aktienkapital
MFS Investment Management, Boston, USA	9.9834%
BlackRock, Inc., New York, USA	4.96 %
Harris Associates L.P., Chicago, USA	4.95%
Invesco Ltd., Hamilton, Bermuda	3.34 %
Wellington Management Company LLP, Boston, USA	3.06 %
Julius Bär Gruppe AG, Zurich, Switzerland with BJB and Loteco Stiftung, Zurich, Switzerland	3.0093%

7. Audit Committee of BJB

7. Audit Committee der BJB

Dr. Heinrich Baumann

Paul Man Yiu Chow

Claire Giraut

Charles G.T. Stonehill

8. Historical Financial Information of BJB

For the financial year ended 31 December 2015, 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 2015**"). The BJB Consolidated Financial Statements 2015 are included in pages F-1 to F-61 of Appendix 1 to this Registration Document.

For the financial year ended 31 December 2016, 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 2016**"). The BJB Consolidated Financial Statements 2016 are included in pages G-1 to G-60 of Appendix 2 to this Registration Document.

For the financial year ended 31 December 2016, BJB has published financial information including the Income statement, Balance sheet, Notes to the financial statements and the Auditors' report (the "**BJB Financial Statements 2016**"). The BJB Financial Statements 2016 are included in pages H-1 to H-39 of Appendix 3 to this Registration Document.

The BJB Consolidated Financial Statements 2015 and the BJB Consolidated Financial Statements 2016 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The BJB Financial Statements 2016 have been prepared in accordance with the Swiss Code of Obligations, Swiss Banking Law and the guidelines of the Financial Supervisory Authority

8. Historische Finanzinformationen der BJB

Für das am 31. Dezember 2015 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 2015**") veröffentlicht. BJB konsolidierten Finanzinformationen 2015 sind auf den Seiten F-1 bis F-61 von Appendix 1 dieses Registrierungsformulars enthalten.

Für das am 31. Dezember 2016 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 2016**") veröffentlicht. BJB Konsolidierten Finanzinformationen 2016 sind auf den Seiten G-1 bis G-60 von Appendix 2 dieses Registrierungsformulars enthalten.

Für das am 31. Dezember 2016 beendete Geschäftsjahr hat BJB Finanzinformationen einschliesslich Erfolgsrechnung, Bilanz, einen Anhang zu den Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Finanzinformationen 2016**") veröffentlicht. Die BJB Finanzinformationen 2016 sind auf den Seiten H-1 bis H-39 von Appendix 3 dieses Registrierungsformulars enthalten.

Die BJB Konsolidierten Finanzinformationen 2015 sowie die BJB Konsolidierten Finanzinformationen 2016 sind gemäss den internationalen Rechnungslegungsgrundsätzen IFRS ("**IFRS**") erstellt worden. Die BJB Finanzinformationen 2016 sind gemäss dem Schweizerischen Obligationenrecht, dem Schweizerischen Bankrecht und dem Rundschreiben

Auditing of Historical Financial Information

The responsible auditors of BJB (See "*II.2. Statutory Auditors of BJB*" above) have audited the historical financial information of BJB for financial years ended 31 December 2015 and 31 December 2016 as mentioned above and have issued an unqualified opinion in each case.

9. Interim and other Financial Information

BJB has not published interim financial information since the date of its last audited financial statements.

10. Significant changes in the financial position of BJB and its consolidated subsidiaries

There has been no significant change in the financial position of BJB and its consolidated subsidiaries since 31 December 2016.

11. Legal and arbitration proceedings relating to BJB

Save as disclosed in the following, during the the period covering the last previous 12 months no governmental, legal or arbitration proceedings (including any such proceedings, which are pending or threatened of which BJB is aware) may have, or have had in the recent past significant effects on the financial position or profitability of BJB and/or its consolidated subsidiaries.

BJB is involved in various legal, regulatory and arbitration 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 BJB – depending on the status of related proceedings – is difficult to assess. BJB 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

Prüfung der historischen Finanzinformationen

Die verantwortlichen Abschlussprüfer (siehe oben "*II.2. Abschlussprüfer/Gesetzliche Revisionsstelle der BJB*") haben die historischen Finanzinformationen der BJB für die am 31. Dezember 2015 und 31. Dezember 2016 geendeten Geschäftsjahre geprüft und jeweils ein uneingeschränktes Prüfungsurteil erteilt.

9. Zwischeninformationen und sonstige Finanzinformationen

BJB hat seit den letzten geprüften Jahresabschlüssen keine Zwischeninformationen veröffentlicht.

10. Wesentliche Änderungen in der Finanzlage von BJB und ihren konsolidierten Tochtergesellschaften

Die Finanzlage der BJB und ihrer konsolidierten Tochtergesellschaften hat sich seit dem 31. Dezember 2016 nicht wesentlich verändert.

11. Gerichts- und, Schiedsverfahren betreffend die BJB

Mit Ausnahme der im folgenden offengelegten Verfahren bestanden im Zeitraum der letzten 12 Monate keine staatlichen Interventionen, Gerichts- oder Schiedsgerichtsverfahren (einschließlich derjenigen Verfahren, die nach Kenntnis von BJB noch anhängig sind oder eingeleitet werden könnten) bzw. wurden solche abgeschlossen, die sich erheblich auf die Finanzlage oder die Rentabilität von BJB und/oder ihrer konsolidierten Tochtergesellschaften auswirken bzw. in jüngster Zeit ausgewirkt haben.

BJB ist im Rahmen des normalen Geschäftsgangs in verschiedene rechtliche, regulatorische und Schiedsgerichtsverfahren involviert. Das gegenwärtige Geschäftsumfeld birgt substanzielle rechtliche und regulatorische Risiken, deren Einfluss auf die finanzielle Stärke bzw. Profitabilität der BJB je nach Stand der entsprechenden Verfahren schwierig abzuschätzen ist. BJB bildet für laufende und drohende Verfahren Rückstellungen, konkret dann, wenn nach Meinung des Managements die Wahrscheinlichkeit, dass solche

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financial obligation or loss or if the dispute for economic reasons should be settled without acknowledgment of any liability on the part of BJB and if the amount of such obligation or loss can be reasonably estimated. In rare cases in which the amount cannot be estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognized but disclosed as a contingent liability as of 31 December 2016. These contingent liabilities might have a material effect on BJB.

Described below are certain proceedings that might have a material effect on BJB.

In 2010 and 2011, litigation was commenced against BJB and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against BJB, the liquidators of the Fairfield funds 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 BJB in 2010 and USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with BJB in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from BJB, were finally dismissed in favour of BJB with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against BJB, the liquidators of the Fairfield funds have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against BJB and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between BJB and the other defendants cannot be made at this time. Finally, the trustee of Madoff's broker-dealer company seeks to recover over USD 83 million in the courts of New York (including USD 46 million which relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with BJB in 2013, such claims being subject to the acquisition-related representations and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the liquidators of the Fairfield funds. As most

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Verfahren eine finanzielle Verpflichtung oder einen Verlust nach sich ziehen oder dass finanzielle Konflikte ohne Anerkennung einer Rechtspflicht seitens BJB beigelegt werden können, grösser ist als die Wahrscheinlichkeit, dass dies nicht der Fall ist, und wenn der Betrag einer solchen Verpflichtung oder eines Verlusts verlässlich abgeschätzt werden kann. In vereinzelt Fällen, in welchen der Betrag nicht verlässlich abgeschätzt werden kann, dies z.B. auf Grund des frühen Stadiums der Verfahren, der Komplexität der Verfahren und/oder anderer Faktoren, wird keine Rückstellung gebildet, sondern eine Eventualverbindlichkeit per 31. Dezember 2016 ausgewiesen. Diese Eventualverbindlichkeiten können eine erhebliche Auswirkung auf BJB haben.

Nachstehend sind bestimmte Verfahren aufgeführt, die möglicherweise eine erhebliche Auswirkung auf BJB haben können.

In den Jahren 2010 und 2011 wurde gegen BJB sowie zahlreiche weitere Finanzinstitute von den Insolvenzverwaltern der Fairfield-Fonds (Letztere agierten als Feeder-Fonds für das betrügerische Anlagevehikel von B. Madoff) in New York und auf den Britischen Jungferninseln Klage eingereicht. Mit den direkt gegen BJB gerichteten Klagen verlangen die Insolvenzverwalter der Fairfield-Fonds einen Gesamtbetrag von rund USD 64 Millionen vor Gerichten in New York (inklusive USD 17 Millionen welche mit Bezug auf Rückzahlungen an Kunden der ING Bank (Suisse) SA, welche 2010 mit BJB fusioniert wurde, geltend gemacht werden und inklusive USD 25 Millionen welche mit Bezug auf Rückzahlungen an Kunden der Merrill Lynch Bank (Suisse) SA, welche 2013 mit BJB fusioniert wurde, geltend gemacht werden, und welche Gegenstand von vertragsrechtlichen Gewährspflichten sind). Die Verfahren auf den Britischen Jungferninseln, im Rahmen deren ca. USD 8,5 Millionen von BJB gefordert werden, wurden zugunsten von BJB durch das höchste Gericht der Britischen Jungferninseln, das Privy Council, abgewiesen. Zusätzlich zu den direkten Klagen gegen BJB machen die Insolvenzverwalter der Fairfield-Fonds kombinierte Ansprüche in Höhe von über USD 1,8 Milliarden gegenüber mehr als 80 Beklagten geltend. BJB und die Begünstigten werden nur auf einen Bruchteil dieses Betrags verklagt. Die kombinierten Ansprüche beinhalten die kumulierten Forderungen gegenüber allen Beklagten, sodass eine verlässliche Zuordnung der geltend gemachten Ansprüche zwischen BJB und den übrigen Beklagten nicht möglich ist. Schliesslich macht der Liquidator von Madoffs Effektenhändler-Gesellschaft vor Gerichten in New York einen Anspruch von über USD 83 Millionen geltend (inklusive USD 46 Millionen, welche mit Bezug auf Rückzahlungen an Kunden der Merrill Lynch Bank (Suisse) SA, welche 2013 mit BJB fusioniert wurde, geltend gemacht werden, und welche

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of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. BJB is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests.

In addition, as the courts of the British Virgin Islands oversee the Fairfield Funds' liquidation proceedings, BJB introduced an application challenging the Fairfield Liquidators' authority to pursue the litigation in the United States. The British Virgin Islands trial court dismissed the application. BJB and other defendants have appealed the dismissal and the argument is scheduled to be heard in 2017. Further, the Fairfield Liquidators sought, and ultimately obtained, sanction from the courts of the British Virgin Islands to proceed with the litigation in the United States. BJB and other defendants are challenging this sanction decision as well. In view of this pending application in the British Virgin Islands and as the Fairfield cases pending in the courts of New York remain in preliminary stages, a meaningful assessment of the potential outcome is not yet possible. Finally, it is also worth mentioning that in the proceedings initiated by the Trustee, the Bankruptcy Court in New York issued a ruling in November 2016, reconfirming the extraterritoriality principles set by the District Court for the Southern District of New York which stated that the US Bankruptcy Code does not apply extraterritorially to allow for the recovery of fund payments received by a foreign bank ('foreign transferee') from a foreign fund ('foreign transferor'). While this ruling is in favour of BJB and the other defendants, it is expected that the Trustee will appeal the ruling.

In a landmark decision on so-called retrocessions the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss mandate law a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived to reclaim such fees. BJB has been assessing the Court decision, mandate structures to which the Court decision

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Gegenstand vertragsrechtlicher Gewährspflichten sind), dies hauptsächlich im Zusammenhang mit denselben Rückzahlungen, welche auch von den Insolvenzverwaltern der Fairfield-Fonds eingeklagt worden sind. Weil sich die meisten der vorgenannten Verfahren erst in einem frühen prozeduralen Stadium befinden, ist eine verlässliche Abschätzung des potenziellen Ausgangs noch nicht möglich. BJB ficht die Klagen auf Grund prozesstechnischer und materieller Gründe an und hat weitere Massnahmen zur Verteidigung und zum Schutz ihrer Interessen ergriffen. Da die Gerichte der Britischen Jungferninseln die Liquidationsprozesse der Fairfield-Fonds beaufsichtigen, hat die BJB eine Eingabe gemacht, welche die Kompetenz des Liquidators der Fairfield-Fonds bestreitet, das Verfahren in den USA zu führen. Der Trial Court der Britischen Jungferninseln wies die Eingabe ab. BJB und andere Beklagte haben die Abweisung angefochten und die entsprechende Anhörung ist für 2017 vorgesehen. Ferner erhielten die Liquidatoren der Fairfield-Fonds die Erlaubnis der Gerichte der Britischen Jungferninseln, das Verfahren in den Vereinigten Staaten von Amerika weiterzuführen. BJB und die anderen Beklagten haben diesen Entscheid angefochten. Auf Grund dieser Eingabe auf den Britischen Jungferninseln sowie auf Grund des Umstandes, dass sich die Fairfield-Verfahren vor den Gerichten in New York in einem sehr frühen Stadium befinden, ist eine verlässliche Aussage über den Prozessausgang noch nicht möglich. Schliesslich ist betreffend das vom Trustee initiierte Verfahren erwähnenswert, dass das Konkursgericht in New York im November 2016 ein Urteil erlassen hat, welches die extraterritorialen Grundätze bestätigt, welche der District Court for the Southern District of New York definiert hatte. Insbesondere wurde bestätigt, dass das amerikanische Konkursrecht („US Bankruptcy Code“) keine extraterritoriale Anwendung findet auf das Einziehen von Fonds-Zahlungen, welche eine ausländische Bank („foreign transferee“) von einem ausländischen Fonds („foreign transferor“) erhalten hat. Es wird erwartet, dass der Trustee dieses für BJB und die anderen Beklagten günstige Urteil anfechten wird.

In einem Grundsatzentscheid betreffend sogenannte Retrozessionen hat das Schweizerische Bundesgericht im Jahre 2012 entschieden, dass durch den Zufluss von Bestandespflegekommissionen im Zusammenhang mit der Ausübung eines Vermögensverwaltungsmandats bei einer Bank ein Interessenskonflikt entstehen kann. Das Gericht kam zu dem Schluss, dass wegen des Erhalts von Bestandespflegekommissionen im Zusammenhang mit einem solchen Mandat eine Bank versucht sein könnte, nicht im besten Interesse des Kunden zu handeln. Entsprechend habe eine Bank gestützt auf schweizerisches Auftragsrecht die im Zusammenhang mit der Mandatsausführung von Dritten erhaltenen Bestandespflegekommissionen gegenüber dem Kunden nicht nur auszuweisen, sondern auch weiterzuleiten, es

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might be applicable and documentation as well as the impact of respective waivers and communicated bandwidths having been introduced some years ago and implemented appropriate measures to address the matter.

BJB is confronted with a claim by the liquidator of a foreign corporation arguing that BJB did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator presented a draft complaint for an amount of EUR 12 million (plus accrued interest from 2009) and filed a payment order (*'Betreibungsbegehren'*) against BJB in the amount of CHF 422 million (plus accrued interest from 2009). In June 2014, the liquidator presented another amended draft complaint for an amount of EUR 290 million (plus accrued interest as of September 2009). BJB has formally repelled the payment order and is contesting the claim whilst taking appropriate measures to defend its interests.

On 31 March 2014, the Swiss Competition Commission (*'COMCO'*) opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also BJB. According to its media release of 28 September 2015, the COMCO in addition opened an investigation regarding potential collusive behaviour in precious metal trading. Subject to these investigations are Swiss and foreign financial institutes which are active in foreign exchange and precious metal trading, including BJB. The aim of the investigations, which are part of respective international inquiries, is to clarify possible unlawful collusion amongst market participants and possible violation of market behaviour regulations. BJB, with its primary focus on foreign exchange and precious metals trading for private clients, continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben (*'BvS'*) initiated legal proceedings in Zurich against BJB., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic (*'GDR'*). BvS claims that the former Bank Cantrade Ltd., which BJB acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised

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sei denn der Kunde habe rechtmässig auf die Bestandespflegekommissionen verzichtet. BJB hat den Gerichtsentscheid und die Mandatsstrukturen, auf die der Gerichtsentscheid Anwendung finden könnte, analysiert. Sie hat sodann die entsprechenden Dokumentationen inklusive die in den letzten Jahren eingeholten Verzichtserklärungen und gemachten Bandbreitenangaben analysiert und geeignete Massnahmen implementiert, um die Angelegenheit in geeigneter Weise zu adressieren.

Der Liquidator einer ausländischen Gesellschaft macht geltend, BJB habe nicht verhindert, dass zwei Kunden Vermögenswerte dieser Gesellschaft veruntreuten. In diesem Zusammenhang stellte der Liquidator BJB einen Klageentwurf über den Betrag von EUR 12 Millionen (plus seit dem Jahr 2009 aufgelaufene Zinsen) zu und betrieb BJB über den Betrag von CHF 422 Millionen (plus seit dem Jahr 2009 aufgelaufene Zinsen). Im Juni 2014 unterbreitete der Liquidator BJB erneut einen angepassten Klageentwurf nunmehr über den Betrag von EUR 290 Millionen (plus seit September 2009 aufgelaufene Zinsen). BJB bestreitet die Forderungen des Liquidators und hat Massnahmen zum Schutz ihrer Interessen getroffen.

Am 31. März 2014 eröffnete die Schweizerische Wettbewerbskommission (*'WEKO'*) eine Untersuchung wegen möglicher Absprachen im Devisenhandel gegen verschiedene Banken, darunter auch BJB. Gemäss ihrer Medienmitteilung vom 28. September 2015 eröffnete die WEKO zudem eine Untersuchung wegen möglicher Absprachen im Edelmetallhandel. Die Untersuchungen richten sich gegen verschiedene in- und ausländische Finanzinstitute, die im Devisen- und Edelmetallhandel tätig sind, darunter auch BJB. Die Untersuchungen sind Teil von internationalen Abklärungen und haben den Zweck, abzuklären, ob es im Devisen- und Edelmetallhandel zu unerlaubten Absprachen unter den Marktteilnehmern oder sonstigen Verletzungen von Marktverhaltensregeln gekommen ist. BJB unterstützt weiterhin als im primär auf vermögende Privatkunden ausgerichteten Devisen- und Edelmetallhandel tätige Bank die Untersuchungen und Abklärungen der WEKO und anderer Behörden im In- und Ausland.

Die Bundesanstalt für vereinigungsbedingte Sonderaufgaben (*'BvS'*) erhob im September 2014 in Zürich Klage gegen BJB in der Höhe von rund CHF 97 Millionen plus seit dem Jahr 1994 aufgelaufene Zinsen. Die BvS macht geltend, die für die Verwaltung der Vermögen der ehemaligen Deutschen Demokratischen Republik (*'DDR'*) zuständige deutsche Behörde zu sein. Grundlage der Klage sind Behauptungen der BvS, die ehemalige Bank Cantrade AG (welche BJB durch die Übernahme der Bank Ehinger & Armand von Ernst AG

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withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. BvS has appealed such verdict. In addition, the claim has been notified by BJB vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading related tax fraud in France, a formal procedure ('mise en examen') into suspected lack of due diligence in financial transactions has been initiated against BJB in June 2014. In October 2014, as a precautionary measure, BJB made the required security deposit in the amount of EUR 3.75 million with the competent French court. BJB is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

In April 2015, BJB was served with 62 claims in Geneva totaling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of BJB in the context of the late external asset manager allegedly having used his personal account and company account with BJB for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalized by 51 out of the 62 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. In October 2016, BJB was served with another claim by additional 15 claimants, claiming a total amount of CHF 4.5 million plus accrued interest. BJB is contesting the claim and has taken appropriate measures to defend its interests.

BJB is confronted with a claim by a former client arguing that BJB initiated transactions without appropriate authorizations and that BJB has not adhered to its duties of care, trust, information and warnings. In April 2015, the client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million. BJB is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, BJB was served in Geneva with a claim by an investment fund, acting on its behalf and on

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von der UBS AG im Jahr 2005 ebenfalls akquiriert hatte) habe zwischen 1990 und 1992 nichtautorisierte Geldbezüge vom Konto einer ehemaligen DDR-Aussenhandelsgesellschaft zugelassen. Das Bezirksgericht Zürich hat die Klage am 9. Dezember 2016 vollumfänglich abgewiesen. Die BvS hat gegen das Urteil Berufung eingelegt. BJB hat die Forderungen der BvS unter der Transaktionsvereinbarung aus dem Jahr 2005 im Rahmen der mit Bezug auf die erworbenen Gesellschaften abgegebenen Zusicherungen gegenüber der damaligen Verkäuferin angemeldet.

In Frankreich wurde im Zusammenhang mit Untersuchungen gegen einen ehemaligen Kunden wegen möglicher Beteiligung an einem Abgabebetrug im Zusammenhang mit dem Handel von Umweltzertifikaten im Juni 2014 ein formelles Verfahren („mise en examen“) gegen BJB wegen Verdachts auf mangelnde Sorgfalt bei Finanzgeschäften eröffnet. Im Oktober 2014 hinterlegte BJB vorsorglich die verlangte Kautions in der Höhe von EUR 3.75 Millionen beim zuständigen französischen Gericht. BJB kooperiert mit den französischen Untersuchungsbehörden zwecks Aufklärung des Sachverhalts und Wahrnehmung ihrer Interessen im Rahmen der gesetzlichen Möglichkeiten.

Der BJB wurde im April 2015 in Genf eine Klage von 62 Klägern zugestellt, welche Forderungen in der Höhe von insgesamt rund CHF 20 Millionen plus Zinsen umfasst. Die Kläger, welche Teil einer insgesamt CHF 40 Millionen Schaden geltend machenden Gruppe von ehemaligen Kunden eines externen Vermögensverwalters sind, machen geltend, BJB habe ihre Sorgfaltspflichten im Zusammenhang mit den Aktivitäten des mittlerweile verstorbenen externen Vermögensverwalters verletzt und dieser habe sein privates und geschäftliches Konto bei der Bank für Durchlauftransaktionen und die Bündelung von Kundenvermögen benutzt. Am 16. Oktober 2015 formalisierten 51 der 62 Kläger die Klage und machen nun eine Forderung in der Höhe von insgesamt CHF 11.7 Millionen plus Zinsen geltend. Im Oktober 2016 wurde BJB eine weitere Klage von zusätzlichen 15 Klägern in der Höhe von insgesamt CHF 4.5 Millionen plus Zinsen zugestellt. BJB bestreitet diese Forderungen und hat Massnahmen zum Schutz ihrer Interessen getroffen.

Ein ehemaliger Kunde der BJB macht geltend, dass die BJB ohne gültige Aufträge Transaktionen vorgenommen und ihre Sorgfalts-, Treue- sowie Informations- und Abmahnungspflichten verletzt habe. In diesem Zusammenhang machte er im April 2015 eine Forderung in der Höhe von USD 70 Millionen (plus Zinsen) und BRL 24 Millionen geltend. BJB bestreitet die Forderung und hat Massnahmen zum Schutz ihrer Interessen getroffen.

Ein Investmentfonds, in eigenem Namen und im Auftrag dreier anderer betroffener Fonds, alles ehemalige

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behalf of three other funds, that were former clients of Bank of China (Suisse) S.A. having been acquired by BJB, in the total amount of USD 29 million (plus accrued interests). Additionally, in October 2015, the claimant filed an amendment of claim in court, by which additionally USD 39 million is claimed. The claimant argues that Bank of China (Suisse) S.A. acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequently to the liquidation of almost the entire portfolio of their assets in May 2010, arguing that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. BJB is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

BJB has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) and in the respective superseding indictment of 25 November 2015. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. BJB is supporting the inquiries and cooperating with the authorities in the investigations on this matter.

12. Material Contracts

There are no material contracts that are not entered into in the ordinary course of BJB's business which could result in BJB (including its affiliates) being under an obligation or entitlement that is material to BJB's ability to meet its obligations to security holders in respect of the securities being issued.

II. BANK JULIUS BÄR & CO. AG, ZÜRICH

Kunden der von der BJB übernommenen Bank of China (Suisse) S.A., hat die BJB im November 2014 in Genf in der Höhe von insgesamt rund USD 29 Millionen (plus Zinsen) eingeklagt. Zusätzlich reichte der Kläger im Oktober 2015 eine Klageänderung ein, mittels welcher zusätzlich rund USD 39 Millionen gefordert werden. Der Kläger macht geltend, dass die Bank of China (Suisse) S.A. nicht nur als Depotbank, sondern auch als besicherter Kreditgeber und Fondsmanager gehandelt und übermässige Hebelwirkung (Leverage) toleriert habe. Weiter behauptet der Kläger, dass der Fonds auf Grund der Liquidation des beinahe ganzen Portfolios im Mai 2010 bedeutende Verluste erlitten habe und diese Liquidation durch die Bank of China (Suisse) S.A. ohne Zustimmung der Direktoren des Fonds unzeitgemäss, ordnungswidrig und in aussergewöhnlich unüblichen Marktverhältnissen erfolgt sei. BJB bestreitet die Forderung und hat Massnahmen zum Schutz ihrer Interessen getroffen. Zusätzlich sind diese Forderungen Gegenstand von akquisitionsbezogenen, vertragsrechtlichen Zusicherungen.

BJB hat verschiedene Anfragen von Behörden erhalten, welche die Korruptions- und Bestechungsvorwürfe um die Fédération Internationale de Football Association (FIFA) in der Schweiz und den USA untersuchen. Die Anfragen beziehen sich insbesondere auch auf Personen, die im sogenannten "FIFA Indictment" vom 20. Mai 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) und in der entsprechenden ergänzten Anklage (superseding indictment) vom 25. November 2015 genannt sind. Die Behörden in der Schweiz und im Ausland untersuchen neben den Bestechungs- und Korruptionsvorwürfen gegen Personen der FIFA und Dritte auch, ob Finanzinstitute im Zusammenhang mit verdächtigen und potenziell widerrechtlichen Transaktionen die anwendbaren Sorgfaltsstandards insbesondere mit Bezug auf die Geldwäschereivorschriften eingehalten haben. BJB unterstützt die Untersuchungen der Behörden und kooperiert mit diesen im Rahmen der entsprechenden Verfahren.

12. Wesentliche Verträge

Es gibt keine wesentlichen Verträge, die nicht im Rahmen der normalen Geschäftstätigkeit abgeschlossen wurden und die dazu führen könnten, dass BJB (einschliesslich ihrer Tochtergesellschaften) eine Verpflichtung oder ein Recht erlangt, die bzw. das für die Fähigkeit der BJB, ihren Verpflichtungen gegenüber den Wertpapierinhabern in Bezug auf die ausgegebenen Wertpapiere nachzukommen, von wesentlicher Bedeutung ist.

III. GENERAL INFORMATION

III. GENERAL INFORMATION

1. Responsibility statement

Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland (acting itself or acting through its Guernsey Branch, Lefebvre Court, Lefebvre Street, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS), as Issuer accepts responsibility for the information provided in this Registration Document pursuant to Section 5 Paragraph 4 WpPG.

The Issuer furthermore declares that the information contained in this Registration Document is, to its knowledge, in accordance with the facts and that no material circumstances have been omitted.

2. Publication and validity of the Registration Document

This Registration Document shall be valid for twelve months after its approval; this Registration Document solely represents the status of the information contained in it at the time of its approval.

BJB may choose to produce a new registration document to replace this Registration Document whenever significant new information regarding the Issuer is available.

This Registration Document does not constitute an offer to sell or the solicitation of an offer to buy any security or to enter into any agreement and BJB is not soliciting any action based upon it. Nobody has been authorised by BJB to release more information or confirmations than provided in this Registration Document. If those information and confirmations are still given, investors should not rely on them as if they were authorised by BJB.

III ALLGEMEINE INFORMATIONEN

III. ALLGEMEINE INFORMATIONEN

1. Verantwortlichkeitserklärung

Die Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz (selbst handelnd oder durch ihre Zweigniederlassung Guernsey, Lefebvre Court, Lefebvre Street, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS), als Emittentin übernimmt die Verantwortung gemäss § 5 Absatz 4 WpPG für die in diesem Registrierungsformular gemachten Angaben.

Die Emittentin erklärt ferner, dass ihres Wissens die Angaben in diesem Registrierungsformular richtig und keine wesentlichen Umstände ausgelassen sind.

2. Veröffentlichung und Gültigkeit des Registrierungsformulars

Dieses Registrierungsformular ist gültig für einen Zeitraum von 12 Monaten nach seiner Billigung. Das Registrierungsformular gibt lediglich den Stand der in ihm enthaltenen Informationen zum Zeitpunkt seiner Billigung wieder.

BJB kann zu jeder Zeit, zu der maßgebliche neue Informationen über die Emittentin verfügbar sind, ein neues Registrierungsformular erstellen, um dieses Registrierungsformular zu ersetzen.

Das Registrierungsformular beinhaltet weder ein Angebot zum Verkauf noch eine Aufforderung zur Abgabe eines Angebots, Wertpapiere zu kaufen, oder einen Vertrag abzuschließen und BJB fordert zu keiner darauf basierenden Handlung auf. Keine andere Person ist von BJB autorisiert worden, über dieses Registrierungsformular hinausgehende Informationen oder Bestätigungen zu veröffentlichen. Sollten solche Informationen oder Bestätigungen dennoch erteilt werden, sollten Investoren auf diese nicht so vertrauen, als wären sie von BJB genehmigt.

III. GENERAL INFORMATION

3. Documents Available for Inspection

Copies of the following documents can be ordered free of charge from or will be available, during usual business hours, for inspection at Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland:

- Articles of Association of Bank Julius Baer & Co. Ltd.;
- BJB Consolidated Financial Statements 2015;
- BJB Consolidated Financial Statements 2016; and
- BJB Financial Statements 2016.

On <https://www.juliusbaer.com/group/en/financial-information/financial-reporting/>, the annual reports of Julius Baer Group Ltd. for the past two financial years may also be accessed electronically.

III ALLGEMEINE INFORMATIONEN

3. Einsehbare Dokumente

Kopien der folgenden Dokumente können zu den üblichen Geschäftszeiten bei Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz eingesehen oder kostenfrei angefordert werden:

- Satzung der Bank Julius Bär & Co. AG,
- BJB Konsolidierte Finanzinformationen 2015,
- BJB Konsolidierte Finanzinformationen 2016, und
- BJB Finanzinformationen 2016.

Auf <https://www.juliusbaer.com/group/en/financial-information/financial-reporting/> besteht Zugang zu den Geschäftsberichten der Julius Bär Gruppe AG für die beiden letzten Geschäftsjahre auch in elektronischer Form.

Appendix 1:
BJB Consolidated Financial Statements
2015

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Appendix 1:
BJB Konsolidierte Finanzinformationen
2015

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	2015 CHF 1,000	2014 CHF 1,000	Change %
Interest and dividend income		812,100	750,854	8.2
Interest expense		99,513	96,957	2.6
Net interest and dividend income	1	712,587	653,897	9.0
Commission and fee income		1,550,014	1,574,437	-1.6
Commission expense		325,474	303,887	7.1
Net commission and fee income	2	1,224,540	1,270,550	-3.6
Net trading income	3	424,012	307,389	37.9
Other ordinary results	4	9,186	31,715	-71.0
Operating income		2,370,325	2,263,551	4.7
Personnel expenses	5	970,974	976,753	-0.6
General expenses	6	1,135,098	654,036	73.6
Depreciation of property and equipment	12	28,908	26,506	9.1
Amortisation of customer relationships	12	114,867	115,565	-0.6
Amortisation and impairment of other intangible assets	12	53,707	47,672	12.7
Operating expenses		2,303,554	1,820,532	26.5
Profit before taxes		66,771	443,019	-84.9
Income taxes	7	6,899	94,752	-92.7
Net profit attributable to the shareholder of Bank Julius Baer & Co. Ltd.		59,872	348,267	-82.8

	Note	2015 CHF	2014 CHF	Change %
Share information				
Basic earnings per share (EPS)	8	10.41	60.57	-82.8
Diluted earnings per share (EPS)	8	10.41	60.57	-82.8
Dividend proposal 2015 and dividend 2014		17.39	26.09	-33.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 CHF 1,000	2014 CHF 1,000
Net profit recognised in the income statement	59,872	348,267
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on financial investments available-for-sale	-84,247	27,824
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	671	11,321
Translation differences	-	-15
Items that will not be reclassified to the income statement		
Remeasurement of defined benefit obligation	-95,958	-73,246
Other comprehensive income for the year recognised directly in equity	-179,534	-34,116
Total comprehensive income for the year recognised in the income statement and in equity	-119,662	314,151
Attributable to:		
Shareholder of Bank Julius Baer & Co. Ltd.	-119,662	314,151

CONSOLIDATED BALANCE SHEET

	Note	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Assets			
Cash		8,255,991	9,827,206
Due from banks	9	8,603,807	10,965,574
Loans	9	33,338,752	30,886,105
Trading assets	10	9,052,934	7,468,042
Derivative financial instruments	22	2,166,759	2,973,343
Financial assets designated at fair value	23	196,976	121,823
Financial investments available-for-sale	11	15,897,680	14,060,425
Property and equipment	12	318,591	329,302
Goodwill and other intangible assets	12	2,007,779	2,074,820
Accrued income and prepaid expenses		314,095	279,847
Deferred tax assets	16	13,571	11,991
Other assets		555,779	174,002
Total assets		80,722,714	79,172,480

FINANCIAL STATEMENTS IFRS BANK JULIUS BAER & CO. LTD. 2015
CONSOLIDATED FINANCIAL STATEMENTS

	Note	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Liabilities and equity			
Due to banks		7,391,151	7,575,952
Due to customers		60,772,615	58,508,052
Trading liabilities	10	190,799	116,237
Derivative financial instruments	22	2,369,769	2,987,551
Financial liabilities designated at fair value	15	4,263,085	4,399,296
Accrued expenses and deferred income		440,711	414,916
Current tax liabilities		52,489	111,193
Deferred tax liabilities	16	29,109	118,173
Provisions	17	573,326	88,440
Other liabilities		424,253	367,601
Total liabilities		76,507,307	74,687,411
Share capital		575,000	575,000
Capital reserves		1,911,885	1,911,885
Retained earnings		1,912,618	2,002,746
Other components of equity		-184,096	-4,562
Total equity attributable to shareholders of Bank Julius Baer & Co. Ltd.		4,215,407	4,485,069
Total liabilities and equity		80,722,714	79,172,480

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF 1,000	Capital reserves CHF 1,000
At 1 January 2014	575,000	1,901,373
Net profit	-	-
Unrealised gains/(losses)	-	-
Realised (gains)/losses reclassified to the income statement	-	-
Changes	-	-
Total other comprehensive income for the year recognised directly in equity	-	-
Total comprehensive income for the year recognised in the income statement and in equity	-	-
Capital contribution ¹	-	10,512
Bank Julius Baer & Co. Ltd. dividend payment	-	-
Share-based payments expensed for the year	-	-
Distribution to the parent related to share-based payments for the year	-	-
At 31 December 2014	575,000	1,911,885
At 1 January 2015	575,000	1,911,885
Net profit	-	-
Unrealised gains/(losses)	-	-
Realised (gains)/losses reclassified to the income statement	-	-
Changes	-	-
Total other comprehensive income for the year recognised directly in equity	-	-
Total comprehensive income for the year recognised in the income statement and in equity	-	-
Bank Julius Baer & Co. Ltd. dividend payment	-	-
Share-based payments expensed for the year	-	-
Distribution to the parent related to share-based payments for the year	-	-
At 31 December 2015	575,000	1,911,885

¹ The capital contribution from the parent company relates to the increase in the fair value of the shares of Julius Baer Group Ltd. used as consideration shares in the Merrill Lynch's International Wealth Management transaction (see Note 28 for details). This increase in fair value was not charged to the Bank.

FINANCIAL STATEMENTS IFRS BANK JULIUS BAER & CO. LTD. 2015
CONSOLIDATED FINANCIAL STATEMENTS

Retained earnings CHF 1,000	Other components of equity			Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. CHF 1,000
	Financial investments available-for-sale, net of taxes CHF 1,000	Remeasurement of defined benefit obligation CHF 1,000	Translation differences CHF 1,000	
1,804,479	70,703	-41,164	15	4,310,406
348,267	-	-	-	348,267
-	27,824	-	-15	27,809
-	11,321	-	-	11,321
-	-	-73,246	-	-73,246
-	39,145	-73,246	-15	-34,116
348,267	39,145	-73,246	-15	314,151
-	-	-	-	10,512
-150,000	-	-	-	-150,000
39,758	-	-	-	39,758
-39,758	-	-	-	-39,758
2,002,746	109,848	-114,410	-	4,485,069
2,002,746	109,848	-114,410	-	4,485,069
59,872	-	-	-	59,872
-	-84,247	-	-	-84,247
-	671	-	-	671
-	-	-95,958	-	-95,958
-	-83,576	-95,958	-	-179,534
59,872	-83,576	-95,958	-	-119,662
-150,000	-	-	-	-150,000
42,667	-	-	-	42,667
-42,667	-	-	-	-42,667
1,912,618	26,272	-210,368	-	4,215,407

CONSOLIDATED STATEMENT OF CASH FLOWS

	2015 CHF 1,000	2014 CHF 1,000
Net profit	59,872	348,267
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	28,908	26,506
- Amortisation and impairment of intangible assets	168,574	163,237
- Allowance for credit losses	34,837	16,678
- Deferred tax expense/(benefit)	-51,950	-2,783
- Net loss/(gain) from investing activities	92,306	-45,985
- Other non-cash income and expenses	42,667	39,758
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	-907,846	-3,158,726
- Trading portfolios and derivative financial instruments	-1,396,681	-1,740,304
- Net loans/due to customers	-224,660	3,925,259
- Accrued income, prepaid expenses and other assets	-458,692	40,341
- Accrued expenses, deferred income, other liabilities and provisions	420,081	-14,871
Adjustment for income tax expenses	58,849	97,535
Income taxes paid	-117,549	-43,702
Cash flow from operating activities after taxes	-2,251,284	-348,790
Purchase of property and equipment and intangible assets	-98,036	-73,083
Net (investment in)/divestment of financial investments available-for-sale	-2,248,484	-1,334,727
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-21,694	1,079,653
Cash flow from investing activities	-2,368,214	-328,157
Net money market instruments issued/(repaid)	-	-8,757
Dividend payments	-150,000	-150,000
Issuance and repayment of financial liabilities designated at fair value	-136,211	-398,247
Cash flow from financing activities	-286,211	-557,004
Total	-4,905,709	-1,233,951
Cash and cash equivalents at the beginning of the year	22,267,408	23,722,266
Cash flow from operating activities after taxes	-2,251,284	-348,790
Cash flow from investing activities	-2,368,214	-328,157
Cash flow from financing activities	-286,211	-557,004
Effects of exchange rate changes	261,502	-220,907
Cash and cash equivalents at the end of the year	17,623,201	22,267,408

Cash and cash equivalents are structured as follows:

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Cash	8,255,991	9,827,206
Money market instruments	1,903,239	1,889,573
Due from banks (original maturity of less than three months)	7,463,971	10,550,629
Total	17,623,201	22,267,408

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Additional information		
Interest received	576,016	625,301
Interest paid	-88,395	-94,321
Dividends on equities received	151,715	76,499

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	2015 CHF 1,000	2014 CHF 1,000	Change %
Interest income on amounts due from banks	43,167	42,222	2.2
Interest income on loans	406,410	371,849	9.3
Interest income on money market instruments	2,688	13,258	-79.7
Interest income on financial investments available-for-sale	184,291	156,373	17.9
Total interest income using the effective interest method	636,556	583,702	9.1
Dividend income on financial investments available-for-sale	10,261	3,896	163.4
Interest income on trading portfolios	23,830	90,653	-73.7
Dividend income on trading portfolios	141,453	72,603	94.8
Total interest and dividend income	812,100	750,854	8.2
Interest expense on amounts due to banks	7,416	5,202	42.6
Interest expense on amounts due to customers	65,279	91,755	-28.9
Interest expense on financial assets ¹	26,818	-	-
Total interest expense using the effective interest method	99,513	96,957	2.6
Total	712,587	653,897	9.0

¹ Interest expense on financial assets is related to negative effective interests on the respective financial instruments.

2 NET COMMISSION AND FEE INCOME

	2015 CHF 1,000	2014 CHF 1,000	Change %
Advisory and management commissions	723,412	680,745	6.3
Investment fund fees	218,105	196,758	10.8
Fiduciary commissions	6,372	6,385	-0.2
Total commission and fee income from asset management	947,889	883,888	7.2
Brokerage commissions and income from securities underwriting	504,463	521,665	-3.3
Commission income credit-related activities	5,924	6,382	-7.2
Commission and fee income on other services	91,738	162,502 ¹	-43.5
Total commission and fee income	1,550,014	1,574,437	-1.6
Commission expense	325,474	303,887	7.1
Total	1,224,540	1,270,550	-3.6

¹ Including revenues related to AuM transferred from Merrill Lynch & Co., Inc. where the AuM have not been booked by the Bank, see Note 28.

3 NET TRADING INCOME

	2015 CHF 1,000	2014 CHF 1,000	Change %
Debt instruments	30,342	18,759	61.7
Equity instruments	-108,487	-54,868	-97.7
Foreign exchange	502,157	343,498	46.2
Total	424,012	307,389	37.9

4 OTHER ORDINARY RESULTS

	2015 CHF 1,000	2014 CHF 1,000	Change %
Net gains/(losses) from disposal of financial investments available-for-sale	646	8,633	-92.5
Impairment on financial investments available-for-sale	-7,000	-	-
Real estate income	5,706	5,720	-0.2
Other ordinary income	9,834	17,362	-43.4
Total	9,186	31,715	-71.0

5 PERSONNEL EXPENSES

	2015 CHF 1,000	2014 CHF 1,000	Change %
Salaries and bonuses	775,542	771,054	0.6
Contributions to staff pension plans (defined benefits)	66,784	59,445	12.3
Contributions to staff pension plans (defined contributions)	17,265	15,961	8.2
Other social security contributions	60,040	59,017	1.7
Share-based payments	42,667	39,758	7.3
Other personnel expenses	21,224	31,518	-32.7
Reimbursement of personnel expenses	-12,548¹	-	-
Total	970,974	976,753	-0.6

¹ Represents a reimbursement from Bank of America in the amount of CHF 12.5 million for certain payments related to retention plans in the acquisition of Merrill Lynch's International Wealth Management (IWM).

6 GENERAL EXPENSES

	2015 CHF 1,000	2014 CHF 1,000	Change %
Occupancy expense	62,770	63,531	-1.2
IT and other equipment expense	56,965	63,849	-10.8
Information, communication and advertising expense	141,409	144,951	-2.4
Service expense, fees and taxes	301,668	319,966	-5.7
Valuation allowances, provisions and losses	571,028 ¹	60,375	-
Other general expenses	1,258	1,364	-7.8
Total	1,135,098	654,036	73.6

¹ Including the provision in the amount of USD 547.25 million related to the settlement of the US Department of Justice's investigation in Julius Baer's legacy US cross-border business (see Note 17).

7 INCOME TAXES

	2015 CHF 1,000	2014 CHF 1,000	Change %
Income tax on profit before taxes (expected tax expense)	14,690	97,475	-84.9
Effect of tax rate differences in foreign jurisdictions	-19,811	-16,386	-20.9
Effect of domestic tax rate differences	921	-2,032	-
Income subject to a reduced tax rate	-23,350	-6,764	-245.2
Effect of utilisation of prior-year losses	-1,301	1,284	-
Adjustments related to prior years	-10,544	-	-
Non-deductible expenses	47,437	22,294	112.8
Other	-1,143	-1,119	-2.1
Actual income tax expense	6,899	94,752	-92.7

The tax rate of Switzerland of 22% (2014: 22%) was applied as the basis for the above expected tax expenses.

Unrecognised accumulated loss carryforwards in the amount of CHF 51.2 million (2014: CHF 59.1 million) exist in the Bank that do not expire.

	2015 CHF 1,000	2014 CHF 1,000	Change %
Domestic income taxes	-5,260	83,549	-
Foreign income taxes	12,159	11,203	8.5
Total	6,899	94,752	-92.7

	2015 CHF 1,000	2014 CHF 1,000	Change %
Current income taxes	58,849	97,535	-39.7
Deferred income taxes	-51,950	-2,783	-
Total	6,899	94,752	-92.7

Tax effects relating to components of other comprehensive income

	2015		
	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 financial investments available-for-sale	-95,848	11,601	-84,247
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	643	28	671
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	-123,023	27,065	-95,958
Other comprehensive income for the year recognised directly in equity	-218,228	38,694	-179,534

	2014		
	Before-tax amount CHF 1,000	Tax (expense)/ benefit CHF 1,000 <i>restated</i>	Net of tax amount CHF 1,000
Items that may be reclassified subsequently to the income statement			
Net unrealised gains/(losses) on financial investments available-for-sale	27,716	108	27,824
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	11,896	-575	11,321
Translation differences	-15	-	-15
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	-93,905	20,659	-73,246
Other comprehensive income for the year recognised directly in equity	-54,308	20,192	-34,116

8 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2015	2014
Basic earnings per share		
Net profit (CHF 1,000)	59,872	348,267
Weighted average number of shares outstanding	5,750,000	5,750,000
Basic earnings per share (CHF)	10.41	60.57

	31.12.2015	31.12.2014
Shares outstanding		
Total shares issued (par value CHF 100)	5,750,000	5,750,000

	31.12.2015	31.12.2014
Share capital		
Total share capital outstanding (CHF 1,000)	575,000	575,000

There are no dilutive effects.

There is no authorised share capital.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

9A DUE FROM BANKS

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change CHF 1,000
Due from banks	8,605,886	10,969,499	-2,363,613
Allowance for credit losses	-2,079	-3,925	1,846
Total	8,603,807	10,965,574	-2,361,767

Due from banks by type of collateral:

Securities collateral	1,024,227	698,104	326,123
Without collateral	7,579,580	10,267,470	-2,687,890
Total	8,603,807	10,965,574	-2,361,767

9B LOANS

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change CHF 1,000
Loans	26,181,076	24,242,694	1,938,382
Mortgages	7,237,333	6,688,993	548,340
Subtotal	33,418,409	30,931,687	2,486,722
Allowance for credit losses	-79,657	-45,582	-34,075
Total	33,338,752	30,886,105	2,452,647

Loans by type of collateral:

Securities collateral	18,583,682	18,208,614	375,068
Mortgage collateral	7,329,826	6,642,659	687,167
Other collateral (mainly cash and fiduciary deposits)	7,307,004	6,006,719	1,300,285
Without collateral	118,240	28,113	90,127
Total	33,338,752	30,886,105	2,452,647

9C ALLOWANCE FOR CREDIT LOSSES

	Specific CHF 1,000	2015 Collective CHF 1,000	Specific CHF 1,000	2014 Collective CHF 1,000
Balance at the beginning of the year	28,411	21,096	30,523	20,590
Write-offs	-2,502	-	-20,356	-
Increase in allowance for credit losses	35,274	5,473	16,995	3,051
Decrease in allowance for credit losses	-3,590	-2,320	-823	-2,545
Translation differences and other adjustments	-106	-	2,072	-
Balance at the end of the year	57,487	24,249	28,411	21,096

9D IMPAIRED LOANS

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change CHF 1,000
Gross loans	61,941	43,359	18,582
Specific allowance for credit losses	-57,487	-28,411	-29,076
Net loans	4,454	14,948	-10,494

10 TRADING ASSETS AND LIABILITIES

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change CHF 1,000
Trading assets			
Debt instruments	1,160,775	952,024	208,751
<i>of which quoted</i>	1,102,587	889,430	213,157
<i>of which unquoted</i>	58,188	62,594	-4,406
Equity instruments	5,865,832	4,803,791	1,062,041
<i>of which quoted</i>	5,453,326	4,301,350	1,151,976
<i>of which unquoted</i>	412,506	502,441	-89,935
Precious metals (physical)	2,026,327	1,712,227	314,100
Total	9,052,934	7,468,042	1,584,892
Trading liabilities			
Short positions - debt	117,209	32,416	84,793
<i>of which quoted</i>	116,233	31,973	84,260
<i>of which unquoted</i>	976	443	533
Short positions - equity	73,590	83,821	-10,231
<i>of which quoted</i>	54,030	70,440	-16,410
<i>of which unquoted</i>	19,560	13,381	6,179
Total	190,799	116,237	74,562

11A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change CHF 1,000
Money market instruments	1,903,239	1,889,573	13,666
Government and agency bonds	3,430,080	1,549,856	1,880,224
Financial institution bonds	6,068,460	6,968,674	-900,214
Corporate bonds	4,384,632	3,567,787	816,845
Other bonds	34,749	2,767	31,982
Debt instruments	13,917,921	12,089,084	1,828,837
<i>of which quoted</i>	12,959,064	10,768,200	2,190,864
<i>of which unquoted</i>	958,857	1,320,884	-362,027
Equity instruments	76,520	81,768	-5,248
<i>of which unquoted</i>	76,520	81,768	-5,248
Total	15,897,680	14,060,425	1,837,255

11B FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE – CREDIT RATINGS

			31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change CHF 1,000
Debt instruments by credit rating classes (excluding money market instruments)	Fitch, S&P	Moody's			
1-2	AAA – AA-	Aaa – Aa3	8,874,145	7,243,085	1,631,060
3	A+ – A-	A1 – A3	4,659,473	4,319,381	340,092
4	BBB+ – BBB-	Baa1 – Baa3	286,581	267,214	19,367
5-7	BB+ – CCC-	Ba1 – Caa3	42,884	47,157	-4,273
8-9	CC – D	Ca – C	4,268	3,015	1,253
Unrated			50,570	209,232	-158,662
Total			13,917,921	12,089,084	1,828,837

12 GOODWILL, INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

	Goodwill CHF m	Customer relationships CHF m	Software CHF m	Total intangible assets CHF m	Bank premises CHF m	Other property and equipment CHF m	Total property and equipment CHF m
Historical cost							
Balance on 01.01.2014	1,431.9	1,118.9	461.7	3,012.5	352.7	155.9	508.6
Additions	-	-	52.7	52.7	7.9	12.6	20.5
Acquisition from business combinations	61.6	53.0	-	114.6	-	-	-
Disposals/transfers ¹	-	-	44.1	44.1	-	12.1	12.1
Balance on 31.12.2014	1,493.5	1,171.9	470.3	3,135.7	360.6	156.4	517.0
Additions	-	-	79.8	79.8	4.1	14.1	18.2
Additions from business combinations	8.2	13.6	-	21.8	-	-	-
Disposals/transfers ¹	-	-	1.6	1.6	-	2.4	2.4
Balance on 31.12.2015	1,501.7	1,185.5	548.5	3,235.7	364.7	168.1	532.8
Depreciation, amortisation and impairment							
Balance on 01.01.2014	-	673.8	267.9	941.7	66.5	106.8	173.3
Charge for the period	-	115.6	47.7 ²	163.3	6.9	19.6 ²	26.5
Disposals/transfers ¹	-	-	44.1	44.1	-	12.1	12.1
Balance on 31.12.2014	-	789.4	271.5	1,060.9	73.4	114.3	187.7
Charge for the period	-	114.9	53.7 ³	168.6	9.1	19.8 ³	28.9
Disposals/transfers ¹	-	-	1.6	1.6	-	2.4	2.4
Balance on 31.12.2015	-	904.3	323.6	1,227.9	82.5	131.7	214.2
Book value							
Balance on 31.12.2014	1,493.5	382.5	198.8	2,074.8	287.2	42.1	329.3
Balance on 31.12.2015	1,501.7	281.2	224.9	2,007.8	282.2	36.4	318.6

¹ Includes derecognition of fully depreciated and amortised assets

² Includes impairment of CHF 2.0 million related to software and other property and equipment not used anymore

³ Includes impairment of CHF 0.7 million related to software and other property and equipment 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 groups of assets that generate 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 18 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Bank.

The acquisition of Merrill Lynch's International Wealth Management business did not change the legal or organisational structure of the Bank, as the acquired businesses have been immediately fully integrated into the existing Group business organisation.

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 own 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 fixed and performance fees, commissions, trading income and net interest income);
- operating income and expenses; and
- tax rate applicable.

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. However, the Bank expects in the medium and long term a favourable development of the private banking activities which is reflected in the respective growth of the key parameters, but the Bank cannot exclude short-term market disruptions. The Bank also takes the relative strengths of itself as a pure private

banking competitor vis-à-vis its peers into consideration, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments which are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 8.9% (2014: 10.0%).

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 the planning horizon for assets under management is assumed at 1%. This growth rate is considerably below the actual average rate of the last five years.

The discount rates used in the above calculation represent the Bank's specific risk-weighted rates.

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 the 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 driven personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions would not result in the carrying amount exceeding

the recoverable amount. Therefore, no impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market environment.

13 OPERATING LEASE COMMITMENTS

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Not later than one year	47,364	45,749
Later than one year and not later than five years	125,798	129,303
Later than five years	93,517	110,379
Subtotal	266,679	285,431
Less sublease rentals received under non-cancellable leases	22,318	26,326
Total	244,361	259,105

Expenses for operating leases in the gross amount of CHF 43.9 million are included in operating expenses for the 2015 financial year (2014: CHF 44.5 million).

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

	Book value CHF 1,000	31.12.2015 Effective commitment CHF 1,000	Book value CHF 1,000	31.12.2014 Effective commitment CHF 1,000
Securities	1,465,780	1,465,780	1,344,347	1,344,347
Other	14,354	14,354	10,864	10,864
Total	1,480,134	1,480,134	1,355,211	1,355,211

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

the increased volatility in the securities markets, higher collaterals have been asked for compared to earlier years.

15 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2016 CHF m	2017 CHF m	2018 CHF m	2019 CHF m	2020 CHF m	2021– 2025 CHF m	2026– CHF m	un- assigned CHF m	31.12.2015 CHF m	31.12.2014 CHF m
Fixed rate	1,606.9	103.1	2.6	2.2	52.1	-	-	-	1,766.9	1,951.0
Interest rates (ranges in %)	0.5–48.0	1.0–12.66	3.1–4.6	3.8	1.2–2.2	-	-	-	-	-
Floating rate	686.6	401.9	144.9	143.9	67.2	284.1	7.1	760.5	2,496.2	2,448.3
Total	2,293.5	505.0	147.5	146.1	119.3	284.1	7.1	760.5	4,263.1	4,399.3

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.5% up to 48.0%. 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.

16A DEFERRED TAX ASSETS

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Balance at the beginning of the year	11,991	11,315
Income statement - credit	1,141	676
Income statement - charge	-612	-
Recognised directly in equity	1,051	-
Balance at the end of the year	13,571	11,991

The components of deferred tax assets are as follows:

Operating loss carry-forwards	9,244	9,244
Employee compensation and benefits	3,276	2,747
Property and equipment	1,051	-
Total	13,571	11,991

16B DEFERRED TAX LIABILITIES

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Balance at the beginning of the year	118,173	139,110
Income statement - charge	836	226
Income statement - credit	-52,257	-2,333
Acquisition of subsidiaries	-	1,362
Recognised directly in equity	-37,643	-20,192
Balance at the end of the year	29,109	118,173

The components of deferred tax liabilities are as follows:

Provisions	-	53,976
Property and equipment	15,429	15,456
Financial investments available-for-sale	19,551	23,347
Intangible assets	36,430	43,177
Other	11,534	10,893
Deferred tax liability before set-off	82,944	146,849
Offset of pension liability taxes	-53,835	-28,676
Total	29,109	118,173

17 PROVISIONS

	Restructuring CHF 1,000	Legal risks CHF 1,000	Other CHF 1,000	2015 Total CHF 1,000	2014 Total CHF 1,000
Balance at the beginning of the year	33	56,206	32,201	88,440	67,989
Utilised during the year	-	-34,969	-30,483	-65,452	-12,048
Provisions made during the year	-	531,511 ¹	1,259	532,770	34,594
Provisions reversed during the year	-33	-6,589	-39	-6,661	-3,644
Translation differences	-	24,229	-	24,229	1,549
Balance at the end of the year	-	570,388	2,938	573,326	88,440

¹ Including the provision in the amount of USD 547.25 million related to the settlement of the US Department of Justice's investigation in Julius Baer's legacy US cross-border business.

Maturity of provisions

Up to one year	-	550,945	1,341	552,286	57,567
Over one year	-	19,443	1,597	21,040	30,873

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 and censures on companies and employees. Regulators in certain markets may determine that industry practices, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations.

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 realisation 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 estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 31 December 2015. 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 Bank Julius Baer & Co. Ltd. ('the Bank') and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the liquidators of the Fairfield funds 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 USD 26.5 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the liquidators of the Fairfield funds have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, the trustee of Madoff's broker-dealer company seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the liquidators of the Fairfield funds. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging

these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. The favourable ruling by the Privy Council may impact some of the claims pending in the United States. In particular, because the underlying facts in these actions are basically the same, the United States courts may apply the reasoning by the Privy Council to the claims at issue in the US Litigation. In addition, as the BVI Commercial Court oversees the Fairfield Funds' liquidation proceedings, the Bank introduced an application in the BVI Commercial Court challenging the Fairfield Liquidator's authority to pursue the US Litigation. In view of this pending application in the BVI, the Fairfield cases pending in the courts of New York remain and a meaningful assessment of the potential outcome is not yet possible. In addition, the District Court for the Southern District of New York ('District Court') has issued a number of preliminary decisions in the cases brought by the Madoff trustee, and the cases have been returned to the bankruptcy court for further proceedings. The District Court decisions and/or decisions from the bankruptcy court are likely to be appealed by the Madoff trustee.

In 2011, the Swiss authorities informed Bank Julius Baer & Co. Ltd. that US authorities had named it as one of several Swiss banks being investigated in connection with their cross-border US private banking services. Since then, the Bank has been in an ongoing, constructive dialogue with the US authorities. It has cooperated with the US authorities in full compliance with Swiss law and in coordination with Swiss authorities with the aim of reaching a resolution of the US investigation. In the context of its cooperation, the Bank has provided the US authorities with information pertaining to its legacy US cross-border private banking business. In addition, in 2013, the US authorities filed a request under the Switzerland/US Double Taxation Treaty for US taxpayer information to which the Bank responded in coordination with Swiss authorities. In parallel, in August 2013, the US Department of Justice ('DOJ') announced a programme for Swiss banks to resolve their US law exposure in connection with their US cross-border private banking business (the 'DOJ Programme'). However, the DOJ Programme is expressly inapplicable to banks under investigation prior

to the announcement of the DOJ Programme. The Bank received notification from the DOJ that it falls within this category of banks and will continue with its individual cooperation and settlement efforts. On 23 June 2015, the Bank further announced its decision to take a provision of USD 350 million reflecting the Bank's then current understanding of the state of the preliminary discussions with the DOJ regarding an eventual settlement with the DOJ regarding its legacy US cross-border business, with the amount remaining subject to change. Based on an agreement in principle reached with the US Attorney's Office for the Southern District of New York with respect to a comprehensive resolution regarding its legacy US cross-border business, the Bank announced on 30 December 2015 that it has taken an additional provision of USD 197.25 million to supplement its preliminary provision of USD 350 million in June 2015 (resulting in a total provision of USD 547.25 million) and that it anticipates the execution of a resolution with the DOJ, and subject to final approval within the DOJ, in the first quarter of 2016.

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

Based on the withholding tax treaty between Switzerland and the UK and due to significantly lower than anticipated client regularisation

payments under the treaty, as the amount of undeclared assets held by UK citizens and liable for the payment remained substantially below the initial expectations, Bank Julius Baer & Co. Ltd. in January 2015 paid its share of approximately CHF 30.4 million in the total compensation amount of CHF 500 million in accordance with the allocation key as provided by Federal Law. Given such allocation key may still be challenged, the amount remains subject to amendment and change. The amount related to Merrill Lynch Bank (Suisse) SA has not been recognised in the income statement as it is subject to acquisition-related representations and warranties. The amount (approximately CHF 2.3 million) paid relating to Merrill Lynch Bank (Suisse) SA has been reimbursed to Julius Baer under an acquisition-related Covenant Clause.

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a foreign corporation arguing that the Bank did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator in 2013 presented a draft complaint for an amount of EUR 12 million (plus accrued interest from 2009) and filed a payment order ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). In June 2014, the liquidator presented another amended draft complaint for an amount of EUR 290 million (plus accrued interest as of September 2009). The Bank has formally repelled the payment order and is contesting the claim whilst taking appropriate measures to defend its interests.

A writ of summons (together with a statement of claim) (the 'Writ') filed by two former clients of the Bank (together, the 'Plaintiffs') in the High Court of Singapore naming Bank Julius Baer & Co. Ltd. Singapore branch and a former relationship manager as defendants respectively was served on the Bank on 25 September 2013. The Plaintiffs' claim stems from a dispute over alleged damages/losses incurred by the Plaintiffs arising from share accumulator transactions in 2007 and 2008. The Plaintiffs claim they suffered damages/losses due to (i) alleged breach of fiduciary duties, (ii) alleged breach of duty of care and/or warranty, (iii) alleged breach of contractual and common law duties of skill and care and/or warranty and/or (iv) alleged misrepresen-

tations (whether fraudulently or negligently made). Due to these alleged breaches and misrepresentations, the Plaintiffs are, among other things, claiming rescission or damages in lieu of rescission, damages/losses amounting to approximately SGD 89 million and HKD 213 million as well as losses arising from loss of use of funds to be assessed at an interest rate of 5.33% p.a. (alternatively, damages to be assessed by the court) plus interests and costs. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. According to its media release of 28 September 2015, the COMCO in addition opened an investigation regarding potential collusive behaviour in precious metal trading. Subject to these investigations are Swiss and foreign financial institutes which are active in foreign exchange and precious metal trading, including Julius Baer. The aim of the investigations, which are part of respective international inquiries, is to clarify possible unlawful collusion amongst market participants and possible violation of market behaviour regulations. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, constructively continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

Bank Julius Baer & Co. Ltd. has received payment orders ('Betreibungsbegehren') by the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS'), the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'), in the amount of CHF 110 million plus accrued interest from 2009. BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1989 and 1992 from the account of a foreign trade company established by former officials of the GDR. Against this background, in September 2014, the BvS has initiated legal pro-

ceedings in Zurich, claiming CHF 97 million plus accrued interests from 1994. The Bank is contesting the claims of BvS and has taken and will take appropriate measures to defend its interests. In addition, the claim has been notified under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in a tax fraud in France, a formal procedure ('mise en examen') into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014. In October 2014, the Bank precautionary made the required security deposit in the amount of EUR 3.75 million with the competent French court. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the late external asset manager allegedly having used his personal account and company account with the Bank for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalized by 51 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. The Bank is contesting the claim and has taken appropriate measures to defend its interests.

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

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

In October 2015, Bank Julius Baer & Co. Ltd. was served with a claim by a former client in Zurich in the amount of CHF 1 million plus accrued interests since 2008. The claimant claims losses in the

context with foreign exchange transactions and argues that the Bank has breached its duties with respect to diligence, disclosure and information duties. The claimant filed a partial claim, i.e. reserved the right to increase the claimed amount to approximately CHF 121 million arguing that the total loss incurred with foreign exchange transactions amounts to CHF 441 million in total. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) and in the respective superseding indictment of 25 November 2015. The authorities in Switzerland and abroad are, in addition to the corruption and bribery allegations, investigating whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. The Bank is supporting the investigations and cooperating with the authorities on this matter.

ADDITIONAL INFORMATION

18 REPORTING BY SEGMENT

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

The 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 the Group has been identified as the chief operating decision maker, as this board is responsible for the implementation of the overall strategy and the operational management of the Bank.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the Executive

Board of the Bank reviews and uses for its management decisions the consolidated financial reports on the level of the Bank only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Bank consists of the single reportable segment Private Banking. 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. The acquired Merrill Lynch International Wealth Management business did not change the management structure, as it has been fully integrated into the existing structures of the Bank.

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

	31.12.2015	31.12.2014	2015	2014	2015	2014
	Total assets CHF m	CHF m	Operating income CHF m	CHF m	Investments CHF m	CHF m
Switzerland	64,163	66,390	1,803	1,733	100,193	111,999
Europe (excl. Switzerland)	11,090	14,206	135	127	277	48,653
Asia and other countries	19,067	18,673	477	453	19,259	27,064
Less consolidation items	13,597	20,097	45	49	-	-
Total	80,723	79,172	2,370	2,264	119,729	187,716

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

19 RELATED PARTY TRANSACTIONS

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Key management personnel compensation¹		
Salaries and other short-term employee benefits	12,761	13,754
Post-employment benefits	644	681
Share-based payments	6,560	6,138
Total	19,965	20,573
Receivables from		
Julius Baer Group entities	2,266,707	2,812,562
significant shareholders ²	68,975	74,966
key management personnel	21,514	13,077
Total	2,357,196	2,900,605
Liabilities to		
Julius Baer Group entities	2,746,147	2,411,429
significant shareholders ²	1,107,516	1,105,632
key management personnel	7,892	17,735
own pension funds	3,558	1,186
Total	3,865,113	3,535,982
Credit guarantees to		
Julius Baer Group entities	70,582	45,272
significant shareholders ²	25	25
key management personnel	420	364
Total	71,027	45,661
Income from services provided to		
Julius Baer Group entities	206,540	196,995
significant shareholders ²	103,731	85,464
key management personnel	268	231
Total	310,539	282,690
Services provided by		
Julius Baer Group entities	49,147	59,882
significant shareholders ²	4,457	24,630
Total	53,604	84,512

¹ Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd.

In 2015, the Executive Board of Julius Baer Group Ltd. consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel and the Chief Risk Officer.

In 2014, the Executive Board of Julius Baer Group Ltd. consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel, the Chief Risk Officer and the Private Banking Representative.

² Julius Baer Group Ltd.

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.

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.

20 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.

	2015 CHF 1,000	2014 CHF 1,000
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	-2,280,951	-2,031,843
Current service cost	-60,520	-56,594
Employees' contributions	-33,707	-33,640
Interest expense on defined benefit obligation	-28,632	-42,081
Past service cost, curtailments, settlements, plan amendments	-1,372	-943
Benefits paid (including benefits paid directly by employer)	36,123	81,641
Transfer payments in/out	-4	-714
Experience gains/(losses) on defined benefit obligation	-48,064	-9,787
Actuarial gains/(losses) arising from change in demographic assumptions	76,341	-3,951
Actuarial gains/(losses) arising from change in financial assumptions	-121,527	-182,025
Translation differences	1,100	-1,014
Present value of defined benefit obligation at the end of the year	-2,461,213	-2,280,951
<i>whereof due to active members</i>	-1,625,291	-1,569,856
<i>whereof due to deferred members</i>	-14,802	-15,694
<i>whereof due to pensioners</i>	-821,120	-695,401
Fair value of plan assets at the beginning of the year	2,150,607	1,983,272
Interest income on plan assets	27,527	42,088
Employees' contributions	33,707	33,640
Employer's contributions	75,445	71,578
Curtailments, settlements, plan amendments	-2,878	-967
Benefits paid by fund	-36,123	-81,641
Transfer payments in/out	4	714
Administration cost (excluding asset management cost)	-909	-948
Return on plan assets (excluding interest income)	-30,101	102,106
Translation differences	-772	765
Fair value of plan assets at the end of the year	2,216,507	2,150,607
	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
2. Balance sheet		
Fair value of plan assets	2,216,507	2,150,607
Present value of defined benefit obligation	-2,461,213	-2,280,951
Net defined benefit asset/(liability)	-244,706	-130,344

	2015 CHF 1,000	2014 CHF 1,000
3. Income statement		
Current service cost	-60,520	-56,594
Interest expense on defined benefit obligation	-28,632	-42,081
Past service cost, curtailments, settlements, plan amendments	-4,250	-1,910
Interest income on plan assets	27,527	42,088
Administration cost (excluding asset management cost)	-909	-948
Defined benefit cost recognised in the income statement	-66,784	-59,445
<i>whereof service cost</i>	-65,679	-59,452
<i>whereof net interest on the net defined benefit/(liability) asset</i>	-1,105	7

4. Movement in net assets		
Net defined benefit asset/(liability) at the beginning of the year	-130,344	-48,571
Translation differences	328	-249
Defined benefit cost recognised in the income statement	-66,784	-59,445
Employer's contributions	75,445	71,578
Remeasurements of the net defined benefit liability/(asset)	-123,351	-93,657
Amounts recognised in the balance sheet	-244,706	-130,344

Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	-93,250	-195,763
Return on plan assets (excluding interest income)	-30,101	102,106
Total recognised in other comprehensive income	-123,351	-93,657

5. Composition of plan assets		
Cash	43,178	44,948
Debt instruments	692,271	736,835
Equity instruments	741,770	750,181
Real estate	336,884	265,856
Other	402,404	352,787
Total	2,216,507	2,150,607

	2015 %	2014 %
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	1.95	2.09
Debt instruments	29.87	32.87
Equity instruments	33.47	34.88
Real estate	7.75	5.23
Other	10.70	11.48
Total	83.74	86.55

	2015 CHF 1,000	2014 CHF 1,000
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	-67,278	-60,229
Effect on service cost	-2,199	-2,159
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	63,631	57,021
Effect on service cost	2,067	2,033
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	5,366	5,115
Effect on service cost	537	526
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	-5,359	-5,114
Effect on service cost	-539	-527

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2015. The actuarial assumptions are

based on local economic conditions and are as follows for Switzerland which accounts for about 99% (2014: 99%) of all benefit obligations and plan assets:

	2015	2014
Discount rate	0.75%	1.25%
Average future salary increases	1.00%	1.00%
Future pension increases	0.00%	0.00%

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 2016 financial year related to defined benefit plans are estimated at CHF 68.6 million.

Outstanding liabilities to pension plans

The Bank had outstanding liabilities to various pension plans in the amount of CHF 3.6 million (2014: CHF 1.2 million).

Defined contribution pension plans

Bank Julius Baer & Co. Ltd. maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 17.3 million for the 2015 financial year (2014: CHF 16.0 million).

21 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2015 CHF m	31.12.2014 CHF m
Receivables		
Receivables from cash provided in securities borrowing transactions	17.3	-
<i>of which recognised in due from banks</i>	17.3	-
Receivables from cash provided in reverse repurchase transactions	866.2	312.9
<i>of which recognised in due from banks</i>	646.0	203.6
<i>of which recognised in loans</i>	220.2	109.3
Obligations		
Obligations to return cash received in securities lending transactions	1,028.4	121.0
<i>of which recognised in due to banks</i>	1,028.4	11.7
<i>of which recognised in due to customers</i>	-	109.3
Obligations to return cash received in repurchase transactions	307.7	306.4
<i>of which recognised in due to banks</i>	307.7	306.4
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	2,026.5	608.9
<i>of which securities the right to pledge or sell has been granted without restriction</i>	2,026.5	608.9
<i>of which recognised in trading assets</i>	1,580.1	470.6
<i>of which recognised in financial investments available-for-sale</i>	446.4	138.3
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	2,841.8	2,296.4
<i>of which repledged or resold securities</i>	1,432.3	1,716.1

The Bank enters into fully collateralised securities borrowing and securities lending transactions and reverse repurchase and repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfill the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase

Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets which continue to be recognised are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

22 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	56,248.0	570.9	464.0
Futures	39.7	0.1	-
Cross-Currency Swaps	263.8	0.4	0.1
Options (OTC)	46,755.9	417.7	314.3
Total foreign exchange derivatives 31.12.2015	103,307.4	989.1	778.4
Total foreign exchange derivatives 31.12.2014	117,790.1	2,186.4	1,981.6
Interest rate derivatives			
Swaps	6,865.9	101.3	101.5
Futures	1,781.5	2.2	3.4
Options (OTC)	1,119.8	8.5	6.1
Total interest rate derivatives 31.12.2015	9,767.2	112.0	111.0
Total interest rate derivatives 31.12.2014	7,850.0	92.0	92.9
Precious metals derivatives			
Forward contracts	1,017.0	9.7	17.9
Futures	20.6	1.0	-
Options (OTC)	1,903.3	148.9	19.0
Total precious metals derivatives 31.12.2015	2,940.9	159.6	36.9
Total precious metals derivatives 31.12.2014	5,953.7	178.7	86.1
Equity/indices derivatives			
Futures	1,464.1	22.3	20.2
Options (OTC)	7,513.9	204.6	295.6
Options (traded)	10,761.5	668.3	1,045.3
Total equity/indices derivatives 31.12.2015	19,739.5	895.2	1,361.1
Total equity/indices derivatives 31.12.2014	16,029.9	492.2	774.5
Other derivatives			
Futures	127.9	10.3	-
Total other derivatives 31.12.2015	127.9	10.3	-
Total other derivatives 31.12.2014	162.8	23.2	0.1

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	123.9	-	9.9
Total return swaps	56.6	0.6	-
Total credit derivatives 31.12.2015	180.5	0.6	9.9
Total credit derivatives 31.12.2014	49.0	0.8	1.6
Total derivatives held for trading 31.12.2015	136,063.4	2,166.8	2,297.3
Total derivatives held for trading 31.12.2014	147,835.5	2,973.3	2,936.8

Derivatives held for hedging

Derivatives designated as fair value hedges

Interest rate swaps	1,442.5	-	72.5
Total derivatives held for hedging 31.12.2015	1,442.5	-	72.5
Total derivatives held for hedging 31.12.2014	1,145.0	-	50.8
Total derivative financial instruments 31.12.2015	137,505.9	2,166.8	2,369.8
Total derivative financial instruments 31.12.2014	148,980.5	2,973.3	2,987.6

23A FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	Book value CHF m	31.12.2015 Fair value CHF m	Book value CHF m	31.12.2014 Fair value CHF m
Cash, loans and receivables				
Cash	8,256.0	8,256.0	9,827.2	9,827.2
Due from banks	8,603.8	8,611.7	10,965.6	10,986.0
Loans	33,338.8	33,780.6	30,886.1	30,984.0
Accrued income	289.8	289.8	248.2	248.2
Total	50,488.4	50,938.1	51,927.1	52,045.4
Held for trading				
Trading assets	7,026.6	7,026.6	5,755.8	5,755.8
Derivative financial instruments	2,166.8	2,166.8	2,973.3	2,973.3
Total	9,193.4	9,193.4	8,729.1	8,729.1
Designated at fair value				
Financial assets designated at fair value	197.0	197.0	121.8	121.8
Total	197.0	197.0	121.8	121.8
Available-for-sale				
Financial investments available-for-sale	15,897.7	15,897.7	14,060.4	14,060.4
Total	15,897.7	15,897.7	14,060.4	14,060.4
Total financial assets	75,776.5	76,226.2	74,838.4	74,956.7

Financial liabilities

	Book value CHF m	31.12.2015 Fair value CHF m	Book value CHF m	31.12.2014 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	7,391.2	7,391.4	7,576.0	7,456.0
Due to customers	60,772.6	60,922.1	58,508.1	58,553.0
Accrued expenses	143.8	143.8	137.2	137.2
Total	68,307.6	68,457.3	66,221.3	66,146.2
Held for trading				
Trading liabilities	190.8	190.8	116.2	116.2
Derivative financial instruments	2,297.3	2,297.3	2,936.8	2,936.8
Total	2,488.1	2,488.1	3,053.0	3,053.0
Derivatives designated as hedging instruments				
Derivative financial instruments	72.5	72.5	50.8	50.8
Total	72.5	72.5	50.8	50.8
Designated at fair value				
Financial liabilities designated at fair value	4,263.1	4,263.1	4,399.3	4,399.3
Total	4,263.1	4,263.1	4,399.3	4,399.3
Total financial liabilities	75,131.3	75,281.0	73,724.4	73,649.3

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

Short-term financial instruments

Financial instruments with a maturity or a refinancing profile of one year or less are generally classified as short-term. This applies for the balance sheet items cash and money market instruments. Depending on the maturity, it also includes the following: due from banks; loans; mortgages; due to banks; due to customers and debt issued. For short-term financial instruments which do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the book value fundamentally approximates the fair value.

Long-term financial instruments

Depending on the maturity, these include the following balance sheet items: due from banks; loans; mortgages; due to banks; due to customers and debt issued. The fair value of long-term financial instruments which have a maturity or a refinancing profile of more than one year is derived by using the net present value method. Generally, the Libor rate is used to calculate the net present value of the loans and mortgages, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement.

Trading assets and liabilities, financial investments available-for-sale, derivative financial instruments and financial liabilities designated at fair value

Refer to Note 23B for details regarding the valuation of these instruments.

23B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

Level 1

For trading assets as well as for certain financial investments available-for-sale and exchange-traded derivatives whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

Level 2

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

Level 3

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

Financial investments available-for-sale: The Bank holds certain equity instruments, which are required for the operation of the Bank and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may

have an influence on the valuation (adjusted net asset method). In 2015, dividends related to these investments in the amount of CHF 10.3 million have been recognised in the income statement.

Financial instruments designated at fair value: As of 2014, the Bank started to issue to its private clients certain specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the 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:

	31.12.2015			
	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	Total CHF m
Assets and liabilities measured at fair values				
Trading assets - debt instruments	775.7	385.1	-	1,160.8
Trading assets - equity instruments	5,451.9	413.9	-	5,865.8
Total trading assets	6,227.6	799.0	-	7,026.6
Foreign exchange derivatives	0.1	989.0	-	989.1
Interest rate derivatives	2.2	109.8	-	112.0
Precious metal derivatives	1.0	158.6	-	159.6
Equity/indices derivatives	22.3	872.9	-	895.2
Credit derivatives	-	0.6	-	0.6
Other derivatives	10.3	-	-	10.3
Total derivative financial instruments	35.9	2,130.9	-	2,166.8
Financial assets designated at fair value	121.8	27.0	48.2	197.0
Financial investments available-for-sale – money market instruments	-	1,903.3	-	1,903.3
Financial investments available-for-sale – debt instruments	10,217.2	3,700.7	-	13,917.9
Financial investments available-for-sale – equity instruments	-	0.5	76.0	76.5
Total financial investments available-for-sale	10,217.2	5,604.5	76.0	15,897.7
Total assets	16,602.5	8,561.4	124.2	25,288.1
Short positions – debt instruments	81.2	36.0	-	117.2
Short positions – equity instruments	54.0	19.6	-	73.6
Total trading liabilities	135.2	55.6	-	190.8
Foreign exchange derivatives	-	778.4	-	778.4
Interest rate derivatives	3.4	180.1	-	183.5
Precious metal derivatives	-	36.9	-	36.9
Equity/indices derivatives	20.3	1,340.8	-	1,361.1
Credit derivatives	-	9.9	-	9.9
Total derivative financial instruments	23.7	2,346.1	-	2,369.8
Financial liabilities designated at fair value	-	4,059.6	203.5	4,263.1
Total liabilities	158.9	6,461.3	203.5	6,823.7

				31.12.2014
	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	Total CHF m
Assets and liabilities measured at fair value				
Trading assets - debt instruments	889.4	62.6	-	952.0
Trading assets - equity instruments	4,301.4	502.4	-	4,803.8
Total trading assets	5,190.8	565.0	-	5,755.8
Foreign exchange derivatives	-	2,186.4	-	2,186.4
Interest rate derivatives	0.7	91.3	-	92.0
Precious metal derivatives	1.1	177.6	-	178.7
Equity/indices derivatives	323.4	168.8	-	492.2
Credit derivatives	-	0.8	-	0.8
Other derivatives	23.2	-	-	23.2
Total derivative financial instruments	348.4	2,624.9	-	2,973.3
Financial assets designated at fair value	100.5	17.9	3.4	121.8
Financial investments available-for-sale – money market instruments	-	1,889.6	-	1,889.6
Financial investments available-for-sale – debt instruments	10,768.2	1,320.9	-	12,089.1
Financial investments available-for-sale – equity instruments	-	2.6	79.2	81.8
Total financial investments available-for-sale	10,768.2	3,213.1	79.2	14,060.5
Total assets	16,407.9	6,420.9	82.6	22,911.4
Short positions - debt instruments	32.0	0.4	-	32.4
Short positions - equity instruments	70.4	13.4	-	83.8
Total trading liabilities	102.4	13.8	-	116.2
Foreign exchange derivatives	1.6	1,980.0	-	1,981.6
Interest rate derivatives	1.6	142.1	-	143.7
Precious metal derivatives	-	86.1	-	86.1
Equity/indices derivatives	537.8	236.7	-	774.5
Credit derivatives	-	1.6	-	1.6
Other derivatives	0.1	-	-	0.1
Total derivative financial instruments	541.1	2,446.5	-	2,987.6
Financial liabilities designated at fair value	1,464.8	2,787.7	146.8	4,399.3
Total liabilities	2,108.3	5,248.0	146.8	7,503.1

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

				31.12.2015
	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	Total CHF m
Assets and liabilities disclosed at fair value				
Cash	8,256.0	-	-	8,256.0
Due from banks	-	8,611.7	-	8,611.7
Loans	-	33,780.6	-	33,780.6
Accrued income	-	289.8	-	289.8
Total assets	8,256.0	42,682.1	-	50,938.1
Due to banks	-	7,391.4	-	7,391.4
Due to customers	-	60,922.1	-	60,922.1
Accrued expenses	-	143.8	-	143.8
Total liabilities	-	68,457.3	-	68,457.3
				31.12.2014
	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	Total CHF m
Asset and liabilities disclosed at fair value				
Cash	9,827.2	-	-	9,827.2
Due from banks	-	10,986.0	-	10,986.0
Loans	-	30,984.0	-	30,984.0
Accrued income	-	248.2	-	248.2
Total assets	9,827.2	42,218.2	-	52,045.4
Due to banks	-	7,456.0	-	7,456.0
Due to customers	-	58,553.0	-	58,553.0
Accrued expenses	-	137.2	-	137.2
Total liabilities	-	66,146.2	-	66,146.2

23C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

	31.12.2015 <i>CHF m</i>	31.12.2014 <i>CHF m</i>
Transfers from level 1 to level 2		
Trading assets	124.7	1.5
Derivative financial instruments	106.0	-
Financial investments available-for-sale	2,187.0	50.2
Trading liabilities	4.7	-
Derivative financial instruments	313.0	-
Financial liabilities designated at fair value	321.5	-
Transfers from level 2 to level 1		
Trading assets	38.5	36.6
Financial investments available-for-sale	580.0	27.8
Trading liabilities	0.5	0.1

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.

In 2015, the Bank implemented a revised method regarding the application of the fair value classification criteria by using a higher threshold for the financial instruments being traded in an active market. Due to this new method, financial instruments have been transferred from level 1 to level 2 in the fair value hierarchy, and to a slighter extent from level 2 into level 1.

23D FINANCIAL INSTRUMENTS – OFFSETTING

In order to control the credit exposure and reduce the credit risk related to certain 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 transactions 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.

Therefore, the cash collateral provided (CHF 866.2 million) and received (CHF 1,336.1 million) in the securities transactions as disclosed in Note 21 are not offset with the respective counterparty positions in the balance sheet.

The majority of the over-the-counter derivatives in the total amount of CHF 779.7 million (positive replacement values) and CHF 635.0 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.

Refer to the Credit Risk section for a detailed analysis of the Bank's credit risk strategies and exposure.

24A COMPANIES CONSOLIDATED AS AT 31 DECEMBER 2015

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
<i>Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zug, Zurich</i>				
<i>Representative Offices in Abu Dhabi, Dubai, Istanbul, Moscow, Panama City, Santiago de Chile, Shanghai, Tel Aviv including</i>				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	Singapore	SGD	0.000	100

24B 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.

25 ACQUISITIONS

Apart from the acquisition of Merrill Lynch's International Wealth Management business (see Note 28 for details), the following transaction was executed:

Leumi Private Bank AG

On 21 July 2014, the Bank announced a strategic cooperation with Bank Leumi. Under this agreement, Leumi will refer clients with international private banking needs to the Bank, while the Bank will refer clients to Leumi's domestic banking services. As part of the agreement, the Bank acquired Leumi's international private banking clients in Switzerland in

the form of a business transfer. The cost of the transaction was CHF 11.9 million in cash and is recognised as client relationships and goodwill. The transaction was executed in the first half of 2015 and the purchase price was fully funded by existing excess capital of the Bank.

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 Leumi business on the Bank's financial statements.

The assets and liabilities of Bank Leumi were recorded as follows:

	Fair value CHF 1,000
Purchase price	
in cash	11,894
Total	11,894
Assets acquired	
Due from banks	992,553
Loans ¹	441,061
All other assets	28,660
Total	1,462,274
Liabilities assumed	
Due to banks	225,740
Due to customers	1,207,874
All other liabilities	28,660
Total	1,462,274
Goodwill and other intangible assets	
Goodwill	1,894
Customer relationships	10,000
Total	11,894

¹ At the acquisition date, the gross contractual amount of loans acquired was CHF 441.1 million.

26 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2015. 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.

The 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.

Deferred variable compensation plans

Cash-based variable compensation – Deferred Cash Plan

The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to claw back while having inherent lower pay volatility than shares. The DCP is determined on an annual basis as part of the annual variable compensation awarded to the individual concerned. These deferred cash vests in equal one-third tranches over a three-year plan period subject to continued employment. Where share-based plans are not permissible under local legislation, employee annual awards are fully deferred through the DCP.

Equity-based variable compensation – Premium Share Plan

The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the 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 key element of the Julius Baer compensation model. One of the Compensation Committee's objectives was to create a robust long-term incentive mechanism for key employees. The EPP is an equity plan which seeks to create a retention element for key employees and to link executive compensation to the future performance of the entire Julius Baer Group.

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer and total variable compensation. All members of the Executive Board, key employees, and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, contribution to Julius Baer and level of responsibility.

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

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

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

cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

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

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

Integration Incentive Award (for former Bank of America Merrill Lynch Relationship Managers)
As part of Julius Baer's integration of Bank of America Merrill Lynch's IWM business, key Relationship Managers from IWM were offered participation in the Integration Incentive Award (a cash- and share-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The Integration Incentive Award plan runs for a maximum of five years, with cash being paid out on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one-third of the number of shares granted to him or her at the beginning of the plan period.

In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares are forfeited.

Cash-based integration programmes

As part of its integration of Bank of America Merrill Lynch's International Wealth Management business outside the US, Julius Baer established two cash-based programmes.

The first programme, the Replacement Award, is a programme which provides cash compensation in lieu of awards that were forfeited as a result of the corporate acquisition. The actual value of forfeiture is paid out in up to four tranches (depending on the size of the award) over a period of up to 18 months.

The second programme, the Asset Transfer Award, is a performance-based programme offered to Relationship Managers transferring to the Bank. The Asset Transfer Award, which is geared towards further accelerating the transfer of assets under management to the Bank, offered the participants a cash payment upon reaching specific asset-transfer hurdles (as measured on the basis of assets under management).

Incentive Share Plan (ISP, applied as part of the variable compensation for 2012)

At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1 million and above or the local currency equivalent) of the executives' variable incentive is deferred to the ISP and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over the three-year plan period, subject to continued employment.

Participants in the ISP 2012 are granted a pre-fixed number of incentive shares, which cliff-vest at the end of the three-year plan period, subject to continued employment. The number of incentive shares granted is determined based on the number of shares from bonus deferral: members of the Executive Board were eligible for twice the number of additional shares in comparison to participants who are not members of the Executive Board.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events

where the employee's behaviour has substantially contributed to a financial loss of the Bank or caused reputational damage.

Long-Term Incentive Plan (LTI)

In certain specific situations the Bank may also offer incentives outside the annual compensation cycle. Actions such as compensating new hires for deferred awards they have forfeited by resigning from their previous employer or making retention payments to key employees during extraordinary or critical circumstances may be carried out by granting individuals an equity-based LTI.

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

The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out in the plan rules. All grants made in 2014 and 2015 are free from restrictions upon vesting.

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 reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer 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 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 29.2 million (2014: CHF 41.2 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 42.7 million (2014: CHF 39.8 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 amount to CHF 42.7 million (2014: CHF 39.8 million).

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

		31.12.2015		31.12.2014
	Number of units Economic Profit	Number of units Relative Share Price	Number of units Economic Profit	Number of units Relative Share Price
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	206,458	206,458	-	-
Granted during the year	286,543	286,543	206,793	206,793
Exercised during the year	-3,360	-3,360	-	-
Forfeited during the year	-1,468	-1,468	-335	-335
Unvested units outstanding, at the end of the year	488,173	488,173	206,458	206,458

	31.12.2015	31.12.2014
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	713,795	494,419
Granted during the year	547,163	403,006
Vested during the year	-303,403	-147,964
Transferred (net) during the year	-796	1,589
Forfeited during the year	-51,814	-37,255
Unvested shares outstanding, at the end of the year	904,945	713,795
Weighted average fair value per share granted (CHF)	43.84	40.79
Fair value of outstanding shares at the end of the year (CHF 1,000)	44,035	32,699

	31.12.2015	31.12.2014
Incentive Share Plan		
Unvested shares outstanding, at the beginning of the year	596,898	869,334
Vested during the year	-182,642	-267,607
Transferred (net) during the year	-1,850	-2,145
Forfeited during the year	-7,944	-2,684
Unvested shares outstanding, at the end of the year	404,462	596,898
Fair value of outstanding shares at the end of the year (CHF 1,000)	19,681	27,344

	31.12.2015		31.12.2014	
	Number of units Economic Profit	Number of units Relative Share Price	Number of units Economic Profit	Number of units Relative Share Price
Incentive Share Plan				
Unvested units outstanding, at the beginning of the year	114,397	114,397	228,878	228,878
Exercised during the year	-113,483	-113,483	-112,678	-112,678
Forfeited during the year	-914	-914	-1,803	-1,803
Unvested units outstanding, at the end of the year	-	-	114,397	114,397

	31.12.2015	31.12.2014
Integration Incentive Award		
Unvested shares outstanding, at the beginning of the year	311,473	332,631
Transferred (net) during the year	5,675	-9,035
Forfeited during the year	-16,813	-12,123
Unvested shares outstanding, at the end of the year	300,335	311,473
Fair value of outstanding shares at the end of the year (CHF 1,000)	14,614	14,269

	31.12.2015	31.12.2014
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	206,605	335,755
Granted during the year	206,486	79,706
Vested during the year	-121,598	-178,131
Transferred (net) during the year	1,841	3,574
Forfeited during the year	-26,333	-34,299
Unvested shares outstanding, at the end of the year	267,001	206,605
Weighted average fair value per share awarded (CHF)	47.49	40.87
Fair value of outstanding shares at the end of the year (CHF 1,000)	12,992	9,465

	31.12.2015	31.12.2014
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	106,251	68,888
Granted during the year	34,181	41,624
Vested during the year	-33,855	-1,679
Transferred (net) during the year	-79	-
Forfeited during the year	-2,744	-2,582
Unvested shares outstanding, at the end of the year	103,754	106,251
Weighted average fair value per share granted (CHF)	45.94	41.40
Fair value of outstanding shares at the end of the year (CHF 1,000)	5,049	4,867

Compensation expense recognised for the various share plans are:

	31.12.2015 CHF m	31.12.2014 CHF m
Compensation expense		
Equity Performance Plan	11.5	4.9
Premium Share Plan	17.2	12.6
Incentive Share Plan	5.4	13.3
Integration Incentive Award	2.9	3.3
Long-Term Incentive Plan	4.2	4.4
Staff Participation Plan	1.5	1.3
Total	42.7	39.8

27 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 where 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 a Bank subsidiary or business are stated separately. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

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

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

Assets under management

	2015 CHF m	2014 CHF m	Change %
Assets with discretionary mandate	38,379	37,629	2.0
Other assets under management	221,434	220,942	0.2
Total assets under management (including double counting)	259,813	258,571	0.5
<i>of which double counting</i>	4,768	4,358	9.4
Change through net new money	8,861	10,922	
Change through market and currency impacts	-8,838	18,329	
Change through acquisition	1,288¹	1,780 ²	
Change through divestment	-69	-	
Client assets	345,617	364,362	-5.1
<i>of which double counting³</i>	18,794	19,961	-5.8

¹ In March 2015, the Bank acquired the business of Leumi Private Bank Ltd.

² On 14 February 2014, 11 April 2014, 9 May 2014, 13 June 2014, 11 July 2014, 5 September 2014, 26 September 2014, 8 November 2014 and 5 December 2014, the Bank acquired businesses of Merrill Lynch's International Wealth Management (IWM) in Hong Kong, Singapore, Switzerland and Guernsey.

³ Including assets which are counted as assets under management and assets under custody.

Breakdown of assets under management

	2015 %	2014 %
By types of investment		
Equities	27	28
Bonds (including convertible bonds)	20	19
Investment funds	21	22
Money market instruments	4	4
Client deposits	22	21
Structured products	5	5
Other	1	1
Total	100	100

By currencies

CHF	13	13
EUR	19	20
USD	47	44
GBP	5	5
SGD	2	2
HKD	3	3
RUB	1	1
CAD	1	1
Other	9	11
Total	100	100

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.

28 ACQUISITION OF MERRILL LYNCH'S INTERNATIONAL WEALTH MANAGEMENT

Transaction summary

On 13 August 2012, Julius Baer Group announced to acquire Merrill Lynch's International Wealth Management (IWM) business outside the US from Bank of America. The acquisition was structured as a combination of legal entity acquisitions and business transfers. Principal closing occurred on 1 February 2013. Since then, legal entity purchases and asset transfers have happened during the integration period which ended in the first quarter of 2015.

The income and expenses related to the AuM which are booked with the Bank were recorded according to the Bank's accounting policies. In addition, the Bank received from Merrill Lynch & Co., Inc. the revenues related to the AuM reported (i.e. the AuM transferred to the Bank but not yet booked by the Bank) and was charged with platform and other central service costs by Merrill Lynch & Co., Inc. These revenues were recognised in commission income with the related cost expensed through other general expenses. Any other expenses were also recorded according to the Bank's accounting policies.

Purchase price

The consideration payable in USD to Merrill Lynch & Co., Inc. was 1.2% of AuM, payable as and when AuM were transferred to a Bank Julius Baer booking platform. In addition, the Bank paid CHF-for-CHF for any net asset value of the companies and businesses that were transferred in the acquisition, as and when the companies and businesses to which the net asset value was attributable were transferred.

The purchase price was partially funded by existing excess capital of the Bank. In addition, Julius Baer Group Ltd. provided capital contributions in kind.

Final status as at 31 December 2015

As at 31 December 2015, AuM in the amount of CHF 40.3 billion (fair value as of the respective acquisition date) have been booked with the Bank, whereof CHF 2.3 billion have been reclassified to assets under custody.

The transaction resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 645.0 million. This amount consists of the following components:

- the contractual consideration of 1.2% of the AuM booked;
- adjustments due to the remeasurement to fair value of the assets acquired and the liabilities assumed in the process of the purchase price allocation;
- the increase in the fair value as compared to the contractually agreed value of USD 35.20 for the shares of Julius Baer Group Ltd. provided as part of the consideration; and
- foreign exchange fluctuations.

Therefore, the purchase price of CHF 686.1 million was paid for goodwill and intangible assets and net asset values of the acquired legal entities.

The legal entities as well as the business acquired have been fully integrated into the existing Bank structure (including rebranding of the continued legal entities). Therefore the Bank is not able to disclose any income statement impacts of the acquired IWM business on the Bank's financial statements.

The assets and liabilities of the acquired IWM entities and businesses were recorded as follows:

	31.12.2015 Total Acquisition Fair value CHF 1,000	2015 Acquisition in 2015 Fair value CHF 1,000	2014 Acquisition in 2014 Fair value CHF 1,000
Purchase price			
in cash	634,251	9,792	624,459
capital contribution in kind ¹	51,885	-	51,885
Total	686,136	9,792	676,344
Assets acquired			
Cash	271,530	-	271,530
Due from banks	7,646,446	-	7,646,446
Loans ²	3,649,547	-	3,649,547
All other assets	129,077	-	129,077
Total	11,696,600	-	11,696,600
Liabilities assumed			
Due to banks	3,478,268	-	3,478,268
Due to customers	7,973,428	-	7,973,428
Deferred tax liabilities	25,620	8	25,612
All other liabilities	178,125	-	178,125
Total	11,655,441	8	11,655,433
Goodwill and other intangible assets related to legal entity acquisitions and to business transfers			
Goodwill	363,996	6,225	357,771
Customer relationships	280,981	3,575	277,406
Total	644,977	9,800	635,177

¹ The capital contribution in kind reflects the difference between the contractual value and the acquisition date fair value of the Group's consideration shares, which were part of the purchase price for Merrill Lynch's International Wealth Management business. The Bank recognised a capital contribution in equity relating to this amount, for which the Bank did not incur any costs.

² At the acquisition date, the gross contractual amount of loans acquired was CHF 3,650 million.

29 REQUIREMENTS OF SWISS BANKING LAW

The Bank is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Swiss-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 ruled by the principal provisions of the Banking Ordinance and the related Guidelines governing financial statement reporting.

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

Under IFRS, changes in the fair value of financial investments available-for-sale are directly recognised in equity. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with changes in value where required recorded in the income statement.

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

Under IFRS, goodwill is not amortised but must be 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.

30 EVENTS AFTER THE BALANCE SHEET DATE

The provision in the amount of USD 547.25 million related to the final settlement of the US Department of Justice's investigation in Julius Baer's legacy US cross-border business has been paid on 8 February 2016. The payment had no impact on the Bank's financial statements 2015.

There are no events to report that had an influence on the balance sheet or the income statement for the 2015 financial year.

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



KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8036 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 44 06
Internet www.kpmg.ch

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 Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Bank Julius Baer & Co. Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 4 to 94) for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



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

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 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

A handwritten signature in black ink, appearing to read 'Rickert'.

Philipp Rickert
*Licensed Audit Expert
Auditor in Charge*

A handwritten signature in black ink, appearing to read 'Castagna'.

Cataldo Castagna
Licensed Audit Expert

Zurich, 22 February 2016

Appendix 2:
BJB Consolidated Financial Statements
2016

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Appendix 2:
BJB Konsolidierte Finanzinformationen
2016

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	2016 CHF 1,000	2015 CHF 1,000	Change %
Interest and dividend income		989,087	812,100	21.8
Interest expense		131,020	99,513	31.7
Net interest and dividend income	1	858,067	712,587	20.4
Commission and fee income		1,506,194	1,550,014	-2.8
Commission expense		390,443	325,474	20.0
Net commission and fee income	2	1,115,751	1,224,540	-8.9
Net trading income	3	316,890	424,012	-25.3
Other ordinary results	4	37,429	9,186	307.5
Operating income		2,328,137	2,370,325	-1.8
Personnel expenses	5	1,008,139	970,974	3.8
General expenses	6	542,807	1,135,098	-52.2
Depreciation of property and equipment	12	31,048	28,908	7.4
Amortisation of customer relationships	12	47,351	114,867	-58.8
Amortisation and impairment of other intangible assets	12	32,691	53,707	-39.1
Operating expenses		1,662,036	2,303,554	-27.8
Profit before taxes		666,101	66,771	897.6
Income taxes	7	115,393	6,899	1,572.6
Net profit attributable to the shareholder of Bank Julius Baer & Co. Ltd.		550,708	59,872	819.8

	Note	2016 CHF	2015 CHF	Change %
Share information				
Basic earnings per share (EPS)	8	95.78	10.41	819.8
Diluted earnings per share (EPS)	8	95.78	10.41	819.8
Dividend proposal 2016 and dividend 2015		38.26	17.39	120.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 CHF 1,000	2015 CHF 1,000
Net profit recognised in the income statement	550,708	59,872
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on financial investments available-for-sale	19,751	-84,247
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	3,920	671
Items that will not be reclassified to the income statement		
Remeasurement of defined benefit obligation	27,777	-95,958
Other comprehensive income	51,448	-179,534
Total comprehensive income	602,156	-119,662
Attributable to:		
Shareholder of Bank Julius Baer & Co. Ltd.	602,156	-119,662

CONSOLIDATED BALANCE SHEET

	Note	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Assets			
Cash		11,805,590	8,255,991
Due from banks	9	13,768,304	8,603,807
Loans	9	34,806,910	33,338,752
Trading assets	10	7,756,942	9,052,934
Derivative financial instruments	22	2,644,082	2,166,759
Financial assets designated at fair value	23	252,364	196,976
Financial investments available-for-sale	11	17,854,772	15,897,680
Property and equipment	12	315,255	318,591
Goodwill and other intangible assets	12	2,065,301	2,007,779
Accrued income and prepaid expenses		248,296	314,095
Deferred tax assets	16	14,638	13,571
Other assets		255,505	555,779
Total assets		91,787,959	80,722,714

FINANCIAL STATEMENTS IFRS BANK JULIUS BAER & CO. LTD. 2016
CONSOLIDATED FINANCIAL STATEMENTS

	Note	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Liabilities and equity			
Due to banks		14,248,864	7,391,151
Due to customers		61,264,955	60,772,615
Trading liabilities	10	158,953	190,799
Derivative financial instruments	22	2,241,182	2,369,769
Financial liabilities designated at fair value	15	8,444,443	4,263,085
Accrued expenses and deferred income		468,391	440,711
Current tax liabilities		104,388	52,489
Deferred tax liabilities	16	57,322	29,109
Provisions	17	9,830	573,326
Other liabilities		222,068	424,253
Total liabilities		87,220,396	76,507,307
Share capital		575,000	575,000
Capital reserves		1,911,885	1,911,885
Retained earnings		2,213,326	1,912,618
Other components of equity		-132,648	-184,096
Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd.		4,567,563	4,215,407
Total liabilities and equity		91,787,959	80,722,714

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 1 January 2015

Net profit

Unrealised gains/(losses)

Realised (gains)/losses reclassified to the income statement

Total other comprehensive income

Total comprehensive income

Bank Julius Baer & Co. Ltd. dividend payment

Share-based payments expensed for the year

Distribution to the parent related to share-based payments for the year

At 31 December 2015

At 1 January 2016

Net profit

Unrealised gains/(losses)

Realised (gains)/losses reclassified to
the income statement

Changes

Total other comprehensive income

Total comprehensive income

Bank Julius Baer & Co. Ltd. dividend payment

Bank Julius Baer & Co. Ltd. extraordinary dividend payment

Share-based payments expensed for the year

Distribution to the parent related to share-based payments for the year

At 31 December 2016

FINANCIAL STATEMENTS IFRS BANK JULIUS BAER & CO. LTD. 2016
CONSOLIDATED FINANCIAL STATEMENTS

Share capital CHF 1,000	Capital reserves CHF 1,000	Retained earnings CHF 1,000	Other components of equity		Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. CHF 1,000
			Financial investments available- for-sale, net of taxes CHF 1,000	Remeasurement of defined benefit obligation CHF 1,000	
575,000	1,911,885	2,002,746	109,848	-114,410	4,485,069
-	-	59,872	-	-	59,872
-	-	-	-84,247	-	-84,247
-	-	-	671	-	671
-	-	-	-	-95,958	-95,958
-	-	-	-83,576	-95,958	-179,534
-	-	59,872	-83,576	-95,958	-119,662
-	-	-150,000	-	-	-150,000
-	-	42,667	-	-	42,667
-	-	-42,667	-	-	-42,667
575,000	1,911,885	1,912,618	26,272	-210,368	4,215,407
575,000	1,911,885	1,912,618	26,272	-210,368	4,215,407
-	-	550,708	-	-	550,708
-	-	-	19,751	-	19,751
-	-	-	3,920	-	3,920
-	-	-	-	27,777	27,777
-	-	-	23,671	27,777	51,448
-	-	550,708	23,671	27,777	602,156
-	-	-100,000	-	-	-100,000
-	-	-150,000	-	-	-150,000
-	-	48,268	-	-	48,268
-	-	-48,268	-	-	-48,268
575,000	1,911,885	2,213,326	49,943	-182,591	4,567,563

CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 CHF 1,000	2015 CHF 1,000
Net profit	550,708	59,872
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	31,048	28,908
- Amortisation and impairment of intangible assets	80,042	168,574
- Allowance for credit losses	11,771	34,837
- Deferred tax expense/(benefit)	9,679	-51,950
- Net loss/(gain) from investing activities	80,124	92,306
- Other non-cash income and expenses	48,268	42,667
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	6,801,769	-907,846
- Trading portfolios and derivative financial instruments	602,848	-1,396,681
- Net loans/due to customers	-988,369	-224,660
- Accrued income, prepaid expenses and other assets	317,805	-458,692
- Accrued expenses, deferred income, other liabilities and provisions	-699,038	420,081
Adjustment for income tax expenses	105,714	58,849
Income taxes paid	-53,722	-117,549
Cash flow from operating activities	6,898,647	-2,251,284
Purchase of property and equipment and intangible assets	-165,276	-98,036
Net (investment in)/divestment of financial investments available-for-sale	-251,317	-2,248,484
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	-21,694
Cash flow from investing activities	-416,593	-2,368,214
Dividend payments	-250,000	-150,000
Issuance and repayment of financial liabilities designated at fair value	4,181,358	-136,211
Cash flow from financing activities	3,931,358	-286,211
Net (decrease)/increase in cash and cash equivalents	10,413,412	-4,905,709
Cash and cash equivalents at the beginning of the year	17,623,201	22,267,408
Cash flow from operating activities	6,898,647	-2,251,284
Cash flow from investing activities	-416,593	-2,368,214
Cash flow from financing activities	3,931,358	-286,211
Effects of exchange rate changes on cash and cash equivalents	-5,259	261,502
Cash and cash equivalents at the end of the year	28,031,354	17,623,201

Cash and cash equivalents are structured as follows:

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Cash	11,805,590	8,255,991
Money market instruments	3,654,112	1,903,239
Due from banks (original maturity of less than three months)	12,571,652	7,463,971
Total	28,031,354	17,623,201

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Additional information		
Interest received	839,681	576,016
Interest paid	-128,272	-88,395
Dividends on equities received	203,340	151,715

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	2016 CHF 1,000	2015 CHF 1,000	Change %
Interest income on amounts due from banks	41,581	43,167	-3.7
Interest income on loans	466,832	406,410	14.9
Interest income on financial investments available-for-sale	247,550	186,979	32.4
Total interest income using the effective interest method	755,963	636,556	18.8
Dividend income on financial investments available-for-sale	7,283	10,261	-29.0
Interest income on trading portfolios	29,784	23,830	25.0
Dividend income on trading portfolios	196,057	141,453	38.6
Total interest and dividend income	989,087	812,100	21.8
Interest expense on amounts due to banks	11,190	7,416	50.9
Interest expense on amounts due to customers	83,731	65,279	28.3
Interest expense on financial assets ¹	36,099	26,818	34.6
Total interest expense using the effective interest method	131,020	99,513	31.7
Total	858,067	712,587	20.4

¹ Interest expense on financial assets is related to negative effective interests on the respective financial instruments.

2 NET COMMISSION AND FEE INCOME

	2016 CHF 1,000	2015 CHF 1,000	Change %
Advisory and management commissions	730,944	723,412	1.0
Investment fund fees	169,458	218,105	-22.3
Fiduciary commissions	7,836	6,372	23.0
Total commission and fee income from asset management	908,238	947,889	-4.2
Brokerage commissions and income from securities underwriting	479,832	504,463	-4.9
Commission income credit-related activities	7,048	5,924	19.0
Commission and fee income on other services	111,076	91,738	21.1
Total commission and fee income	1,506,194	1,550,014	-2.8
Commission expense	390,443	325,474	20.0
Total	1,115,751	1,224,540	-8.9

3 NET TRADING INCOME

	2016 CHF 1,000	2015 CHF 1,000	Change %
Debt instruments	50,483	30,342	66.4
Equity instruments	-169,424	-108,487	-56.2
Foreign exchange	435,831	502,157	-13.2
Total	316,890	424,012	-25.3

4 OTHER ORDINARY RESULTS

	2016 CHF 1,000	2015 CHF 1,000	Change %
Net gains/(losses) from disposal of financial investments available-for-sale	9,528	646	1,374.9
Impairment on financial investments available-for-sale	-1,866	-7,000	73.3
Real estate income	5,872	5,706	2.9
Other ordinary income	24,374	9,834	147.9
Other ordinary expenses	479	-	-
Total	37,429	9,186	307.5

5 PERSONNEL EXPENSES

	2016 CHF 1,000	2015 CHF 1,000	Change %
Salaries and bonuses	852,508	775,542	9.9
Contributions to staff pension plans (defined benefits)	11,174¹	66,784	-83.3
Contributions to staff pension plans (defined contributions)	17,883	17,265	3.6
Other social security contributions	64,048	60,040	6.7
Share-based payments	48,268	42,667	13.1
Other personnel expenses	14,258	21,224	-32.8
Reimbursement of personnel expenses	-	-12,548 ²	100.0
Total	1,008,139	970,974	3.8

¹ Including the effect of a plan amendment in the amount of CHF 61.5 million, see Note 20.

² Represents a reimbursement from Bank of America in the amount of CHF 12.5 million for certain payments related to retention plans in the acquisition of Merrill Lynch's International Wealth Management business (IWM).

6 GENERAL EXPENSES

	2016 CHF 1,000	2015 CHF 1,000	Change %
Occupancy expense	64,643	62,770	3.0
IT and other equipment expense	60,868	56,965	6.9
Information, communication and advertising expense	146,669	141,409	3.7
Service expense, fees and taxes	252,967	301,668	-16.1
Valuation allowances, provisions and losses	16,427	571,028 ¹	-97.1
Other general expenses	1,233	1,258	-2.0
Total	542,807	1,135,098	-52.2

¹ Including the provision in the amount of USD 547.25 million related to the agreement in principle with US Attorney's Office for the Southern District of New York with respect to a resolution regarding Julius Baer's legacy U.S. cross-border business (see Note 17).

7 INCOME TAXES

	2016 CHF 1,000	2015 CHF 1,000	Change %
Income tax on profit before taxes (expected tax expense)	146,542	14,690	897.6
Effect of tax rate differences in foreign jurisdictions	-11,970	-19,811	-
Effect of domestic tax rate differences	-3,738	921	-
Income subject to a reduced tax rate	-23,033	-23,350	-
Net effect of utilisation of losses	2,295	-1,301	-
Adjustments related to prior years	-2,227	-10,544	-
Non-deductible expenses	7,321	47,437	-
Other	203	-1,143	-
Actual income tax expense	115,393	6,899	-

The tax rate of Switzerland of 22% (2015: 22%) was applied as the basis for the above expected tax expenses.

Unrecognised accumulated loss carryforwards in the amount of CHF 59.7 million (2015: CHF 51.2 million) exist in the Bank that do not expire.

	2016 CHF 1,000	2015 CHF 1,000	Change %
Domestic income taxes	106,088	-5,260	-
Foreign income taxes	9,305	12,159	-23.5
Total	115,393	6,899	-

Current income taxes	105,714	58,849	79.6
Deferred income taxes	9,679	-51,950	-
Total	115,393	6,899	-

Tax effects relating to components of other comprehensive income

	2016		
	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 financial investments available-for-sale	29,042	-9,291	19,751
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	4,261	-341	3,920
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation	35,612	-7,835	27,777
Other comprehensive income	68,915	-17,467	51,448
	2015		
	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 financial investments available-for-sale	-95,848	11,601	-84,247
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	643	28	671
Remeasurement of defined benefit obligation	-123,023	27,065	-95,958
Other comprehensive income	-218,228	38,694	-179,534

8 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2016	2015
Basic earnings per share		
Net profit (CHF 1,000)	550,708	59,872
Weighted average number of shares outstanding	5,750,000	5,750,000
Basic earnings per share (CHF)	95.78	10.41

	31.12.2016	31.12.2015
Shares outstanding		
Total shares issued (par value CHF 100)	5,750,000	5,750,000

	31.12.2016	31.12.2015
Share capital		
Total share capital outstanding (CHF 1,000)	575,000	575,000

There are no dilutive effects.

There is no authorised share capital.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

9A DUE FROM BANKS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000
Due from banks	13,769,510	8,605,886	5,163,624
Allowance for credit losses	-1,206	-2,079	873
Total	13,768,304	8,603,807	5,164,497

Due from banks by type of collateral:

Securities collateral	450,653	1,024,227	-573,574
Without collateral	13,317,651	7,579,580	5,738,071
Total	13,768,304	8,603,807	5,164,497

9B LOANS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000
Loans	27,358,403	26,181,076	1,177,327
Mortgages	7,514,242	7,237,333	276,909
Subtotal	34,872,645	33,418,409	1,454,236
Allowance for credit losses	-65,735	-79,657	13,922
Total	34,806,910	33,338,752	1,468,158

Loans by type of collateral:

Securities collateral	20,740,475	18,583,682	2,156,793
Mortgage collateral	7,528,687	7,329,826	198,861
Other collateral (mainly cash and fiduciary deposits)	6,475,172	7,307,004	-831,832
Without collateral	62,576	118,240	-55,664
Total	34,806,910	33,338,752	1,468,158

9C ALLOWANCE FOR CREDIT LOSSES

	Specific CHF 1,000	2016 Collective CHF 1,000	Specific CHF 1,000	2015 Collective CHF 1,000
Balance at the beginning of the year	57,487	24,249	28,411	21,096
Write-offs	-26,975	-	-2,502	-
Increase in allowance for credit losses	11,781	3,100	35,274	5,473
Decrease in allowance for credit losses	-56	-3,054	-3,590	-2,320
Translation differences and other adjustments	409	-	-106	-
Balance at the end of the year	42,646	24,295	57,487	24,249

9D IMPAIRED LOANS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000
Gross loans	58,224	61,941	-3,717
Specific allowance for credit losses	-42,646	-57,487	14,841
Net loans	15,578	4,454	11,124

10 TRADING ASSETS AND LIABILITIES

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000
Trading assets			
Debt instruments	1,416,096	1,160,775	255,321
<i>of which quoted</i>	1,338,560	1,102,587	235,973
<i>of which unquoted</i>	77,536	58,188	19,348
Equity instruments	5,942,002	5,865,832	76,170
<i>of which quoted</i>	5,561,164	5,453,326	107,838
<i>of which unquoted</i>	380,838	412,506	-31,668
Precious metals (physical)	398,844	2,026,327	-1,627,483
Total	7,756,942	9,052,934	-1,295,992
Trading liabilities			
Short positions - debt	47,955	117,209	-69,254
<i>of which quoted</i>	44,723	116,233	-71,510
<i>of which unquoted</i>	3,232	976	2,256
Short positions - equity	110,998	73,590	37,408
<i>of which quoted</i>	95,964	54,030	41,934
<i>of which unquoted</i>	15,034	19,560	-4,526
Total	158,953	190,799	-31,846

11A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000
Money market instruments	3,654,112	1,903,239	1,750,873
Government and agency bonds	3,380,889	3,430,080	-49,191
Financial institution bonds	6,170,538	6,068,460	102,078
Corporate bonds	4,500,031	4,384,632	115,399
Other bonds	26,389	34,749	-8,360
Debt instruments	14,077,847	13,917,921	159,926
<i>of which quoted</i>	13,038,233	12,959,064	79,169
<i>of which unquoted</i>	1,039,614	958,857	80,757
Equity instruments	122,813	76,520	46,293
<i>of which unquoted</i>	122,813	76,520	46,293
Total	17,854,772	15,897,680	1,957,092

11B FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE – CREDIT RATINGS

			31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000
Debt instruments by credit rating classes	Fitch, S&P	Moody's			
1-2	AAA – AA-	Aaa – Aa3	9,270,253	8,874,145	396,108
3	A+ – A-	A1 – A3	4,458,685	4,659,473	-200,788
4	BBB+ – BBB-	Baa1 – Baa3	266,745	286,581	-19,836
5-7	BB+ – CCC-	Ba1 – Caa3	52,145	42,884	9,261
8-9	CC – D	Ca – C	-	4,268	-4,268
Unrated			30,019	50,570	-20,551
Total			14,077,847	13,917,921	159,926

12 GOODWILL, INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

	Goodwill CHF m	Customer relationships CHF m	Software CHF m	Total intangible assets CHF m	Bank premises CHF m	Other property and equipment CHF m	Total property and equipment CHF m
Historical cost							
Balance on 01.01.2015	1,493.5	1,171.9	470.3	3,135.7	360.6	156.4	517.0
Additions	-	-	79.8	79.8	4.1	14.1	18.2
Acquisition from business combinations	8.2	13.6	-	21.8	-	-	-
Disposals/transfers ¹	-	-	1.6	1.6	-	2.4	2.4
Balance on 31.12.2015	1,501.7	1,185.5	548.5	3,235.7	364.7	168.1	532.8
Additions	-	-	137.6	137.6	4.2	23.5	27.7
Disposals/transfers ¹	-	-	18.5	18.5	-	9.7	9.7
Balance on 31.12.2016	1,501.7	1,185.5	667.6	3,354.8	368.9	181.9	550.8
Depreciation, amortisation and impairment							
Balance on 01.01.2015	-	789.4	271.5	1,060.9	73.4	114.3	187.7
Charge for the period	-	114.9	53.7 ²	168.6	9.1	19.8 ²	28.9
Disposals/transfers ¹	-	-	1.6	1.6	-	2.4	2.4
Balance on 31.12.2015	-	904.3	323.6	1,227.9	82.5	131.7	214.2
Charge for the period	-	47.4	32.7 ³	80.1	11.1	19.9 ³	31.0
Disposals/transfers ¹	-	-	18.5	18.5	-	9.7	9.7
Balance on 31.12.2016	-	951.7	337.8	1,289.5	93.6	141.9	235.5
Carrying value							
Balance on 31.12.2015	1,501.7	281.2	224.9	2,007.8	282.2	36.4	318.6
Balance on 31.12.2016	1,501.7	233.8	329.8	2,065.3	275.3	40.0	315.3

¹ Includes derecognition of fully depreciated and amortised assets

² Includes impairment of CHF 0.7 million related to software and other property and equipment not used anymore

³ Includes impairment of CHF 2.5 million related to software and other property and equipment not used anymore

In 2016, the Bank adjusted the useful life of software up to a maximum of ten years. This change in estimate reduced the amortisation of software accordingly.

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 banks of assets that generate 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 bank of assets. In addition, management makes operating decisions based on information on the Bank level (see also Note 18 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Bank.

The acquisition of Merrill Lynch's International Wealth Management business did not change the legal or organisational structure of the Bank, as the acquired businesses have been immediately fully integrated into the existing Bank business organisation.

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 own 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 fixed and performance fees, commissions, trading income and net interest income);
- operating income and expenses; and
- tax rate applicable.

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. However, the Bank expects in the medium and long term a favourable development of the private banking activities which is reflected in the respective growth of the key parameters, but the Bank cannot exclude short-term market disruptions. The Bank also takes the relative strengths of itself as a pure private

banking competitor vis-à-vis its peers into consideration, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments which are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 8.2% (2015: 8.9%).

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 the planning horizon for assets under management is assumed at 1%. This growth rate is considerably below the actual average rate of the last five years.

The discount rates used in the above calculation represent the Bank's specific risk-weighted rates.

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 the businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions would not result in the carrying amount exceeding

the recoverable amount. Therefore, no impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market environment.

13 OPERATING LEASE COMMITMENTS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Not later than one year	51,636	47,364
Later than one year and not later than five years	137,422	125,798
Later than five years	139,828	93,517
Subtotal	328,886	266,679
Less sublease rentals received under non-cancellable leases	22,205	22,318
Total	306,681	244,361

Expenses for operating leases in the gross amount of CHF 48.2 million are included in operating expenses for the 2016 financial year (2015: CHF 43.9 million).

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

	Carrying value CHF 1,000	31.12.2016 Effective commitment CHF 1,000	Carrying value CHF 1,000	31.12.2015 Effective commitment CHF 1,000
Securities	917,567	917,567	1,465,780	1,465,780
Other	6,897	6,897	14,354	14,354
Total	924,464	924,464	1,480,134	1,480,134

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

15 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2017 CHF m	2018 CHF m	2019 CHF m	2020 CHF m	2021 CHF m	2022– 2026 CHF m	un- assigned CHF m	31.12.2016 CHF m	31.12.2015 CHF m
Fixed rate	4,913.1	130.4	5.4	39.7	-	-	-	5,088.6	1,766.9
Interest rates (ranges in %)	0.1–76.8	1.05–13.0	3.0–5.4	1.2–2.2	-	-	-	-	-
Floating rate	1,125.8	321.5	254.4	145.0	267.1	370.9	871.1	3,355.8	2,496.2
Total	6,038.9	451.9	259.8	184.7	267.1	370.9	871.1	8,444.4	4,263.1

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 76.8%. 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.

16A DEFERRED TAX ASSETS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Balance at the beginning of the year	13,571	11,991
Income statement - credit	1,418	1,141
Income statement - charge	-690	-612
Recognised directly in OCI	339	1,051
Balance at the end of the year	14,638	13,571

The components of deferred tax assets are as follows:

Operating loss carry-forwards	9,244	9,244
Employee compensation and benefits	3,932	3,276
Financial investments available-for-sale	1,390	1,051
Property and equipment	72	-
Total	14,638	13,571

16B DEFERRED TAX LIABILITIES

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Balance at the beginning of the year	29,109	118,173
Income statement - charge	12,622	836
Income statement - credit	-2,215	-52,257
Recognised directly in OCI	17,806	-37,643
Balance at the end of the year	57,322	29,109

The components of deferred tax liabilities are as follows:

Property and equipment	14,995	15,429
Financial investments available-for-sale	24,939	19,551
Intangible assets	29,677	36,430
Other	13,987	11,534
Deferred tax liability before set-off	83,598	82,944
Offset of pension liability taxes	-26,276	-53,835
Total	57,322	29,109

17 PROVISIONS

	Legal risks CHF 1,000	Other CHF 1,000	2016 Total CHF 1,000	2015 Total CHF 1,000
Balance at the beginning of the year	570,388	2,938	573,326	88,440
Utilised during the year	-562,783	-1,209	-563,992	-65,452
Provisions made during the year	7,077	864	7,941	532,770 ¹
Provisions reversed during the year	-3,973	-121	-4,094	-6,661
Translation differences	-3,351	-	-3,351	24,229
Balance at the end of the year	7,358	2,472	9,830	573,326

¹ Including the provision in the amount of USD 547.25 million related to the settlement of the US Department of Justice's investigation in Julius Baer's legacy US cross-border business.

Maturity of provisions

Up to one year	673	492	1,165	552,286
Over one year	6,685	1,980	8,665	21,040

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 and censures on companies and employees. Regulators in certain markets may determine that industry practices, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations.

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 realisation 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 estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of

31 December 2016. 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 Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful

assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In addition, as the BVI Courts oversee the Fairfield Funds' liquidation proceedings, the Bank introduced an application challenging the Fairfield Liquidators' authority to pursue the US Litigation. The BVI trial court dismissed the application. The Bank and other defendants have appealed the dismissal and the argument is scheduled to be heard in 2017. Further, the Fairfield Liquidators sought, and ultimately obtained, sanction from the BVI Courts to proceed with the litigation in the United States. The Bank and other defendants are challenging this sanction decision as well. In view of this pending application in the BVI and as the Fairfield cases pending in the courts of New York remain in preliminary stages, a meaningful assessment of the potential outcome is not yet possible. Finally, it is also worth mentioning that in the proceedings initiated by the Trustee, the Bankruptcy Court in New York issued a ruling in November 2016, reconfirming the extraterritoriality principles set by the District Court for the Southern District of New York which stated that the US Bankruptcy Code does not apply extraterritorially to allow for the recovery of fund payments received by a foreign bank ('foreign transferee') from a foreign fund ('foreign transferor'). While this ruling is in favour of the Bank and the other defendants, it is expected that the Trustee will appeal the ruling.

In a landmark decision on so-called retrocessions, the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss mandate law a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived to reclaim such fees. Bank Julius Baer & Co. Ltd. has assessed the Court decision, the mandate structures to which the Court decision might be applicable and

the documentation as well as the impact of respective waivers and the communicated bandwidths having been introduced some years ago, and implemented appropriate measures to address the matter.

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a foreign corporation arguing that the Bank did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator presented draft complaints with different claim amounts for a potential Swiss proceeding and filed a payment order ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009) in 2013. On 8 February 2017, the Bank has been served with a claim from said corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank has been initiated in the plaintiff's country of domicile in the European Union. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. According to its media release of 28 September 2015, the COMCO in addition opened an investigation regarding potential collusive behaviour in precious metal trading. Subject to these investigations are Swiss and foreign financial institutes which are active in foreign exchange and precious metal trading, including Julius Baer. The aim of the investigations, which are part of respective international inquiries, is to clarify possible unlawful collusion amongst market participants and possible violation of market behaviour regulations. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994.

BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. BvS has appealed such verdict. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading related tax fraud in France, a formal procedure ('mise en examen') into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014. In October 2014, as a precautionary measure, the Bank made the required security deposit in the amount of EUR 3.75 million with the competent French court. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger Bank of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the late external asset manager allegedly having used his personal account and company account with the Bank for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalised by 51 out of the 62 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. In October 2016, the Bank was served with another claim by additional 15 claimants, claiming a total amount of CHF 4.5 million plus accrued interest. The Bank is contesting the claim and has taken appropriate measures to defend its interests.

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, that were former clients of Bank of China (Suisse) S.A. having been acquired by Bank Julius Baer & Co. Ltd., in the total amount of USD 29 million (plus accrued interests). Additionally, in October 2015, the claimant filed an amendment of claim in court, by which additionally USD 39 million is claimed. The claimant argues that Bank of China (Suisse) S.A. acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequently to the liquidation of almost the entire portfolio of their assets in May 2010, arguing that this liquidation was performed by Bank of China

(Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) and in the respective superseding indictment of 25 November 2015. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. The Bank is supporting the inquiries and cooperating with the authorities in the investigations on this matter.

ADDITIONAL INFORMATION

18 REPORTING BY SEGMENT

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

The 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 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 Bank reviews and uses for its management decisions the consolidated financial reports on the level of the Bank only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Bank consists of the 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. The acquired Merrill Lynch International Wealth Management business did not change the management structure, as it has been fully integrated into the existing structures of the Bank.

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

	31.12.2016	31.12.2015	2016	2015	2016	2015
	Total assets CHF m	CHF m	Operating income CHF m	CHF m	Investments CHF m	CHF m
Switzerland	74,415	64,163	1,803	1,803	118,173	100,193
Europe (excl. Switzerland)	14,505	11,090	113	135	-	277
Asia and other countries	20,254	19,067	468	477	47,104	19,259
Less consolidation items	17,386	13,597	56	45	-	-
Total	91,788	80,723	2,328	2,370	165,277	119,729

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

19 RELATED PARTY TRANSACTIONS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Key management personnel compensation¹		
Salaries and other short-term employee benefits	16,412	12,761
Post-employment benefits	776	644
Share-based payments	6,809	6,560
Total	23,997	19,965
Receivables from		
Julius Baer Group entities	2,881,325	2,266,707
significant shareholders ²	636,511	68,975
key management personnel	19,938	21,514
Total	3,537,774	2,357,196
Liabilities to		
Julius Baer Group entities	4,244,775	2,746,147
significant shareholders ²	1,273,319	1,107,516
key management personnel	16,605	7,892
own pension funds	2,371	3,558
Total	5,537,070	3,865,113
Credit guarantees to		
Julius Baer Group entities	178,540	70,582
significant shareholders ²	-	25
key management personnel	395	420
Total	178,935	71,027
Income from services provided to		
Julius Baer Group entities	229,033	206,540
significant shareholders ²	102,428	103,731
key management personnel	563	268
Total	332,024	310,539
Services provided by		
Julius Baer Group entities	63,318	49,147
significant shareholders ²	9,624	4,457
Total	72,942	53,604

¹ Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd.

The Executive Board of the Group company consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel, the Chief Risk Officer and the Business Representative in 2016.

The Executive Board of the Group company consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Communications Officer, the Chief Operating Officer, the General Counsel and the Chief Risk Officer in 2015.

² Julius Baer Group Ltd.

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 Group entities 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.

20 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.

	2016 CHF 1,000	2015 CHF 1,000
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	-2,461,213	-2,280,951
Current service cost	-65,032	-60,520
Employees' contributions	-37,797	-33,707
Interest expense on defined benefit obligation	-18,547	-28,632
Past service cost, curtailments, settlements, plan amendments	56,647	-1,372
Benefits paid (including benefits paid directly by employer)	34,091	36,123
Transfer payments in/out	-493	-4
Experience gains/(losses) on defined benefit obligation	-29,089	-48,064
Actuarial gains/(losses) arising from change in demographic assumptions	9,262	76,341
Actuarial gains/(losses) arising from change in financial assumptions	-29,041	-121,527
Translation differences	3,267	1,100
Present value of defined benefit obligation at the end of the year	-2,537,945	-2,461,213
<i>whereof due to active members</i>	-1,638,201	-1,625,291
<i>whereof due to deferred members</i>	-13,581	-14,802
<i>whereof due to pensioners</i>	-886,163	-821,120
Fair value of plan assets at the beginning of the year	2,216,507	2,150,607
Interest income on plan assets	17,273	27,527
Employees' contributions	37,797	33,707
Employer's contributions	100,833	75,445
Curtailments, settlements, plan amendments	-606	-2,878
Benefits paid by fund	-34,091	-36,123
Transfer payments in/out	493	4
Administration cost (excluding asset management cost)	-909	-909
Return on plan assets (excluding interest income)	83,634	-30,101
Translation differences	-2,421	-772
Fair value of plan assets at the end of the year	2,418,510	2,216,507
	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
2. Balance sheet		
Fair value of plan assets	2,418,510	2,216,507
Present value of defined benefit obligation	-2,537,945	-2,461,213
Net defined benefit asset/(liability)	-119,435	-244,706

	2016 CHF 1,000	2015 CHF 1,000
3. Income statement		
Current service cost	-65,032	-60,520
Interest expense on defined benefit obligation	-18,547	-28,632
Past service cost, curtailments, settlements, plan amendments	56,041 ¹	-4,250
Interest income on plan assets	17,273	27,527
Administration cost (excluding asset management cost)	-909	-909
Defined benefit cost recognised in the income statement	-11,174	-66,784
<i>whereof service cost</i>	-9,900	-65,679
<i>whereof net interest on the net defined benefit/(liability) asset</i>	-1,274	-1,105

¹ In 2016, the Bank amended its defined benefit plans in Switzerland and therefore recalculated its defined benefit obligation (DBO). The amendments are related to a lower conversion rate, a higher pension age and higher savings contributions and resulted in a reduction of the defined benefit obligation by CHF 61.5 million, which was recognised in the income statement.

4. Movement in defined benefit liability

Net defined benefit asset/(liability) at the beginning of the year	-244,706	-130,344
Translation differences	846	328
Defined benefit cost recognised in the income statement	-11,174	-66,784
Employer's contributions	100,833	75,445
Remeasurements of the net defined benefit liability/(asset)	34,766	-123,351
Amounts recognised in the balance sheet	-119,435	-244,706

Remeasurements of the net defined benefit liability/(asset)

Actuarial gains/(losses) of defined benefit obligation	-48,868	-93,250
Return on plan assets (excluding interest income)	83,634	-30,101
Total recognised in other comprehensive income	34,766	-123,351

5. Composition of plan assets

Cash	119,619	43,178
Debt instruments	729,530	692,271
Equity instruments	726,090	741,770
Real estate	398,408	336,884
Alternative investments	262,940	230,061
Other	181,923	172,343
Total	2,418,510	2,216,507

	2016 %	2015 %
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	4.95	1.95
Debt instruments	28.90	29.87
Equity instruments	30.02	33.47
Real estate	7.45	7.75
Other	12.72	10.70
Total	84.04	83.74

	2016 CHF 1,000	2015 CHF 1,000
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	-66,953	-67,278
Effect on service cost	-2,276	-2,199
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	63,369	63,631
Effect on service cost	2,143	2,067
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	8,698	5,366
Effect on service cost	864	537
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	-8,898	-5,359
Effect on service cost	-885	-539
Life expectancy		
Increase in longevity by one additional year	52.6	48.6

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2016. The actuarial assumptions are

based on local economic conditions and are as follows for Switzerland which accounts for about 99% (2015: 99%) of all benefit obligations and plan assets:

	2016	2015
Discount rate	0.55%	0.75%
Average future salary increases	0.50%	1.00%
Future pension increases	0.00%	0.00%
Duration (years)	14	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 2017 financial year related to defined benefit plans are estimated at CHF 80.4 million.

Outstanding liabilities to pension plans

The Bank had outstanding liabilities to various pension plans in the amount of CHF 2.4 million (2015: CHF 3.6 million).

Defined contribution pension plans

Bank Julius Baer & Co. Ltd. maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 17.9 million for the 2016 financial year (2015: CHF 17.3 million).

21 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2016 CHF m	31.12.2015 CHF m
Receivables		
Receivables from cash provided in securities borrowing transactions	16.2	17.3
<i>of which recognised in due from banks</i>	16.2	17.3
Receivables from cash provided in reverse repurchase transactions	1.4	866.2
<i>of which recognised in due from banks</i>	1.4	646.0
<i>of which recognised in loans</i>	-	220.2
Obligations		
Obligations to return cash received in securities lending transactions	1,301.2	1,028.4
<i>of which recognised in due to banks</i>	1,301.2	1,028.4
Obligations to return cash received in repurchase transactions	248.3	307.7
<i>of which recognised in due to banks</i>	248.3	307.7
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	2,342.3	2,026.5
<i>of which securities the right to pledge or sell has been granted without restriction</i>	2,342.3	2,026.5
<i>of which recognised in trading assets</i>	1,543.2	1,580.1
<i>of which recognised in financial investments available-for-sale</i>	799.1	446.4
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	2,138.7	2,841.8
<i>of which repledged or resold securities</i>	2,032.3	1,432.3

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 fulfill the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase

Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets which continue to be recognised are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

22 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	66,013.3	757.3	675.8
Futures	97.6	0.1	0.1
Cross-Currency Swaps	267.9	-	5.0
Options (OTC)	39,216.0	460.7	362.9
Total foreign exchange derivatives 31.12.2016	105,594.8	1,218.1	1,043.8
Total foreign exchange derivatives 31.12.2015	103,307.4	989.1	778.4
Interest rate derivatives			
Swaps	8,797.4	108.8	103.3
Futures	791.9	1.4	1.7
Options (OTC)	261.8	13.1	6.9
Total interest rate derivatives 31.12.2016	9,851.1	123.3	111.9
Total interest rate derivatives 31.12.2015	9,767.2	112.0	111.0
Precious metals derivatives			
Forward contracts	1,687.4	18.9	61.7
Futures	180.4	1.3	-
Options (OTC)	2,788.7	190.9	37.4
Total precious metals derivatives 31.12.2016	4,656.5	211.1	99.1
Total precious metals derivatives 31.12.2015	2,940.9	159.6	36.9
Equity/indices derivatives			
Futures	1,812.3	48.5	43.0
Options (OTC)	10,303.4	176.2	181.3
Options (traded)	9,525.9	853.2	670.4
Total equity/indices derivatives 31.12.2016	21,641.6	1,077.9	894.7
Total equity/indices derivatives 31.12.2015	19,739.5	895.2	1,361.1
Other derivatives			
Futures	144.1	0.5	2.7
Total other derivatives 31.12.2016	144.1	0.5	2.7
Total other derivatives 31.12.2015	127.9	10.3	-

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	295.0	0.1	6.7
Total return swaps	66.6	2.3	0.2
Other	39.4	-	10.2
Total credit derivatives 31.12.2016	401.0	2.4	17.1
Total credit derivatives 31.12.2015	180.5	0.6	9.9
Total derivatives held for trading 31.12.2016	142,289.1	2,633.3	2,169.3
Total derivatives held for trading 31.12.2015	136,063.4	2,166.8	2,297.3

Derivatives held for hedging

Derivatives designated as fair value hedges

Interest rate swaps	2,171.1	10.8	71.9
Total derivatives held for hedging 31.12.2016	2,171.1	10.8	71.9
Total derivatives held for hedging 31.12.2015	1,442.5	-	72.5
Total derivative financial instruments 31.12.2016	144,460.2	2,644.1	2,241.2
Total derivative financial instruments 31.12.2015	137,505.9	2,166.8	2,369.8

23A FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	Carrying value CHF m	31.12.2016 Fair value CHF m	Carrying value CHF m	31.12.2015 Fair value CHF m
Cash, loans and receivables				
Cash	11,805.6	11,805.6	8,256.0	8,256.0
Due from banks	13,768.3	13,786.5	8,603.8	8,611.7
Loans	34,806.9	35,226.0	33,338.8	33,780.6
Accrued income	218.1	218.1	289.8	289.8
Total	60,598.9	61,036.2	50,488.4	50,938.1
Held for trading				
Trading assets	7,358.1	7,358.1	7,026.6	7,026.6
Derivative financial instruments	2,633.3	2,633.3	2,166.8	2,166.8
Total	9,991.4	9,991.4	9,193.4	9,193.4
Derivatives designated as hedging instruments				
Derivative financial instruments	10.8	10.8	-	-
Total	10.8	10.8	-	-
Designated at fair value				
Financial assets designated at fair value	252.4	252.4	197.0	197.0
Total	252.4	252.4	197.0	197.0
Available-for-sale				
Financial investments available-for-sale	17,854.8	17,854.8	15,897.7	15,897.7
Total	17,854.8	17,854.8	15,897.7	15,897.7
Total financial assets	88,708.3	89,145.6	75,776.5	76,226.2

Financial liabilities

	Carrying value CHF m	31.12.2016 Fair value CHF m	Carrying value CHF m	31.12.2015 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	14,248.9	14,249.3	7,391.2	7,391.4
Due to customers	61,265.0	61,392.9	60,772.6	60,922.1
Accrued expenses	146.0	146.0	143.8	143.8
Total	75,659.9	75,788.2	68,307.6	68,457.3
Held for trading				
Trading liabilities	159.0	159.0	190.8	190.8
Derivative financial instruments	2,169.3	2,169.3	2,297.3	2,297.3
Total	2,328.3	2,328.3	2,488.1	2,488.1
Derivatives designated as hedging instruments				
Derivative financial instruments	71.9	71.9	72.5	72.5
Total	71.9	71.9	72.5	72.5
Designated at fair value				
Financial liabilities designated at fair value	8,444.4	8,444.4	4,263.1	4,263.1
Total	8,444.4	8,444.4	4,263.1	4,263.1
Total financial liabilities	86,504.5	86,632.8	75,131.3	75,281.0

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

Short-term financial instruments

Financial instruments with a maturity or a refinancing profile of one year or less are generally classified as short-term. This applies for the balance sheet items cash and money market instruments. Depending on the maturity, it also includes the following: due from banks; loans; mortgages; due to banks; due to customers and debt issued. For short-term financial instruments which do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the carrying value fundamentally approximates the fair value.

Long-term financial instruments

Depending on the maturity, these include the following balance sheet items: due from banks; loans; mortgages; due to banks; due to customers and debt issued. The fair value of long-term financial instruments which have a maturity or a refinancing profile of more than one year is derived by using the net present value method. Generally, the Libor rate is used to calculate the net present value of the loans and mortgages, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement.

Trading assets and liabilities, financial investments available-for-sale, derivative financial instruments and financial liabilities designated at fair value

Refer to Note 23B for details regarding the valuation of these instruments.

23B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

Level 1

For trading assets as well as for certain financial investments available-for-sale and exchange-traded derivatives whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

Level 2

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

Level 3

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

Financial investments available-for-sale: The Bank holds certain equity instruments, which are required for the operation of the Bank and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may

have an influence on the valuation (adjusted net asset method). In 2016, dividends related to these investments in the amount of CHF 7.3 million have been recognised in the income statement.

Financial instruments designated at fair value: The Bank issues to its private clients certain specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the 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:

	31.12.2016			
	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	Total CHF m
Assets and liabilities measured at fair values				
Trading assets - debt instruments	1,369.4	46.7	-	1,416.1
Trading assets - equity instruments	5,560.7	381.3	-	5,942.0
Total trading assets	6,930.1	428.0	-	7,358.1
Foreign exchange derivatives	0.1	1,218.0	-	1,218.1
Interest rate derivatives	1.4	132.7	-	134.1
Precious metal derivatives	1.2	209.9	-	211.1
Equity/indices derivatives	48.5	1,029.4	-	1,077.9
Credit derivatives	-	2.4	-	2.4
Other derivatives	0.5	-	-	0.5
Total derivative financial instruments	51.7	2,592.4	-	2,644.1
Financial assets designated at fair value	128.3	29.3	94.8	252.4
Financial investments available-for-sale – money market instruments	516.3	3,137.8	-	3,654.1
Financial investments available-for-sale – debt instruments	13,183.1	894.7	-	14,077.8
Financial investments available-for-sale – equity instruments	-	0.5	122.4	122.9
Total financial investments available-for-sale	13,699.4	4,033.0	122.4	17,854.8
Total assets	20,809.5	7,082.7	217.2	28,109.4
Short positions – debt instruments	44.6	3.4	-	48.0
Short positions – equity instruments	96.0	15.0	-	111.0
Total trading liabilities	140.6	18.4	-	159.0
Foreign exchange derivatives	0.1	1,043.7	-	1,043.8
Interest rate derivatives	1.7	182.1	-	183.8
Precious metal derivatives	0.0	99.1	-	99.1
Equity/indices derivatives	43.0	861.9	-	904.9
Credit derivatives	-	6.9	-	6.9
Other derivatives	2.7	-	-	2.7
Total derivative financial instruments	47.5	2,193.7	-	2,241.2
Financial liabilities designated at fair value	-	8,180.8	263.6	8,444.4
Total liabilities	188.1	10,392.9	263.6	10,844.6

31.12.2015

	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	Total CHF m
Assets and liabilities measured at fair value				
Trading assets - debt instruments	775.7	385.1	-	1,160.8
Trading assets - equity instruments	5,451.9	413.9	-	5,865.8
Total trading assets	6,227.6	799.0	-	7,026.6
Foreign exchange derivatives	0.1	989.0	-	989.1
Interest rate derivatives	2.2	109.8	-	112.0
Precious metal derivatives	1.0	158.6	-	159.6
Equity/indices derivatives	22.3	872.9	-	895.2
Credit derivatives	-	0.6	-	0.6
Other derivatives	10.3	-	-	10.3
Total derivative financial instruments	35.9	2,130.9	-	2,166.8
Financial assets designated at fair value	121.8	27.0	48.2	197.0
Financial investments available-for-sale – money market instruments	-	1,903.3	-	1,903.3
Financial investments available-for-sale – debt instruments	10,217.2	3,700.7	-	13,917.9
Financial investments available-for-sale – equity instruments	-	0.5	76.0	76.5
Total financial investments available-for-sale	10,217.2	5,604.5	76.0	15,897.7
Total assets	16,602.5	8,561.4	124.2	25,288.1
Short positions - debt instruments	81.2	36.0	-	117.2
Short positions - equity instruments	54.0	19.6	-	73.6
Total trading liabilities	135.2	55.6	-	190.8
Foreign exchange derivatives	-	778.4	-	778.4
Interest rate derivatives	3.4	180.1	-	183.5
Precious metal derivatives	-	36.9	-	36.9
Equity/indices derivatives	20.3	1,340.8	-	1,361.1
Credit derivatives	-	9.9	-	9.9
Total derivative financial instruments	23.7	2,346.1	-	2,369.8
Financial liabilities designated at fair value	-	4,059.6	203.5	4,263.1
Total liabilities	158.9	6,461.3	203.5	6,823.7

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

				31.12.2016
	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	Total CHF m
Assets and liabilities disclosed at fair value				
Cash	11,805.6	-	-	11,805.6
Due from banks	-	13,786.5	-	13,786.5
Loans	-	35,226.0	-	35,226.0
Accrued income	-	218.1	-	218.1
Total assets	11,805.6	49,230.6	-	61,036.2
Due to banks	-	14,249.3	-	14,249.3
Due to customers	-	61,392.9	-	61,392.9
Accrued expenses	-	146.0	-	146.0
Total liabilities	-	75,788.2	-	75,788.2

				31.12.2015
	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	Total CHF m
Asset and liabilities disclosed at fair value				
Cash	8,256.0	-	-	8,256.0
Due from banks	-	8,611.7	-	8,611.7
Loans	-	33,780.6	-	33,780.6
Accrued income	-	289.8	-	289.8
Total assets	8,256.0	42,682.1	-	50,938.1
Due to banks	-	7,391.4	-	7,391.4
Due to customers	-	60,922.1	-	60,922.1
Accrued expenses	-	143.8	-	143.8
Total liabilities	-	68,457.3	-	68,457.3

23C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

	31.12.2016 CHF m	31.12.2015 CHF m
Transfers from level 1 to level 2		
Trading assets	1.3	124.7
Derivative financial instruments	-	106.0
Financial investments available-for-sale	-	2,187.0
Trading liabilities	-	4.7
Derivative financial instruments	-	313.0
Financial liabilities designated at fair value	-	321.5
Transfers from level 2 to level 1		
Trading assets	244.0	38.5
Financial investments available-for-sale	2,141.4	580.0
Trading liabilities	0.5	0.5

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

23D FINANCIAL INSTRUMENTS – OFFSETTING

As a private bank, 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 17.6 million (2015: CHF 883.5 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 1,549.5 million (2015: CHF 1,336.1 million) as disclosed in Note 21 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 1,739.1 million (positive replacement values) and CHF 1,523.3 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. Additionally, there are derivative financial instruments in the amount of CHF 664.3 million (2015: CHF 462.9 million) which could be offset with the corresponding outstanding amount.

Refer to the Credit Risk section for further analysis of the Bank's credit risk strategies and exposure.

24A COMPANIES CONSOLIDATED AS AT 31 DECEMBER 2016

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
<i>Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zug, Zurich</i>				
<i>Representative Offices in Abu Dhabi, Dubai, Istanbul, Moscow, Panama City, Santiago de Chile, Shanghai, Tel Aviv including</i>				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	Singapore	SGD	0.000	100

24B 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.

25 ACQUISITIONS

Apart from the acquisition of Merrill Lynch's International Wealth Management business (see Note 28 for details), no transaction was executed.

26 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2016. 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.

The 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.

Deferred variable compensation plans

Cash-based variable compensation –

Deferred Cash Plan

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

Equity-based variable compensation –

Premium Share Plan

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

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer and total variable compensation. All members of the Executive Board, key employees, and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, contribution to Julius Baer, defined total pay mix and level of responsibility.

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

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

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer 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.

Integration Incentive Award (for former Bank of America Merrill Lynch Relationship Managers)
As part of Julius Baer's integration of Bank of America Merrill Lynch's IWM business, key Relationship Managers from IWM were offered participation in the Integration Incentive Award (a cash- and share-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The Integration Incentive Award plan runs for a maximum of five years, with cash being paid out on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one-third of the number of shares granted to him or her at the beginning of the plan period.

In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares are forfeited.

Cash-based integration programmes

As part of its integration of Bank of America Merrill Lynch's International Wealth Management business, Julius Baer established two cash-based programmes.

The first programme, the Replacement Award, is a programme which provides cash compensation in lieu of awards that were forfeited as a result of the corporate acquisition. The actual value of forfeiture is paid out in up to four tranches (depending on the size of the award) over a period of up to 18 months.

The second programme, the Asset Transfer Award, is a performance-based programme offered to relationship managers transferring to the Bank. The Asset Transfer Award, which is geared towards further accelerating the transfer of assets under management to the Bank, offered the participants a cash payment upon reaching specific asset-transfer hurdles (as measured on the basis of assets under management).

Incentive Share Plan (ISP, applied as part of the variable compensation for 2012)

At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1 million and above or the local currency equivalent) of the executives' variable incentive is deferred to the ISP and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over the three-year plan period, subject to continued employment.

Participants in the ISP 2012 are granted a pre-fixed number of incentive shares, which cliff-vest at the end of the three-year plan period, subject to continued employment. The number of incentive shares granted is determined based on the number of shares from bonus deferral: members of the Executive Board were eligible for twice the number of additional shares in comparison to participants who are not members of the Executive Board.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events

where the employee's behaviour has substantially contributed to a financial loss of the Bank or caused reputational damage.

Long-Term Incentive Plan (LTI)

In certain specific situations the Bank may also offer incentives outside the annual compensation cycle. Actions such as compensating new hires for deferred awards they have forfeited by resigning from their previous employer or making retention payments to key employees during extraordinary or critical circumstances may be carried out by granting individuals an equity-based LTI.

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

The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out in the plan rules. All grants made in 2014 and 2015 are free from restrictions upon vesting.

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 reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer 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 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 45.1 million (2015: CHF 29.2 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 48.3 million (2015: CHF 42.7 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 amount to CHF 48.3 million (2015: CHF 42.7 million).

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

		31.12.2016		31.12.2015
	Number of units	Number of units	Number of units	Number of units
	Economic Profit	Total Shareholder Return	Economic Profit	Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	488,173	488,173	206,458	206,458
Granted during the year	287,249	287,249	286,543	286,543
Exercised during the year	-46,160	-46,160	-3,360	-3,360
Forfeited during the year	-85,532	-85,532	-1,468	-1,468
Unvested units outstanding, at the end of the year	643,730	643,730	488,173	488,173

	31.12.2016	31.12.2015
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	904,945	713,795
Granted during the year	492,563	547,163
Vested during the year	-361,884	-303,403
Transferred (net) during the year	4,022	-796
Forfeited during the year	-82,843	-51,814
Unvested shares outstanding, at the end of the year	956,803	904,945
Weighted average fair value per share granted (CHF)	39.28	43.84
Fair value of outstanding shares at the end of the year (CHF 1,000)	43,276	44,035

	31.12.2016	31.12.2015
Incentive Share Plan		
Unvested shares outstanding, at the beginning of the year	404,462	596,898
Vested during the year	-409,058	-182,642
Transferred (net) during the year	4,596	-1,850
Forfeited during the year	-	-7,944
Unvested shares outstanding, at the end of the year	-	404,462
Fair value of outstanding shares at the end of the year (CHF 1,000)	-	19,681

	Number of units	31.12.2015 Number of units Total Shareholder Return
Incentive Share Plan		
Unvested units outstanding, at the beginning of the year	114,397	114,397
Exercised during the year	-113,483	-113,483
Forfeited during the year	-914	-914
Unvested units outstanding, at the end of the year	-	-

	31.12.2016	31.12.2015
Integration Incentive Award		
Unvested shares outstanding, at the beginning of the year	300,335	311,473
Transferred (net) during the year	-	5,675
Forfeited during the year	-12,809	-16,813
Unvested shares outstanding, at the end of the year	287,526	300,335
Fair value of outstanding shares at the end of the year (CHF 1,000)	13,005	14,614

	31.12.2016	31.12.2015
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	267,001	206,605
Granted during the year	285,125	206,486
Vested during the year	-129,188	-121,598
Transferred (net) during the year	284	1,841
Forfeited during the year	-43,931	-26,333
Unvested shares outstanding, at the end of the year	379,291	267,001
Weighted average fair value per share awarded (CHF)	40.69	47.49
Fair value of outstanding shares at the end of the year (CHF 1,000)	17,155	12,992

	31.12.2016	31.12.2015
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	103,754	106,251
Granted during the year	43,889	34,181
Vested during the year	-37,516	-33,855
Transferred (net) during the year	-208	-79
Forfeited during the year	-3,425	-2,744
Unvested shares outstanding, at the end of the year	106,494	103,754
Weighted average fair value per share granted (CHF)	42.74	45.94
Fair value of outstanding shares at the end of the year (CHF 1,000)	4,817	5,049

Compensation expense recognised for the various share plans are:

	31.12.2016 CHF m	31.12.2015 CHF m
Compensation expense		
Equity Performance Plan	17.2	11.5
Premium Share Plan	17.3	17.2
Incentive Share Plan	0.4	5.4
Integration Incentive Award	2.8	2.9
Long-Term Incentive Plan	9.0	4.2
Staff Participation Plan	1.6	1.5
Total	48.3	42.7

27 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 where 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 a Bank subsidiary or business are stated separately. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

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

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

Assets under management

	2016 CHF m	2015 CHF m	Change %
Assets with discretionary mandate	39,390	38,379	2.6
Other assets under management	239,354	221,434	8.1
Total assets under management (including double counting)	278,744	259,813	7.3
<i>of which double counting</i>	5,757	4,768	20.7
Change through net new money	7,736	8,861	
Change through market and currency impacts	11,203	-8,838	
Change through acquisition	-	1,288 ¹	
Change through divestment	-8	-69	
Client assets	334,203	326,823 ²	2.3

¹ In March 2015, the Bank acquired the business of Leumi Private Bank Ltd.

² Excluding assets which were previously counted as assets under management and assets under custody.

Breakdown of assets under management

	2016 %	2015 %
By types of investment		
Equities	28	27
Bonds (including convertible bonds)	21	20
Investment funds	20	21
Money market instruments	7	4
Client deposits	17	22
Structured products	6	5
Other	1	1
Total	100	100

By currencies		
CHF	12	13
EUR	18	19
USD	49	47
GBP	5	5
SGD	2	2
HKD	3	3
RUB	1	1
CAD	1	1
Other	9	9
Total	100	100

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.

28 ACQUISITION OF MERRILL LYNCH'S INTERNATIONAL WEALTH MANAGEMENT BUSINESS

Transaction summary

On 13 August 2012, Julius Baer Group announced to acquire Merrill Lynch's International Wealth Management (IWM) business outside the US from Bank of America. The acquisition was structured as a combination of legal entity acquisitions and business transfers. Principal closing occurred on 1 February 2013. Since then, legal entity purchases and asset transfers have happened during the integration period which ended in the first quarter of 2015.

The income and expenses related to the AuM which are booked with the Bank were recorded according to the Bank's accounting policies. In addition, the Bank received from Merrill Lynch & Co., Inc. the revenues related to the AuM reported (i.e. the AuM transferred to the Bank but not yet booked by the Bank) and was charged with platform and other central service costs by Merrill Lynch & Co., Inc. These revenues were recognised in commission income with the related cost expensed through other general expenses. Any other expenses were also recorded according to the Bank's accounting policies.

Purchase price

The consideration payable in USD to Merrill Lynch & Co., Inc. was 1.2% of AuM, payable as and when AuM were transferred to a Bank Julius Baer booking platform. In addition, the Bank paid CHF-for-CHF for any net asset value of the companies and businesses that were transferred in the acquisition, as and when the companies and businesses to which the net asset value was attributable were transferred.

The purchase price was partially funded by existing excess capital of the Bank. In addition, Julius Baer Group Ltd. provided capital contributions in kind.

Final status as at 31 December 2015

As at 31 December 2015, AuM in the amount of CHF 40.3 billion (fair value as of the respective acquisition date) have been booked with the Bank, whereof CHF 2.3 billion have been reclassified to assets under custody.

The transaction resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 645.0 million. This amount consists of the following components:

- the contractual consideration of 1.2% of the AuM booked;
- adjustments due to the remeasurement to fair value of the assets acquired and the liabilities assumed in the process of the purchase price allocation;
- the increase in the fair value as compared to the contractually agreed value of USD 35.20 for the shares of Julius Baer Group Ltd. provided as part of the consideration; and
- foreign exchange fluctuations.

Therefore, the purchase price of CHF 686.1 million was paid for goodwill and intangible assets and net asset values of the acquired legal entities.

The legal entities as well as the business acquired have been fully integrated into the existing Bank structure (including rebranding of the continued legal entities).

The assets and liabilities of the acquired IWM entities and businesses were recorded as follows:

	Fair value CHF 1,000
Purchase price	
in cash	634,251
capital contribution in kind ¹	51,885
Total	686,136
Assets acquired	
Cash	271,530
Due from banks	7,646,446
Loans ²	3,649,547
All other assets	129,077
Total	11,696,600
Liabilities assumed	
Due to banks	3,478,268
Due to customers	7,973,428
Deferred tax liabilities	25,620
All other liabilities	178,125
Total	11,655,441
Goodwill and other intangible assets related to legal entity acquisitions and to business transfers	
Goodwill	363,996
Customer relationships	280,981
Total	644,977

¹ The capital contribution in kind reflects the difference between the contractual value and the acquisition date fair value of the Group's consideration shares, which were part of the purchase price for Merrill Lynch's International Wealth Management business. The Bank recognised a capital contribution in equity relating to this amount, for which the Bank did not incur any costs.

² At the acquisition date, the gross contractual amount of loans acquired was CHF 3,650 million.

29 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, and on the guidelines of the FINMA Circular2015/1 'Accounting Banks'.

Under IFRS, goodwill is not amortised but must be 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.

30 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 2016 financial year.

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



KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8036 Zurich

Telephone +41 58 249 31 31
Internet www.kpmg.ch

Statutory Auditor's Report to the General Meeting 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 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 4 to 93).

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 2016, 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 IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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.



Bank Julius Baer & Co. Ltd., Zurich
*Statutory Auditor's Report
on the Audit of the Consolidated Financial Statements
to the General Meeting*

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.



Bank Julius Baer & Co. Ltd., Zurich
*Statutory Auditor's Report
on the Audit of the Consolidated Financial Statements
to the General Meeting*

- 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.

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

A handwritten signature in black ink, appearing to read 'Rickert'.

Philipp Rickert
*Licensed Audit Expert
Auditor in Charge*

A handwritten signature in black ink, appearing to read 'Castagna'.

Cataldo Castagna
Licensed Audit Expert

Zurich, 22 February 2017

Appendix 3:
BJB Financial Statements 2016

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Appendix 3:
BJB Finanzinformationen 2016

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FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	2016 CHF 1,000	2015 CHF 1,000	Change CHF 1,000	Change %
Interest and discount income		464,527	420,595	43,932	10.4
Interest and dividend income on trading portfolios		225,841	165,283	60,558	36.6
Interest and dividend income on financial investments		310,815	280,313	30,502	10.9
Interest expense		87,401	71,148	16,253	22.8
Gross result on interest operations	1	913,782	795,043	118,739	14.9
Changes in value adjustments for default risks and losses from interest operations and losses on the interest business		-8,523	-31,964	23,441	-73.3
Subtotal net result on interest operations		905,259	763,079	142,180	18.6
Commission income on securities trading and investment activities and investment transactions		1,388,071	1,452,352	-64,281	-4.4
Commission income on lending activities		7,048	5,924	1,124	19.0
Commission income on other services		111,075	91,634	19,441	21.2
Commission expense		391,041	326,762	64,279	19.7
Subtotal result on commission business and services		1,115,153	1,223,148	-107,995	-8.8
Result on trading activities and the fair value option	2	320,231	418,878	-98,647	-23.6
Result from the sale of financial investments		-79,361	-92,305	12,944	-14.0
Real estate income		5,872	5,705	167	2.9
Other ordinary income		65,804	50,618	15,186	30.0
Other ordinary expenses		478	67,007	-66,529	-99.3
Subtotal other result from ordinary activities		-8,163	-102,989	94,826	-92.1
Operating income		2,332,480	2,302,116	30,364	1.3
Personnel expenses	3	972,353	1,126,418	-154,065	-13.7
General expenses	4	522,377	560,367	-37,990	-6.8
Subtotal operating expenses		1,494,730	1,686,785	-192,055	-11.4
Depreciation and amortisation	14	212,048	299,674	-87,626	-29.2
Provisions and losses	5, 19	7,905	539,064	-531,159	-98.5
Operating result		617,797	-223,407	841,204	-
Extraordinary income	6	-	245,344	-245,344	-100.0
Taxes	7	109,714	62,450	47,264	75.7
Net profit/loss		508,083	-40,513	548,596	-

BALANCE SHEET

	Note	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Assets					
Cash		11,805,590	8,255,991	3,549,599	43.0
Due from banks	9	13,750,682	7,940,532	5,810,150	73.2
Due from securities transactions	8	17,622	883,500	-865,878	-98.0
Due from customers	9	27,310,595	25,892,896	1,417,699	5.5
Mortgages	9	7,438,292	7,155,417	282,875	4.0
Trading portfolios	10	7,756,942	9,052,934	-1,295,992	-14.3
Positive replacement values of derivative financial instruments	12	2,644,082	2,166,759	477,323	22.0
Financial assets designated at fair value	11	252,364	196,976	55,388	28.1
Financial investments	13	17,725,278	15,787,581	1,937,697	12.3
Accrued income and prepaid expenses		248,296	314,096	-65,800	-20.9
Participations		1,910	1,910	-	-
Tangible fixed assets	14	589,458	486,411	103,047	21.2
Intangible assets	14	1,079,820	1,229,638	-149,818	-12.2
Other assets	15	314,989	625,696	-310,707	-49.7
Total assets	24	90,935,920	79,990,337	10,945,583	13.7
Total subordinated claims		195,035	145,385	49,650	34.2
<i>of which with conversion obligation and/or claims waiver</i>		7,741	7,050	691	9.8

OFF-BALANCE SHEET TRANSACTIONS

	Note	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Contingent liabilities	26	1,183,495	984,553	198,942	20.2
Irrevocable commitments	27	809,186	819,301	-10,115	-1.2
Obligation to make additional contributions	28	50	50	-	-
Unused tax losses carried forward	29	27,461	22,699	4,762	21.0
Fiduciary transactions	30	8,304,487	9,004,906	-700,419	-7.8

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Net profit	508,083	-40,513	548,596	-
Profit carried forward	62	575	-513	-89.2
Disposable profit	508,145	-39,938	548,083	-
Appropriation of profit				
Allocation to statutory retained earnings reserve	22,000	10,000	12,000	120.0
Allocation to voluntary retained earnings reserve	266,000	-	266,000	-
Allocation from voluntary retained earnings reserve	-	150,000	-150,000	-100.0
Dividend payment	220,000	100,000	120,000	120.0
Total appropriation of profit	508,000	-40,000	548,000	-
Profit carried forward	145	62	83	133.9

NOTES TO THE FINANCIAL STATEMENTS

1 GROSS RESULT ON INTEREST OPERATIONS

	2016 CHF 1,000	2015 CHF 1,000	Change CHF 1,000	Change %
Interest income on cash	-35,749	-26,606	-9,143	-34.4
- of which negative interest	-35,749	-26,606	-9,143	-34.4
Interest income on amounts due from banks	41,455	43,124	-1,669	-3.9
- of which negative interest	-126	-43	-83	-193.0
Interest income on loans	458,821	404,078	54,743	13.5
- of which negative interest	-224	-169	-55	-32.5
Interest income on financial investments available-for-sale	303,532	270,051	33,481	12.4
Total interest income using the effective interest method	768,059	690,647	77,412	11.2
Dividend income on financial investments available-for-sale	7,283	10,261	-2,978	-29.0
Interest income on trading portfolios	29,784	23,830	5,954	25.0
Dividend income on trading portfolios	196,057	141,453	54,604	38.6
Total interest and dividend income	1,001,183	866,191	134,992	15.6
Interest expense on amounts due to banks	10,517	7,238	3,279	45.3
- of which negative interest	-673	-178	-495	-
Interest expense on amounts due to customers	76,884	63,910	12,974	20.3
- of which negative interest	-7,115	-1,987	-5,128	-
Total interest expense using the effective interest method	87,401	71,148	16,253	22.8
Total	913,782	795,043	118,739	14.9

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

2 RESULT ON TRADING ACTIVITIES AND THE FAIR VALUE OPTION

	2016 CHF 1,000	2015 CHF 1,000	Change CHF 1,000	Change %
Debt instruments	50,483	30,342	20,141	66.4
Equity instruments	-169,424	-108,487	-60,937	56.2
Foreign exchange	439,172	497,023	-57,851	-11.6
Total	320,231	418,878	-98,647	-23.6

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

3 PERSONNEL EXPENSES

	2016 CHF 1,000	2015 CHF 1,000	Change CHF 1,000	Change %
Salaries and bonuses	941,250	802,618	138,632	17.3
Contributions to retirement plans (defined benefits)	11,174 ¹	66,784	-55,610	-83.3
Contributions to staff pension plans (defined contributions)	17,883	17,265	618	3.6
Change in net defined pension plans liability	-124,425	114,690	-239,115	-
Other social security contributions	64,021	60,338	3,683	6.1
Share-based payments	48,268	42,667	5,601	13.1
Other personnel expenses	14,182	22,056	-7,874	-35.7
Total	972,353	1,126,418	-154,065	-13.7

¹ Including the effect of a plan amendment in the amount of CHF 61.5 million (see Note 18).

4 GENERAL EXPENSES

	2016 CHF 1,000	2015 CHF 1,000	Change CHF 1,000	Change %
Occupancy expense	64,643	62,770	1,873	3.0
IT and other equipment expense	60,868	56,965	3,903	6.9
Information, communication and advertising expense	146,669	141,410	5,259	3.7
Service expense, fees and taxes	248,964	297,668	-48,704	-16.4
<i>of which fees of audit firm</i>				
- Audit fees	3,782	3,142	640	20.4
- Other fees	715	1,179	-464	-39.4
Other general expenses	1,233	1,554	-321	-20.7
Total	522,377	560,367	-37,990	-6.8

5 PROVISIONS AND LOSSES

	2016 CHF 1,000	2015 CHF 1,000	Change CHF 1,000	Change %
Operating losses	4,057	12,922	-8,865	-68.6
Provision legal risks	3,105	524,922 ¹	-521,817	-99.4
Provision other	743	1,220	-477	-39.1
Total	7,905	539,064	-531,159	-98.5

¹ Including the provision in the amount of USD 547.25 million related to the agreement in principle with the US Attorney's Office for the Southern District of New York with respect to a resolution regarding Julius Baer's legacy US cross-border business (see Note 19).

6 EXTRAORDINARY INCOME

	2016 CHF 1,000	2015 CHF 1,000	Change CHF 1,000	Change %
Release of hidden reserves	-	245,344	-245,344	-100.0
Total	-	245,344	-245,344	-100.0

7 TAXES

	2016 <i>CHF 1,000</i>	2015 <i>CHF 1,000</i>	Change <i>CHF 1,000</i>	Change %
Income taxes	105,714	58,850	46,864	79.6
Capital taxes	4,000	3,600	400	11.1
Total	109,714	62,450	47,264	75.7

On a total of CHF 617.8 million (2015: CHF 21.9 million) of net profit before taxes, Bank Julius Baer & Co. Ltd. recognised CHF 109.7 million

(2015: CHF 62.5 million) of taxes which leads to an effective tax rate of 17.8% (2015: 285.4%).

8 SECURITIES LENDING AND BORROWING TRANSACTIONS/ REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Receivables				
Receivables from cash collateral provided in reverse repurchase transactions	17,622	883,500	-865,878	-98.0
Total	17,622	883,500	-865,878	-98.0
Obligations				
Obligations to return cash collateral received in securities lending transactions	1,301,198	1,028,393	272,805	26.5
Obligations to return cash collateral received in repurchase transactions	248,349	307,660	-59,311	-19.3
Total	1,549,547	1,336,053	213,494	16.0
Securities collateral				
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	2,342,256	2,026,452	315,804	15.6
<i>of which securities the right to pledge or sell has been granted without restriction</i>	2,342,256	2,026,452	315,804	15.6
<i>of which recognised in trading assets</i>	1,543,174	1,580,098	-36,924	-2.3
<i>of which recognised in financial investments available-for-sale</i>	799,082	446,354	352,728	79.0
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	2,138,694	2,841,819	-703,125	-24.7
<i>of which repledged</i>	1,923,922	1,278,626	645,296	50.5
<i>of which resold</i>	108,368	153,446	-45,078	-29.4

9 LISTING OF COLLATERAL

	Type of collateral			Total CHF 1,000
	Mortgage collateral CHF 1,000	Other collateral CHF 1,000	Without collateral CHF 1,000	
Balance sheet items¹				
Due from banks	-	9,677,011	4,074,877	13,751,888
Due from customers	81,257	27,175,711	107,966	27,364,934
Mortgages	7,403,551	48,883	3,786	7,456,220
<i>of which residential real estate</i>	<i>6,366,825</i>	<i>-</i>	<i>-</i>	<i>6,366,825</i>
<i>of which office and business premises</i>	<i>407,512</i>	<i>-</i>	<i>-</i>	<i>407,512</i>
<i>of which trade and industrial property</i>	<i>468,593</i>	<i>-</i>	<i>-</i>	<i>468,593</i>
<i>of which other</i>	<i>160,621</i>	<i>48,883</i>	<i>3,786</i>	<i>213,290</i>
Total gross balance sheet items 31.12.2016	7,484,808	36,901,605	4,186,629	48,573,042
Total gross balance sheet items 31.12.2015	7,271,315	30,419,990	3,385,701	41,077,006

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

Allowance for credit losses

Specific valuation allowances	-	-	49,178	49,178
General valuation allowances	14,141	10,154	-	24,295
Total allowance for credit losses 31.12.2016	14,141	10,154	49,178	73,473
Total balance sheet items 31.12.2016	7,470,667	36,891,451	4,137,451	48,499,569
Total balance sheet items 31.12.2015	7,259,613	30,407,442	3,321,790	40,988,845

Off-balance sheet items

Contingent liabilities	-	1,144,920	38,575	1,183,495
Irrevocable commitments	-	452,934	356,252	809,186
Obligation to pay up shares and make further contributions	-	-	50	50
Total off-balance sheet items 31.12.2016	-	1,597,854	394,877	1,992,731
Total off-balance sheet items 31.12.2015	-	1,355,576	448,328	1,803,904

	Gross claims CHF 1,000	Estimated proceeds from liquidation of collateral CHF 1,000	Net claims CHF 1,000	Specific valuation allowances CHF 1,000
Impaired receivables 31.12.2016	64,758	15,564	49,194	49,178
Impaired receivables 31.12.2015	68,863	4,315	64,548	63,911

10 TRADING PORTFOLIOS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Trading assets				
Debt instruments	1,416,096	1,160,775	255,321	22.0
<i>of which quoted</i>	1,338,560	1,102,587	235,973	21.4
<i>of which unquoted</i>	77,536	58,188	19,348	33.3
Equity instruments	5,942,002	5,865,832	76,170	1.3
<i>of which quoted</i>	5,561,164	5,453,326	107,838	2.0
<i>of which unquoted</i>	380,838	412,506	-31,668	-7.7
Precious metals	398,844	2,026,327	-1,627,483	-80.3
Total	7,756,942	9,052,934	-1,295,992	-14.3
<i>of which measurement is based on a valuation model</i>	826,813	2,823,296	-1,996,483	-70.7
<i>of which repo-eligible securities</i>	125,698	269,065	-143,367	-53.3
Trading liabilities				
Short positions - debt	47,955	117,209	-69,254	-59.1
<i>of which quoted</i>	44,723	116,233	-71,510	-61.5
<i>of which unquoted</i>	3,232	976	2,256	231.1
Short positions - equity	110,998	73,590	37,408	50.8
<i>of which quoted</i>	95,964	54,030	41,934	77.6
<i>of which unquoted</i>	15,034	19,560	-4,526	-23.1
Total	158,953	190,799	-31,846	-16.7
<i>of which measurement is based on a valuation model</i>	18,409	55,602	-37,193	-66.9

11 FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Financial assets designated at fair value				
Financial investments	252,364	196,976	55,388	28.1
<i>of which private equity</i>	94,780	48,208	46,572	96.6
<i>of which funds</i>	157,584	148,768	8,816	5.9
Total	252,364	196,976	55,388	28.1
<i>of which measurement is based on a valuation model</i>	124,027	75,218	48,809	64.9
Financial liabilities designated at fair value				
Issued certificates	1,197,414	1,279,434	-82,020	-6.4
<i>of which interest instruments</i>	98,827	94,859	3,968	4.2
<i>of which equity instruments</i>	1,098,587	1,184,575	-85,988	-7.3
Structured products	7,247,029	2,983,651	4,263,378	142.9
<i>of which interest instruments</i>	5,800,812	2,022,209	3,778,603	186.9
<i>of which equity instruments</i>	361,122	198,652	162,470	81.8
<i>of which forex instruments</i>	1,085,095	762,790	322,305	42.3
Total	8,444,443	4,263,085	4,181,358	98.1
<i>of which measurement is based on a valuation model</i>	8,444,443	4,263,085	4,181,358	98.1

12 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	31.12.2016			31.12.2015		
	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	108.8	103.4	8,797	101.3	101.5	6,865
Futures	1.4	1.7	792	2.2	3.4	1,782
Options (OTC)	13.1	6.9	262	8.5	6.1	1,120
Total	123.3	112.0	9,851	112.0	111.0	9,767
Foreign exchange derivatives						
Forward contracts	757.3	675.8	66,013	570.9	464.0	56,248
Combined interest rate/currency swaps	-	5.0	268	0.4	0.1	263
Futures	0.1	0.1	98	0.1	-	40
Options (OTC)	460.7	362.9	39,216	417.7	314.3	46,756
Total	1,218.1	1,043.8	105,595	989.1	778.4	103,307
Precious metals derivatives						
Forward contracts	18.9	61.7	1,687	9.7	17.9	1,017
Futures	1.3	-	180	1.0	-	21
Options (OTC)	190.9	37.3	2,789	148.9	19.0	1,903
Total	211.1	99.0	4,656	159.6	36.9	2,941
Equity/indices derivatives						
Futures	48.5	43.0	1,812	22.3	20.2	1,464
Options (OTC)	176.2	181.3	10,304	204.6	295.6	7,514
Options (traded)	853.2	670.4	9,526	668.3	1,045.3	10,761
Total	1,077.9	894.7	21,642	895.2	1,361.1	19,739
Credit derivatives						
Credit default swaps	0.1	6.7	295	-	9.9	124
Total return swaps	2.3	0.2	67	0.6	-	57
Other	-	10.2	39	-	-	-
Total	2.4	17.1	401	0.6	9.9	181
Other derivatives						
Futures	0.5	2.7	144	10.3	-	128
Total	0.5	2.7	144	10.3	-	128
Total derivatives held for trading	2,633.3	2,169.3	142,289	2,166.8	2,297.3	136,063

Derivatives held for hedging

	31.12.2016			31.12.2015		
	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	10.8	71.9	2,171	-	72.5	1,443
Total	10.8	71.9	2,171	-	72.5	1,443
Total derivatives held for hedging	10.8	71.9	2,171	-	72.5	1,443
Total derivative financial instruments	2,644.1	2,241.2	144,460	2,166.8	2,369.8	137,506

	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	2,117.8	1,737.5	131,135	1,833.3	1,716.1	125,956
1 to 5 years	427.4	355.0	9,962	237.1	500.4	8,601
over 5 years	98.9	148.7	3,363	96.4	153.3	2,949
Total	2,644.1	2,241.2	144,460	2,166.8	2,369.8	137,506
<i>of which measurement is based on a valuation model</i>	2,592.4	2,193.7		2,130.9	2,346.1	
<i>after netting</i>	2,644.1	2,241.2		2,166.8	2,369.8	

	31.12.2016			31.12.2015		
	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	-	1,859.9	784.2	-	1,388.7	778.1
Total	-	1,859.9	784.2	-	1,388.7	778.1

13A FINANCIAL INVESTMENTS

	31.12.2016 Carrying value CHF 1,000	31.12.2015 Carrying value CHF 1,000	31.12.2016 Fair value CHF 1,000	31.12.2015 Fair value CHF 1,000
Money market instruments	3,652,860	1,902,897	3,654,113	1,903,239
Government and agency bonds	3,375,729	3,424,802	3,380,889	3,430,080
Financial institution bonds	6,148,074	6,046,686	6,170,538	6,068,460
Corporate bonds	4,489,302	4,377,602	4,500,031	4,384,632
Other bonds	26,224	34,708	26,389	34,749
Debt instruments	14,039,329	13,883,798	14,077,847	13,917,921
<i>of which quoted</i>	13,002,154	12,927,225	13,038,233	12,959,064
<i>of which unquoted</i>	1,037,175	956,573	1,039,614	958,857
<i>of which valued at lower of cost or fair value</i>	14,039,329	13,883,798	14,077,847	13,917,921
Equity instruments	33,089	886	122,813	74,611
<i>of which unquoted</i>	33,089	886	122,813	74,611
Total	17,725,278	15,787,581	17,854,773	15,895,771
<i>of which repo-eligible securities</i>	1,062,004	1,223,119		

13B FINANCIAL INVESTMENTS – CREDIT RATINGS

			31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000
Debt instruments by the Bank's credit rating classes	Fitch, S&P	Moody's			
1-2	AAA – AA-	Aaa – Aa3	9,243,143	8,854,872	388,271
3	A+ – A-	A1 – A3	4,447,923	4,650,912	-202,989
4	BBB+ – BBB-	Baa1 – Baa3	266,396	285,002	-18,606
5	BB+ – BB-	Ba1 – Ba3	51,848	39,128	12,720
8-9	CC – D	Ca – C	-	4,268	-4,268
Unrated			30,019	49,616	-19,597
Total			14,039,329	13,883,798	155,531

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 01.01.2015	1,516,085	1,367,507	2,883,592	301,582	473,898	146,582	922,062
Additions	-	-	-	4,119	79,839	14,078	98,036
Acquisition of subsidiaries	-	21,685	21,685	-	-	-	-
Disposals/transfers ¹	-	-	-	-	1,575	2,429	4,004
Balance on 31.12.2015	1,516,085	1,389,192	2,905,277	305,701	552,162	158,231	1,016,094
Additions	-	-	-	4,187	137,564	23,526	165,277
Disposals/transfers ¹	-	-	-	-	18,468	9,732	28,200
Balance on 31.12.2016	1,516,085	1,389,192	2,905,277	309,888	671,258	172,025	1,153,171

Depreciation and amortisation

Balance on 01.01.2015	663,910	794,327	1,458,237	70,960	275,950	104,505	451,415
Charge for the period	78,012	139,390	217,402	8,764	53,707 ²	19,801 ²	82,272
Disposals/transfers ¹	-	-	-	-	1,575	2,429	4,004
Balance on 31.12.2015	741,922	933,717	1,675,639	79,724	328,082	121,877	529,683
Charge for the period	78,012	71,806	149,818	9,571	32,691 ³	19,968 ³	62,230
Disposals/transfers ¹	-	-	-	-	18,468	9,732	28,200
Balance on 31.12.2016	819,934	1,005,523	1,825,457	89,295	342,305	132,113	563,713

Carrying value

Balance on 31.12.2015	774,163	455,475	1,229,638	225,977	224,080	36,354	486,411
Balance on 31.12.2016	696,151	383,669	1,079,820	220,593	328,953	39,912	589,458

¹ Includes derecognition of fully depreciated assets

² Includes impairment of CHF 0.7 million related to software and other property and equipment not used anymore

³ Includes impairment of CHF 2.5 million related to software and other property and equipment not used anymore

In 2016, the Bank adjusted the useful life of software up to a maximum of ten years. This change in estimate reduced the amortisation of software accordingly.

15 OTHER ASSETS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Compensation account	60,260	70,426	-10,166	-14.4
Withholding taxes, VAT and other taxes	156,222	419,881	-263,659	-62.8
Other	98,507	135,389	-36,882	-27.2
Total	314,989	625,696	-310,707	-49.7

16 OTHER LIABILITIES

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Withholding taxes, VAT and other taxes	37,487	33,909	3,578	10.6
Other	63,369	142,639	-79,270	-55.6
Total	100,856	176,548	-75,692	-42.9

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

	Carrying value CHF 1,000	31.12.2016 Effective commitment CHF 1,000	Carrying value CHF 1,000	31.12.2015 Effective commitment CHF 1,000
Securities	917,567	917,567	1,465,780	1,465,780
Other	6,897	6,897	14,354	14,354
Total	924,464	924,464	1,480,134	1,480,134

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

increased volatility in the securities markets, higher collaterals have been asked for compared to earlier years.

18 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 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.

	2016 CHF 1,000	2015 CHF 1,000
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	-2,461,213	-2,280,951
Current service cost	-65,032	-60,520
Employees' contribution	-37,797	-33,707
Interest expense on defined benefit obligation	-18,547	-28,632
Past service cost, curtailments, settlements, plan amendments	56,647	-1,372
Benefits paid (incl. benefits paid directly by employer)	34,091	36,123
Transfer payments in/out	-493	-4
Experience gains/(losses) on defined benefit obligation	-29,089	-48,064
Actuarial gains/(losses) arising from change in demographic assumptions	9,262	76,341
Actuarial gains/(losses) arising from change in financial assumptions	-29,041	-121,527
Translation differences	3,267	1,100
Present value of defined obligation at the end of the year	-2,537,945	-2,461,213
<i>whereof due to active members</i>	-1,638,201	-1,625,291
<i>whereof due to deferred members</i>	-13,581	-14,802
<i>whereof due to pensioners</i>	-886,163	-821,120
Fair value of plan assets at the beginning of the year	2,216,507	2,150,607
Interest income on plan assets	17,273	27,527
Employees' contributions	37,797	33,707
Employer's contributions	100,833	75,445
Curtailments, settlements, plan amendments	-606	-2,878
Benefits paid by fund	-34,091	-36,123
Transfer payments in/out	493	4
Administration cost (excluding asset management cost)	-909	-909
Return on plan assets (excl. interest income)	83,634	-30,101
Translation differences	-2,421	-772
Fair value of plan assets at the end of the year	2,418,510	2,216,507
	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
2. Balance sheet		
Fair value of plan assets	2,418,510	2,216,507
Present value of funded obligation	-2,537,945	-2,461,213
Net defined benefit asset/(liability) ¹	-119,435	-244,706

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

	2016 CHF 1,000	2015 CHF 1,000
3. Income statement		
Current service cost (employer)	-65,032	-60,520
Interest expense on defined benefit obligation	-18,547	-28,632
Past service cost, curtailments, settlements, plan amendments	56,041 ¹	-4,250
Interest income on plan assets	17,273	27,527
Administration cost (excluding asset management cost)	-909	-909
Defined benefit cost recognised in the income statement	-11,174	-66,784
<i>whereof service cost</i>	-9,900	-65,679
<i>whereof net interest on the net defined benefit/(liability) asset</i>	-1,274	-1,105
Expense recognised in the income statement	-11,174	-66,784

¹ In 2016, the Bank amended its defined benefit plans in Switzerland and therefore recalculated its defined benefit obligation (DBO). The amendments are related to a lower conversion rate, a higher pension age and higher savings contributions and resulted in a reduction of the defined benefit obligation by CHF 61.5 million, which was recognised in the income statement.

	2016 CHF 1,000	2015 CHF 1,000
4. Movement in defined benefit liability		
Net defined benefit asset/(liability) at the beginning of the year	-244,706	-130,344
Translation differences	846	328
Defined benefit cost recognised in the income statement	-11,174	-66,784
Employer's contributions	100,833	75,445
Remeasurements of the net defined benefit liability/(asset)	34,766	-123,351
Amounts recognised in the balance sheet¹	-119,435	-244,706

	2016 CHF 1,000	2015 CHF 1,000
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	-48,868	-93,250
Return on plan assets excl. interest income	83,634	-30,101
Total recognised in other comprehensive income²	34,766	-123,351

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.

	2016 CHF 1,000	2015 CHF 1,000
5. Composition and fair value of plan assets		
Cash	119,619	43,178
Debt instruments	729,530	692,271
Equity instruments	726,090	741,770
Real estate	398,408	336,884
Alternative investments	262,940	230,061
Other	181,923	172,343
Total	2,418,510	2,216,507

	2016 <i>in %</i>	2015 <i>in %</i>
6. Aggregation of assets – quoted market prices in active markets		
Cash	4.95	1.95
Debt instruments	28.90	29.87
Equity instruments	30.02	33.47
Real estate	7.45	7.75
Other	12.72	10.70
Total	84.04	83.74

	2016 <i>CHF 1,000</i>	2015 <i>CHF 1,000</i>
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	-66,953	-67,278
Effect on service cost	-2,276	-2,199
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	63,369	63,631
Effect on service cost	2,143	2,067
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	8,698	5,366
Effect on service cost	864	537
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	-8,898	-5,359
Effect on service cost	-885	-539
Life expectancy		
Increase in longevity by one additional year	52.6	48.6

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2016. The actuarial assumptions are

based on local economic conditions and are as follows for Switzerland, which accounts for about 99% (2015: 99%) of all benefit obligations and plan assets:

	2016	2015
Discount rate	0.55%	0.75%
Average future salary increases	0.50%	1.00%
Future pension increases	0.00%	0.00%
Duration (years)	14	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 2017 financial year related to defined benefit plans are estimated at CHF 80.4 million.

Defined contribution pension plans

Bank Julius Baer & Co. Ltd. maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 17.9 million during the 2016 financial year (2015: CHF 17.3 million).

Outstanding liabilities to pension plans

The Bank had outstanding liabilities to various pension plans in the amount of CHF 2.4 million (2015: CHF 3.6 million).

19 VALUATION ALLOWANCES AND PROVISIONS

	Balance on 01.01.2016 CHF 1,000	Specific usage CHF 1,000	Currency differences CHF 1,000	Recoveries, doubtful interest CHF 1,000	New creation charged to income statement CHF 1,000	Reversals credited to income statement CHF 1,000	Balance on 31.12.2016 CHF 1,000
Pension obligations	244,706	20,000	-	-	-	105,271	119,435
Legal risks	570,387	562,783	-3,351	-	7,078	3,973	7,358
Restructuring	-	-	-	-	-	-	-
Other	2,939	1,210	-	-	864	121	2,472
Total Provisions	818,032	583,993	-3,351	-	7,942	109,365	129,265
Allowances for credit losses	88,161	24,983	-1,508	3,280	11,633	3,110	73,473
<i>of which specific valuation allowances</i>	<i>63,911</i>	<i>24,983</i>	<i>-1,508</i>	<i>3,280</i>	<i>8,534</i>	<i>56</i>	49,178
<i>of which general valuation allowances</i>	<i>24,250</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>3,099</i>	<i>3,054</i>	24,295

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 and censures on companies and employees. Regulators in certain markets may determine that industry practices, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations.

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 realisation 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 estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 31 December 2016. 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 Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In addition, as the BVI Courts

oversee the Fairfield Funds' liquidation proceedings, the Bank introduced an application challenging the Fairfield Liquidators' authority to pursue the US Litigation. The BVI trial court dismissed the application. The Bank and other defendants have appealed the dismissal and the argument is scheduled to be heard in 2017. Further, the Fairfield Liquidators sought, and ultimately obtained, sanction from the BVI Courts to proceed with the litigation in the United States. The Bank and other defendants are challenging this sanction decision as well. In view of this pending application in the BVI and as the Fairfield cases pending in the courts of New York remain in preliminary stages, a meaningful assessment of the potential outcome is not yet possible. Finally, it is also worth mentioning that in the proceedings initiated by the Trustee, the Bankruptcy Court in New York issued a ruling in November 2016, reconfirming the extraterritoriality principles set by the District Court for the Southern District of New York which stated that the US Bankruptcy Code does not apply extraterritorially to allow for the recovery of fund payments received by a foreign bank ('foreign transferee') from a foreign fund ('foreign transferor'). While this ruling is in favour of the Bank and the other defendants, it is expected that the Trustee will appeal the ruling.

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

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a foreign corporation arguing that the Bank did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator presented draft complaints with different claim amounts for a potential Swiss proceeding and filed a payment order ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009) in 2013. On 8 February 2017, the Bank has been served with a claim from said corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank has been initiated in the plaintiff's country of domicile in the European Union. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. According to its media release of 28 September 2015, the COMCO in addition opened an investigation regarding potential collusive behaviour in precious metal trading. Subject to these investigations are Swiss and foreign financial institutes which are active in foreign exchange and precious metal trading, including Julius Baer. The aim of the investigations, which are part of respective international inquiries, is to clarify possible unlawful collusion amongst market participants and possible violation of market behaviour regulations. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed

unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. BvS has appealed such verdict. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading related tax fraud in France, a formal procedure ('mise en examen') into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014. In October 2014, as a precautionary measure, the Bank made the required security deposit in the amount of EUR 3.75 million with the competent French court. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the late external asset manager allegedly having used his personal account and company account with the Bank for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalized by 51 out of the 62 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. In October 2016, the Bank was served with another claim by additional 15 claimants, claiming a total amount of CHF 4.5 million plus accrued interest. The Bank is contesting the claim and has taken appropriate measures to defend its interests.

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In

April 2015, the client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, that were former clients of Bank of China (Suisse) S.A. having been acquired by Bank Julius Baer & Co. Ltd., in the total amount of USD 29 million (plus accrued interests). Additionally, in October 2015, the claimant filed an amendment of claim in court, by which additionally USD 39 million is claimed. The claimant argues that Bank of China (Suisse) S.A. acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequently to the liquidation of almost the entire portfolio of their assets in May 2010, arguing that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual

market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD)(RML)]) and in the respective superseding indictment of 25 November 2015. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. The Bank is supporting the inquiries and cooperating with the authorities in the investigations on this matter.

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

	31.12.2016 CHF	31.12.2015 CHF	Change CHF	Change %
Share capital				
Notional amount	100	100	-	-
Number of shares	5,750,000	5,750,000	-	-
Share capital entitled to dividend	575,000,000	575,000,000	-	-

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

21 SIGNIFICANT SHAREHOLDERS¹

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

	Disclosure of purchase positions ²	Disclosure of sale positions ²
Significant shareholders/participants of Julius Baer Group Ltd.³		
MFS Investment Management ⁴	9.98%	
Harris Associates L.P. ⁵	4.95%	
BlackRock, Inc. ⁶	4.51%	0.0400%
Bank of America Corporation ⁷	3.76%	
Wellington Management Company LLP ⁸	3.06%	
Invesco Ltd. ⁹	3.02%	

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 reduction executed by cancellation of 10,240,000 registered shares of Julius Baer Group Ltd. on 22 June 2012; b) 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.; c) capital increase out of authorised share capital completed on 24 January 2013 with the issuance of 7,102,407 newly registered shares of Julius Baer Group Ltd.

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

³ Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on www.six-exchange-regulation.com in the section Obligations > Disclosure of Shareholdings > Significant Shareholders, Julius Baer Group Ltd.

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

⁵ Harris Associates L.P., Chicago/USA (reported on 30 November 2016)

⁶ BlackRock, Inc., New York/USA, and its subsidiaries (reported on 22 July 2016)

⁷ Bank of America Corporation, Charlotte/USA, and its directly and indirectly held subsidiaries (reported on 16 August 2012)

⁸ Wellington Management Company LLP, Boston/USA (reported on 22 November 2016)

⁹ Invesco Ltd., Hamilton/Bermuda (reported on 25 January 2016)

22 SHARE-BASED PAYMENTS

The programmes described below reflect the plan landscape as at 31 December 2016. 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.

The 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.

Deferred variable compensation plans

Cash-based variable compensation –

Deferred Cash Plan

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

Equity-based variable compensation –

Premium Share Plan

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

Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer and total variable compensation. All members of the Executive Board, key employees, and employees defined as risk takers by virtue of their function within the organisation are considered for the EPP based on their specific role. The size of the grant awarded to each individual varies based on factors which include, but are not limited to, seniority, contribution to Julius Baer, defined total pay mix and level of responsibility.

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

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

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer 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.

Integration Incentive Award (for former Bank of America Merrill Lynch Relationship Managers)
As part of Julius Baer's integration of Bank of America Merrill Lynch's IWM business, key Relationship Managers from IWM were offered participation in the Integration Incentive Award (a cash- and share-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The Integration Incentive Award plan runs for a maximum of five years, with cash being paid out on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one-third of the number of shares granted to him or her at the beginning of the plan period.

In the event of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares are forfeited.

Cash-based integration programmes

As part of its integration of Bank of America Merrill Lynch's International Wealth Management business, Julius Baer established two cash-based programmes.

The first programme, the Replacement Award, is a programme which provides cash compensation in lieu of awards that were forfeited as a result of the corporate acquisition. The actual value of forfeiture is paid out in up to four tranches (depending on the size of the award) over a period of up to 18 months.

The second programme, the Asset Transfer Award, is a performance-based programme offered to Relationship Managers transferring to the Bank. The Asset Transfer Award, which is geared towards further accelerating the transfer of assets under management to the Bank, offered the participants a cash payment upon reaching specific asset-transfer hurdles (as measured on the basis of assets under management).

Incentive Share Plan (ISP, applied as part of the variable compensation for 2012)

At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1 million and above or the local currency equivalent) of the executives' variable incentive is deferred to the ISP and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over the three-year plan period, subject to continued employment.

Participants in the ISP 2012 are granted a pre-fixed number of incentive shares, which cliff-vest at the end of the three-year plan period, subject to continued employment. The number of incentive shares granted is determined based on the number of shares from bonus deferral: members of the Executive Board were eligible for twice the number of additional shares in comparison to participants who are not members of the Executive Board.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where

the employee's behaviour has substantially contributed to a financial loss of the Bank or caused reputational damage.

Long-Term Incentive Plan (LTI)

In certain specific situations the Bank may also offer incentives outside the annual compensation cycle. Actions such as compensating new hires for deferred awards they have forfeited by resigning from their previous employer or making retention payments to key employees during extraordinary or critical circumstances may be carried out by granting individuals an equity-based LTI.

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

The shares are transferred to participants at the time of vesting, subject to continued employment and any other conditions set out in the plan rules. All grants made in 2014 and 2015 are free from restrictions upon vesting.

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 reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer 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 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 45.1 million (2015: CHF 29.2 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 48.3 million (2015: CHF 42.7 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 amount to CHF 48.3 million (2015: CHF 42.7 million).

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

	31.12.2016		31.12.2015	
	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	488,173	488,173	206,458	206,458
Granted during the year	287,249	287,248	286,543	286,543
Exercised during the year	-46,160	-46,160	-3,360	-3,360
Forfeited during the year	-85,532	-85,532	-1,468	-1,468
Unvested units outstanding, at the end of the year	643,730	643,729	488,173	488,173

	31.12.2016	31.12.2015
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	904,945	713,795
Granted during the year	492,563	547,163
Vested during the year	-361,884	-303,403
Transferred (net) during the year	4,022	-796
Forfeited during the year	-82,843	-51,814
Unvested shares outstanding, at the end of the year	956,803	904,945
Weighted average fair value per share granted (CHF)	39.28	43.84
Fair value of outstanding shares at the end of the year (CHF 1,000)	43,726	44,035

	31.12.2016	31.12.2015
Incentive Share Plan		
Unvested shares outstanding, at the beginning of the year	404,462	596,898
Vested during the year	-409,058	-182,642
Transferred (net) during the year	4,596	-1,850
Forfeited during the year	-	-7,944
Unvested shares outstanding, at the end of the year	-	404,462
Fair value of outstanding shares at the end of the year (CHF 1,000)	-	19,681

	31.12.2015	
	Number of units	Number of units
	Economic Profit	Total Shareholder Return
Incentive Share Plan		
Unvested units outstanding, at the beginning of the year	114,397	114,397
Exercised during the year	-113,483	-113,483
Forfeited during the year	-914	-914
Unvested units outstanding, at the end of the year	-	-

	31.12.2016	31.12.2015
Integration Incentive Award		
Unvested shares outstanding, at the beginning of the year	300,335	311,473
Transferred (net) during the year	-	5,675
Forfeited during the year	-12,809	-16,813
Unvested shares outstanding, at the end of the year	287,526	300,335
Fair value of outstanding shares at the end of the year (CHF 1,000)	13,005	14,614

	31.12.2016	31.12.2015
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	267,001	206,605
Granted during the year	285,125	206,486
Vested during the year	-129,188	-121,598
Transferred (net) during the year	284	1,841
Forfeited during the year	-43,931	-26,333
Unvested shares outstanding, at the end of the year	379,291	267,001
Weighted average fair value per share awarded (CHF)	40.69	47.49
Fair value of outstanding shares at the end of the year (CHF 1,000)	17,155	12,992

	31.12.2016	31.12.2015
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	103,754	106,251
Granted during the year	43,889	34,181
Vested during the year	-37,516	-33,855
Transferred (net) during the year	-208	-79
Forfeited during the year	-3,425	-2,744
Unvested shares outstanding, at the end of the year	106,494	103,754
Weighted average fair value per share granted (CHF)	42.74	45.94
Fair value of outstanding shares at the end of the year (CHF 1,000)	4,817	5,049

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

	Number equity securities	31.12.2016 Value equity securities CHF m	Number equity securities	31.12.2015 Value equity securities CHF m
Equity plans				
Total granted during the year	821,577	32.8	787,830	35.4
<i>of which members of executive bodies</i>	42,177	1.8	109,349	5.0
<i>of which employees</i>	779,400	31.0	678,481	30.4
	Number units	31.12.2016 Value units CHF m	Number units	31.12.2015 Value units CHF m
Plans based on units				
Total granted during the year	574,497	21.8	573,086	20.1
<i>of which members of executive bodies</i>	292,745	11.6	335,801	11.8
<i>of which employees</i>	281,752	10.2	237,285	8.3

Compensation expense recognised for the various share plans are:

	31.12.2016 CHF m	31.12.2015 CHF m
Compensation expense		
Equity Performance Plan	17.2	11.5
Premium Share Plan	17.3	17.2
Incentive Share Plan	0.4	5.4
Integration Incentive Award	2.8	2.9
Long-Term Incentive Plan	9.0	4.2
Staff Participation Plan	1.6	1.5
Total	48.3	42.7

23 RELATED PARTY TRANSACTIONS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Claims on	3,562,883	2,377,576	1,185,307	49.9
affiliated companies	2,881,325	2,266,707	614,618	27.1
significant shareholders	636,511	68,975	567,536	-
members of the Bank's corporate bodies	45,047	41,894	3,153	7.5
<i>of which Board of Directors</i>	5,151	5,108	43	0.8
<i>of which Group and Bank Executive Board</i>	39,896	36,786	3,110	8.5
Liabilities to	5,546,635	3,873,827	1,672,808	43.2
affiliated companies	4,244,775	2,746,147	1,498,628	54.6
significant shareholders	1,273,319	1,107,516	165,803	15.0
members of the Bank's corporate bodies	26,170	16,606	9,564	57.6
<i>of which Board of Directors</i>	13,146	4,109	9,037	219.9
<i>of which Group and Bank Executive Board</i>	13,024	12,497	527	4.2
own pension funds	2,371	3,558	-1,187	-33.4
Credit guarantees to	178,973	71,030	107,943	152.0
affiliated companies	178,540	70,582	107,958	153.0
significant shareholders	-	25	-25	-100.0
members of the Bank's corporate bodies	433	423	10	2.4
<i>of which Board of Directors</i>	344	400	-56	-14.0
<i>of which Group and Bank Executive Board</i>	89	23	66	-
Services provided to	332,330	310,912	21,418	6.9
affiliated companies	229,033	206,540	22,493	10.9
significant shareholders	102,428	103,731	-1,303	-1.3
members of the Bank's corporate bodies	869	641	228	35.6
<i>of which Board of Directors</i>	293	183	110	60.1
<i>of which Group and Bank Executive Board</i>	576	458	118	25.8
Services provided by	72,942	53,604	19,338	36.1
affiliated companies	63,318	49,147	14,171	28.8
significant shareholders	9,624	4,457	5,167	115.9

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 Group entities 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.

24 ASSETS – COUNTRY RATINGS

		CHF 1,000	31.12.2016 %	CHF 1,000	31.12.2015 %
Total assets by the Bank's country risks rating classes					
	Moody's				
1-2	Aaa – Aa3	74,633,030	82.2	64,823,718	81.0
3	A1 – A3	5,312,284	5.8	3,233,575	4.0
4	Baa1 – Baa3	2,043,074	2.2	4,208,158	5.3
5	Ba1 – Ba3	838,772	0.9	364,236	0.5
6-7	B1 – Caa3	734,311	0.8	993,579	1.2
Unrated		7,374,449	8.1	6,367,071	8.0
Total		90,935,920	100.0	79,990,337	100.0

25 COMPANY STRUCTURE AS AT 31 DECEMBER 2016

	Domicile	Currency	Share capital m	Equity interest %
Companies				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
<i>Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zug, Zurich</i>				
<i>Representative Offices in Abu Dhabi, Dubai, Istanbul, Moscow, Panama City, Santiago de Chile, Shanghai, Tel Aviv including</i>				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	Singapore	SGD	0.000	100
Arpese SA	Lugano	CHF	0.400	100

26 CONTINGENT LIABILITIES

	31.12.2016 CHF 1,000	31.12.2015 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	1,183,495	984,553	198,942	20.2

27 IRREVOCABLE COMMITMENTS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Unutilised irrevocable commitments to extend credit	747,766	760,287	-12,521	-1.6
Irrevocable commitments to the deposit guarantee institution	61,420	59,014	2,406	4.1
Total	809,186	819,301	-10,115	-1.2

28 OBLIGATION TO MAKE ADDITIONAL CONTRIBUTIONS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Obligation to pay up shares and make further contributions	50	50	-	-

29 UNUSED TAX LOSSES CARRIED FORWARD

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Unused tax losses carried forward related to foreign branches	27,461	22,699	4,762	21.0

30 FIDUCIARY TRANSACTIONS

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change CHF 1,000	Change %
Fiduciary deposits at third-party banks	8,304,487	9,004,906	-700,419	-7.8

31 ASSETS UNDER MANAGEMENT

	31.12.2016 CHF m	31.12.2015 CHF m	Change CHF m	Change %
Assets with discretionary mandate	39,390	38,379	1,011	2.6
Other assets under management	239,354	221,434	17,920	8.1
Total assets under management (including double counting)	278,744	259,813	18,931	7.3
<i>of which double counting</i>	<i>5,757</i>	<i>4,768</i>	<i>989.0</i>	<i>20.7</i>
Change through net new money	7,736	8,861	-1,125	
Change through market and currency impacts	11,203	-8,838	20,041	
Change through acquisition	-	1,288 ¹	-1,288	
Change through divestment	-8	-69	-61	
Client assets	334,203	326,823 ²	7,380	2.3

¹ In March 2015, the Bank acquired the business of Leumi Private Bank Ltd.

² Excluding assets which were previously counted as assets under management and assets under custody.

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 where 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 a Bank subsidiary or business are stated separately. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

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

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

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.

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 2016 financial year.

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



KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8036 Zurich

Telephone +41 58 249 31 31
Internet www.kpmg.ch

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 61) for the year ended 31 December 2016.

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 disclosures 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 2016 comply with Swiss law and the company's articles of incorporation.



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

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

A handwritten signature in black ink, appearing to read 'Rickert'.

Philipp Rickert
*Licensed Audit Expert
Auditor in Charge*

A handwritten signature in black ink, appearing to read 'Castagna'.

Cataldo Castagna
Licensed Audit Expert

Zurich, 22 February 2017

SIGANTURE PAGE

Signatories by Bank Julius Bär & Co. Ltd.

Bank Julius Baer & Co. Ltd. having its seat in Zurich, Switzerland, accepts responsibility for the information contained in this Document. Bank Julius Baer & Co. Ltd. states that to its knowledge the information contained in this Document is correct and does not omit material information.

Zurich, 19 June 2017

Signed on behalf of the Bank Julius Baer & Co Ltd.:



Duly authorised

Philippe Adam, Director

(Direktor)



Duly authorised

Luzius Sauter, Director

(Direktor)

UNTERSCHRIFTENSEITE

Unterzeichner für Bank Julius Bär & Co. AG

Die Bank Julius Bär & Co. AG mit Sitz in Zürich, Schweiz, übernimmt die Verantwortung für die in diesem Dokument enthaltenen Angaben. Die Bank Julius Bär & Co. AG erklärt, dass nach ihrem Wissen die in diesem Dokument enthaltenen Angaben richtig und keine wesentlichen Umstände ausgelassen sind.

Zürich, 19. Juni 2017

Unterzeichnet für die Bank Julius Bär & Co AG:



Bevollmächtigter

Philippe Adam, Director

(Direktor)



Bevollmächtigter

Luzius Sauter, Director

(Direktor)