Julius Bär

Supplement

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

dated 8 April 2022

to the Registration Document I of Bank Julius Baer & Co. Ltd. dated 4 June 2021 (the "**Registration Document**") and

to the Base Prospectuses, comprising the Registration Document I and

(1) the Securities Note I for the issuance of Participation Products of Bank Julius Baer & Co. Ltd. dated 10 June 2021,

(2) the Securities Note I for the issuance of Yield Enhancement Products of Bank Julius Baer & Co. Ltd. each dated 9 June,

(3) the Securities Note I for the issuance of Fixed Income Products of Bank Julius Baer & Co. Ltd. as of 9 June 2021,

(4) the Securities Note I for the issuance of Products with a Minimum Redemption Amount of Bank Julius Baer & Co. Ltd., as of 9 June 2021,

(5) the Securities Note I for the issuance of Credit Linked Products / Notes of Bank Julius Baer & Co. Ltd. dated 9 June 2021 and

(6) the Securities Note I for the issuance of Leverage Products of Bank Julius Baer & Co. Ltd., as of 10 June 2021

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

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

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

Julius Bär

Nachtrag

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

vom 8. April 2022

zu dem Registrierungsformular II der Bank Julius Bär & Co. AG vom 4. Juni 2021 (das "**Registrierungsformular**") und

zu den Basisprospekte, bestehend aus dem Registrierungsformular II und

(1) Wertpapierbeschreibung II für die Emission von Partizipations-Produkten der Bank Julius Bär & Co. AG vom 10. Juni 2021,

(2) Wertpapierbeschreibung II für die Emission von Renditeoptimierungs-Produkten der Bank Julius Bär & Co. AG, vom 9. Juni 2021,

(3) Wertpapierbeschreibung II für die Emission von Fixed-Income-Produkten der Bank Julius Bär & Co. AG vom 9. Juni 2021,

(4) der Wertpapierbeschreibung II für die Emission von Produkten mit Mindestrückzahlungsbetrag der Bank Julius Bär & Co. AG vom 9. Juni 2021,

(5) Wertpapierbeschreibung II für die Emission von bonitätsabhängigen Produkten bzw. Schuldverschreibungen der Bank Julius Bär & Co. AG vom 9 Juni 2021 und

(6) Wertpapierbeschreibung II für die Emission von Hebelprodukten der Bank Julius Bär & Co. AG vom 10. Juni 2021

(zusammen die "**Basisprospekte**")

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

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

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

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

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

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

I. Reason for the Supplement

The publication of the Consolidated Financial Statements and the Financial Statements as of 31 December 2021 on the website of Bank Julius Baer Group Ltd. on 22 March 2022 is a significant new factor in relation to the information set out in the Registration Document.

II. Amendments to the Registration Document

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

1.1 On page 25 under the heading "2. Auditors of BJB" the paragraph shall be deleted and shall be replaced as follows:

"For the financial years ended 31 December 2020 and 31 December 2021, the independent auditors of BJB were KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland, acting in terms of the provisions of company and banking law as well as BJB's articles of association. KPMG AG have audited the consolidated financial statements of BJB for the financial years ended 31 December 2020 and 31 December 2021 and the financial statements of BJB for the financial year ended 31 December 2021. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants with registered office in Zurich."

1.2 On page 27 under the heading "4. Trend information" the first paragraph shall be deleted and shall be replaced as follows:

"There has been no material adverse change in the prospects of BJB since the date of its last published audited financial statements (31 December 2021)."

1.3 On page 35 under the heading "8. Historical Financial Information of BJB" all paragraphs including the footnote shall be deleted and shall be replaced as follows:

"For the financial year ended 31 December 2020, BJB has published consolidated financial information including the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Notes to the consolidated financial statements and the Auditors' report (the "**BJB Consolidated Financial Statements 2020**"). The BJB Consolidated Financial State-

I. Nachtragsgrund

Die Veröffentlichung der Konsolidierten Finanzinformationen und des Geschäftsberichts vom 31. Dezember 2021 auf der Internetseite der Bank Julius Bär Gruppe am 22. März 2022 stellen einen wichtigen neuen Umstand für das Registrierungsformular dar.

II. Änderungen zum Registrierungsdokument

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

1.1 Auf der Seite 25 wird unter der Überschrift "2. Abschlussprüfer der BJB" der Absatz gelöscht und wie folgt ersetzt:

"Für die am 31. Dezember 2020 und am 31. Dezember 2021 beendeten Geschäftsjahre war KPMG AG Badenerstrasse 172, 8004 Zürich, Schweiz der unabhängige Abschlussprüfer der BJB gemäss Gesellschafts- und Bankrecht sowie BJBs Statuten. KPMG AG hat die konsolidierten Finanzberichte der BJB für die am 31. Dezember 2020 und am 31. Dezember 2021 beendeten Geschäftsjahre und die Finanzberichte der BJB für das am 31. Dezember 2021 beendete Geschäftsjahr geprüft. KPMG AG ist Mitglied der Treuhandkammer mit Sitz in Zürich."

1.2 Auf der Seite 27 wird unter der Überschrift "4. Trendinformationen" der erste Absatz gelöscht und wie folgt ersetzt:

"Seit dem Datum des letzten veröffentlichten geprüften Abschlusses (31. Dezember 2021) hat es keine wesentliche Verschlechterung der Aussichten der BJB gegeben."

1.3 Auf der Seite 35 werden unter der Überschrift "8. Historische Finanzinformationen der BJB" alle Absätze einschließlich der Fussnote gelöscht und wie folgt ersetzt:

"Für das am 31. Dezember 2020 beendete Geschäftsjahr hat BJB konsolidierte Finanzinformationen einschließlich konsolidierter Erfolgsrechnung, konsolidierter Gesamtergebnisrechnung, konsolidierter Bilanz, konsolidierter Eigenkapitalentwicklung und konsolidierter Mittelflussrechnung, einen Anhang zu den konsolidierten Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Konsolidierten Finanzinformationen 2020**") veröffentlicht. BJB Konsolidierten Finanzinformationen 2020 werden im Kapitel IV. diements 2020 are included on pages I-1 to I-105 of section IV. to this Registration Document.

ses Registrierungsformulars auf den Seiten I-1 bis I-105 einbezogen.

For the financial year ended 31 December 2021, BJB has published financial information including the Income statement, balance sheet, notes to the financial statements and the Auditors' report (the "**BJB Financial Statements 2021**"). The BJB Financial Statements 2021 are included on pages J-1 to J-84 of section V. to this Registration Document.

Für das am 31. Dezember 2021 beendete Geschäftsjahr hat BJB Finanzinformationen einschliesslich Erfolgsrechnung, Bilanz, einen Anhang zu den Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Finanzinformationen 2021**") veröffentlicht. Die BJB Finanzinformationen 2021 sind auf den Seiten J-1 bis I-84 im Abschnitt V. dieses Registrierungsformulars enthalten.

For the financial year ended 31 December 2021, 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 2021**"). The BJB Consolidated Financial Statements 2021 are included on pages K-1 to K-148 of section VI. to this Registration Document.

Für das am 31. Dezember 2021 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 2021**") veröffentlicht. BJB Konsolidierten Finanzinformationen 2021 sind auf den Seiten K-1 bis J-148 im Abschnitt VI. dieses Registrierungsformulars enthalten.

The BJB Consolidated Financial Statements 2020 and the BJB Consolidated Financial Statements 2021 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Die BJB Konsolidierten Finanzinformationen 2020, und die die BJB Konsolidierten Finanzinformationen 2021 sind gemäß den internationalen Rechnungslegungsgrundsätzen IFRS ("**IFRS**") erstellt worden.

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* The Income Statement in the BJB Consolidated Financial Statements 2020, the BJB Consolidated Financial Statements 2021 and the BJB Financial Statements 2021 include the figure "Operating Income". This is an Alternative Performance Measure. For Banks, the operating income comprises the net income from the banking business (including investing, financing and interest business), before deduction of the operating expenses. BJB considers the presentation of operating income to be useful and meaningful to investors because it provides purposeful information regarding BJB's financial and operating performance. In addition, Operating Income supports the direct comparison of BJB vis-à-vis its closest peers.

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* Die Gewinn- und Verlustrechnung in den BJB Konsolidierten Finanzinformationen 2020, den BJB Konsolidierten Finanzinformationen 2021 und den BJB Finanzinformationen 2021 enthalten die Kennzahl "Operativer Gewinn". Dabei handelt es sich um eine Alternative Leistungskennzahl. Für Banken umfasst der Operative Gewinn den Nettoertrag aus dem Bankgeschäft (einschließlich Anlage-, Finanzierungs- und Zinsgeschäft) vor Abzug der Betriebsausgaben. BJB hält die Darstellung des Operativen Gewinns für Investoren für nützlich und sinnvoll, da es zielgerichtete Informationen über die finanzielle und betriebliche Leistung von BJB liefert. Darüber hinaus unterstützt der Operativer Gewinn den direkten Vergleich von BJB mit seinen engsten Konkurrenten.

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 the financial years ended 31 December 2020 and 31 December 2021 as mentioned above and have issued an unqualified opinion in each case."

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 2020 und 31. Dezember 2021 geendeten Geschäftsjahre geprüft und jeweils ein uneingeschränktes Prüfungsurteil erteilt."

1.4 On page 36 under the heading "9. Significant changes in the financial position of BJB and its consolidated subsidiaries" the paragraph

1.4 Auf der Seite 36 wird unter der Überschrift "9. Wesentliche Veränderungen in der Finanzlage von BJB und ihren konsolidierten Tochtergeshall be deleted and shall be replaced as follows:

"There has been no significant change in the financial position of BJB and its consolidated subsidiaries since 31 December 2021."

1.5 On page 36 under the heading "10. Significant changes in the financial performance of BJB and its consolidated subsidiaries" the paragraph shall be deleted and shall be replaced as follows:

"There has been no significant change in the financial performance of BJB and its consolidated subsidiaries since 31 December 2021."

2. Amendments in section "III. GENERAL INFORMATION"

2.1 On page 44 under the heading "5. Documents Available" the last three bullet points shall be deleted and shall be replaced as follows while the footnotes remain unchanged:

"

- BJB Consolidated Financial Statements 2020**;
- BJB Consolidated Financial Statements 2021**; and
- BJB Financial Statements 2021**."

2.2 On page 45 the section "6. Information Incorporated by reference" shall be deleted entirely without replacement.

3. Amendments in section "IV. BJB Financial Statements as at 31 December 2020"

On page 47 the section "V. BJB Financial Statements as at 31 December 2020" shall be deleted and shall be replaced as follows:

"

V.
BJB Financial Statements as at 31 December 2021

"

The BJB Financial Statements as at 31 December

sellschaften" der Absatz gelöscht und wie folgt ersetzt:

"Die Finanzlage der BJB und ihrer konsolidierten Tochtergesellschaften hat sich seit dem 31. Dezember 2021 nicht wesentlich verändert."

1.5 Auf der Seite 36 wird unter der Überschrift "10. Wesentliche Änderungen in der Finanz- und Ertragslage von BJB und ihren konsolidierten Tochtergesellschaften" der Absatz gelöscht und wie folgt ersetzt:

"Die Finanz- und Ertragslage der BJB und ihrer konsolidierten Tochtergesellschaften hat sich seit dem 31. Dezember 2021 nicht wesentlich verändert."

2. Änderungen im Abschnitt "III. ALLGEMEINE INFORMATIONEN"

2.1 Auf der Seite 44 werden unter der Überschrift "5. Verfügbare Dokumente" die letzten drei Aufzählungspunkte gelöscht und wie folgt ersetzt, wobei die Fußnoten unverändert bleiben:

"

- BJB Konsolidierte Finanzinformationen 2020**,
- BJB Konsolidierte Finanzinformationen 2021**, und
- BJB Finanzinformationen 2021**."

2.2 Auf der Seite 45 wird der Anschnitt "6. Mittels Verweis aufgenommene Angaben" vollständig und ersatzlos gelöscht.

3. Änderungen im Abschnitt "IV. BJB Finanzinformationen zum 31. Dezember 2020"

Auf der Seite 47 wird der Abschnitt "BJB Finanzinformationen zum 31. Dezember 2020" vollständig gelöscht und wie folgt ersetzt:

"

V.
BJB Finanzinformationen zum 31. Dezember 2021

"

Die BJB Finanzinformationen zum 31. Dezember 2021

2021 shall be included in Annex 1 to this Supplement.

werden in Annex 1 zu diesem Nachtrag eingefügt.

4. Insertion of a new section "VI. BJB Consolidated Financial Statements as at 31 December 2021"

Following page 47 the following new section shall be included:
"

VI.
BJB Consolidated Financial Statements as at 31 December 2021

"
The BJB Consolidated Financial Statements as at 31 December 2021 shall be included in Annex 2 to this Supplement.

5. Replacement of the Appendix to the Registration Document

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

4. Einfügung eines neuen Abschnitts Abschnitt "VI. BJB Konsolidierte Finanzinformationen zum 31. Dezember 2021"

Nach der Seite 47 wird der folgende Abschnitt neu eingefügt:
"

VI.
BJB Konsolidierte Finanzinformationen zum 31. Dezember 2021

"
Die BJB Konsolidierte Finanzinformationen zum 31. Dezember 2021 werden in Annex 2 zu diesem Nachtrag eingefügt.

5. Ersetzung des Appendix zum Registrierungsformulars

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

Appendix pursuant to Article 26 IV Regulation (EU) 2017/1129 of the European Parliament and of the Council relating to the Registration Document of Bank Julius Baer & Co. Ltd. dated 4 June 2021

Key information on the Issuer

Who is the Issuer of the Securities?

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

Principal Activities

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

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

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

Major Shareholders

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

Appendix nach Artikel 26 IV der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates in Verbindung mit dem Registrierungsdokument der Bank Julius Baer & Co. Ltd. vom 4. Juni 2021

Basisinformationen über den Emittenten

Wer ist der Emittent der Wertpapiere?

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

Haupttätigkeiten

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

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

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

Hauptgesellschafter

BJB ist eine hundertprozentige Tochter der Julius Bär Gruppe AG.

Key Managing Directors

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

Statutory Auditors

For the financial years ended 31 December 2020 and 31 December 2021, the independent auditors of BJB were KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland, acting in terms of the provisions of company and banking law as well as BJB's articles of association. KPMG AG have audited the consolidated financial statements of BJB for the financial years ended 31 December 2020 and 31 December 2021 and the financial statements of BJB for the financial year ended 31 December 2021. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants with registered office in Zurich.

Hauptgeschäftsführer

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

Abschlussprüfer

Für die am 31. Dezember 2020 und am 31. Dezember 2021 beendeten Geschäftsjahre war KPMG AG Badenerstrasse 172, 8004 Zürich, Schweiz der unabhängige Abschlussprüfer der BJB gemäss Gesellschafts- und Bankrecht sowie BJBs Statuten. KPMG AG hat die konsolidierten Finanzberichte der BJB für die am 31. Dezember 2020 und am 31. Dezember 2021 beendeten Geschäftsjahre und die Finanzberichte der BJB für das am 31. Dezember 2021 beendete Geschäftsjahr geprüft. KPMG AG ist Mitglied der Treuhandkammer mit Sitz in Zürich.

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

Except as otherwise marked below, the following key financial information is based on the audited consolidated financial statements of Bank Julius Baer & Co. LTD. for 31 December 2020 and 31 December 2021

Income statement

	31.12.2020 *CHF 1,000*	**31.12.2021** *CHF 1,000*
Net interest income	564,894	577,277
Commission and fee income	1,861,412	2,119,898
Net credit losses/ (recoveries) on financial assets	35,958	7,095
Operating income*	2,803,557	3,054,777
Net profit attributable to the shareholder of Bank Julius Baer & Co. Ltd.	613,767	807,631
Share information	*CHF*	*CHF*
- Basic earnings per share (EPS)	106.74	140.46
- Diluted earnings per share (EPS)	106.74	140.46

* Alternative Performance Measure

Sofern nicht anders gekennzeichnet, basieren die folgenden wesentlichen Finanzinformationen auf den geprüften konsolidierten Finanzinformationen der Bank Julius Bär & Co. Ltd. für den 31. Dezember 2020 und 31. Dezember 2021

Gewinn- und Verlustrechnung

	31.12.2020 *CHF 1.000*	**31.12.2021** *CHF 1.000*
Nettozinserträge	564.894	577.277
Kommissions- und Gebühreneinnahmen	1.861.412	2.119.898
Netto-Kreditverluste/ (Wiedereingänge) auf Finanzanlagen	35.958	7.095
Operativer Gewinn*	2.803.557	3.054.777
Gewinn des Aktionärs der Bank Julius Bär & Co. AG	613.767	807.631
Aktien-Informationen	*CHF*	*CHF*
- Gewinn je Aktie (EPS)	106.74	140.46
- Verwässertes Ergebnis je Aktie (EPS)	106.74	140.46

*Alternative Leistungskennzahl

Balance sheet

	31.12.2020	31.12.2021
Total assets *(in CHF 1.000)*	102,095,847	109,452,756
Financial liabilities measured at FVTPL *(in CHF 1.000)*	896,520	749,539
Total subordinated liabilites***(in CHF 1.000)*	480,000	480,000
Loans with customers (at net) *(in CHF m)* *********	43,394,815	46,399,021
Liabilities due to customers *(in CHF 1.000)*	69,842,674	75,458,607
Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. *(in CHF 1.000)*	5,670,791	6,084,539
Non performing loans (based on net carrying amount)/ Loans and receivables *(in CHF m)*	41.5****	70.4*****
Common Equity Tier 1 capital (CET1) ratio***(in CHF 1.000)*	17.8%	19.6%
Total Capital Ratio***(in CHF 1.000)*	21.0%	22.7%
Basel III leverage ratio**	4.3%	3.7%

Key financial information has been extracted from the Julius Baer Group Ltd.** Annual Report 2021.

***This figures comprise of lombard loans and mortgage loans.

****This figure consist of the following credit-impared (Stage 3) items: 15.7 m carrying amount in relation to lombard Loans (at amortised cost) and 25.8 m carrying amount in relation to mortgage Loans (at amortised cost). The figure is not audited.

*****This figure consist of the following credit-impared (Stage 3) items: 40.5 m carrying amount in relation to lombard Loans (at amortised cost) and 29.9 m carrying amount in relation to mortgage Loans (at amortised cost). The figure is not audited.

Bilanz

	31.12.2020	31.12.2021
Vermögenswerte insgesamt *(in CHF 1.000)*	102.095.847	109.452.756
Finanzielle Verbindlichkeiten bewertet bei FVTPL *(in CHF 1.000)*	896.520	749.539
Nachrangige Verbindlichkeiten***(in CHF 1.000)*	480.000	480.000
Darlehen gegenüber Kunden (netto) *(in CHF m)* *******	43,394,815	46,399,021
Verpflichtungen gegenüber Kunden *(in CHF 1.000)*	69.842.674	75.458.607
Total Eigenkapital der Aktionäre der Bank Julius Bär & Co. Ltd *(in CHF 1.000)*	5.670.791	6.084.539
Notleidende Kredite (basierend auf Nettobuchwert) / Kredite und Forderungen *(in CHF m)*	41,5****	70,4*****
Kernkapitalquote (CET1)** *(in CHF 1.000)*	17,8%	19,6%
Gesamtkapitalquote** *(in CHF 1.000)*	21,0%	22,7%
Verschuldungsquote (LERA)** *(in CHF 1.000)*	4,3%	3,7%

****Diese Finanzinformationen entstammen aus den Finanzinformationen 2021 der Julius Bär Gruppe AG.

***Diese Kennzahl setzt sich zusammen aus den aus Lombardkrediten und Hypothekenkrediten.

*** Diese Kennzahl setzt sich zusammen aus den folgenden credit-impared (Stage 3) Kennzahlen zusammen: 15,7 m Nettobuchwert in Bezug auf Lombardkredite (zu fortgeführten Anschaffungskosten) und 25,8 m Nettobuchwert in Bezug auf Hypothekenkrediten (zu fortgeführten Anschaffungskosten). Diese Angabe ist ungeprüft.

**** Diese Kennzahl setzt sich zusammen aus den folgenden credit-impared (Stage 3) Kennzahlen zusammen: 40,5 m Nettobuchwert in Bezug auf Lombardkredite (zu fortgeführten Anschaffungskosten) und 29,9 m Nettobuchwert in Bezug auf Hypothekenkrediten (zu fortgeführten An-schaffungskosten). Diese Angabe ist ungeprüft.

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

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

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

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

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

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

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

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

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

Risiko einer Herabstufung des Ratings: Eine Herabstufung des Bonitätsratings könnte sich wesentlich nachteilig auf die Profitabilität und die Ertragslage der BJB auswirken.

Operational risk: BJB is exposed to operational risks. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud. It includes the risk of unexpected losses from isolated events, caused for example by faulty information systems, unsuitable organisational structures or deficient control mechanisms. BJB's operational risk consists, in particular of information security risk (including cyber risk), fraud risk and technology risk.. In an industry where business processes are becoming increasingly complex, BJB relies heavily on its financial, accounting and other data processing systems. If any of these systems, including but not limited to home office access during the COVID-19 pandemic, were not to operate properly or were disabled including due to a systems malfunction, cyber breach or other systems failure, BJB could suffer financial loss, liability to clients, loss of client confidence, regulatory intervention and/or reputational damage. Therefore, the realisation of operational risks could have a material adverse effect on BJB's profitability and results of operations.

Operationelles Risiko: Die BJB ist operationellen Risiken ausgesetzt. Operationelles Risiko ist das Risiko von Verlusten, die auf unangemessene oder fehlerhafte interne Prozesse, Menschen, Systeme, externe Ereignisse oder Betrug zurückzuführen sind. Es umfasst das Risiko von unerwarteten Verlusten aus isolierten Ereignissen, die zum Beispiel durch fehlerhafte Informationssysteme, ungeeignete Organisationsstrukturen oder mangelhafte Kontrollmechanismen verursacht werden. BJB's operationelles Risiko besteht insbesondere aus dem Risiko in Bezug auf Informationssicherheit (einschließlich dem Cyber-Risiko), dem Betrugsrisiko und dem Technologierisiko. In einer Industrie, in der die Geschäftsprozesse zunehmend komplex werden, verlässt sich die BJB in erheblichem Masse auf finanzielle buchungs- und andere Datenverarbeitungssysteme. Falls ein solches System, insbesondere der Home-Office Zugang während der COVID-19 Pandemie, künftig nicht ordnungsgemäß funktionieren oder ausfallen würde, könnte die BJB dadurch finanzielle Verluste, Haftung gegenüber Kunden, Verlust von Kundenvertrauen regulatorische Eingriffe und/oder Reputationsschäden erleiden. Daher könnte die Realisierung operationeller Risiken wesentlich negative Auswirkungen auf die Profitabilität und die Ertragslage von BJB haben.

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

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

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

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

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

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

FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	**2021** CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Interest and discount income		**477,477**	544,205	-66,728	-12.3
Interest and dividend income on trading portfolios		**110,699**	248,954	-138,255	-55.5
Interest and dividend income on financial investments		**146,051**	144,013	2,038	1.4
Interest expense		**-30,960**	205,327	-236,287	-
Gross result on interest operations	1	**765,187**	731,845	33,342	4.6
Changes in value adjustments for default risks and losses from interest operations and losses on the interest business		**-2,702**	-36,717	34,015	-92.6
Subtotal net result on interest operations		**762,485**	695,128	67,357	9.7
Commission income on securities trading and investment activities		**2,059,072**	1,798,227	260,845	14.5
Commission income on lending activities		**4,614**	20,782	-16,168	-77.8
Commission income on other services		**56,211**	42,403	13,808	32.6
Commission expense		**576,458**	505,087	71,371	14.1
Subtotal result on commission business and services		**1,543,439**	1,356,325	187,114	13.8
Result on trading activities and the fair value option	2	**670,600**	686,917	-16,317	-2.4
Result from the sale of financial investments		**4,813**	161	4,652	-
Income from participations		**-**	218	-218	-100
Real estate income		**5,480**	5,099	381	7.5
Other ordinary income		**76,689**	67,844	8,845	13.0
Other ordinary expenses		**39,677**	9,711	29,966	-
Subtotal other result from ordinary activities		**47,305**	63,611	-16,306	-25.6
Operating income		**3,023,829**	2,801,981	221,848	7.9
Personnel expenses	3	**1,143,893**	1,147,333	-3,440	-0.3
General expenses	4	**673,910**	658,406	15,504	2.4
Subtotal operating expenses		**1,817,803**	1,805,739	12,064	0.7
Depreciation and amortisation	14	**253,001**	238,020	14,981	6.3
Provisions and losses	5, 20	**63,138**	80,517	-17,379	-21.6
Operating result		**889,887**	677,705	212,182	31.3
Taxes	6	**154,934**	122,768	32,166	26.2
Net profit/loss		**734,953**	554,937	180,016	32.4

BALANCE SHEET

	Note	**31.12.2021** CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Assets					
Cash		**17,275,368**	12,095,674	5,179,694	42.8
Due from banks	9	**5,077,336**	5,993,990	-916,654	-15.3
Due from securities transactions	7	**24,140**	1,264,198	-1,240,058	-98.1
Due from customers	9	**40,329,469**	36,895,087	3,434,382	9.3
Mortgages	9	**6,058,927**	6,477,916	-418,989	-6.5
Trading portfolios	10	**18,789,284**	17,841,636	947,648	5.3
Positive replacement values of derivative financial instruments	12	**2,097,032**	2,576,313	-479,281	-18.6
Financial assets designated at fair value	11	**306,895**	252,178	54,717	21.7
Financial investments	13	**12,953,066**	13,328,885	-375,819	-2.8
Accrued income and prepaid expenses		**337,759**	300,302	37,457	12.5
Participations		**-**	-	-	
Tangible fixed assets	14	**969,534**	903,649	65,885	7.3
Intangible assets	14	**370,741**	502,025	-131,284	-26.2
Other assets	15	**3,272,209**	2,071,259	1,200,950	58.0
Total assets	25	**107,861,760**	100,503,112	7,358,648	7.3

Total subordinated claims		**378,956**	456,330	-77,374	-17.0
of which with conversion obligation and/or claims waiver		***114,238***	*89,771*	*24,467*	*27.3*

	Note	**31.12.2021** *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Liabilities and equity					
Due to banks		**7,654,705**	8,184,861	-530,156	-6.5
Due to securities transactions	7	**356,899**	334,610	22,289	6.7
Due to customers		**75,459,503**	69,823,795	5,635,708	8.1
Trading liabilities	10	**749,539**	896,520	-146,981	-16.4
Negative replacement values of derivative financial instruments	12	**2,681,363**	2,710,008	-28,645	-1.1
Financial liabilities designated at fair value	11	**14,458,988**	13,150,748	1,308,240	9.9
Debt issues	18	**777,260**	-	777,260	-
Accrued expenses and deferred income		**830,053**	696,347	133,706	19.2
Other liabilities	16	**137,956**	226,934	-88,978	-39.2
Provisions	20	**73,787**	172,535	-98,748	-57.2
Liabilities		**103,180,053**	96,196,358	6,983,695	7.3
Share capital	21	**575,000**	575,000	-	-
Statutory capital reserve		**1,932,546**	1,932,546	-	-
of which tax-exempt capital contribution reserve		***1,916,640***	*1,916,640*	-	-
Statutory retained earnings reserve		**613,023**	577,023	36,000	6.2
Voluntary retained earnings reserve		**826,155**	667,155	159,000	23.8
Profit carried forward		**30**	93	-63	-67.7
Net profit/loss		**734,953**	554,937	180,016	32.4
Equity		**4,681,707**	4,306,754	374,953	8.7
Total liabilities and equity		**107,861,760**	100,503,112	7,358,648	7.3

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

OFF-BALANCE SHEET TRANSACTIONS

	Note	**31.12.2021** *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Contingent liabilities	27	**1,209,805**	1,090,719	119,086	10.9
Irrevocable commitments	28	**417,593**	452,292	-34,699	-7.7
Fiduciary transactions	29	**4,786,055**	7,104,764	-2,318,709	-32.6

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Net profit	**734,953**	554,937	180,016	32.4
Profit carried forward	**30**	93	-63	-67.7
Disposable profit	**734,983**	555,030	179,953	32.4
Appropriation of profit				
Allocation to statutory retained earnings reserve	**62,000**	36,000	26,000	72.2
Allocation to voluntary retained earnings reserve	**52,000**	159,000	-107,000	-67.3
Dividend payment	**620,000**	360,000	260,000	72.2
Total appropriation of profit	**734,000**	555,000	179,000	32.3
Profit carried forward	**983**	30	953	-

STATEMENT OF CHANGES IN EQUITY

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

At 1 January 2021
Allocation to statutory retained earnings reserve
Allocation to voluntary retained earnings reserve
Bank Julius Baer & Co. Ltd. dividend payment
Total profit appropriation 2021
Net profit
Share-based payments expensed for the year
Distribution to the parent related to share-based payments for the year
At 31 December 2021

Share capital *CHF 1,000*	Statutatory capital reserve *CHF 1,000*	Statutatory retained earnings reserve *CHF 1,000*	Voluntary retained earnings reserve *CHF 1,000*	Retained earnings and net profit *CHF 1,000*	Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. *CHF 1,000*
575,000	1,932,546	542,023	758,155	294,093	4,101,817
-	-	35,000	-	-35,000	-
-	-	-	-91,000	91,000	-
-	-	-	-	-350,000	-350,000
-	-	35,000	-91,000	-294,000	-350,000
-	-	-	-	554,937	554,937
-	-	-	-	52,495	52,495
-	-	-	-	-52,495	-52,495
575,000	1,932,546	577,023	667,155	555,030	4,306,754
575,000	**1,932,546**	**577,023**	**667,155**	**555,030**	**4,306,754**
-	**-**	**36,000**	**-**	**-36,000**	-
-	**-**	**-**	**159,000**	**-159,000**	-
-	**-**	**-**	**-**	**-360,000**	**-360,000**
-	**-**	**36,000**	**159,000**	**-555,000**	**-360,000**
-	**-**	**-**	**-**	**734,953**	**734,953**
-	**-**	**-**	**-**	**63,145**	**63,145**
-	**-**	**-**	**-**	**-63,145**	**-63,145**
575,000	**1,932,546**	**613,023**	**826,155**	**734,983**	**4,681,707**

COMMENT ON RISK MANAGEMENT

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

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

RISK MANAGEMENT FRAMEWORK

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

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

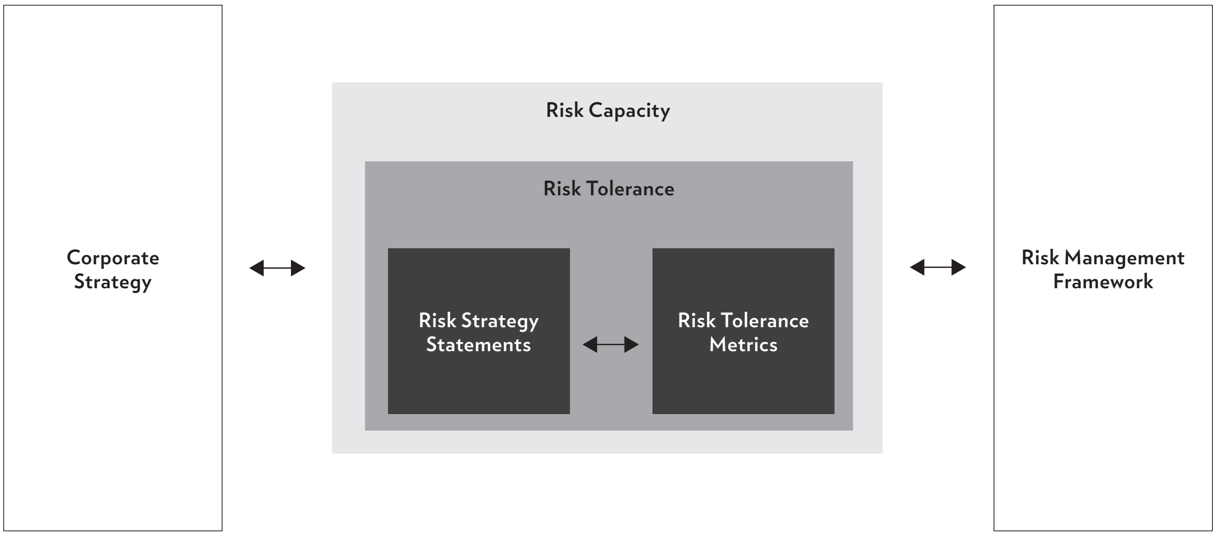
Beside credit, market and treasury risk, the Bank is exposed to non-financial risks, covering operational risk, compliance and legal risk, as well as strategic, business and reputational risk. The risk categorisation allows for individual assignment of responsibilities to Risk Type Owners (RTO), who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

RISK TOLERANCE FRAMEWORK

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

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

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



RISK GOVERNANCE

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

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

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

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

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

For further details, please refer to the Board of Directors section of the Annual Report 2021 of Julius Baer Group Ltd.

The Executive Board (ExB) is overall responsible for developing and maintaining the RMF and the RTF for approval by the BoD. As part of its responsibility for managing the core (wealth management) business of the Bank as laid down in BJB's Organisational and Management Regulations (OMR), the ExB defines specific instructions with regard to risk management, implements the RMF and enforces that the Group's risk management practices are sound and in accordance with the business model, strategy plan, risk tolerances and the defined mitigating actions set out in them. In doing so, executive boards assume the responsibilities for the management of business, strategic and reputational risks.

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

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

For further details, please refer to the Executive Board section of the Annual Report 2021 of Julius Baer Group Ltd.

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

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

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

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

RISK CULTURE

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

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

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

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

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

The Code is globally applicable, and the principles described in the Code are reflected in the Bank's internal policies and procedures. To ensure adherence to the Code, employees are regularly trained on its content and provide regular confirmations of their understanding and compliance through a formal self-attestation framework. Further, the non-adherence to the Code is reflected in an employee's value and risk behavior assessment and rating and may lead to disciplinary action.

Employees are expected to raise any concerns or suspicions regarding deficient processes and/or any type of unethical or improper behaviour, including any breaches of law and/or policy. They are asked to report any such issues directly to their line management, a member of the CRO function and/or Human Resources.

Alternatively, other channels are available to report concerns, observations or complaints, such as contacting the Group's Ombudsman or reporting the incident anonymously through the Group's external reporting tool (integrity line). The Bank will not retaliate against any employee who reports a concern in good faith.

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

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

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

GROUP RISK LANDSCAPE

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

- A yearly bottom-up Risk and Control Self-Assessment (RCSA) of operational, legal and compliance risks is performed by the Bank and the Business Functions at Head Office and challenged by the second line of defence.
- The RCSA is complemented by the top-down Risk Type Owner Assessments (RTOA) which is performed annually by the RTOs for all operational, legal and compliance risk types.
- All risk categories are assessed, depicting both a 'normalised' and a 'stressed' risk profile (with low probability).
- The above is supplemented by a review and a top-down assessment by ExB (under the auspices of the CRO) of strategic, reputational and major risks – and subsequently 'back-tested' against the Bank's overall risk capacity.

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

CAPITAL PLANNING AND LIQUIDITY CONTINGENCY PLAN

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

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

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

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

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

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

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

STRESS TESTING

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

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

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

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

- Topical stress testing is being applied for a variety of specific topics to gain assurance that preventive, detective and responsive measures to defined scenarios are adequate.

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

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

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

Operational risk, compliance and legal risk as well as strategic, business and reputational risk are assessed and reported within a structured process concentrating on the major risks relevant for the Bank. The compilation of such risks follows a stress scenario assumption, e.g. focusses on events that may happen, but only rarely, and whose severity, upon happening, is exceptionally high. In addition, the estimated losses are being used in reverse stress testing of the risk capacity.

RISK REPORTING

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

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

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

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

THE THREE LINES OF DEFENCE

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

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

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

The Three Lines of Defence model

Functions operating across the Group

First Line of Defence

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

Second Line of Defence

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

Third Line of Defence

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

Internal Control System

CREDIT RISK

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

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

Professional counterparty exposure
The Bank engages in transactions with banks, brokers and selected institutional clients on both a secured and unsecured basis. This involves individual risk limits and settlement limits being approved for each counterparty. The credit exposures arising from these transactions are monitored on a daily basis, and netting agreements and collateral agreements are used to mitigate exposures further. As a result, the vast majority of the replacement values of the exposure arising from trading transactions are covered by collateral. The Bank places excess liquidity with central banks. It also makes short-term money-market placements with banks and invests in high quality, repo-eligible bonds and secured debt instruments issued by governments, public institutions, banks and corporations.

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

These ensure that the Bank's consolidated credit exposure, both on a single-counterparty and a counterparty-group basis,

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

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

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

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

For professional counterparties, a regular stress test is in place. The current exposure is stressed and set against current limits and against stressed equity of the counterparty.

Lombard lending
The Bank has a policy of lending to wealth management clients on a collateralised basis. The credit risk results from lending activities and derivatives transactions requiring a margin.

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

Every counterparty with a credit line is assigned an internal credit rating. The risk rating reflects the underlying credit risk and primarily depends on the collateral provided by the counterparty, collateral concentration and client-specific conditions. In the case of the rating classes R1 to R6 (neither past due nor impaired), the outstanding balances are serviced; the lending value of the collateral (at fair value) pledged for collateralised exposures equals or exceeds the balances, and repayment of the balance is not in doubt. Balances in rating class R7 are partially past due (e.g. interest past due), but the exposure is still covered by collateral. For balances in rating classes R7 to R10, loss allowances are established on a case-by-case basis.

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

The Bank's objective is to achieve a growth in Lombard lending commensurate with the evolution of its wealth management business. To that end, the Board of Directors for example defines corridor values for credit penetration (the ratio of credit cash exposure to assets under management). In addition, the Bank has implemented a set of regularly reviewed limits for the ongoing management and systematic monitoring of various credit risk concentrations in the Lombard business in line with its risk strategy. This includes limits related to single asset collaterals, client groups, geographical (on country-of-risk level) or risk rating concentrations; all of these limits have the same significance and are adhered to equally. Any breach of the limits becoming apparent would be dealt with in line with the general risk governance policy described above. Furthermore, management triggers exist for these limits, which allows management to take the necessary actions at an early stage so that any potential breach can be avoided. None of the internal risk limits has been exceeded during the business years 2021 and 2020.

Additionally, an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically, is in place. The maximum ratio has not been exceeded during the business years 2021 and 2020.

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

The Bank is using a credit system for managing and monitoring Lombard risks. The system draws the relevant position data from the bookkeeping systems of the Bank. The system is able to enrich this data with credit-specific information and to consolidate it with data on client and counterparty positions from the various booking centres. Several controls are incorporated in these systems. All Lombard risks are monitored daily, as are current limit usage and the quality of the collateral pledged. In addition, for clients with derivatives positions whose exposure requires intraday monitoring, real-time systems are also available.

Mortgages
The Bank grants mortgages to wealth management clients in Switzerland and in a limited number of international locations. The properties pledged are assessed and valued individually as part of the risk management process. These valuations are carried out based either on a factor model or by qualified internal and external appraisers. Maximum mortgage amounts are determined based on the characteristics of each property and client. An additional financial sustainability assessment is also carried out before a mortgage is granted. In many cases, supplementary collateral in the form of securities is required in addition to the pledged property itself. Every mortgage is assigned a risk rating. The rating reflects the underlying credit risk, which primarily depends on the counterparty assessment, the property and potentially supplementary collateral. The risk rating for the requested limit size also determines the approval level and review frequency. The Bank tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

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

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

MARKET RISK

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

It could be further separated into:

– Trading market risk, resulting from trading book transactions, being pursued with the intention of benefiting from actual or expected differences between the opening and closing price of proprietary positions, with the intention of benefiting from arbitrage profits, or with the intention of hedging risks from positions meeting aforementioned criteria, and
– Non-trading market risk, resulting from the management of financial assets and liabilities held in the Bank's banking book with exposures mainly to interest rate risk, currency risk, credit spread risk, and equity risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TREASURY RISK

Treasury risk consists of financing and liquidity risk.

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

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

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

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

- measurement of risk by using appropriate models
- liquidity ratios and limits
- stress testing
- fund transfer pricing system
- reporting

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

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

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

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

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

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

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

- liquidity stress tests
- Liquidity Coverage Ratio (LCR). For additional information to the LCR, refer to the separate Basel III Pillar 3 Report, published in the Financial Reporting section of the www.juliusbaer.com website (this will be available at the end of April 2022)
- Net Stable Funding Ratio (NSFR)
- funding gap analysis
- funding concentration analysis
- early warning indicators

NON-FINANCIAL RISK

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

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

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

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

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

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

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

Reputational risk describes the risk that the reputation the Bank has with its stakeholders (including regulators, shareholders, clients, employees and the general public) deteriorates and the trust in its franchise and brand value is negatively influenced. The reputation may deteriorate due to cases in which stakeholders' perception of the Bank differs negatively from their expectations. Negative publicity about the Bank's business practices can involve any aspect of its operations, but usually relates to topics of business ethics and integrity, or the quality of products and services. This includes signals of unexpected negative press, which may lead to extensive money outflows or client withdrawals. Its reputation may also be at risk if environmental, social and governance standards are not being met or if its actions are misaligned with the expectations of relevant stakeholders.

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

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

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

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

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

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

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

For information about capital management including regulatory capital, refer to the respective section in the Annual Report 2021 of Julius Baer Group Ltd.

KEY FIGURES[1]

	2021	2020
Available capital (CHF m)		
Common Equity Tier 1 capital (CET1)	**3,687.2**	3,444.7
Tier 1 capital	**4,167.2**	3,924.7
Total capital	**4,278.7**	4,057.8
Risk weighted assets (RWA) (CHF m)		
RWA	**18,818.5**	19,320.4
Minimum capital requirements	**1,505.5**	1,545.6
Risk-based capital ratios as a percentage of RWA		
Common equity tier 1 capital ratio (%)	**19.6**	17.8
Tier 1 capital ratio (%)	**22.1**	20.3
Total capital ratio (%)	**22.7**	21.0
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirement as per the Basel minimal standards (2.5% from 2019) (%)	**2.5**	2.5
Countercyclical buffer requirement (art. 44a CAO) as per the Basel minimal standards (%)	**0.1**	0.1
Total of Bank CET1 specific buffer requirements as per the Basel minimal standards (%)	**2.6**	2.6
CET1 available after meeting the Bank's minimum capital requirements as per the Basel minimal standards (%)	**14.7**	13.0
Target capital ratios according to appendix 8 CAO (% of RWA)		
Capital buffer according to appendix 8 CAO (%)	**4.0**	4.0
Countercyclical capital buffer (art. 44 and 44a CAO) (%)	**0.1**	0.1
CET1 target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**7.9**	7.9
Tier 1 target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**9.7**	9.7
Total capital target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	**12.1**	12.1
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure (CHF m)	**112,133.8**	92,145.2
Basel III leverage ratio (%)	**3.7**	4.3
Liquidity coverage ratio		
Total HQLA (CHF m)	**23,444.0**	20,918.5
Total net cash outflow (CHF m)	**14,880.5**	13,582.0
LCR ratio (%)	**157.5**	154.0
Net Stable Funding Ratio (NSFR)[2]		
Available stable funding	**62,245.8**	-
Required stable funding	**47,926.8**	-
Net Stable Funding Ratio, NSFR (%)	**129.9**	-

[1] Row structur according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table KM1.
[2] Not to be disclosed until the regulation on the NSFR has come into force according to FINMA circular 2016/1, annex 2, table KM1.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

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

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

USE OF ESTIMATES IN PREPARING THE STATUTORY FINANCIAL STATEMENTS

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

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

ACCOUNTING POLICIES

The Bank applies uniform accounting and measurement principles, which have remained the same as in the previous year, except as outlined at the end of this summary in the section changes in accounting policies.

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

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

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2021	31.12.2020	**2021**	2020
USD/CHF	**0.9111**	0.8839	**0.9150**	0.9340
EUR/CHF	**1.0362**	1.0816	**1.0795**	1.0705
GBP/CHF	**1.2341**	1.2083	**1.2580**	1.2060

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

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

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

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

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

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

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

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

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

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

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

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

Generally, ECL calculations are based on four components:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedging
The Bank applies the respective IFRS 9 guidelines for the treatment of derivative financial instruments including hedging.

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

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

– identification of eligible hedged item(s) and hedging instruments;
– identification of an eligible hedged risk;
– verification that the hedge relationship meets the definition of one of the permitted types (see below);
– verification that the qualifying criteria for hedge accounting are met; and
– formal designation of the hedge relationship.

The Bank applies the following IFRS 9 hedge accounting models (concepts):

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

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

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

For a CFH, the carrying amount of the hedged item, which may not even be recognised yet, is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument in other comprehensive income (under Swiss GAAP, direct bookings into equity are not allowed; therefore, such amounts are recognised in the settlement account instead which is part of other assets/other liabilities). Any ineffective portion remains in the income statement as ineffectiveness.

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets
Intangible assets are classified into the following categories:

Goodwill: In a business combination, the acquiree's identifiable assets and liabilities are recognised at their respective fair value at acquisition date. Goodwill is measured as the difference between the sum of the fair value of consideration transferred and the recognised amount of the identifiable assets acquired and liabilities assumed. Goodwill is amortised using the straight-line method over a period of five years, in justified cases also over a maximum period of ten years.

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

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

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

Debt issued
Issued bonds are initially recognised at the fair value of the consideration received and are subsequently reported in the balance sheet at amortised cost using the effective interest method. Own bonds that the Bank holds are offset.

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

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

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

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

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

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

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

The Bank uses shares of its parent company Julius Baer Group Ltd (i.e. virtual equity instruments) for the settlement of the share plans; therefore, the expense recognised for the share plans are adjusted to the acquisition date fair value of the vested shares, or the present fair value, if the shares have not yet been purchased.

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

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

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

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

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES AND VALUATION PRINCIPLES

The Bank adopted the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2021 (see the Accounting Policies and Valuation Principles section for the remaining differences between IFRS and Swiss GAAP). As permitted by IFRS 9 Financial Instruments, the Bank has prospectively adopted the hedge accounting requirements of this standard for all its existing hedges previously accounted for under the guidelines of IAS 39 Financial Instruments: Recognition and Measurement, except for fair value hedges of portfolio interest rate risk, which continue to be accounted for under IAS 39.

The hedge accounting model in IFRS 9 improves the alignment of the Bank's risk management practices with the respective accounting treatment. In addition, it amends the hedge effectiveness testing requirements, extends possibilities of the application of hedge accounting and permits the amortisation of the option's time value as 'cost of hedging'.

The adoption of these requirements had no material financial impact on the Bank's financial statements. However, since the adopting the new standard, the Bank increasingly designates more effective hedge accounting relationships due to the more favourable rules and applications and hence reduces volatility in the income statement. The Bank also introduced cash flow hedge accounting to hedge the interest rate risk of certain groups of assets (Lombard loans) as well as to hedge future stable and predictable foreign currency cash flows.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GROSS RESULT ON INTEREST OPERATIONS

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Interest income on cash	**-43,351**	-38,308	-5,043	13.2
of which negative interest	***-43,351***	*-38,308*	*-5,043*	*13.2*
Interest income on amounts due from banks	**232**	8,546	-8,314	-97.3
of which negative interest	***-1,062***	*-1,124*	*62*	*-5.5*
Interest income on loans	**520,597**	573,967	-53,370	-9.3
of which negative interest	***-481***	*-883*	*402*	*-45.5*
Interest income on financial investments	**125,059**	142,202	-17,143	-12.1
Total interest income using the effective interest method	**602,537**	686,407	-83,870	-12.2
Dividend income on financial investments	**20,991**	1,811	19,180	-
Interest income on trading portfolios	**-76,158**	19,276	-95,434	-
Dividend income on trading portfolios	**186,857**	229,678	-42,821	-18.6
Total interest and dividend income	**734,227**	937,172	-202,945	-21.7
Interest expense	**-30,960**	205,327	-236,287	-
of which negative interest	***-33,925***	*-26,862*	*-7,063*	*-26.3*
Total interest expense using the effective interest method	**-30,960**	205,327	-236,287	-
Total	**765,187**	731,845	33,342	4.6

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

NOTE 2 RESULT ON TRADING ACTIVITIES AND THE FAIR VALUE OPTION

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Debt instruments	**-8,683**	-83,169	74,486	-89.6
Equity instruments	**217,588**	132,746	84,842	63.9
Foreign exchange	**461,695**	637,340	-175,645	-27.6
Total	**670,600**	686,917	-16,317	-2.4

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

NOTE 3 PERSONNEL EXPENSES

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Salaries and bonuses	**973,938**	958,664	15,274	1.6
Contributions to retirement plans (defined benefits)	**75,769**	82,633	-6,864	-8.3
Contributions to staff pension plans (defined contributions)	**23,353**	20,809	2,544	12.2
Change in net defined pension plans liability	**-86,086**	-54,606	-31,480	57.6
Other social security contributions	**74,010**	69,197	4,813	7.0
Share-based payments	**63,145**	52,495	10,650	20.3
Other personnel expenses	**19,764**	18,141	1,623	8.9
Total	**1,143,893**	1,147,333	-3,440	-0.3

NOTE 4 GENERAL EXPENSES

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Occupancy expense	**63,927**	62,876	1,051	1.7
IT and other equipment expense	**75,826**	77,808	-1,982	-2.5
Information, communication and advertising expense	**140,359**	130,324	10,035	7.7
Service expense, fees and taxes	**393,396**	386,741	6,655	1.7
of which fees of audit firm				
- Audit fees	***3,373***	*3,571*	-198	-5.5
- Other fees	***1,133***	*1,353*	-220	-16.3
Other general expenses	**402**	657	-255	-38.8
Total	**673,910**	658,406	15,504	2.4

NOTE 5 PROVISIONS AND LOSSES

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Operating losses	**6,971**	6,950	21	0.3
Provision legal risks	**56,167**	73,567	-17,400	-23.7
Total	**63,138**	80,517	-17,379	-21.6

NOTE 6 TAXES

	2021 *CHF 1,000*	2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Income taxes	**150,466**	118,968	31,498	26.5
Capital taxes	**4,468**	3,800	668	17.6
Total	**154,934**	122,768	32,166	26.2

On a total of CHF 889.9 million (2020: CHF 677.7 million) of net profit before taxes, Bank Julius Baer & Co. Ltd. recognised CHF 154.9 million (2020: CHF 122.8 million) of taxes which leads to an effective tax rate of 17.4% (2020: 18.1%).

NOTE 7 SECURITIES TRANSACTIONS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Receivables				
Receivables from cash collateral provided in securities borrowing transactions	**-**	6,210	-6,210	-100.0
Receivables from cash collateral provided in reverse repurchase transactions	**24,140**	1,257,988	-1,233,848	-98.1
Total	**24,140**	1,264,198	-1,240,058	-98.1
Obligations				
Obligations to return cash collateral received in securities lending transactions	**60,038**	252,112	-192,074	-76.2
Obligations to return cash collateral received in repurchase transactions	**296,861**	82,498	214,363	259.8
Total	**356,899**	334,610	22,289	6.7
Securities collateral				
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**2,411,360**	1,092,179	1,319,181	120.8
of which securities the right to pledge or sell has been granted without restriction	***2,411,360***	*1,092,179*	*1,319,181*	*120.8*
of which recognised in trading assets	***2,411,056***	*952,753*	*1,458,303*	*153.1*
of which recognised in financial investments	***304***	*139,426*	*-139,122*	*-99.8*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**5,792,737**	4,267,602	1,525,135	35.7
of which repledged	***5,093,145***	*3,241,645*	*1,851,500*	*57.1*
of which resold	***268,642***	*460,283*	*-191,641*	*-41.6*

NOTE 8 FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

taking into consideration their respective probabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit quality analysis

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

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2021 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		4,998.0	-	-	**4,998.0**
R5–R6: Increased risk		79.4	-	-	**79.4**
R7–R10: Impaired		-	-	-	**-**
Total		5,077.4	-	-	**5,077.4**
Loss allowance		-0.1	-	-	**-0.1**
Carrying amount		**5,077.3**	**-**	**-**	**5,077.3**
Due from customers, at amortised cost					
R1–R4: Low to medium risk		38,773.2	30.1	-	**38,803.3**
R5–R6: Increased risk		1,290.2	200.4	-	**1,490.6**
R7–R10: Impaired		-	-	125.7	**125.7**
Total		40,063.4	230.5	125.7	**40,419.6**
Loss allowance		-4.9	-0.1	-85.1	**-90.1**
Carrying amount		**40,058.5**	**230.4**	**40.6**	**40,329.5**
Mortgages, at amortised cost					
R1–R4: Low to medium risk		5,647.0	346.4	-	**5,993.4**
R5–R6: Increased risk		1.8	34.6	-	**36.4**
R7–R10: Impaired		-	-	30.6	**30.6**
Total		5,648.8	381.0	30.6	**6,060.4**
Loss allowance		-0.6	-0.1	-0.8	**-1.5**
Carrying amount		**5,648.2**	**380.9**	**29.8**	**6,058.9**
Financial investments (debt instruments)					
R1–R4: Low to medium risk	Aaa – Baa3	12,794.7	-	-	**12,794.7**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	45.5	-	-	**45.5**
Carrying amount		**12,840.2**	**-**	**-**	**12,840.2**
Loss allowance		-1.3	-	-	**-1.3**

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

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the ongoing challenging economic environment and the related uncertainty due to COVID-19. The growth assumption (based on the gross domestic products) used in the baseline scenario has been adjusted for year-end reporting 2021, resulting in a positive forecast again for the coming periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, the models used for the ECL calculation have not been modified due to the pandemic.

The ECL calculations did not reveal any material losses to be recognised for year-end reporting 2021.

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

Expected credit losses

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

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2021	0.1	-	-	**0.1**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New/increase financial assets	0.1	-	-	**0.1**
Financial assets that have been derecognised	-0.1	-	-	**-0.1**
Changes in models/risk parameters	-0.0	-	-	**-0.0**
Balance at 31 December 2021	**0.1**	**-**	**-**	**0.1**
Due from customers, at amortised cost				
Balance at 1 January 2021	2.5	0.3	77.4	**80.2**
Transfer to/(from) 12-month ECL	0.2	-0.2	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	0.0	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	**-**
Net remeasurement of loss allowance	-1.8	-0.1	0.8	**-1.1**
New/increase financial assets	4.6	0.0	5.1[1]	**9.7**
Financial assets that have been derecognised	-0.5	-0.0	-0.0	**-0.5**
Write-offs	-	-	-1.8	**-1.8**
Changes in models/risk parameters	-0.1	0.0	0.0	**-0.1**
Foreign exchange and other movements	-	-	3.7	**3.7**
Balance at 31 December 2021	**4.9**	**0.0**	**85.2**	**90.1**
Mortgages, at amortised cost				
Balance at 1 January 2021	1.0	0.1	2.7	**3.8**
Net remeasurement of loss allowance	0.1	-	2.7	**2.8**
New/increase financial assets	0.4	0.1	-	**0.5**
Financial assets that have been derecognised	-0.9	-0.1	-2.7	**-3.7**
Changes in models/risk parameters	0.0	-	-	**0.0**
Foreign exchange and other movements	-	-	-1.9	**-1.9**
Balance at 31 December 2021	**0.6**	**0.1**	**0.8**	**1.5**

[1] Including outstanding accumulated interest.

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

	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost				
Balance at 1 January 2020	0.2	-	-	0.2
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.1	-	-	-0.1
Changes in models/risk parameters	0.0	-	-	0.0
Balance at 31 December 2020	0.1	-	-	0.1
Due from customers, at amortised cost				
Balance at 1 January 2020	4.5	0.4	40.3	45.2
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	-
Net remeasurement of loss allowance	-21.4	0.0	47.2	25.8
New/increase financial assets	22.1	0.2	6.0[1]	28.3
Financial assets that have been derecognised	-2.5	-0.3	-8.3	-11.1
Write-offs	-	-	-0.9	-0.9
Changes in models/risk parameters	-0.2	-0.0	-0.0	-0.2
Foreign exchange and other movements	-	-	-6.9	-6.9
Balance at 31 December 2020	2.5	0.3	77.4	80.2
Mortgages, at amortised cost				
Balance at 1 January 2020	0.6	0.5	2.7	3.8
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Net remeasurement of loss allowance	-0.1	0.0	2.2	2.1
New/increase financial assets	0.9	0.1	-	1.0
Financial assets that have been derecognised	-0.3	-0.5	-2.2	-3.0
Write-offs	-	-	-	-
Changes in models/risk parameters	-0.1	0.0	-	-0.1
Balance at 31 December 2020	1.0	0.1	2.7	3.8
Financial investments (debt instruments)				
Balance at 1 January 2020	1.2	0.1	-	1.3
Net remeasurement of loss allowance	-0.2	-	-	-0.2
New financial assets purchased	1.3	-	-	1.3
Financial assets that have been derecognised	-0.5	-0.1	-	-0.6
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2020	1.8	-	-	1.8

[1] Including outstanding accumulated interest.

NOTE 9 LISTING OF COLLATERAL

	Type of collateral			
	Mortgage collateral *CHF 1,000*	Other collateral *CHF 1,000*	Without collateral *CHF 1,000*	**Total** *CHF 1,000*
Balance sheet items[1]				
Due from banks	-	3,391,893	1,685,580	**5,077,473**
Due from customers	13,300	39,683,881	722,387	**40,419,568**
Mortgages	6,056,042	3,481	954	**6,060,477**
of which residential real estate	*5,448,956*	-	-	***5,448,956***
of which office and business premises	*150,326*	-	-	***150,326***
of which trade and industrial property	*456,760*	-	-	***456,760***
of which other	-	*3,481*	*954*	***4,435***
Total gross balance sheet items 31.12.2021	6,069,342	43,079,255	2,408,921	**51,557,518**
Total gross balance sheet items 31.12.2020	6,477,388	39,560,720	3,412,945	49,451,053

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

Off-balance sheet items				
Contingent liabilities	-	1,196,389	13,416	**1,209,805**
Irrevocable commitments	-	231,589	186,004	**417,593**
Total off-balance sheet items 31.12.2021	-	1,427,978	199,420	**1,627,398**
Total off-balance sheet items 31.12.2020	-	1,345,912	197,099	1,543,011

	Gross claims *CHF 1,000*	Estimated proceeds from liquidation of collateral *CHF 1,000*	Net claims *CHF 1,000*	Loss allowances *CHF 1,000*
Impaired receivables 31.12.2021	**151,549**	**65,382**	**86,167**	**85,909**
Impaired receivables 31.12.2020	119,598	39,466	80,132	80,084

NOTE 10 TRADING PORTFOLIOS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Trading assets				
Debt instruments	**3,263,789**	3,397,877	-134,088	-3.9
of which quoted	***2,135,984***	*2,664,756*	*-528,772*	*-19.8*
of which unquoted	***1,127,805***	*733,121*	*394,684*	*53.8*
Equity instruments	**11,417,388**	10,155,654	1,261,734	12.4
of which quoted	***9,180,085***	*8,223,052*	*957,033*	*11.6*
of which unquoted	***2,237,303***	*1,932,602*	*304,701*	*15.8*
Precious metals	**4,108,107**	4,288,105	-179,998	-4.2
Total	**18,789,284**	17,841,636	947,648	5.3
of which measurement is based on a valuation model	***7,056,651***	*6,473,273*	*583,378*	*9.0*
of which repo-eligible securities	***5,040***	*10,837*	*-5,797*	*-53.5*

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Trading liabilities				
Short positions - debt	**174,040**	239,512	-65,472	-27.3
of which quoted	***133,060***	*222,110*	*-89,050*	*-40.1*
of which unquoted	***40,980***	*17,402*	*23,578*	*135.5*
Short positions - equity	**575,499**	657,008	-81,509	-12.4
of which quoted	***548,269***	*626,284*	*-78,015*	*-12.5*
of which unquoted	***27,230***	*30,724*	*-3,494*	*-11.4*
Total	**749,539**	896,520	-146,981	-16.4
of which measurement is based on a valuation model	***68,614***	*53,238*	*15,376*	*28.9*

NOTE 11 FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Financial assets designated at fair value				
Financial investments	**306,895**	252,178	54,717	21.7
of which private equity	***187,739***	*178,903*	*8,836*	*4.9*
of which funds	***119,156***	*73,275*	*45,881*	*62.6*
Total	**306,895**	252,178	54,717	21.7
of which measurement is based on a valuation model	***284,809***	*243,643*	*41,166*	*16.9*

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Financial liabilities designated at fair value				
Issued certificates	**2,506,829**	2,060,696	446,133	21.6
of which interest instruments	***144,034***	*279,553*	*-135,519*	*-48.5*
of which equity instruments	***2,362,795***	*1,781,143*	*581,652*	*32.7*
Structured products	**11,952,159**	11,090,052	862,107	7.8
of which interest instruments	***9,028,628***	*8,278,434*	*750,194*	*9.1*
of which equity instruments	***1,659,939***	*1,620,529*	*39,410*	*2.4*
of which foreign exchange instruments	***1,263,592***	*1,191,089*	*72,503*	*6.1*
Total	**14,458,988**	13,150,748	1,308,240	9.9
of which measurement is based on a valuation model	***14,458,988***	*13,150,748*	*1,308,240*	*9.9*

NOTE 12A DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

			31.12.2021			31.12.2020
	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	**119.4**	**131.0**	**38,266.9**	131.5	167.9	22,735.0
Futures	**0.9**	**0.7**	**466.1**	1.2	0.1	210.8
Options (OTC)	**8.0**	**8.0**	**216.3**	10.9	9.4	260.8
Total	**128.3**	**139.7**	**38,949.3**	143.6	177.4	23,206.6
Foreign exchange derivatives						
Forward contracts	**663.8**	**846.2**	**107,655.6**	753.6	1,055.6	95,263.1
Combined interest rate/currency swaps	**0.7**	**7.3**	**173.6**	2.3	20.3	909.6
Futures	**0.9**	**0.4**	**183.4**	-	4.8	249.4
Options (OTC)	**185.7**	**130.5**	**19,435.6**	290.9	244.9	26,634.2
Total	**851.1**	**984.4**	**127,448.2**	1,046.8	1,325.6	123,056.3
Precious metals derivatives						
Forward contracts	**22.5**	**30.1**	**2,439.2**	43.6	77.7	2,733.6
Futures	**2.0**	**2.0**	**119.1**	0.2	1.7	39.8
Options (OTC)	**47.6**	**51.0**	**3,553.0**	126.2	99.0	5,150.4
Options (traded)	**-**	**30.3**	**1,063.8**	-	56.1	1,611.2
Total	**72.1**	**113.4**	**7,175.1**	170.0	234.5	9,535.0
Equity/indices derivatives						
Futures	**32.8**	**6.5**	**1,006.4**	28.4	5.7	863.6
Options (OTC)	**487.7**	**220.2**	**10,898.4**	620.0	284.8	11,418.5
Options (traded)	**481.9**	**1,139.4**	**25,811.0**	536.4	632.7	19,414.9
Total	**1,002.4**	**1,366.1**	**37,715.8**	1,184.8	923.2	31,697.0
Credit derivatives						
Credit default swaps	**0.1**	**0.5**	**83.5**	0.2	1.3	110.1
Total return swaps	**29.8**	**48.1**	**1,385.2**	11.0	35.3	883.9
Total	**29.9**	**48.6**	**1,468.7**	11.2	36.6	994.0
Other derivatives						
Futures	**3.9**	**2.6**	**325.2**	0.2	0.8	64.5
Total	**3.9**	**2.6**	**325.2**	0.2	0.8	64.5
Total derivatives held for trading	**2,087.7**	**2,654.8**	**213,082.3**	2,556.6	2,698.1	188,553.4

Derivatives held for hedging

			31.12.2021			31.12.2020
	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*
Derivatives designated as fair value hedges						
Interest rate swaps	**8.3**	**16.6**	**1,555.5**	19.7	11.9	1,184.3
Derivatives designated as cash flow hedges						
Interest rate swaps	**-**	**8.9**	**544.9**	-	-	-
Foreign exchange derivatives	**1.0**	**1.1**	**464.7**	-	-	-
Total derivatives held for hedging	**9.3**	**26.6**	**2,565.1**	19.7	11.9	1,184.3
Total derivative financial instruments	**2,097.0**	**2,681.4**	**215,647.4**	2,576.3	2,710.0	189,737.7

	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	**1,604.0**	**2,139.5**	**194,665.0**	2,078.4	2,193.5	169,275.6
1 to 5 years	**443.0**	**480.6**	**19,360.4**	426.8	432.1	19,167.8
over 5 years	**50.0**	**61.3**	**1,622.0**	71.1	84.4	1,294.3
Total	**2,097.0**	**2,681.4**	**215,647.4**	2,576.3	2,710.0	189,737.7
of which measurement is based on a valuation model	***2,056.6***	***2,669.2***		*2,546.2*	*2,696.9*	
after netting	***2,097.0***	***2,681.4***		*2,576.3*	*2,710.0*	

			31.12.2021			31.12.2020
	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	**489.8**	**804.0**	**803.2**	545.4	990.9	1,040.0
Total	**489.8**	**804.0**	**803.2**	545.4	990.9	1,040.0

NOTE 12B HEDGE ACCOUNTING

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

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the time deposits of the Bank which are denominated in USD, CHF or SGD, as well as a very limited number of mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) time deposits and mortgages. As such, the interest rate risk of each asset is substantially reduced to the interest rate risk of the floating rate leg of the respective swap.

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

	Hedges of time deposits (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	**31.12.2021** Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	**1,127.4**	**20.2**	**399.1**
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	**3.8**	**-**	**25.2**
Carrying amount hedged items	**1,131.2**	**20.2**	**424.3**
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 0.80%)	**1,127.5**		
- whereof remaining maturity <1 year (average fixed interest rate: 1.83%)	***217.6***		
- whereof remaining maturity 1–5 years (average fixed interest rate: 0.9%)	***649.9***		
- whereof remaining maturity > 5 years (average fixed interest rate: -0.33%)	***260.0***		
Notional amount (overall average fixed interest rate: -0.31%)		**18.0**	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		***18.0***	
Notional amount (overall average fixed interest rate: 0.77%)			**410.0**
- whereof remaining maturity < 1 year (average fixed interest rate: 0.90%)			***220.0***
- whereof remaining maturity 1–5 years years (average fixed interest rate: 0.68%)			***190.0***
Positive replacement value	**7.8**	**0.5**	**-**[1]
- related notional amount	***554.3***	***18.0***	**-**
Negative replacement value	**-12.1**	**-**	**-4.5**[1]
- related notional amount	***573.1***	**-**	***410.0***
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**3.8**	**-**	**-1.0**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**-4.3**	**0.5**	**0.7**[1]
Amount of hedge ineffectiveness recognised in the income statement	**-0.5**	**0.5**	**-0.3**
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	**-**	**-**	**25.4**

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

			31.12.2020
	Hedges of time deposits (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	635.1	20.4	526.0
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	18.9	0.8	35.6
Carrying amount hedged items	654.0	21.2	561.6
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 1.31%)	636.3		
- whereof remaining maturity 1–5 years (average fixed interest rate: 1.48%)	*548.0*		
- whereof remaining maturity > 5 years (average fixed interest rate: 0.3%)	*88.4*		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		*18.0*	
Notional amount (overall average fixed interest rate: 0.57%)			530.0
- whereof remaining maturity < 1 year (average fixed interest rate: -0.09%)			*120.0*
- whereof remaining maturity 1–5 years years (average fixed interest rate: 0.77%)			*410.0*
- whereof remaining maturity > 5 years (average fixed interest rate: -0.25%)			-
Positive replacement value	19.7	-	-[1]
- related notional amount	*548.0*	-	-
Negative replacement value	-0.3	-0.1	-11.5[1]
- related notional amount	*88.4*	*18.0*	*530.0*
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	-18.9	0.8	-0.7
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	19.4	-0.1	0.6[1]
Amount of hedge ineffectiveness recognised in the income statement	0.5	0.7	-0.1
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	36.3

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

Cash flow hedges
As of 2021, the Bank started to apply cash flow hedge accounting to protect its recurring fees in foreign currencies. These fees represent an FX transaction risk for the Bank, as the Bank charges the clients for their fees based on the currency mix of the assets on a quarterly basis; hence, the forward-looking FX hedge transaction has the risk objective to protect the Bank's earnings from changes in the CHF (the functional currency of the Bank) against the respective currency of the fee charged. The Bank uses zero cost risk reversal (or collar) structures consisting of puts and calls; maturity of the hedges is on the same day as the hedged item (fees in foreign currency) are charged to the clients.

The effectiveness of the hedges is measured on the monthly change of the intrinsic value of the option against the FX spot moves of the hedged item. The monthly change of the intrinsic value of the options will be booked to OCI[1] as hedge result as long as the hedge is effective. The time value of the option is allocated to the income statement over the life time of the option. A possible ineffective portion of the hedge is also recognised in the income statement.

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

The following table relates to the derivatives (FX options, interest rate swaps) used for the cash flow hedges and the related amounts recognised in OCI[1] and income statement:

		31.12.2021
	Interest rate hedges *CHF m*	FX hedges *CHF m*
Hedging instrument – Derivatives		
Positive replacement value of derivatives	-	**1.0**
Negative replacement values of derivatives	**8.9**	**1.1**
Nominal value of derivatives	**544.9**	**464.7**
Amounts recognised in OCI[1]		
OCI on cash flow hedges	**-8.7**	-
Amounts recognised in the income statement		
Hedge ineffectiveness recognised in net income from financial instruments measured at FVTPL	**-0.2**	-
Amortisation of time value of the derivatives into income statement	-	-

[1] Under Swiss GAAP, direct bookings into equity are not allowed; therefore, such amounts are instead recognised in the settlement account which is part of other assets/other liabilities.

NOTE 13A FINANCIAL INVESTMENTS

	31.12.2021 Carrying value *CHF 1,000*	31.12.2020 Carrying value *CHF 1,000*	**31.12.2021** Fair value *CHF 1,000*	31.12.2020 Fair value *CHF 1,000*
Government and agency bonds	**4,423,579**	*4,226,945*	**4,430,719**	4,254,605
Financial institution bonds	**5,206,988**	*5,204,675*	**5,232,362**	5,261,375
Corporate bonds	**3,208,329**	*3,815,788*	**3,229,143**	3,864,687
Debt instruments	**12,838,896**	13,247,408	**12,892,224**	13,380,667
of which quoted	***8,787,572***	*8,785,711*	***8,831,959***	*8,903,652*
of which unquoted	***4,051,324***	*4,461,697*	***4,060,265***	*4,477,015*
of which valued at lower of cost or fair value	***12,838,896***	*13,247,408*	***12,892,224***	*13,380,667*
Equity instruments	**114,170**	81,477	**339,294**	272,346
of which unquoted	***114,170***	*81,477*	***339,294***	*272,346*
Total	**12,953,066**	13,328,885	**13,231,518**	13,653,013
of which repo-eligible securities	***645,488***	*696,349*		

NOTE 13B FINANCIAL INVESTMENTS – CREDIT RATINGS

Debt instruments by the Bank's credit rating classes	**Fitch, S&P**	**Moody's**	**31.12.2021** *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*
1–2	AAA – AA-	Aaa – Aa3	**8,827,580**	7,817,274	1,010,306
3	A+ – A-	A1 – A3	**3,674,535**	4,974,763	-1,300,228
4	BBB+ – BBB-	Baa1 – Baa3	**291,267**	455,371	-164,104
Unrated			**45,514**	-	45,514
Total			**12,838,896**	13,247,408	-408,512

NOTE 14 GOODWILL, INTANGIBLE ASSETS AND TANGIBLE FIXED ASSETS

	Goodwill *CHF 1,000*	Customer relationships *CHF 1,000*	**Total intangible assets** *CHF 1,000*	Bank premises *CHF 1,000*	Software *CHF 1,000*	Other tangible fixed assets *CHF 1,000*	**Total tangible fixed assets** *CHF 1,000*
Historical cost							
Balance on 01.01.2020	1,516,085	1,389,192	2,905,277	361,273	1,004,651	180,961	1,546,885
Additions	-	-	-	4,800	149,869	15,723	170,392
Disposals/transfers[1]	-	-	-	-	56,797	26,417	83,214
Balance on 31.12.2020	1,516,085	1,389,192	2,905,277	366,073	1,097,723	170,267	1,634,063
Additions	-	-	-	6,251	168,007	13,344	187,602
Disposals/transfers[1]	-	-	-	-	65,982	44,801	110,783
Balance on 31.12.2021	1,516,085	1,389,192	2,905,277	372,324	1,199,748	138,810	1,710,882
Depreciation and amortisation							
Balance on 01.01.2020	1,051,763	1,220,206	2,271,969	129,689	435,108	142,094	706,891
Charge for the period	74,608	56,675	131,283	7,995	76,905[2]	21,837[2]	106,737
Disposals/transfers[1]	-	-	-	-	56,797	26,417	83,214
Balance on 31.12.2020	1,126,371	1,276,881	2,403,252	137,684	455,216	137,514	730,414
Charge for the period	74,609	56,675	131,284	7,564	97,105[3]	17,048[3]	121,717
Disposals/transfers[1]	-	-	-	-	65,982	44,801	110,783
Balance on 31.12.2021	1,200,980	1,333,556	2,534,536	145,248	486,339	109,761	741,348
Carrying value							
Balance on 31.12.2020	389,714	112,311	502,025	228,389	642,507	32,753	903,649
Balance on 31.12.2021	**315,105**	**55,636**	**370,741**	**227,076**	**713,409**	**29,049**	**969,534**

[1] Includes derecognition of fully depreciated assets
[2] Includes impairment of CHF 7.8 million related to software and other property and equipment not used anymore
[3] Includes impairment of CHF 14.5 million related to software and other property and equipment not used anymore

NOTE 15 OTHER ASSETS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Compensation account	**24,120**	17,688	6,432	36.4
Withholding taxes, VAT and other taxes	**3,051,873**	1,668,762	1,383,111	82.9
Other	**196,216**	384,809	-188,593	-49.0
Total	**3,272,209**	2,071,259	1,200,950	58.0

NOTE 16 OTHER LIABILITIES

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Compensation account	**1,803**	14,755	-12,952	-87.8
Withholding taxes, VAT and other taxes	**41,548**	45,464	-3,916	-8.6
Other	**94,605**	166,715	-72,110	-43.3
Total	**137,956**	226,934	-88,978	-39.2

NOTE 17 ASSETS PLEDGED OR CEDED

		31.12.2021		31.12.2020
	Carrying value *CHF 1,000*	Effective commitment *CHF 1,000*	Carrying value *CHF 1,000*	Effective commitment *CHF 1,000*
Securities	**3,408,291**	**3,408,291**	1,080,826	1,080,826
Other	**15,624**	**15,624**	10,892	10,892
Total	**3,423,915**	**3,423,915**	1,091,718	1,091,718

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

NOTE 18 DEBT ISSUED

	31.12.2021 *CHF 1,000*
Bonds	**777,260**
Total	**777,260**

Bonds

	Stated interest rate *%*		Currency	Notional amount *m*	**31.12.2021** Carrying value *CHF 1,000*
Bank Julius Baer & Cie Ltd.					
2021[1]	0.125	Senior unsecured bond	CHF	260.0	260,362
Bank Julius Baer & Cie Ltd.					
2021[2]	0.000	Senior unsecured bond	EUR	500.0	516,898
Total					**777,260**

[1] The effective interest rate amounts to 0.103%.
[2] The effective interest rate amounts to 0.092%.

Changes in debt issued

	31.12.2021 *CHF 1,000*
Balance at the beginning of the year	-
Changes from financing cash flows:	
– Proceeds from issuance of new bonds	**806,945**
Total changes from financing cash flows	**806,945**
Changes related to amortisation of premiums/discounts	**205**
Changes related to foreign exchange	**-29,890**
Balance at the end of the year	**777,260**

NOTE 19 PENSION PLANS

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

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

	2021 *CHF 1,000*	2020 *CHF 1,000*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-3,178,226**	-3,090,290
Current service cost	**-77,750**	-79,059
Employees' contribution	**-44,818**	-44,499
Interest expense on defined benefit obligation	**-6,469**	-7,873
Past service cost, curtailments, settlements, plan amendments	**4,633**	-554
Benefits paid (incl. benefits paid directly by employer)	**109,359**	115,011
Transfer payments in/out	**20**	-567
Experience gains/(losses) on defined benefit obligation	**-201,193**	-30,043
Actuarial gains/(losses) arising from change in demographic assumptions	**81,816**	-
Actuarial gains/(losses) arising from change in financial assumptions	**-41,897**	-41,788
Translation differences	**-601**	1,436
Present value of defined obligation at the end of the year	**-3,355,126**	-3,178,226
whereof due to active members	***-2,277,855***	*-2,106,676*
whereof due to deferred members	***-12,691***	*-14,703*
whereof due to pensioners	***-1,064,580***	*-1,056,847*
Fair value of plan assets at the beginning of the year	**3,096,134**	2,953,207
Interest income on plan assets	**6,361**	7,615
Employees' contributions	**44,818**	44,499
Employer's contributions	**95,755**	96,932
Curtailments, settlements, plan amendments	**-1,506**	-1,730
Benefits paid by fund	**-109,359**	-115,011
Transfer payments in/out	**-20**	567
Administration cost (excluding asset management cost)	**-1,038**	-1,032
Return on plan assets (excl. interest income)	**323,871**	112,138
Translation differences	**404**	-1,051
Fair value of plan assets at the end of the year	**3,455,420**	3,096,134

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*
2. Balance sheet		
Fair value of plan assets	**3,455,420**	3,096,134
Present value of funded obligation	**-3,355,126**	-3,178,226
Surplus (deficit)	**100,294**	-82,092
Effect of the asset ceiling	**-96,497**	-
Net defined benefit asset/(liability)	**3,797**	-82,092[1]

[1] This amount has been recognised as a provision under Swiss GAAP (see Note 20).

3. Income statement	2021 CHF 1,000	2020 CHF 1,000
Current service cost (employer)	**-77,750**	-79,059
Interest expense on defined benefit obligation	**-6,469**	-7,873
Past service cost, curtailments, settlements, plan amendments	**3,127**	-2,284
Interest income on plan assets	**6,361**	7,615
Administration cost (excluding asset management cost)	**-1,038**	-1,032
Defined benefit cost recognised in the income statement	**-75,769**	-82,633
whereof service cost	***-75,661***	*-82,375*
whereof net interest on the net defined benefit/(liability) asset	***-108***	*-258*

4. Movement in defined benefit liability	2021 CHF 1,000	2020 CHF 1,000
Net defined benefit asset/(liability) at the beginning of the year	**-82,092**	-137,083
Translation differences	**-197**	385
Defined benefit cost recognised in the income statement	**-75,769**	-82,633
Employer's contributions	**95,755**	96,932
Remeasurements of the net defined benefit liability/(asset)	**66,100**	40,307
Amount recognised in the balance sheet	**3,797**	-82,092[1]

Remeasurements of the net defined benefit liability/(asset)	2021 CHF 1,000	2020 CHF 1,000
Actuarial gains/(losses) of defined benefit obligation	**-161,274**	-71,831
Return on plan assets excl. interest income	**323,871**	112,138
Effect of asset ceiling	**-96,497**	-
Total recognised in other comprehensive income[2]	**66,100**	40,307

[1] This amount has been recognised as a provision under Swiss GAAP (see Note 20).
[2] This amount has been recognised in the income statement under Swiss GAAP.

5. Composition of plan assets	2021 CHF 1,000	2020 CHF 1,000
Cash	**120,751**	90,597
Debt instruments	**860,308**	866,248
Equity instruments	**1,418,749**	1,172,490
Real estate	**625,486**	541,247
Alternative instruments	**424,525**	420,050
Other	**5,601**	5,502
Total	**3,455,420**	3,096,134

6. Aggregation of plan assets – quoted market prices in active markets	2021 in %	2020 in %
Cash	**3.49**	2.93
Debt instruments	**21.90**	26.74
Equity instruments	**41.06**	37.87
Real estate	**7.18**	7.93
Other	**5.62**	6.10
Total	**79.25**	81.57

7. Sensitivities	2021 CHF 1,000	2020 CHF 1,000
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	**-92,935**	-99,140
Effect on service cost	**-3,017**	-3,560
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	**87,759**	88,186
Effect on service cost	**2,832**	2,984
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	**10,436**	10,434
Effect on service cost	**962**	986
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	**-10,666**	-10,669
Effect on service cost	**-985**	-1,010
Life expectancy		
Increase in longevity by one additional year	**-80,362**	-72,413

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2021. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 99% (2020: 99%) of all benefit obligations and plan assets:

	2021	2020
Discount rate	**0.25%**	0.20%
Average future salary increases	**0.50%**	0.50%
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 2022 financial year related to defined benefit plans are estimated at CHF 90.0 million.

Outstanding liabilities to pension plans
The Bank had outstanding liabilities to various pension plans in the amount of CHF 4.3 million (2020: CHF 4.4 million).

Defined contribution pension plans
The Bank maintains a number of defined contribution pension plans outside. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 23.4 million for the 2021 financial year (2020: CHF 20.8 million).

NOTE 20 PROVISIONS

	Balance on 01.01.2021 *CHF 1,000*	Specific usage *CHF 1,000*	Currency differences *CHF 1,000*	New creation charged to income statement *CHF 1,000*	Reversals credited to income statement *CHF 1,000*	**Balance on 31.12.2021** *CHF 1,000*
Pension obligations	82,092	-	-	-	82,092	**-**
Legal risks	88,863	74,503	1,680	57,190	1,023	**72,207**
Other	1,580	-	-	-	-	**1,580**
Total provisions	172,535	74,503	1,680	57,190	83,115	**73,787**

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

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

The risks described below may not be the only risks to which the Bank is exposed. The additional risks not presently known, or risks and proceedings currently deemed immaterial, may also impair the Bank's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually, or together with other circumstances, have a materially adverse impact on 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 management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgement of any liability on the part of the Bank and if the amount of such obligation or loss can already be reasonably estimated.

In cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is recorded as a contingent liability, hereinafter as of 31 December 2021. The contingent liabilities may result in a materially adverse effect on the Bank or for other reasons may be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), which funds had served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and, in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. The Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. That decision has been appealed as well. Both appeals have been consolidated and remain pending. Further, in October 2021, the Bank filed a motion to dismiss for lack of personal jurisdiction. In response, the Liquidators requested jurisdictional discovery, the scope of which is yet to be defined.

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

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

In the context of an investigation against a former client regarding alleged participation in an environmental certificate-trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions/money laundering was initiated against the Bank in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter. A trial in the matter took place in December 2021 at which a fine of EUR 5 million and a restitution amount of EUR 2 million was proposed to be charged against the Bank. The competent court of First Instance is expected to render its decision in March 2022. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

The Bank is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 139 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

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

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

The Bank was confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ('OFAC') sanctions. The procedure related to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank was defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020, and the Swiss Federal Supreme Court has ultimately confirmed such decision in August 2021. In the same context, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank had addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations. A resolution in the latter legacy matter is expected to be reached in 2022.

In May 2021, the Bank became aware that a Writ of Summons ('the Writ') had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited ('SRC') claiming the sum of approximately USD 112 million from the Bank, alleging the Bank was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. The Bank will contest such civil claim, which has not been served, and will take all appropriate measures to defend its interests in this matter.

NOTE 21 CAPITAL STRUCTURE OF BANK JULIUS BAER & CO. LTD., ZURICH

	31.12.2021	31.12.2020
Share capital		
Notional amount (CHF)	**100**	100
Number of shares	**5,750,000**	5,750,000
Share capital entitled to dividend (CHF)	**575,000,000**	575,000,000

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

NOTE 22 SIGNIFICANT SHAREHOLDERS[1]

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

Significant shareholders/participants of Julius Baer Group Ltd.[3]	Disclosure of purchase positions[2]	Disclosure of sale positions[2]
MFS Investment Management[4]	9.98%	
T. Rowe Price Associates Inc.[5]	5.07%	
BlackRock, Inc.[6]	5.06%	0.00%
Wellington Management Group LLP[7]	4.95%	
UBS Fund Management (Switzerland) AG[8]	3.09%	

[1] The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that some of the above figures base on reports made before the following event: capital reduction on 1 July 2021 following share buy-back program reducing the number of registered shares of Julius Baer Group Ltd. by 2’585’000 to 221’224’448 (as from 1 July 2021).

[2] Purchase positions disclosed pursuant to art. 14 para. 1 a FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA) and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

[3] Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.ser-ag.com in the section Fundamentals > Notices Market Participants > Significant Shareholders, Issuer Julius Bär Gruppe AG.

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

[5] T. Rowe Price Associates, Inc., Baltimore/USA (reported on 2 November 2021)

[6] BlackRock, Inc., New York/USA (reported on 23 June 2021)

[7] Wellington Management Group LLP, Boston/USA (reported on 4 August 2021)

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

NOTE 23 SHARE-BASED PAYMENTS

The programmes described below reflect the plan landscape as at 31 December 2021. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Bank's overall compensation landscape is described in the chapter Remuneration Report of Julius Baer Group Ltd.

Deferred variable compensation plans

Cash-based variable compensation – Deferred Cash Plan

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

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

Deferred Bonus Plan

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

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

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

Equity-based variable compensation – Premium Share Plan

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

Equity-based variable compensation – Equity Performance Plan

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

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

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

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

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

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

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

Long-Term Incentive Plan (LTI)
In certain specific situations the Bank may also offer incentives outside the annual compensation cycle. Compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer or retention payments to key employees during extraordinary or critical circumstances may be made by granting individuals an equity-based LTI.

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

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

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

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

	31.12.2021 Number of units Economic Profit	**31.12.2021** Number of units Total Shareholder Return	31.12.2020 Number of units Economic Profit	31.12.2020 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**838,305**	**838,305**	786,068	786,068
Granted during the year	**242,766**	**242,766**	257,991	257,991
Exercised during the year	**-211,037**	**-211,037**	-197,186	-197,187
Forfeited during the year	**-6,032**	**-6,032**	-8,568	-8,567
Unvested units outstanding, at the end of the year	**864,002**	**864,002**	838,305	838,305

	31.12.2021	31.12.2020
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**909,196**	867,228
Granted during the year	**480,315**	436,080
Vested during the year	**-370,975**	-371,425
Transferred (net) during the year	**3,774**	1,846
Forfeited during the year	**-34,931**	-24,533
Unvested shares outstanding, at the end of the year	**987,379**	909,196
Weighted average fair value per share granted (CHF)	**54.88**	49.19
Fair value of outstanding shares at the end of the year (CHF 1,000)	**60,408**	46,369

Long-Term Incentive Plan	31.12.2021	31.12.2020
Unvested shares outstanding, at the beginning of the year	**449,021**	485,123
Granted during the year	**96,704**	163,224
Vested during the year	**-158,037**	-161,262
Transferred (net) during the year	**4,961**	-
Forfeited during the year	**-19,371**	-38,064
Unvested shares outstanding, at the end of the year	**373,278**	449,021
Weighted average fair value per share awarded (CHF)	**56.77**	44.98
Fair value of outstanding shares at the end of the year (CHF 1,000)	**22,837**	22,900

Staff Participation Plan	31.12.2021	31.12.2020
Unvested shares outstanding, at the beginning of the year	**135,446**	108,552
Granted during the year	**38,555**	67,530
Vested during the year	**-30,092**	-38,501
Transferred (net) during the year	**278**	-304
Forfeited during the year	**-4,505**	-1,831
Unvested shares outstanding, at the end of the year	**139,682**	135,446
Weighted average fair value per share granted (CHF)[1]	**58.75**	34.32
Fair value of outstanding shares at the end of the year (CHF 1,000)	**8,546**	6,908

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

	31.12.2021 Number of equity securities	31.12.2021 Value of equity securities CHF m	31.12.2020 Number of equity securities	31.12.2020 Value of equity securities CHF m
Equity plans				
Total granted during the year	**615,574**	**34.1**	666,834	31.1
of which members of executive bodies	***7,125***	***0.4***	*9,972*	*0.4*
of which employees	***608,449***	***33.7***	*656,862*	*30.7*

	31.12.2021 Number of units	31.12.2021 Value of units CHF m	31.12.2020 Number of units	31.12.2020 Value of units CHF m
Plans based on units				
Total granted during the year	**485,532**	**21.9**	515,982	21.1
of which members of executive bodies	***188,764***	***8.5***	*215,788*	*8.8*
of which employees	***296,768***	***13.4***	*300,194*	*12.3*

Compensation expense recognised for the various share plans are:

	31.12.2021 CHF m	31.12.2020 CHF m
Compensation expense		
Equity Performance Plan	**33.0**	22.0
Premium Share Plan	**21.6**	19.5
Long-Term Incentive Plan	**6.6**	9.0
Staff Participation Plan	**1.9**	2.0
Total	**63.1**	52.5

NOTE 24 RELATED PARTY TRANSACTIONS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Claims on	**4,034,239**	3,164,288	869,951	27.5
affiliated companies	**933,800**	361,727	572,073	158.2
significant shareholders	**3,069,388**	2,777,019	292,369	10.5
members of the Bank's corporate bodies	**31,051**	25,542	5,509	21.6
of which Board of Directors	***2,100***	*4,326*	*-2,226*	*-51.5*
of which Executive Boards	***28,951***	*21,216*	*7,735*	*36.5*

Liabilities to	**8,021,396**	7,123,008	898,388	12.6
affiliated companies	**5,522,549**	4,946,728	575,821	11.6
significant shareholders	**2,473,294**	2,155,077	318,217	14.8
members of the Bank's corporate bodies	**21,263**	16,755	4,508	26.9
of which Board of Directors	***5,321***	*4,605*	*716*	*15.5*
of which Executive Boards	***15,942***	*12,150*	*3,792*	*31.2*
own pension funds	**4,290**	4,448	-158	-3.6

Credit guarantees to	**167,939**	44,858	123,081	274.4
affiliated companies	**167,828**	44,638	123,190	276.0
members of the Bank's corporate bodies	**111**	220	-109	-49.5
of which Board of Directors	***77***	*184*	*-107*	*-58.2*
of which Executive Boards	***34***	*36*	*-2*	*-5.6*

Services provided to	**520,700**	486,003	34,697	7.1
affiliated companies	**375,661**	343,352	32,309	9.4
significant shareholders	**144,502**	142,290	2,212	1.6
members of the Bank's corporate bodies	**537**	361	176	48.8
of which Board of Directors	***209***	*129*	*80*	*62.0*
of which Executive Boards	***328***	*232*	*96*	*41.4*

Services provided by	**58,630**	68,032	-9,402	-13.8
affiliated companies	**55,938**	61,545	-5,607	-9.1
significant shareholders	**2,692**	6,487	-3,795	-58.5

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

The interest rates of the Lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

NOTE 25 ASSETS – COUNTRY RATINGS

Total assets by the Bank's country risks rating classes	Moody's	**31.12.2021** CHF 1,000	%	31.12.2020 CHF 1,000	%
1–2	Aaa – Aa3	**87,961,340**	**81.5**	78,943,202	78.4
3	A1 – A3	**8,290,021**	**7.7**	9,099,963	9.1
4	Baa1 – Baa3	**2,333,324**	**2.2**	2,574,329	2.6
5	Ba1 – Ba3	**677,747**	**0.6**	592,231	0.6
6–7	B1 – Caa3	**834,758**	**0.8**	989,072	1.0
8–9	Ca – C	**157,715**	**0.1**	188,094	0.2
Unrated		**7,606,855**	**7.1**	8,116,221	8.1
Total		**107,861,760**	**100.0**	100,503,112	100.0

NOTE 26 COMPANY STRUCTURE AS AT 31 DECEMBER 2021

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

NOTE 27 CONTINGENT LIABILITIES

	31.12.2021 *CHF 1,000*	31.12.2020 *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	**1,209,805**	1,090,719	119,086	10.9

NOTE 28 IRREVOCABLE COMMITMENTS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Unutilised irrevocable commitments to extend credit	**366,177**	400,384	-34,207	-8.5
Irrevocable commitments to the deposit guarantee institution	**51,416**	51,908	-492	-0.9
Total	**417,593**	452,292	-34,699	-7.7

NOTE 29 FIDUCIARY TRANSACTIONS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*	Change *%*
Fiduciary deposits at third-party banks	**4,786,055**	7,104,764	-2,318,709	-32.6

NOTE 30 ASSETS UNDER MANAGEMENT

	31.12.2021 *CHF m*	31.12.2020 *CHF m*	Change *CHF m*	Change *%*
Assets with discretionary mandate	**60,142**	50,675	9,467	18.7
Other assets under management	**325,199**	301,713	23,486	7.8
Total assets under management (including double counting)	**385,341**	352,388	32,953	9.4
of which double counting	***16,423***	*14,349*	*2,074.0*	*14.5*
Change through net new money	**13,580**	11,367	2,213	
Change through market and currency impacts	**20,341**	-3,547	23,888	
Change through divestment	**-968**[1]	-517[1]	-451	
Change through other effects	**-**	-8[2]	8	
Client assets	**464,875**	424,213	40,662	9.6

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

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

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

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

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

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

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

NOTE 31 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 2021 financial year.

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

KPMG

Statutory Auditor's Report

To the General Meeting of Bank Julius Baer & Co. Ltd., Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank Julius Baer & Co. Ltd., which comprise the balance sheet as at 31 December 2021, and the income statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 4 to 81) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

GOODWILL IMPAIRMENT TESTING

LITIGATION AND REGULATORY PROCEEDINGS

VALUATION OF FINANCIAL INSTRUMENTS

IMPAIRMENT OF LOANS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

GOODWILL IMPAIRMENT TESTING

Key Audit Matter

As at 31 December 2021, the Bank recognizes goodwill of CHF 315.1m arising from a number of acquisitions.

Goodwill impairment testing is performed at the level of the cash generating unit ('CGU') and relies on estimates of value-in-use based on discounted future cash flows.

Due to the significance of the Bank's recognized goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment.

Our response

Our procedures included the assessment of the Bank's process and key controls for the testing of goodwill impairment, including the assumptions used.

With the assistance of our own valuation specialists, we critically assessed the key assumptions and methodologies used to determine the value-in-use for the CGU. We assessed the reasonableness of cash flow projections, discount rate and growth rates by comparison with the Bank's own historical data and performance and externally available industry, economic and financial data respectively.

Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing refer to the accounting policies on page 34 and to note 14 to the financial statements on page 60.

LITIGATION AND REGULATORY PROCEEDINGS

Key Audit Matter

As at 31 December 2021, the Bank recognizes provisions for legal risks of CHF 72.2m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

The Bank is involved in a number of legal and regulatory matters which could have a material effect on the Bank but do not qualify for the recognition of a provision. These matters are disclosed as contingent liabilities.

The recognition and measurement of provisions and the measurement and disclosure of contingent

Our response

Our procedures included the assessment of key controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters.

We paid particular attention to significant matters that experienced notable developments or that emerged during the period. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Bank's internal

liabilities in respect of legal and regulatory matters requires significant judgment.	and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes. Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

For further information on litigation and regulatory proceedings refer to note 20 to the financial statements on pages 68 to 71.

VALUATION OF FINANCIAL INSTRUMENTS

Key Audit Matter	Our response
As at 31 December 2021, the Bank reports financial assets of CHF 21,193.2m and financial liabilities of CHF 17,889.9m measured at fair value representing 19.6% and 16.6% of total assets and total liabilities and equity respectively. The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Bank. Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments.	Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Bank in determining fair values. For the Bank's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists. Additionally, we assessed whether the fair value determination is appropriately disclosed.

For further information on valuation of financial instruments refer to notes 10, 11 and 12A to the financial statements on pages 51 to 54.

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IMPAIRMENT OF LOANS

Key Audit Matter	Our response
As at 31 December 2021, the Bank reports loans of CHF 46,388.4m representing 43.0% of total assets and records a credit loss allowance of CHF 91.6m. Loans are measured at amortized cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts. The loan portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.	Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Bank to assess the adequacy of impairment allowances for individually assessed loans. For a sample of loans with specific allowances for credit losses we evaluated the Bank's individual impairment assessment and specifically challenged the Bank's assumptions used, including the value of realizable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Bank revised its estimates and assumptions for specific allowances established in prior year. We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Bank and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans refer to note 8 to the financial statements on pages 41 to 49.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

M. Liberto C. Wipfler

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

Corina Wipfler
Licensed Audit Expert

Zurich, 18 February 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**2021** *CHF 1,000*	2020 *CHF 1,000*	Change *%*
Interest income on financial instruments measured at amortised cost or FVOCI		**670,388**	744,572	-10.0
Interest expense on financial instruments measured at amortised cost		**93,111**	179,678	-48.2
Net interest income	1	**577,277**	564,894	2.2
Commission and fee income		**2,119,898**	1,861,412	13.9
Commission expense		**576,458**	505,086	14.1
Net commission and fee income	2	**1,543,440**	1,356,326	13.8
Net income from financial instruments measured at FVTPL		**834,363**	832,475	0.2
Net credit losses/(recoveries) on financial assets		**7,095**	35,958	-80.3
Other ordinary results	3	**106,792**	*85,820*	24.4
Operating income		**3,054,777**	2,803,557	9.0
Personnel expenses	4	**1,207,283**	1,187,221	1.7
General expenses	5	**698,472**	701,622	-0.4
Depreciation of property and equipment	10	**66,524**	72,474	-8.2
Amortisation of customer relationships	11	**32,220**	32,220	-
Amortisation and impairment of intangible assets	11	**97,105**	76,905	26.3
Operating expenses		**2,101,604**	2,070,442	1.5
Profit before taxes		**953,173**	733,115	30.0
Income taxes	6	**145,542**	119,348	21.9
Net profit attributable to the shareholder of Bank Julius Baer & Co. Ltd.		**807,631**	613,767	31.6

	Note	**2021** *CHF*	2020 *CHF*	Change *%*
Share information				
Basic earnings per share (EPS)	18	**140.46**	106.74	31.6
Diluted earnings per share (EPS)	18	**140.46**	106.74	31.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 *CHF 1,000*	2020 *CHF 1,000*
Net profit recognised in the income statement	**807,631**	613,767
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**-101,202**	105,313
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-9,257**	-15,204
Effective portion of changes in fair value of hedging instruments designated as cash flow hedges	**-8,665**	-
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**31,484**	-11,382
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**3,086**	-3,895
Remeasurement of defined benefit obligation	**53,381**	32,960
Other comprehensive income	**-31,173**	107,792
Total comprehensive income attributable to the shareholder of Bank Julius Baer & Co. Ltd.	**776,458**	721,559

CONSOLIDATED BALANCE SHEET

	Note	**31.12.2021** *CHF 1,000*	31.12.2020 *CHF 1,000*
Assets			
Cash		**17,275,368**	12,095,674
Due from banks		**5,101,477**	7,258,188
Loans	25	**46,399,021**	43,394,815
Financial assets measured at FVTPL	8/24	**14,681,191**	13,557,552
Derivative financial instruments	23	**2,097,032**	2,576,313
Financial assets designated at fair value	24	**306,896**	252,178
Financial assets measured at FVOCI	9/25	**13,231,518**	13,653,013
Property and equipment	10	**425,233**	469,044
Goodwill and other intangible assets	11	**2,243,999**	2,205,318
Accrued income and prepaid expenses		**333,893**	296,472
Deferred tax assets	15	**2,413**	-
Other assets	17	**7,354,715**	6,337,280
Total assets		**109,452,756**	102,095,847

	Note	**31.12.2021** CHF 1,000	31.12.2020 CHF 1,000
Liabilities and equity			
Due to banks		**8,011,604**	8,519,471
Due to customers		**75,458,607**	69,842,674
Financial liabilities measured at FVTPL	8/24	**749,539**	896,520
Derivative financial instruments	23	**2,681,363**	2,710,008
Financial liabilities designated at fair value	13	**14,459,003**	13,154,769
Debt issued	14	**774,308**	-
Accrued expenses and deferred income		**563,622**	501,393
Current tax liabilities		**263,761**	192,066
Deferred tax liabilities	15	**66,019**	56,136
Provisions	16	**73,787**	90,443
Other liabilities	17	**266,604**	461,576
Total liabilities		**103,368,217**	96,425,056
Share capital	18	**575,000**	575,000
Capital reserves		**1,931,051**	1,931,051
Retained earnings		**3,423,534**	2,925,232
Other components of equity		**154,954**	239,508
Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd.		**6,084,539**	5,670,791
Total liabilities and equity		**109,452,756**	102,095,847

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF 1,000*	Capital reserves *CHF 1,000*	Retained earnings *CHF 1,000*
At 1 January 2020	575,000	1,931,051	2,628,706
Net profit	-	-	613,767
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	-	33,178
Total other comprehensive income	-	-	33,178
Total comprehensive income	-	-	646,945
Dividend payment	-	-	-350,000
Share-based payments expensed for the year	-	-	52,495
Distribution to the parent related to share-based payments for the year	-	-	-52,914
At 31 December 2020	575,000	1,931,051	2,925,232
At 1 January 2021	**575,000**	**1,931,051**	**2,925,232**
Net profit	**-**	**-**	**807,631**
Items that may be reclassified to the income statement	-	**-**	-
Items that will not be reclassified to the income statement	-	**-**	**53,381**
Total other comprehensive income	**-**	**-**	**53,381**
Total comprehensive income	**-**	**-**	**861,012**
Dividend payment	**-**	**-**	**-360,000**
Share-based payments expensed for the year	**-**	**-**	**63,145**
Distribution to the parent related to share-based payments for the year	**-**	**-**	**-65,855**
At 31 December 2021	**575,000**	**1,931,051**	**3,423,534**

Other components of equity				
OCI related to equity instruments at FVOCI *CHF 1,000*	OCI related to debt instruments at FVOCI *CHF 1,000*	Cash Flow hedges *CHF 1,000*	Own credit risk on financial liabilities designated at FV *CHF 1,000*	Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. *CHF 1,000*
131,997	32,897	-	-	5,299,651
-	-	-	-	613,767
-	90,109	-	-	90,109
-11,600	-	-	-3,895	17,683
-11,600	90,109	-	-3,895	107,792
-11,600	90,109	-	-3,895	721,559
-	-	-	-	-350,000
-	-	-	-	52,495
-	-	-	-	-52,914
120,397	123,006	-	-3,895	5,670,791
120,397	**123,006**	**-**	**-3,895**	**5,670,791**
-	**-**	**-**	**-**	**807,631**
-	**-110,459**	**-8,665**	**-**	**-119,124**
31,484	-	**-**	**3,086**	**87,951**
31,484	**-110,459**	**-8,665**	**3,086**	**-31,173**
31,484	**-110,459**	**-8,665**	**3,086**	**776,458**
-	**-**	**-**	**-**	**-360,000**
-	**-**	**-**	**-**	**63,145**
-	**-**	**-**	**-**	**-65,855**
151,881	**12,547**	**-8,665**	**-809**	**6,084,539**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 *CHF 1,000*	2020 *CHF 1,000*
Net profit	**807,631**	613,767
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	**66,524**	72,474
- Amortisation and impairment of intangible assets	**129,325**	109,125
- Change in loss allowance	**7,095**	35,958
- Deferred tax expense/(benefit)	**-4,924**	380
- Net loss/(gain) from investing activities	**-4,274**	-679
- Net loss/(gain) from financing acitivities	**205**	-
- Other non-cash income and expenses	**63,145**	52,495
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**325,900**	-3,103,922
– Net financial assets measured at FVTPL and derivative financial instruments	**-873,608**	236,425
- Net loans/due to customers	**2,592,524**	5,801,913
- Issuance and repayment of financial liabilities designated at fair value	**1,306,226**	-130,206
- Accrued income, prepaid expenses and other assets	**-1,054,849**	-2,650,931
- Accrued expenses, deferred income, other liabilities and provisions	**-88,301**	-185,792
Adjustment for income tax expenses	**150,466**	118,968
Income taxes paid	**-78,690**	-100,453
Cash flow from operating activities	**3,344,395**	869,522
Purchase of property and equipment and intangible assets	**-187,602**	-170,392
Disposal of property and equipment and intangible assets	**-**	7
Net (investment in)/divestment of financial assets measured at FVOCI	**1,280,891**	3,470,995
Cash flow from investing activities	**1,093,289**	3,300,610
Dividend payments	**-360,000**	-350,000
Distribution to the parent related to share-based payments for the year	**-65,855**	-52,914
Issuance of long-term debt, including financial liabilities designated at fair value	**806,945**	-
Cash flow from financing activities	**381,090**	-402,914
Net (decrease)/increase in cash and cash equivalents	**4,818,774**	3,767,218
Cash and cash equivalents at the beginning of the year	**19,660,784**	15,978,114
Cash flow from operating activities	**3,344,395**	869,522
Cash flow from investing activities	**1,093,289**	3,300,610
Cash flow from financing activities	**381,090**	-402,914
Effects of exchange rate changes on cash and cash equivalents	**-17,613**	-84,548
Cash and cash equivalents at the end of the year	**24,461,945**	19,660,784

Cash and cash equivalents are structured as follows:

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*
Cash	**17,275,368**	12,095,674
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**2,687,804**	1,743,440
Due from banks (original maturity of less than three months)	**4,498,773**	5,821,670
Total	**24,461,945**	19,660,784

Additional information	**31.12.2021** *CHF 1,000*	31.12.2020 *CHF 1,000*
Interest received	**617,140**	815,688
Interest paid	**-50,813**	-300,590
Dividends on equities received	**207,848**	231,489

Leasing	**31.12.2021** *CHF 1,000*	31.12.2020 *CHF 1,000*
Cash payments – leases	**-38,948**	-33,249
Cash payments – interest paid	**-3,740**	-4,527
Short-term lease payments	**-536**	-640
Total	**-43,224**	-38,416

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Bank Julius Baer & Co. Ltd. is a Swiss corporation. All of its shares are owned by Julius Baer Group Ltd., the ultimate parent company of the Julius Baer Group. Bank Julius Baer & Co. Ltd. is the central underwriter for traditional and innovative banking products. The Board of Directors approved these financial statements on 1 February 2022. In addition, they are submitted for approval at the Annual General Meeting on 25 March 2022.

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

USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

ACCOUNTING POLICIES

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

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

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

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2021	31.12.2020	**2021**	2020
USD/CHF	**0.9111**	0.8839	**0.9150**	0.9340
EUR/CHF	**1.0362**	1.0816	**1.0795**	1.0705
GBP/CHF	**1.2341**	1.2083	**1.2580**	1.2060

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected credit losses (ECL)

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

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

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

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

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

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

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

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

Generally, ECL calculations are based on four components:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedging
The Bank applies the respective IFRS 9 guidelines for the treatment of derivative financial instruments including hedging.

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

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

- identification of eligible hedged item(s) and hedging instruments;
- identification of an eligible hedged risk;
- verification that the hedge relationship meets the definition of one of the permitted types (see below);
- verification that the qualifying criteria for hedge accounting are met; and
- formal designation of the hedge relationship.

The Bank applies the following hedge accounting models:

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

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

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

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

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

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

Property and equipment

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

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Share-based payment plans that are settled in equity instruments of the parent (i.e. Julius Baer Group Ltd. shares) qualify as equity-settled share plans and are not remeasured for subsequent changes in the fair value of the underlying equity instruments. The difference between the grant-date fair value of the plan and the actual purchase price of the shares is recognised as a capital contribution from, or a capital refund to the parent, respectively.

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2021, the Bank applied the following new standards for the first time. All these amendments had no material impact on the Bank's financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)
On 1 January 2021, the Bank adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16). These second amendments relate to the interbank offered rates (IBOR) reform and cover issues that might affect financial reporting, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the IBOR benchmark rates with alternative benchmark rates. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, and hedge accounting.

The replacement of the IBOR rates by the new benchmark rates (e.g. SARON, SOFR) accelerated in the second half of 2021. However, the application of the new benchmark rates had no material impacts on the Bank's financial statements. Refer to Note 27C for more information.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
This practical expedient is an extension of the initial amendment to IFRS 16 in 2020 which introduced an optional practical expedient that simplifies how lessees account for rent concessions that are a direct consequence of COVID-19. The amendment applies only if certain conditions are met and is limited up to 30 June 2022. The Bank did not benefit from material COVID-19 rent concessions.

IFRS 9 Financial Instruments: Adoption of hedge accounting requirements
The Bank adopted the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2021 which resulted in changes to the Bank's accounting policies. The Bank applies the new hedge accounting rules to fair value hedges of interest rate risks and cash flow hedges of interest rate risks and foreign exchange risks.

As permitted by IFRS 9 Financial Instruments, the Bank has prospectively adopted the hedge accounting requirements of this standard for all its existing hedges previously accounted for under the guidelines of IAS 39 Financial Instruments: Recognition and Measurement, except for fair value hedges of portfolio interest rate risk, which continue to be accounted for under IAS 39.

The hedge accounting model in IFRS 9 improves the alignment of the Bank's risk management practices with the respective accounting treatment. In addition, it amends the hedge effective testing requirements, extends possibilities of the application of hedge accounting and permits the amortisation of the option's time value as 'cost of hedging'.

The adoption of these requirements had no material financial impact on the Bank's financial statements. However, since adopting the new standard, the Bank increasingly designates more effective hedge accounting relationships due to the more favourable rules and applications and hence reduces volatility in the income statement. The Bank also introduced cash flow hedge accounting to hedge the interest rate risk of certain groups of assets (Lombard loans) as well as to hedge future stable and predictable foreign currency cash flows.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

The following amendments may be relevant to the Bank:

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

The amendments will be effective 1 January 2023. They are not expected to have a material impact on the Bank's financial statements.

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

The amendments will be effective 1 January 2023. They are not expected to have a material impact on the Bank's financial statements.

COMMENT ON RISK MANAGEMENT

The content in the Consolidated Financial Statement of
Bank Julius Baer & Co. Ltd set out under this heading was deleted

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

For information about capital management including regulatory capital, refer to the respective section in the Annual Report 2021 of Julius Baer Group Ltd.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

NOTE 1 NET INTEREST AND DIVIDEND INCOME

	2021 CHF 1,000	2020 CHF 1,000	Change %
Interest income on amounts due from banks	**1,294**	9,670	-86.6
Interest income on loans	**521,077**	574,850	-9.4
Interest income on debt instruments at FVOCI	**114,092**	133,190	-14.3
Negative interest received on financial liabilities	**33,925**	26,862	26.3
Interest income on financial instruments measured at amortised cost or FVOCI	**670,388**	744,572	-10.0
Interest expense on amounts due to banks	**2,872**	10,388	-72.4
Interest expense on amounts due to customers	**41,180**	124,448	-66.9
Interest expense on debt issued	**425**	-	-
Negative interest paid on financial assets	**44,894**	40,315	11.4
Interest expense on lease liabilities	**3,740**	4,527	-17.4
Interest expense on financial instruments measured at amortised cost	**93,111**	179,678	-48.2
Total	**577,277**	564,894	2.2

NOTE 2 NET COMMISSION AND FEE INCOME

	2021 CHF 1,000	2020 CHF 1,000	Change %
Advisory and management fees	**1,282,144**	1,042,152	23.0
Brokerage commissions and income from securities underwriting	**776,928**	756,076	2.8
Commission and fee income on other services	**60,826**	63,184	-3.7
Total commission and fee income	**2,119,898**	1,861,412	13.9
Commission expense	**576,458**	505,086	14.1
Total	**1,543,440**	1,356,326	13.8

NOTE 3 OTHER ORDINARY RESULTS

	2021 CHF 1,000	2020 CHF 1,000	Change %
Dividend income on equity instruments at FVOCI	**20,991**	1,811	-
Result from disposal of debt instruments at FVOCI	**9,796**	14,713	-33.4
Real estate income	**5,479**	5,099	7.5
Other ordinary income	**70,527**	64,211	9.8
Other ordinary expenses	**1**	14	-92.9
Total	**106,792**	85,820	24.4

NOTE 4 PERSONNEL EXPENSES

	2021 *CHF 1,000*	2020 *CHF 1,000*	Change %
Salaries and bonuses	**953,952**	944,365	1.0
Contributions to staff pension plans (defined benefits)	**75,769**	82,633	-8.3
Contributions to staff pension plans (defined contributions)	**23,353**	20,809	12.2
Other social security contributions	**74,010**	69,197	7.0
Share-based payments	**63,145**	52,495	20.3
Other personnel expenses	**17,054**	17,722	-3.8
Total	**1,207,283**	1,187,221	1.7

NOTE 5 GENERAL EXPENSES

	2021 *CHF 1,000*	2020 *CHF 1,000*	Change %
Occupancy expense	**21,443**	22,288	-3.8
IT and other equipment expense	**75,265**	77,296	-2.6
Information, communication and advertising expense	**140,359**	130,324	7.7
Service expense, fees and taxes	**395,396**	388,741	1.7
Provisions and losses	**63,138**	80,516	-21.6
Other general expenses	**2,871**	2,457	16.8
Total	**698,472**	701,622	-0.4

NOTE 6 INCOME TAXES

	2021 *CHF 1,000*	2020 *CHF 1,000*	Change %
Income tax on profit before taxes (statutory tax expense)	**190,702**	146,767	-
Effect of tax rate differences in foreign jurisdictions	**-23,517**	-19,269	-
Effect of domestic tax rate differences	**-5,082**	-	-
Income subject to a reduced tax rate	**4,962**	-15,582	-
Adjustments related to prior years	**-33,664**	-4,722	-
Non-deductible expenses	**14,620**	12,637	-
Other	**-2,479**	-483	-
Actual income tax expense	**145,542**	119,348	21.9

The basis for the above table is the statutory income tax rate of 19% (2020: 20%) which corresponds to the average Bank tax rate in Switzerland.

There are no unrecognised accumulated loss carryforwards in the Bank.

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

	2021 *CHF 1,000*	2020 *CHF 1,000*	Change *%*
Domestic income taxes	**88,510**	65,635	34.9
Foreign income taxes	**57,032**	53,713	6.2
Total	**145,542**	119,348	21.9

Current income taxes	**150,466**	118,968	26.5
Deferred income taxes	**-4,924**	380	-
Total	**145,542**	119,348	21.9

Tax effects relating to components of other comprehensive income

			2021
	Before-tax amount *CHF 1,000*	Tax (expense)/ benefit *CHF 1,000*	Net of tax amount *CHF 1,000*
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-108,402	7,200	-101,202
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-9,570	313	-9,257
Net credit losses on debt instruments measured at FVOCI	-8,665	-	-8,665
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	38,869	-7,385	31,484
Gains/(losses) from own credit risk on financial liabilities designated at fair value	3,086	-	3,086
Remeasurement of defined benefit obligation	65,903	-12,522	53,381
Other comprehensive income	**-18,779**	**-12,394**	**-31,173**

			2020
	Before-tax amount *CHF 1,000*	Tax (expense)/ benefit *CHF 1,000 restated*	Net of tax amount *CHF 1,000*
Items that may be reclassified subsequently to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	111,059	-5,746	105,313
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-15,668	464	-15,204
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	-14,103	2,721	-11,382
Gains/(losses) from own credit risk on financial liabilities designated at fair value	-3,895	-	-3,895
Remeasurement of defined benefit obligation	40,691	-7,731	32,960
Other comprehensive income	118,084	-10,292	107,792

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

NOTE 7 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

						31.12.2021
	Mandatory at FVTPL *CHF m*	Designated as at FVTPL *CHF m*	FVOCI – Debt instruments *CHF m*	FVOCI – Equity instruments *CHF m*	Amortised cost *CHF m*	**Total** *CHF m*
Financial assets						
Cash	-	-	-	-	17,275.4	**17,275.4**
Due from banks	-	-	-	-	5,101.5	**5,101.5**
Lombard loans	-	-	-	-	40,329.4	**40,329.4**
Mortgages	-	-	-	-	6,069.6	**6,069.6**
Financial assets measured at FVTPL	14,681.2	-	-	-	-	**14,681.2**
Derivative financial instruments	2,097.0	-	-	-	-	**2,097.0**
Financial assets designated at fair value	-	306.9	-	-	-	**306.9**
Financial assets measured at FVOCI	-	-	12,892.2	339.3	-	**13,231.5**
Accrued income	-	-	-	-	281.3	**281.3**
Other assets	-	-	-	-	9.1	**9.1**
Total	**16,778.2**	**306.9**	**12,892.2**	**339.3**	**69,066.3**	**99,382.9**
Financial liabilities						
Due to banks	-	-	-	-	8,011.6	**8,011.6**
Due to customers	-	-	-	-	75,458.6	**75,458.6**
Financial liabilities measured at FVTPL	749.5	-	-	-	-	**749.5**
Derivative financial instruments	2,681.4	-	-	-	-	**2,681.4**
Financial liabilities designated at fair value	-	14,459.0	-	-	-	**14,459.0**
Debt issued	-	-	-	-	774.3	**774.3**
Accrued expense	-	-	-	-	173.1	**173.1**
Other liabilities	-	-	-	-	4.9	**4.9**
Total	**3,430.9**	**14,459.0**	**-**	**-**	**84,422.5**	**102,312.4**

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

NOTE 8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FVTPL

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*
Financial assets measured at FVTPL			
Trading securities – debt FVTPL	**3,263,789**	3,397,877	-134,088
of which quoted	***2,135,984***	*2,664,756*	*-528,772*
of which unquoted	***1,127,805***	*733,121*	*394,684*
Trading securities – equity FVTPL	**11,417,402**	10,159,675	1,257,727
of which quoted	***9,180,084***	*8,223,053*	*957,031*
of which unquoted	**2,237,318**	1,936,622	300,696
Total	**14,681,191**	13,557,552	1,123,639

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*
Financial liabilities measured at FVTPL			
Short positions - debt instruments	**174,040**	239,512	-65,472
of which quoted	***133,060***	*222,110*	*-89,050*
of which unquoted	***40,980***	*17,402*	*23,578*
Short positions - equity instruments	**575,499**	657,008	-81,509
of which quoted	***548,269***	*626,284*	*-78,015*
of which unquoted	***27,230***	*30,724*	*-3,494*
Total	**749,539**	896,520	-146,981

NOTE 9 FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*	Change *CHF 1,000*
Government and agency bonds	**4,430,719**	4,254,605	176,114
Financial institution bonds	**5,232,362**	5,261,374	-29,012
Corporate bonds	**3,229,143**	3,864,687	-635,544
Debt instruments at FVOCI	**12,892,224**	13,380,666	-488,442
of which quoted	***8,831,959***	*8,903,652*	*-71,693*
of which unquoted	***4,060,265***	*4,477,014*	*-416,749*
Equity instruments at FVOCI	**339,294**	272,347	66,947
of which unquoted	***339,294***	*272,347*	*66,947*
Total	**13,231,518**	13,653,013	-421,495

NOTE 10 PROPERTY, EQUIPMENT AND LEASES

	Bank premises *CHF m*	Leases *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost				
Balance on 01.01.2020	420.2	239.1	182.7	842.0
Additions	4.8	1.5	15.7	22.0
Disposals/transfers[1]	-	-	26.5	26.5
Balance on 31.12.2020	425.0	240.6	171.9	837.5
Additions	6.3	3.1	13.3	22.7
Disposals/transfers[1]	-	0.6	46.8	47.4
Balance on 31.12.2021	431.3	243.1	138.4	812.8
Depreciation and impairment				
Balance on 01.01.2020	138.4	40.3	143.8	322.5
Charge for the period	9.5	41.2	21.8	72.5
Disposals/transfers[1]	-	-	26.5	26.5
Balance on 31.12.2020	147.9	81.5	139.1	368.5
Charge for the period	9.1	40.3	17.1	66.5
Disposals/transfers[1]	-	0.6	46.8	47.4
Balance on 31.12.2021	157.0	121.2	109.4	387.6
Carrying value				
Balance on 31.12.2020	277.1	159.1	32.8	469.0
Balance on 31.12.2021	**274.3**	**121.9**	**29.0**	**425.2**

[1] Includes also derecognition of fully depreciated assets

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

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Amounts recognised in the income statement		
Depreciation charge	**40.3**	41.2
Interest expense on lease liability	**3.8**	4.5
Expense related to short-term/low-value leases	**0.6**	0.6
Total	**44.7**	46.3
Total cash outflows for leases (excluding short-term/low-value leases)	**42.7**	37.8
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**42.1**	42.4
One to five years	**64.4**	88.4
More than five years	**46.9**	53.7
Total undiscounted lease liabilities	**153.4**	184.5

NOTE 11 GOODWILL AND INTANGIBLE ASSETS

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*
Historical cost				
Balance on 01.01.2020	1,501.7	1,185.5	1,016.7	3,703.9
Additions	-	-	149.9	149.9
Disposals/transfers[1]	-	-	56.8	56.8
Balance on 31.12.2020	1,501.7	1,185.5	1,109.8	3,797.0
Additions	-	-	168.0	168.0
Disposals/transfers[1]	-	-	66.0	66.0
Balance on 31.12.2021	1,501.7	1,185.5	1,211.8	3,899.0
Amortisation and impairment				
Balance on 01.01.2020	-	1,093.0	446.4	1,539.4
Charge for the period	-	32.2	76.9[2]	109.1
Disposals/transfers[1]	-	-	56.8	56.8
Balance on 31.12.2020	-	1,125.2	466.5	1,591.7
Charge for the period	-	32.2	97.1[3]	129.3
Disposals/transfers[1]	-	-	66.0	66.0
Balance on 31.12.2021	-	1,157.4	497.6	1,655.0
Carrying value				
Balance on 31.12.2020	1,501.7	60.3	643.3	2,205.3
Balance on 31.12.2021	**1,501.7**	**28.1**	**714.2**	**2,244.0**

[1] Includes also derecognition of fully amortised assets
[2] Includes impairment of CHF 7.7 million related to software not used anymore
[3] Includes impairment of CHF 14.5 million related to software not used anymore

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generates cash inflows independently from other assets) and is subsequently compared to the carrying amount of that unit. Within the Bank, cash inflows are not attributable to either any dimension (e.g. geographical areas, booking centres, clients or products) or group of assets. In addition, management makes operating decisions based on information on the Bank level (see also Note 19 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Bank.

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

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

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows for the next five years, whereof the first three years are based on the detailed budgeting and the remaining two years on the less detailed mid-term planning (particularly net new money). The Bank expects in the medium and long term a favourable development of the wealth management activities which is reflected in the respective growth of the key parameters, although the Bank cannot exclude short-term market disruptions. The Bank also takes into consideration its relative strength as a pure wealth management provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments which are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.8% (2020: 11.0%). The discount rate used in the calculation represents the Bank's specific risk-weighted rate based on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

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

Changes in key assumptions

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

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

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

NOTE 12 ASSETS PLEDGED OR CEDED

	31.12.2021 Carrying value *CHF 1,000*	**31.12.2021** Effective commitment *CHF 1,000*	31.12.2020 Carrying value *CHF 1,000*	31.12.2020 Effective commitment *CHF 1,000*
Securities	**3,408,291**	**3,408,291**	1,080,826	1,080,826
Other	**15,624**	**15,624**	10,892	10,892
Total	**3,423,915**	**3,423,915**	1,091,718	1,091,718

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

NOTE 13 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2022 *CHF m*	2023 *CHF m*	2024 *CHF m*	2025 *CHF m*	2026 *CHF m*	2027–2031 *CHF m*	2032– *CHF m*	un-assigned *CHF m*	**31.12.2021** *CHF m*	31.12.2020 *CHF m*
Fixed rate	7,220.2	272.0	8.3	-	-	-	-	-	**7,500.5**	5,598.5
Interest rates (ranges in %)	0.05–92.3	1.66–36.0	3.0–7.45	-	-	-	-	-	**-**	-
Floating rate	1,282.4	1,041.4	474.2	340.6	175.3	126.5	156.6	3,361.5	**6,958.5**	7,556.3
Total	**8,502.6**	**1,313.4**	**482.5**	**340.6**	**175.3**	**126.5**	**156.6**	**3,361.5**	**14,459.0**	13,154.8

The Bank issues to its wealth management clients structured notes for investment purposes. The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.05% up to 92.3%. 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 impact of the credit rating of the Bank on the fair value changes of these liabilities amounted to CHF -0.8 million (2020: CHF -3.9 million).

NOTE 14 DEBT ISSUED

	31.12.2021 *CHF 1,000*
Bonds	**774,308**
Total	**774,308**

Bonds

	Stated interest rate %		Currency	Notional amount m	**31.12.2021** Carrying value CHF 1,000
Bank Julius Baer & Cie Ltd.					
2021[1]	0.125	Senior bond	CHF	260.0	257,410
Bank Julius Baer & Cie Ltd.					
2021[2]	0.000	Senior unsecured bond	EUR	500.0	516,898
Total					**774,308**

[1] The effective interest rate amounts to 0.103%.
[2] The effective interest rate amounts to 0.092%.

Changes in debt issued

	31.12.2021 *CHF 1,000*
Balance at the beginning of the year	-
Changes from financing cash flows:	
– Proceeds from issuance of new bonds	**806,945**
Total changes from financing cash flows	**806,945**
Changes related to amortisation of premiums/discounts	**205**
Changes related to foreign exchange	**-29,890**
Changes related to hedge accounting	**-2,952**
Balance at the end of the year	**774,308**

Senior unsecured issues

2021 issues

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

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

NOTE 15A DEFERRED TAX ASSETS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*
Balance at the beginning of the year	**-**	-
Translation differences and other adjustments	**2,413**	-
Balance at the end of the year	**2,413**	-

The components of deferred tax assets are as follows:

Pension liabilities	**-**	15,597
Employee compensation and benefits	**7,287**	5,061
Financial assets at FVOCI	**624**	-
Property and equipment	**505**	645
Other	**1,767**	1,606
Deferred tax assets before set-off[1]	**10,183**	22,909
Offset	**-7,770**	-22,909
Total	**2,413**	-

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

NOTE 15B DEFERRED TAX LIABILITIES

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*
Balance at the beginning of the year	**56,136**	45,464
Income statement - charge	**372**	4,649
Income statement - credit	**-5,296**	-4,269
Recognised directly in OCI	**12,394**	10,292
Translation differences and other adjustments	**2,413**	-
Balance at the end of the year[1]	**66,019**	56,136

The components of deferred tax liabilities are as follows:

Property and equipment	**27,262**	28,782
Financial assets at FVOCI	**43,866**	44,866
Intangible assets	**1,940**	5,397
Pension liability taxes	**721**	-
Deferred tax liability before set-off	**73,789**	79,045
Offset	**-7,770**	-22,909
Total	**66,019**	56,136

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

NOTE 16 PROVISIONS

	Legal risks *CHF 1,000*	Other *CHF 1,000*	**2021** **Total** *CHF 1,000*	2020 Total *CHF 1,000*
Balance at the beginning of the year	**88,863**	**1,580**	**90,443**	173,889
Utilised during the year	**-74,503**	-	**-74,503**	-151,682
Provisions made during the year	**57,190**	-	**57,190**	87,667
Provisions reversed during the year	**-1,023**	-	**-1,023**	-14,125
Translation differences	**1,680**	-	**1,680**	-5,306
Balance at the end of the year	**72,207**	**1,580**	**73,787**	90,443

Maturity of provisions				
Up to one year	**5,745**	**492**	**6,237**	6,808
Over one year	**66,462**	**1,088**	**67,550**	83,635

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

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

The risks described below may not be the only risks to which the Bank is exposed. The additional risks not presently known, or risks and proceedings currently deemed immaterial, may also impair the Bank's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually, or together with other circumstances, have a materially adverse impact on 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 management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgement of any liability on the part of the Bank and if the amount of such obligation or loss can already be reasonably estimated.

In cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is recorded as a contingent liability, hereinafter as of 31 December 2021. The contingent liabilities may result in a materially adverse effect on the Bank or for other reasons may be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), which funds had served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and, in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. The Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. That decision has been appealed as well. Both appeals have been consolidated and remain pending. Further, in October 2021, the Bank filed a motion to dismiss for lack of personal jurisdiction. In response, the Liquidators requested jurisdictional discovery, the scope of which is yet to be defined.

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

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

In the context of an investigation against a former client regarding alleged participation in an environmental certificate-trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions/money laundering was initiated against the Bank in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter. A trial in the matter took place in December 2021 at which a fine of EUR 5 million and a restitution amount of EUR 2 million was proposed to be charged against the Bank. The competent court of First Instance is expected to render its decision in March 2022. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

The Bank is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 139 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

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

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

The Bank was confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ('OFAC') sanctions. The procedure related to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank was defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020, and the Swiss Federal Supreme Court has ultimately confirmed such decision in August 2021. In the same context, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank had addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations. A resolution in the latter legacy matter is expected to be reached in 2022.

In May 2021, the Bank became aware that a Writ of Summons ('the Writ') had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited ('SRC') claiming the sum of approximately USD 112 million from the Bank, alleging the Bank was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. The Bank will contest such civil claim, which has not been served, and will take all appropriate measures to defend its interests in this matter.

NOTE 17A OTHER ASSETS

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*
Precious metals (physical)	**4,108,107**	4,288,079
Tax receivables	**3,051,873**	1,668,762
Accounts receivable	**9,102**	5,259
Pension asset	**3,797**	-
Other	**181,836**	375,180
Total	**7,354,715**	6,337,280

NOTE 17B OTHER LIABILITIES

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*
Lease liability	**131,587**	169,631
Other tax payable	**41,548**	45,464
Accounts payable	**4,853**	4,551
Other	**88,616**	241,930
Total	**266,604.0**	461,576

ADDITIONAL INFORMATION

NOTE 18 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2021	2020
Basic earnings per share		
Net profit (CHF 1,000)	**807,631**	613,767
Weighted average number of shares outstanding	**5,750,000**	5,750,000
Basic earnings per share (CHF)	**140.46**	106.74

	31.12.2021	31.12.2020
Shares outstanding		
Total shares issued (par value CHF 100)	**5,750,000**	5,750,000

	31.12.2021	31.12.2020
Share capital		
Total share capital outstanding (CHF 1,000)	**575,000**	575,000

	2021	2020
Dividend proposal		
Dividend proposal 2021 and dividend 2020 per share (CHF)	**107.83**	62.61

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

NOTE 19 REPORTING BY SEGMENT

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

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

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

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Bank consists of a single reportable segment. This is in line with the strategy and business model of Bank Julius Baer & Co. Ltd. and reflects the management structure and the use of information by management in making operating decisions.

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

Entity-wide disclosures

	31.12.2021 Non-current assets *CHF m*	31.12.2020 *CHF m*	**2021** Operating income *CHF m*	2020 *CHF m*
Switzerland	**2,253**	2,225	**2,096**	1,934
Europe (excl. Switzerland)	**55**	57	**197**	152
Asia and other countries	**361**	392	**876**	824
Less consolidation items	**-**	-	**114**	106
Total	**2,669**	2,674	**3,055**	2,804

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

NOTE 20 RELATED PARTY TRANSACTIONS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**22,000**	19,036
Post-employment benefits	**955**	984
Share-based payments	**14,743**	13,471
Total	**37,698**	33,491
Receivables from		
Julius Baer Group entities	**933,800**	361,727
significant shareholders[2]	**3,069,388**	2,777,019
key management personnel	**31,052**	6,112
Total	**4,034,240**	3,144,858
Liabilities to		
Julius Baer Group entities	**5,522,549**	4,946,728
significant shareholders[2]	**2,473,294**	2,155,077
key management personnel	**21,263**	8,736
own pension funds	**4,290**	4,448
Total	**8,021,396**	7,114,989
Credit guarantees to		
Julius Baer Group entities	**167,828**	44,638
key management personnel	**111**	184
Total	**167,939**	44,822
Income from services provided to		
Julius Baer Group entities	**375,661**	343,352
significant shareholders[2]	**144,502**	142,290
key management personnel	**537**	182
Total	**520,700**	485,824
Services provided by		
Julius Baer Group entities	**55,938**	61,545
significant shareholders[2]	**2,692**	6,487
Total	**58,630**	68,032

[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, Chief Financial Officer,
Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas),
Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer.

[2] Julius Baer Group Ltd.

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

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

The interest rates of the Lombard loans and mortgages are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

NOTE 21 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

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

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

	2021 *CHF 1,000*	2020 *CHF 1,000*
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	**-3,178,226**	-3,090,290
Current service cost	**-77,750**	-79,059
Employees' contributions	**-44,818**	-44,499
Interest expense on defined benefit obligation	**-6,469**	-7,873
Past service cost, curtailments, settlements, plan amendments	**4,633**	-554
Benefits paid (including benefits paid directly by employer)	**109,359**	115,011
Transfer payments in/out	**20**	-567
Experience gains/(losses) on defined benefit obligation	**-201,193**	-30,043
Actuarial gains/(losses) arising from change in demographic assumptions[1]	**81,816**	-
Actuarial gains/(losses) arising from change in financial assumptions	**-41,897**	-41,788
Translation differences	**-601**	1,436
Present value of defined benefit obligation at the end of the year	**-3,355,126**	-3,178,226
whereof due to active members	***-2,277,855***	*-2,106,676*
whereof due to deferred members	***-12,691***	*-14,703*
whereof due to pensioners	***-1,064,580***	*-1,056,847*
Fair value of plan assets at the beginning of the year	**3,096,134**	2,953,207
Interest income on plan assets	**6,361**	7,615
Employees' contributions	**44,818**	44,499
Employer's contributions	**95,755**	96,932
Curtailments, settlements, plan amendments	**-1,506**	-1,730
Benefits paid by fund	**-109,359**	-115,011
Transfer payments in/out	**-20**	567
Administration cost (excluding asset management cost)	**-1,038**	-1,032
Return on plan assets (excluding interest income)	**323,871**	112,138
Translation differences	**404**	-1,051
Fair value of plan assets at the end of the year	**3,455,420**	3,096,134

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

	31.12.2021 *CHF 1,000*	31.12.2020 *CHF 1,000*
2. Balance sheet		
Fair value of plan assets	**3,455,420**	3,096,134
Present value of defined benefit obligation	**-3,355,126**	-3,178,226
Surplus (deficit)	**100,294**	-82,092
Effect of the asset ceiling	**-96,497**	-
Net defined benefit asset/(liability)	**3,797**	-82,092

	2021 *CHF 1,000*	2020 *CHF 1,000*
3. Income statement		
Current service cost	**-77,750**	-79,059
Interest expense on defined benefit obligation	**-6,469**	-7,873
Past service cost, curtailments, settlements, plan amendments	**3,127**	-2,284
Interest income on plan assets	**6,361**	7,615
Administration cost (excluding asset management cost)	**-1,038**	-1,032
Defined benefit cost recognised in the income statement	**-75,769**	-82,633
whereof service cost	***-75,661***	*-82,375*
whereof net interest on the net defined benefit/(liability) asset	***-108***	*-258*

	2021 *CHF 1,000*	2020 *CHF 1,000*
4. Movement in defined benefit liability		
Net defined benefit asset/(liability) at the beginning of the year	**-82,092**	-137,083
Translation differences	**-197**	385
Defined benefit cost recognised in the income statement	**-75,769**	-82,633
Employer's contributions	**95,755**	96,932
Remeasurements of the net defined benefit liability/(asset)	**66,100**	40,307
Amount recognised in the balance sheet	**3,797**	-82,092

	2021 *CHF 1,000*	2020 *CHF 1,000*
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	**-161,274**	-71,831
Return on plan assets (excluding interest income)	**323,871**	112,138
Effect of asset ceiling	**-96,497**	-
Total recognised in other comprehensive income	**66,100**	40,307

	2021 *CHF 1,000*	2020 *CHF 1,000*
5. Composition of plan assets		
Cash	**120,751**	90,597
Debt instruments	**860,308**	866,248
Equity instruments	**1,418,749**	1,172,490
Real estate	**625,486**	541,247
Alternative investments	**424,525**	420,050
Other	**5,601**	5,502
Total	**3,455,420**	3,096,134

	2021 *%*	2020 *%*
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	**3.49**	2.93
Debt instruments	**21.90**	26.74
Equity instruments	**41.06**	37.87
Real estate	**7.18**	7.93
Other	**5.62**	6.10
Total	**79.25**	81.57

	2021 CHF 1,000	2020 CHF 1,000
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	**-92,935**	-99,140
Effect on service cost	**-3,017**	-3,560
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	**87,759**	88,186
Effect on service cost	**2,832**	2,984
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	**10,436**	10,434
Effect on service cost	**962**	986
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	**-10,666**	-10,669
Effect on service cost	**-985**	-1,010
Life expectancy		
Increase in longevity by one additional year	**-80,362**	-72,413

Actuarial calculation of pension assets and obligations
The latest actuarial calculation was carried out as at 31 December 2021. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 99% (2020: 99%) of all benefit obligations and plan assets:

	2021	2020
Discount rate	**0.25%**	0.20%
Average future salary increases	**0.50%**	0.50%
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 2022 financial year related to defined benefit plans are estimated at CHF 90.0 million.

Outstanding liabilities to pension plans
The Bank had outstanding liabilities to various pension plans in the amount of CHF 4.3 million (2020: CHF 4.4 million).

Defined contribution pension plans
The Bank maintains a number of defined contribution pension plans outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 23.4 million for the 2021 financial year (2020: CHF 20.8 million).

NOTE 22 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Receivables		
Receivables from cash provided in securities borrowing transactions	**-**	6.2
of which recognised in due from banks	***-***	*6.2*
Receivables from cash provided in reverse repurchase transactions	**24.1**	1,258.0
of which recognised in due from banks	***24.1***	*1,258.0*
Obligations		
Obligations to return cash received in securities lending transactions	**60.0**	252.1
of which recognised in due to banks	***60.0***	*252.1*
Obligations to return cash received in repurchase transactions	**296.9**	82.5
of which recognised in due to banks	***296.9***	*82.5*
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**2,411.4**	1,092.2
of which securities the right to pledge or sell has been granted without restriction	***2,411.4***	*1,092.2*
of which recognised in financial assets measured at FVTPL	***2,411.1***	*952.8*
of which recognised in financial assets measured at FVOCI	***0.3***	*139.4*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**5,792.7**	4,267.6
of which repledged or resold securities	***5,361.8***	*3,701.9*

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

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	107,655.6	663.8	846.2
Futures	183.4	0.9	0.4
Cross-currency swaps	173.6	0.7	7.3
Options (OTC)	19,435.6	185.7	130.5
Total foreign exchange derivatives 31.12.2021	**127,448.2**	**851.1**	**984.4**
Total foreign exchange derivatives 31.12.2020	123,056.3	1,046.8	1,325.6
Interest rate derivatives			
Swaps	38,266.9	119.4	131.0
Futures	466.1	0.9	0.7
Options (OTC)	216.3	8.0	8.0
Total interest rate derivatives 31.12.2021	**38,949.3**	**128.3**	**139.7**
Total interest rate derivatives 31.12.2020	23,206.6	143.6	177.4
Precious metals derivatives			
Forward contracts	2,439.2	22.5	30.1
Futures	119.1	2.0	2.0
Options (OTC)	3,553.0	47.6	51.0
Options (traded)	1,063.8	-	30.3
Total precious metals derivatives 31.12.2021	**7,175.1**	**72.1**	**113.4**
Total precious metals derivatives 31.12.2020	9,535.0	170.0	234.5
Equity/indices derivatives			
Futures	1,006.4	32.8	6.5
Options (OTC)	10,898.4	487.7	220.2
Options (traded)	25,811.0	481.9	1,139.4
Total equity/indices derivatives 31.12.2021	**37,715.8**	**1,002.4**	**1,366.1**
Total equity/indices derivatives 31.12.2020	31,697.0	1,184.7	923.2
Other derivatives			
Futures	325.2	3.9	2.6
Total other derivatives 31.12.2021	**325.2**	**3.9**	**2.6**
Total other derivatives 31.12.2020	64.5	0.3	0.8

Derivatives held for trading (continued)

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Credit derivatives			
Credit default swaps	83.5	0.1	0.5
Total return swaps	1,385.2	29.8	48.1
Total credit derivatives 31.12.2021	**1,468.7**	**29.9**	**48.6**
Total credit derivatives 31.12.2020	994.0	11.2	36.6
Total derivatives held for trading 31.12.2021	**213,082.3**	**2,087.7**	**2,654.8**
Total derivatives held for trading 31.12.2020	188,553.4	2,556.6	2,698.1

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as fair value hedges			
Interest rate swaps	1,555.5	8.3	16.6
Derivatives designated as cash flow hedges			
Interest rate swaps	544.9	-	8.9
Foreign exchange derivatives	464.7	1.0	1.1
Total derivatives held for hedging 31.12.2021	**2,565.1**	**9.3**	**26.6**
Total derivatives held for hedging 31.12.2020	1,184.3	19.7	11.9
Total derivative financial instruments 31.12.2021	**215,647.4**	**2,097.0**	**2,681.4**
Total derivative financial instruments 31.12.2020	189,737.7	2,576.3	2,710.0

NOTE 24A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	Carrying value 31.12.2021 CHF m	Fair value 31.12.2021 CHF m	Carrying value 31.12.2020 CHF m	Fair value 31.12.2020 CHF m
Financial assets measured at amortised cost				
Cash	**17,275.4**	**17,275.4**	12,095.7	12,095.7
Due from banks	**5,101.5**	**5,104.1**	7,258.2	7,261.1
Loans	**46,399.0**	**46,763.2**	43,394.8	43,784.8
Accrued income	**281.3**	**281.3**	254.8	254.8
Other assets	**9.1**	**9.1**	5.3	5.3
Total	**69,066.3**	**69,433.1**	63,008.8	63,401.7
Financial assets measured at FVTPL				
Financial assets measured at FVTPL	**14,681.2**	**14,681.2**	13,557.6	13,557.6
Derivative financial instruments	**2,097.0**	**2,097.0**	2,576.3	2,576.3
Financial assets designated at fair value	**306.9**	**306.9**	252.2	252.2
Total	**17,085.1**	**17,085.1**	16,386.1	16,386.1
Financial assets measured at FVOCI				
Financial assets measured at FVOCI	**13,231.5**	**13,231.5**	13,653.0	13,653.0
Total	**13,231.5**	**13,231.5**	13,653.0	13,653.0
Total financial assets	**99,382.9**	**99,749.7**	93,047.9	93,440.8

Financial liabilities

	Carrying value 31.12.2021 CHF m	Fair value 31.12.2021 CHF m	Carrying value 31.12.2020 CHF m	Fair value 31.12.2020 CHF m
Financial liabilities at amortised costs				
Due to banks	**8,011.6**	**8,017.4**	8,519.5	8,523.6
Due to customers	**75,458.6**	**75,548.5**	69,842.7	69,978.0
Debt issued	**774.3**	**774.3**	-	-
Accrued expenses	**173.1**	**173.1**	138.7	138.7
Other liabilities	**4.9**	**4.9**	4.6	4.6
Total	**84,422.5**	**84,518.2**	78,505.5	78,644.9
Financial liabilities measured at FVTPL				
Financial liabilities measured at FVTPL	**749.5**	**749.5**	896.5	896.5
Derivative financial instruments	**2,681.4**	**2,681.4**	2,710.0	2,710.0
Financial liabilities designated at fair value	**14,459.0**	**14,459.0**	13,154.8	13,154.8
Total	**17,889.9**	**17,889.9**	16,761.3	16,761.3
Total financial liabilities	**102,312.4**	**102,408.1**	95,266.8	95,406.2

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

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

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

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

NOTE 24B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

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

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

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

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

Financial assets measured at FVTPL and financial assets measured at FVOCI: The Bank holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Bank holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Bank and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2021, dividends related to these investments in the amount of CHF 21.0 million (2020: CHF 1.8 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Bank issues to its wealth management clients a limited number of specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Bank's balance sheet due to the strict derecognition criteria required by IFRS. Therefore, the private equity investments as well as the money market instruments are recorded as financial assets designated at fair value. Any changes in the fair value or any other income from the private equity investments, as well as any income related to the money market instruments, are recorded in the income statement. However, as the clients are entitled to all rewards related to the investments, these amounts net out in the respective line item in the income statement. Hence, any change in the valuation inputs has no impact on the Bank's income statement or shareholders' equity.

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

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

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2021 Total CHF m
Assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,262.2	715.6	286.0	3,263.8
Trading – equity instruments at FVTPL	9,179.2	2,232.9	5.3	11,417.4
Total financial assets measured at FVTPL	**11,441.4**	**2,948.5**	**291.3**	**14,681.2**
Foreign exchange derivatives	0.9	851.2	-	852.1
Interest rate derivatives	0.9	135.7	-	136.6
Precious metal derivatives	2.0	70.1	-	72.1
Equity/indices derivatives	32.8	969.6	-	1,002.4
Credit derivatives	-	29.9	-	29.9
Other derivatives	3.9	-	-	3.9
Total derivative financial instruments	**40.5**	**2,056.5**	**-**	**2,097.0**
Financial assets designated at fair value	**22.1**	**97.1**	**187.7**	**306.9**
Debt instruments at FVOCI	9,776.8	3,115.4	-	12,892.2
Equity instruments at FVOCI	-	-	339.3	339.3
Financial assets measured at FVOCI	**9,776.8**	**3,115.4**	**339.3**	**13,231.5**
Total assets	**21,280.8**	**8,217.5**	**818.3**	**30,316.6**
Short positions – debt instruments	132.6	41.4	-	174.0
Short positions – equity instruments	548.3	27.2	-	575.5
Total financial liabilities measured at FVTPL	**680.9**	**68.6**	**-**	**749.5**
Foreign exchange derivatives	0.4	985.1	-	985.5
Interest rate derivatives	0.7	164.5	-	165.2
Precious metal derivatives	2.0	111.4	-	113.4
Equity/indices derivatives	6.5	1,359.6	-	1,366.1
Credit derivatives	-	48.6	-	48.6
Other derivatives	2.6	-	-	2.6
Total derivative financial instruments	**12.2**	**2,669.2**	**-**	**2,681.4**
Financial liabilities designated at fair value	**-**	**14,122.3**	**336.7**	**14,459.0**
Total liabilities	**693.1**	**16,860.1**	**336.7**	**17,889.9**

For financial instruments measured at FVTPL, no material shifts between the fair value levels have occurred due to COVID-19 in 2021 and 2020.

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2020 Total CHF m
Assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,866.2	298.8	232.9	3,397.9
Trading – equity instruments at FVTPL	8,222.9	1,886.4	50.4	10,159.7
Total financial assets measured at FVTPL	11,089.1	2,185.2	283.3	13,557.6
Foreign exchange derivatives	-	1,046.8	-	1,046.8
Interest rate derivatives	1.2	162.1	-	163.3
Precious metal derivatives	0.2	169.8	-	170.0
Equity/indices derivatives	28.4	1,156.3	-	1,184.7
Credit derivatives	-	11.2	-	11.2
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	30.1	2,546.2	-	2,576.3
Financial assets designated at fair value	8.6	64.7	178.9	252.2
Debt instruments at FVOCI	10,252.6	3,128.1	-	13,380.7
Equity instruments at FVOCI	-	-	272.3	272.3
Financial assets measured at FVOCI	10,252.6	3,128.1	272.3	13,653.0
Total assets	21,380.4	7,924.2	734.5	30,039.1
Short positions – debt instruments	217.0	22.5	-	239.5
Short positions – equity instruments	626.3	30.7	-	657.0
Total financial liabilities measured at FVTPL	843.3	53.2	-	896.5
Foreign exchange derivatives	4.8	1,320.8	-	1,325.6
Interest rate derivatives	0.1	189.2	-	189.3
Precious metal derivatives	1.7	232.8	-	234.5
Equity/indices derivatives	5.7	917.5	-	923.2
Credit derivatives	-	36.6	-	36.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	13.1	2,696.9	-	2,710.0
Financial liabilities designated at fair value	-	12,889.8	265.0	13,154.8
Total liabilities	856.4	15,639.9	265.0	16,761.3

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

				31.12.2021
	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*
Financial assets and liabilities disclosed at fair value				
Cash	17,275.4	-	-	17,275.4
Due from banks	-	5,104.1	-	5,104.1
Loans	-	46,763.2	-	46,763.2
Accrued income	-	281.3	-	281.3
Other assets	-	9.1	-	9.1
Total assets	**17,275.4**	**52,157.7**	**-**	**69,433.1**
Due to banks	-	8,017.4	-	8,017.4
Due to customers	-	75,548.5	-	75,548.5
Debt issued	774.3	-	-	774.3
Accrued expenses	-	173.1	-	173.1
Other liabilities	-	4.9	-	4.9
Total liabilities	**774.3**	**83,743.9**	**-**	**84,518.2**

				31.12.2020
	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*
Financial assets and liabilities disclosed at fair value				
Cash	12,095.7	-	-	12,095.7
Due from banks	-	7,261.1	-	7,261.1
Loans	-	43,784.8	-	43,784.8
Accrued income	-	254.8	-	254.8
Other assets	-	5.3	-	5.3
Total assets	12,095.7	51,306.0	-	63,401.7
Due to banks	-	8,523.6	-	8,523.6
Due to customers	-	69,978.0	-	69,978.0
Accrued expenses	-	138.7		138.7
Other liabilities	-	4.6	-	4.6
Total liabilities	-	78,644.9	-	78,644.9

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

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Transfers from level 1 to level 2		
Financial assets measured at FVTPL	**35.7**	14.1
Financial assets measured at FVOCI	**16.7**	42.4
Financial assets designated at fair value	**-**	5.6
Financial liabilities	**0.9**	0.5
Transfers from level 2 to level 1		
Financial assets measured at FVTPL	**46.0**	45.7
Financial assets measured at FVOCI	**63.7**	103.5
Financial liabilities	**0.4**	-

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

NOTE 25A FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

taking into consideration their respective probabilities.

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

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

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

Mortgages

For mortgages, the input factors are determined as follows:

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

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

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

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

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

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

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

Treasury portfolio

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

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

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

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

Credit quality analysis

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

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2021 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		5,022.2	-	-	**5,022.2**
R5–R6: Increased risk		79.4	-	-	**79.4**
R7–R10: Impaired		-	-	-	**-**
Total		5,101.6	-	-	**5,101.6**
Loss allowance		-0.1	-	-	**-0.1**
Carrying amount		**5,101.5**	**-**	**-**	**5,101.5**
Lombard loans, at amortised cost[1]					
R1–R4: Low to medium risk		38,773.2	30.1	-	**38,803.3**
R5–R6: Increased risk		1,290.2	200.4	-	**1,490.6**
R7–R10: Impaired		-	-	119.7	**119.7**
Total		40,063.4	230.5	119.7	**40,413.6**
Loss allowance		-4.9	-0.1	-79.2	**-84.2**
Carrying amount		**40,058.5**	**230.4**	**40.5**	**40,329.4**
Mortgages, at amortised cost[1]					
R1–R4: Low to medium risk		5,657.6	346.4	-	**6,004.0**
R5–R6: Increased risk		1.8	34.6	-	**36.4**
R7–R10: Impaired		-	-	30.7	**30.7**
Total		5,659.4	381.0	30.7	**6,071.1**
Loss allowance		-0.6	-0.1	-0.8	**-1.5**
Carrying amount		**5,658.8**	**380.9**	**29.9**	**6,069.6**
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,847.9	-	-	**12,847.9**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	45.6	-	-	**45.6**
Carrying amount		**12,893.5**	**-**	**-**	**12,893.5**
Loss allowance		-1.3	-	-	**-1.3**

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

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	31.12.2020 Total *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,831.2	-	-	6,831.2
R5–R6: Increased risk		427.1	-	-	427.1
R7–R10: Impaired		-	-	-	-
Total		7,258.3	-	-	7,258.3
Loss allowance		-0.1	-	-	-0.1
Carrying amount		7,258.2	-	-	7,258.2
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		34,908.4	25.4	-	34,933.8
R5–R6: Increased risk		1,741.3	207.1	-	1,948.4
R7–R10: Impaired		-	-	87.3	87.3
Total		36,649.7	232.5	87.3	36,969.5
Loss allowance		-2.5	-0.3	-71.6	-74.4
Carrying amount		36,647.2	232.2	15.7	36,895.1
Mortgages, at amortised cost					
R1–R4: Low to medium risk		6,132.1	306.6	-	6,438.7
R5–R6: Increased risk		16.2	20.2	-	36.4
R7–R10: Impaired		-	-	28.4	28.4
Total		6,148.3	326.8	28.4	6,503.5
Loss allowance		-1.0	-0.1	-2.7	-3.8
Carrying amount		6,147.3	326.7	25.7	6,499.7
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,382.5	-	-	13,382.5
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		13,382.5	-	-	13,382.5
Loss allowance		-1.8	-	-	-1.8

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the ongoing challenging economic environment and the related uncertainty due to COVID-19. The growth assumption (based on the gross domestic products) used in the baseline scenario has been adjusted for year-end reporting 2021, resulting in a positive forecast again for the coming periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, the models used for the ECL calculation have not been modified due to the pandemic.

The ECL calculations did not reveal any material losses to be recognised for year-end reporting 2021.

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

Expected credit losses

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

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**Total** *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2021	0.1	-	-	**0.1**
Net remeasurement of loss allowance	-0.0	-	-	**-0.0**
New/increase financial assets	0.1	-	-	**0.1**
Financial assets that have been derecognised	-0.1	-	-	**-0.1**
Changes in models/risk parameters	-0.0	-	-	**-0.0**
Balance at 31 December 2021	**0.1**	**-**	**-**	**0.1**
Lombard loans, at amortised cost				
Balance at 1 January 2021	2.5	0.3	71.6	**74.4**
Transfer to/(from) 12-month ECL	0.2	-0.2	-	**-**
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	0.0	**-**
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	**-**
Net remeasurement of loss allowance	-1.8	-0.1	0.8	**-1.1**
New/increase financial assets	4.6	0.0	5.1[1]	**9.7**
Financial assets that have been derecognised	-0.5	-0.0	-0.0	**-0.5**
Write-offs	-	-	-1.8	**-1.8**
Changes in models/risk parameters	-0.1	0.0	0.0	**-0.1**
Foreign exchange and other movements	-	-	3.6	**3.6**
Balance at 31 December 2021	**4.9**	**0.0**	**79.3**	**84.2**
Mortgages, at amortised cost				
Balance at 1 January 2021	1.0	0.1	2.7	**3.8**
Net remeasurement of loss allowance	0.1	-	2.7	**2.8**
New/increase financial assets	0.4	0.1	-	**0.5**
Financial assets that have been derecognised	-0.9	-0.1	-2.7	**-3.7**
Changes in models/risk parameters	0.0	-	-	**0.0**
Foreign exchange and other movements	-	-	-1.9	**-1.9**
Balance at 31 December 2021	**0.6**	**0.1**	**0.8**	**1.5**

[1] Including outstanding accumulated interest.

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

	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	Total *CHF m*
Due from banks, at amortised cost				
Balance at 1 January 2020	0.2	-	-	0.2
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.1	-	-	-0.1
Changes in models/risk parameters	0.0	-	-	0.0
Balance at 31 December 2020	0.1	-	-	0.1
Lombard loans, at amortised cost				
Balance at 1 January 2020	4.5	0.4	34.0	38.9
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	-
Net remeasurement of loss allowance	-21.4	0.0	47.2	25.8
New/increase financial assets	22.1	0.2	6.0[1]	28.3
Financial assets that have been derecognised	-2.5	-0.3	-8.3	-11.1
Write-offs	-	-	-0.9	-0.9
Changes in models/risk parameters	-0.2	-0.0	-0.0	-0.2
Foreign exchange and other movements	-	-	-6.4	-6.4
Balance at 31 December 2020	2.5	0.3	71.6	74.4
Mortgages, at amortised cost				
Balance at 1 January 2020	0.6	0.5	2.7	3.8
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Net remeasurement of loss allowance	-0.1	0.0	2.2	2.1
New/increase financial assets	0.9	0.1	-	1.0
Financial assets that have been derecognised	-0.3	-0.5	-2.2	-3.0
Write-offs	-	-	-	-
Changes in models/risk parameters	-0.1	0.0	-	-0.1
Balance at 31 December 2020	1.0	0.1	2.7	3.8
Debt instruments, at FVOCI				
Balance at 1 January 2020	1.2	0.1	-	1.3
Net remeasurement of loss allowance	-0.2	-	-	-0.2
New financial assets purchased	1.3	-	-	1.3
Financial assets that have been derecognised	-0.5	-0.1	-	-0.6
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2020	1.8	-	-	1.8

[1] Including outstanding accumulated interest.

NOTE 25B FINANCIAL INSTRUMENTS – CREDIT RISK ANALYSIS

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

Maximum exposure to credit risk

	31.12.2021 Gross maximum exposure *CHF m*	31.12.2020 Gross maximum exposure *CHF m*
Due from banks	**5,101.5**	7,258.2
Loans	**46,399.0**	43,394.8
Financial assets measured at FVTPL	**3,263.8**	3,397.9
Derivative financial instruments	**2,097.0**	2,576.3
Financial assets designated at fair value	**306.9**	252.2
Financial assets measured at FVOCI	**12,892.2**	13,380.7
Accrued income	**281.3**	254.8
Other assets	**9.1**	5.3
Total[1]	**70,350.8**	70,520.2
Off-balance sheet		
Irrevocable commitments[2]	**417.6**	452.3
Total maximum exposure to credit risk	**70,768.4**	70,972.5

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

Refer to the comment on risk management/credit risk section for discussions on concentration of credit risk.

NOTE 25C FINANCIAL INSTRUMENTS – COLLATERAL ANALYSIS

Collateral analysis

For Lombard loans, the principal types of collateral are readily marketable debt and equity securities as well as other eligible assets; for mortgages, residential properties serve as main collateral.

The following table provides information regarding the Loan-to-Value (market value) ratio for the respective credit products.

	31.12.2021	31.12.2020
	CHF m	*CHF m*
Loan-to-Value ratio (LTV)		
Lombard loans		
Less than 50%	24,677.1	23,375.0
51–70%	10,440.0	9,244.2
71–90%	4,381.7	4,025.3
91–100%	747.5	200.6
More than 100%	42.6	34.3
Total	**40,288.9**	36,879.4
Mortgages		
Less than 50%	2,673.5	2,600.9
51–70%	2,830.3	3,198.3
71–90%	528.6	665.3
91–100%	7.3	9.4
More than 100%	-	-
Total	**6,039.7**	6,473.9
Credit-impaired Lombard loans[1]		
Less than 50%	-	-
51–70%	3.9	-
71–100%	20.1	-
More than 100%	16.5	15.7
Total	**40.5**	15.7
Credit-impaired mortgages[1]		
Less than 50%	-	-
51–70%	23.6	1.6
71–100%	4.6	24.2
More than 100%	1.7	-
Total	**29.9**	25.8

[1] Exposures of overdue interest payments and cancelled credit-impaired mortgages (2021: carrying amount of CHF24.7 million) are allocated to credit-impaired Lombard loans.

NOTE 25D FINANCIAL INSTRUMENTS – OFFSETTING

As a wealth manager, the Bank enters into securities transactions and derivative financial instruments. In order to control the credit exposure and reduce the credit risk related to these transactions, the 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 24.1 million (2020: CHF 1,264.2 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 356.9 million (2020: CHF 334.6 million) as disclosed in Note 22 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 1,574.6 million (positive replacement values) and CHF 1,499.5 million (negative replacement values) are subject to an enforceable netting agreement. Transactions with other banks are generally collateralised with other financial instruments (derivatives) which are recognised on the Bank's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet.

NOTE 26 MARKET RISK MEASURES

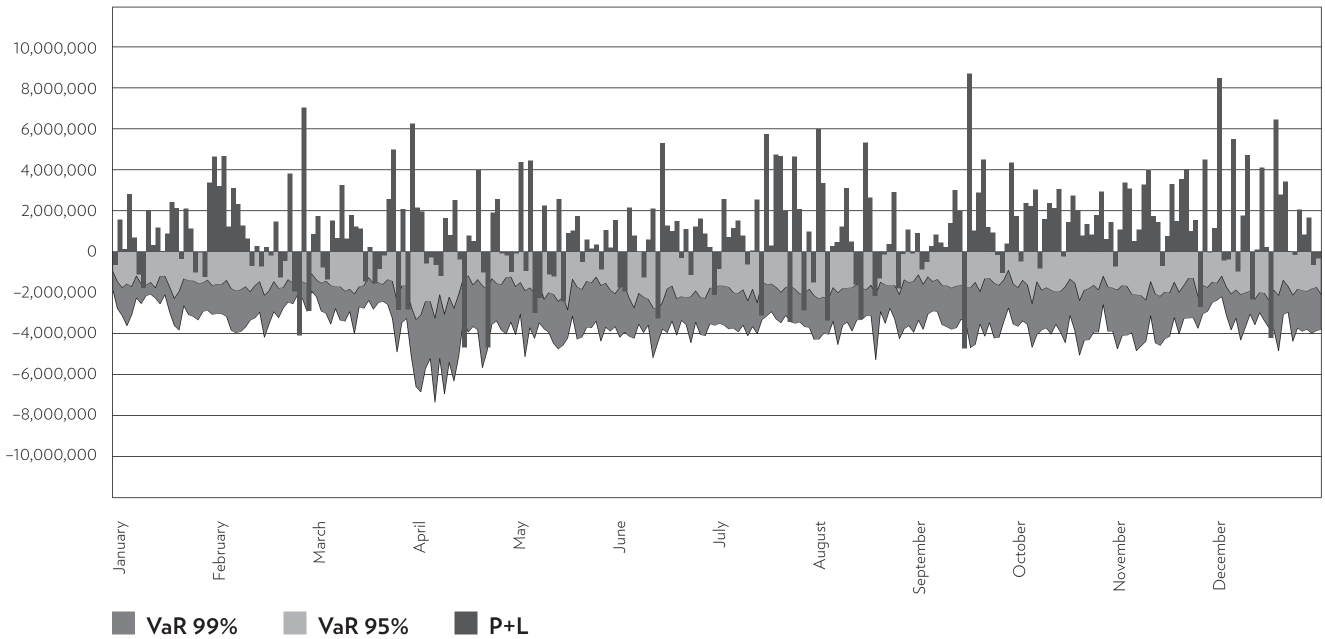
Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors. Refer to the comment on risk management/market risk section for the relevant background information related to the Bank's market risk.

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

The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 1.95 million on 31 December 2021 and CHF 0.94 million on 31 December 2020 (one-day holding period, 95% confidence interval).

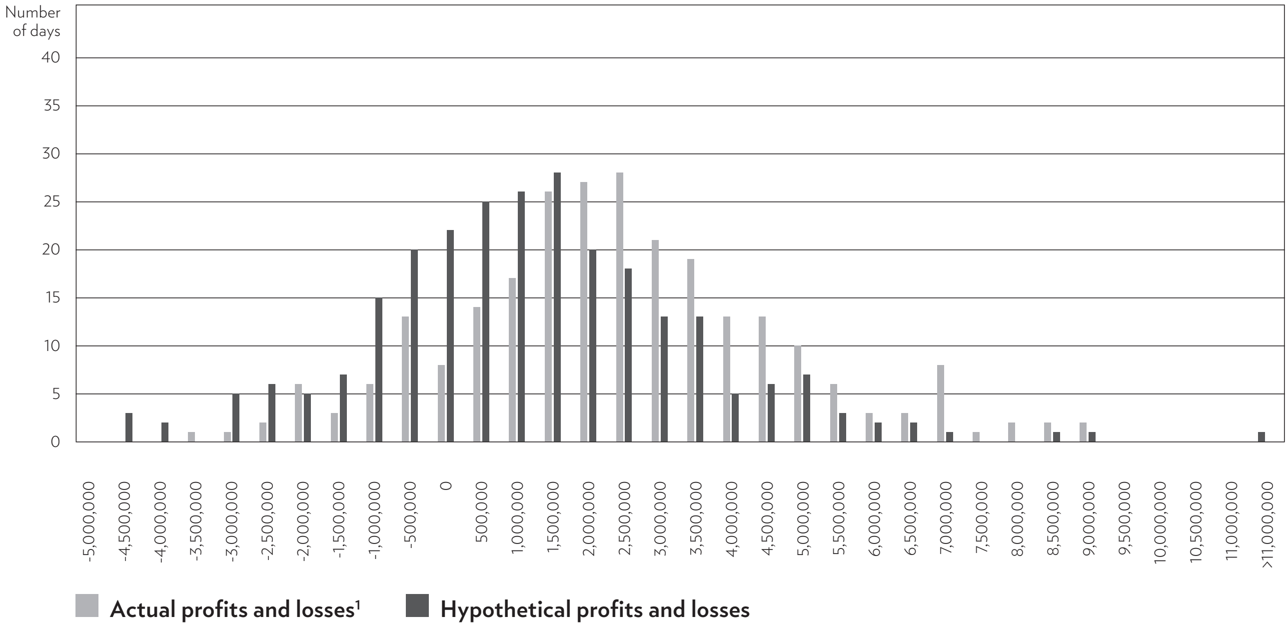
The maximum VaR recorded in 2021 amounted to CHF 3.29 million; the minimum was CHF 0.90 million (CHF 5.07 million and CHF 0.51 million in 2020). The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back-testing. This involves the comparison of the VaR values calculated each day with the hypothetical gains or losses which would have occurred if the end-of-day positions had been left unchanged on the next trading day. The following chart shows the daily calculations of VaR in 2021 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with these hypothetical gains or losses. A back-testing exception occurs when the change in overall position value resulting from the back-testing simulation is negative and its absolute value is greater than the VaR (at a confidence interval of 99%) for the relevant day's closing positions.

Back testing of Bank Julius Baer trading book positions in 2021 (CHF)



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

Distribution of daily revenues from trading activities of Bank Julius Baer for 2021 (CHF)



[1] Pure trading revenues excluding commissions and fees

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

According to Circular 2008/20, FINMA may disregard individual back-testing exceptions if the institution is able to prove that these exceptions are not attributable to a lack of precision of the risk aggregation model. FINMA has used this discretion according to FINMA Guidance 06/2020 so that the back-testing exceptions caused by the COVID-19 pandemic would not lead to an increase of VaR capital multipliers. Concerning the 12-month period starting on 01 January 2021 and ending on 31 December 2021, the FINMA Guidance 06/2020 is no longer applicable and the Bank does not register any exception in relation with the COVID-19 pandemic anymore.

At the beginning of 2021, the preceding 12-month period contained seven back-testing exceptions that fell out of the observation period during the course of 2021. From these seven exceptions, six exceptions are attributable to the COVID-19 pandemic.

On 25 February 2021, an exception was caused by a short-lived market squeeze across US equity volatility skews, FX volatility skew on selected G10 currencies as well as a counter-cyclical USD interest rates curve flattening. All of which simultaneously and adversely affected the Group's P&L. On 19 April 2021, an exception was caused by an increase of the volatility skews for selected equities and indices and by the use of conservative proxies for which the time series were not available. On 16 September 2021, a general drop in the market prices and increase of the volatilities lead to another exception. Finally, on 16 December 2021, another increase of market volatility caused an exception.

As of 31 December 2021, the overall number of back-testing exceptions stands therefore at four. As such, the VaR capital multiplier applied by the Bank remained constant.

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

VaR method and regulatory capital

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

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period). The Group's stress-based VaR amounted to CHF 3.61 million on 31 December 2021 and CHF 3.82 million on 31 December 2020 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2021 amounted to CHF 7.45 million; the minimum was CHF 2.13 million (CHF 6.77 million and CHF 0.78 million in 2020). Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

For additional information regarding the calculation of the Group's minimum regulatory capital requirements under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the website www.juliusbaer.com (this will be available at the end of April 2022).

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

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

Market risk – VaR positions by risk type

	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	**2021** Minimum *CHF 1,000*
Equities	**-621**	**-696**	**-2,979**	**-5**
Interest rates	**-708**	**-1,251**	**-2,541**	**-624**
Foreign exchange/precious metals	**-61**	**-446**	**-1,579**	**-20**
Effects of correlation	**-557**			
Total	**-1,947**	**-1,791**	**-3,294**	**-905**

	At 31 December *CHF 1,000*	Average *CHF 1,000*	Maximum *CHF 1,000*	2020 Minimum *CHF 1,000*
Equities	-82	-831	-3,451	1
Interest rates	-1,379	-971	-1,642	-657
Foreign exchange/precious metals	-199	-413	-1,545	4
Effects of correlation	720			
Total	-940	-1,719	-5,073	-511

NOTE 27A INTEREST RATE MARKET RISK MEASURES

One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2021. Negative values under this scenario reflect a potential drop in fair value within the respective maturity band; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. As there are no material option structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of similar magnitude but with the opposite sign, though such outcomes are mitigated by the fact that the yield curves for the markets in which the Bank carries out most of its activities are currently close to zero.

Interest-rate-sensitive positions

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total** *CHF 1,000*
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2021	**10,010**	**6,909**	**37,991**	**32,775**	**-58,801**	**28,884**
2020	8,668	-551	27,536	38,648	-51,927	22,374
USD						
2021	**13,304**	**-11,267**	**7,074**	**1,603**	**-88,337**	**-77,623**
2020	11,338	-5,246	9,703	39,923	8,007	63,725
EUR						
2021	**5,192**	**-5,080**	**-2,976**	**16,722**	**-4,551**	**9,307**
2020	4,848	-4,663	-8,475	4,801	-8,628	-12,117
Other						
2021	**3,569**	**-3,909**	**-2,673**	**29,092**	**-5**	**26,074**
2020	2,491	-4,264	901	27,287	-353	26,062

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above and further assuming that the Bank took no mitigating action, the modelled effect on interest earnings would have been CHF -221.4 million at the end of 2021 (2020: CHF -118.6 million).

NOTE 27B HEDGE ACCOUNTING

Fair value hedges of interest rate risk

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

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the time deposits of the Bank which are denominated in USD, CHF or SGD, as well as a very limited number of mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) time deposits and mortgages. As such, the interest rate risk of each asset is substantially reduced to the interest rate risk of the floating rate leg of the respective swap.

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

			31.12.2021
	Hedges of time deposits (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	**1,127.4**	**20.2**	**399.1**
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	**3.8**	**-**	**25.2**
Carrying amount hedged items	**1,131.2**	**20.2**	**424.3**
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 0.80%)	**1,127.5**		
- whereof remaining maturity <1 year (average fixed interest rate: 1.83%)	***217.6***		
- whereof remaining maturity 1–5 years (average fixed interest rate: 0.9%)	***649.9***		
- whereof remaining maturity > 5 years (average fixed interest rate: -0.33%)	***260.0***		
Notional amount (overall average fixed interest rate: -0.31%)		**18.0**	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		***18.0***	
Notional amount (overall average fixed interest rate: 0.77%)			**410.0**
- whereof remaining maturity < 1 year (average fixed interest rate: 0.90%)			***220.0***
- whereof remaining maturity 1–5 years years (average fixed interest rate: 0.68%)			***190.0***
Positive replacement value	**7.8**	**0.5**	**-** [1]
- related notional amount	***554.3***	***18.0***	**-**
Negative replacement value	**-12.1**	**-**	**-4.5** [1]
- related notional amount	***573.1***	**-**	***410.0***
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	**3.8**	**-**	**-1.0**
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	**-4.3**	**0.5**	**0.7** [1]
Amount of hedge ineffectiveness recognised in the income statement	**-0.5**	**0.5**	**-0.3**
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	**-**	**-**	**25.4**

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

	Hedges of time deposits (single hedges) *CHF m*	Hedges of mortgages (single hedges) *CHF m*	31.12.2020 Hedges of mortgages (portfolio hedges) *CHF m*
Hedged items			
Amortised cost value	635.1	20.4	526.0
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	18.9	0.8	35.6
Carrying amount hedged items	654.0	21.2	561.6
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 1.31%)	636.3		
- whereof remaining maturity 1–5 years (average fixed interest rate: 1.48%)	*548.0*		
- whereof remaining maturity > 5 years (average fixed interest rate: 0.3%)	*88.4*		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		*18.0*	
Notional amount (overall average fixed interest rate: 0.57%)			530.0
- whereof remaining maturity < 1 year (average fixed interest rate: -0.09%)			*120.0*
- whereof remaining maturity 1–5 years years (average fixed interest rate: 0.77%)			*410.0*
- whereof remaining maturity > 5 years (average fixed interest rate: -0.25%)			-
Positive replacement value	19.7	-	-[1]
- related notional amount	*548.0*	-	-
Negative replacement value	-0.3	-0.1	-11.5[1]
- related notional amount	*88.4*	*18.0*	*530.0*
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	-18.9	0.8	-0.7
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	19.4	-0.1	0.6[1]
Amount of hedge ineffectiveness recognised in the income statement	0.5	0.7	-0.1
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	36.3

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

Cash flow hedges

As of 2021, the Bank started to apply cash flow hedge accounting to protect its recurring fees in foreign currencies. These fees represent an FX transaction risk for the Bank, as the Bank charges the clients for their fees based on the currency mix of the assets on a quarterly basis; hence, the forward-looking FX hedge transaction has the risk objective to protect the Bank's earnings from changes in the CHF (the functional currency of the Bank) against the respective currency of the fee charged. The Bank uses zero cost risk reversal (or collar) structures consisting of puts and calls; maturity of the hedges is on the same day as the hedged item (fees in foreign currency) are charged to the clients.

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

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

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

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

NOTE 27C INTEREST RATE BENCHMARK REFORM

Background
The UK Financial Conduct Authority (FCA), which is responsible for supervising the publication of LIBOR reference rates, announced on 27 July 2017 that panel banks would no longer be required to provide inputs for the calculation of LIBOR after 31 December 2021. This sealed the fate of LIBOR after a series of events undermined its reliability and robustness. In the wake of this announcement, so-called alternative reference rates (ARRs) have been defined in most currency regions and serve as replacement rates for the IBOR rates.

Consequently, IBOR-related contracts and products of financial service providers had to switch to new, more robust rates for the currencies CHF, EUR, GBP and JPY as well as the USD LIBOR for 1-week and 2-month terms latest by 31 December 2021. All other USD LIBOR settings will cease to be published on 30 June 2023, with corresponding actions to be conducted until then.

Impact of IBOR Reform
The IBOR-cessation affects a number of financial instruments issued by the Bank, including credit facilities, derivatives and structured products. While a part of those financial instruments matured prior to the final IBOR-fixings, remaining contracts with maturities extending beyond the IBOR-cessation date have been switched to alternative external or internal benchmark solutions. With IBOR-cessation known since 2017, a majority of contracts contain so-called fallback clauses, which define the transition process or the successor rate directly. Cases without legally or operationally robust fallback clause in place needed case-by-case remediation.

The Bank had no material impact on its financial statements from the application of the new benchmark rates.

IBOR Transition Approach
A dedicated project team coordinated the transition away from IBORs. Internal subject matter experts representing the various affected areas supported the project team, which also relied on external counsel for ad-hoc legal advice. As of December 2021, the transition of non USD-LIBOR-based financial instruments was completed. The transition progress of the products with the most significant IBOR exposures is reflected below:

- Variable rate mortgages: The vast majority of the mortgages was historically based on Bank Julius Baer & Co. Ltd.'s (the Bank) refinancing rate (for CHF, USD and JPY) while some EUR-mortgages have been referencing EURIBOR, which is not affected by the IBOR reform. This switch has been completed as of 31 December 2021.
- Lombard loans: Few credit facilities in CHF, USD and GBP were based on IBORs and replaced with the Bank's refinancing rate. Some booking centers already completed the switch in early 2021; others have completed their transition by 31 December 2021. The Bank's standard credit offering will keep on relying on the Bank's refinancing rate going forward, with selective use of ARRs.
- OTC-Derivatives: The vast majority of OTC-derivatives in the Bank's books are cleared via the London Clearing House (LCH). As such, the instruments were subject to the mass-migration events organized by the CCP in December 2021 (4 December for CHF and JPY and 18 December for GBP, respectively). For non-cleared OTC-derivatives, the Master Agreement of the International Swaps and Derivatives Association (ISDA) or the Swiss Master Agreement serve as contractual framework. To facilitate the IBOR transition, the ISDA published the IBOR Fallbacks Protocol for existing IBOR-referencing derivatives followed by the IBOR Fallbacks Supplement in autumn 2020 for new IBOR-based products. The Protocol operates in essence as an agreement to rely on the official successor rates (ARRs) for OTC-derivative trades, providing that both counterparties adhered to it. Virtually all of the Bank's counterparties signed the Protocol, while the Bank adhered in November 2020 already. The Swiss Bankers Association provided a proxy to the ISDA Fallbacks Protocol (the Benchmark Amendment Agreement) that the Bank used for its wealth management clients with positions governed by the Swiss Master Agreement.

- Structured Products: Structured products issued by the Bank were generally migrated to ARR in accordance with the fallback language of the respective Julius Baer Base Prospectus governing them. In a few instances with no open positions, the products were subject to early termination. This includes, among other products, certificates, notes and warrants.
- Tier 1 Bond: For the one 2019 Bank issuance for which the reset reference was LIBOR, the paying agent has developed a fallback mechanism in accordance with the National Working Bank recommendations based on SARON combined with spread adjustment. This mechanism kicked in upon CHF LIBOR cessation and investors were notified accordingly early 2022.

Current status and outlook

The transition from IBORs to the Bank's Refinancing Rate for credit facilities or to ARRs for (non USD LIBOR) structured products and OTC-derivatives has been completed by end of 2021. Credit facilities (mortgages and Lombard loans) referencing USD LIBOR have already been switched or at least have been equipped with a fallback clause for a switch in 2023 (CHF 482 million). OTC-derivatives (notional amount CHF 5,614 million) as well as structured products (CHF 466 million) and financial investments (CHF 211 million) based on USD LIBOR will be switched during the first half of 2023, ahead of the USD LIBOR-cessation and in line with the timeline provided by regulatory authorities and CCPs.

Risks

The IBOR-reform poses risks from an economic, operational and legal perspective, among other dimensions. The Bank is responding to these challenges by systemically identifying, assessing, and managing these risks along the existing policies, processes and project management best practices. However, the IBOR reform does not change the overall risk management strategy of the Bank.

NOTE 27D LIQUIDITY ANALYSIS

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

Remaining contractual maturities of financial liabilities

	On demand *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	**Total** *CHF m*
Financial liabilities recognised on balance sheet						
Due to banks	6,850.7	659.3	-	503.2	-	**8,013.2**
Due to customers	66,728.9	5,153.4	1,713.7	1,689.7	297.9	**75,583.6**
Financial liabilities measured at FVTPL	749.5	-	-	-	-	**749.5**
Derivative financial instruments	2,655.9	0.3	0.5[1]	20.8[1]	3.9[1]	**2,681.4**
Financial liabilities designated at fair value	3,361.5	4,985.3	3,739.0	2,321.2	283.1	**14,690.1**
Accrued expenses	-	173.1	-	-	-	**173.1**
Other liabilities	-	4.9	-	-	-	**4.9**
Total 31.12.2021	80,346.5	10,976.3	5,453.2	4,534.9	584.9	**101,895.8**
Due to banks	7,906.9	940.1	9.8	2.2	-	8,859.0
Due to customers	61,411.6	5,396.5	1,280.5	1,672.4	307.9	70,068.9
Financial liabilities measured at FVTPL	896.5	-	-	-	-	896.5
Derivative financial instruments	2,698.1	0.1	0.3[1]	11.1[1]	0.4[1]	2,710.0
Financial liabilities designated at fair value	3,089.6	4,698.5	3,024.5	2,156.5	338.3	13,307.4
Accrued expenses	-	138.7	-	-	-	138.7
Other liabilities	-	4.6	-	-	-	4.6
Total 31.12.2020	76,002.7	11,178.5	4,315.1	3,842.2	646.6	95,985.1
Financial liabilities not recognised on balance sheet						
Irrevocable commitments[2]	339.8	1.5	23.4	52.9	-	**417.6**
Total 31.12.2021	339.8	1.5	23.4	52.9	-	**417.6**
Total 31.12.2020	361.3	0.4	29.6	54.9	6.1	452.3

[1] These derivatives are not held for trading but for hedging purposes.

[2] These amounts reflect the maximum payments the Bank is committed to making.

NOTE 28A COMPANIES CONSOLIDATED

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

NOTE 28B UNCONSOLIDATED STRUCTURED ENTITIES

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

NOTE 29 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2021. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Bank's overall compensation landscape is described in the Remuneration Report of Julius Baer Group Ltd.

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

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

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

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

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

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

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

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

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

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

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

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

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

Long-Term Incentive Plan (LTI)
In certain specific situations the Bank may also offer incentives outside the annual compensation cycle. Compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer or retention payments to key employees during extraordinary or critical circumstances may be made by granting individuals an equity-based LTI.

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

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

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

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

	31.12.2021 Number of units Economic Profit	31.12.2021 Number of units Total Shareholder Return	31.12.2020 Number of units Economic Profit	31.12.2020 Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	**838,305**	**838,305**	786,068	786,068
Granted during the year	**242,766**	**242,766**	257,991	257,991
Exercised during the year	**-211,037**	**-211,037**	-197,186	-197,187
Forfeited during the year	**-6,032**	**-6,032**	-8,568	-8,567
Unvested units outstanding, at the end of the year	**864,002**	**864,002**	838,305	838,305

	31.12.2021	31.12.2020
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	**909,196**	867,228
Granted during the year	**480,315**	436,080
Vested during the year	**-370,975**	-371,425
Transferred (net) during the year	**3,774**	1,846
Forfeited during the year	**-34,931**	-24,533
Unvested shares outstanding, at the end of the year	**987,379**	909,196
Weighted average fair value per share granted (CHF)	**54.88**	49.19
Fair value of outstanding shares at the end of the year (CHF 1,000)	**60,408**	46,369

	31.12.2021	31.12.2020
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	**449,021**	485,123
Granted during the year	**96,704**	163,224
Vested during the year	**-158,037**	-161,262
Transferred (net) during the year	**4,961**	-
Forfeited during the year	**-19,371**	-38,064
Unvested shares outstanding, at the end of the year	**373,278**	449,021
Weighted average fair value per share awarded (CHF)	**56.77**	44.98
Fair value of outstanding shares at the end of the year (CHF 1,000)	**22,837**	22,900

	31.12.2021	31.12.2020
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	**135,446**	108,552
Granted during the year	**38,555**	67,530
Vested during the year	**-30,092**	-38,501
Transferred (net) during the year	**278**	-304
Forfeited during the year	**-4,505**	-1,831
Unvested shares outstanding, at the end of the year	**139,682**	135,446
Weighted average fair value per share granted (CHF)	**58.75**	34.32
Fair value of outstanding shares at the end of the year (CHF 1,000)	**8,546**	6,908

Compensation expense recognised for the various share plans are:

	31.12.2021 *CHF m*	31.12.2020 *CHF m*
Compensation expense		
Equity Performance Plan	**33.0**	22.0
Premium Share Plan	**21.6**	19.5
Long-Term Incentive Plan	**6.6**	9.0
Staff Participation Plan	**1.9**	2.0
Total	**63.1**	52.5

NOTE 30 ASSETS UNDER MANAGEMENT

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

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

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

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

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

Assets under management

	2021 CHF m	2020 CHF m	Change %
Assets with discretionary mandate	**60,142**	50,675	18.7
Other assets under management	**325,199**	301,713	7.8
Total assets under management (including double counting)	**385,341**	352,388	9.4
of which double counting	***16,423***	*14,349*	*14.5*
Change through net new money	**13,580**	11,367	
Change through market and currency impacts	**20,341**	-3,547	
Change through divestment	**-968**[1]	-517[1]	
Change through other effects	**-**	-8[2]	
Client assets	**464,875**	424,213	9.6

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

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

Breakdown of assets under management

	2021 %	2020 %
By types of investment		
Equities	**33**	30
Bonds (including convertible bonds)	**14**	18
Investment funds	**29**	25
Money market instruments	**1**	2
Client deposits	**17**	18
Structured products	**5**	5
Other	**1**	2
Total	**100**	100

By currencies		
CHF	**11**	11
EUR	**15**	15
USD	**54**	53
GBP	**5**	5
SGD	**2**	2
HKD	**4**	5
Other	**9**	9
Total	**100**	100

NOTE 31 REQUIREMENTS OF SWISS BANKING LAW

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

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

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

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

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

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

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

NOTE 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 2021 financial year.

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

KPMG

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 2021 and the consolidated income statement and 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.

In our opinion the consolidated financial statements (pages 4 to 108) give a true and fair view of the consolidated financial position of the Bank as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

GOODWILL IMPAIRMENT TESTING

LITIGATION AND REGULATORY PROCEEDINGS

VALUATION OF FINANCIAL INSTRUMENTS

IMPAIRMENT OF LOANS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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GOODWILL IMPAIRMENT TESTING

Key Audit Matter

As at 31 December 2021, the Bank recognizes goodwill of CHF 1,501.7m arising from a number of acquisitions.

Goodwill impairment testing is performed at the level of the cash generating unit ('CGU') and relies on estimates of value-in-use based on discounted future cash flows.

Due to the significance of the Bank's recognized goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment.

Our response

Our procedures included the assessment of the Bank's process and key controls for the testing of goodwill impairment, including the assumptions used.

With the assistance of our own valuation specialists, we critically assessed the key assumptions and methodologies used to determine the value-in-use for the CGU. We assessed the reasonableness of cash flow projections, discount rate and growth rates by comparison with the Bank's own historical data and performance and externally available industry, economic and financial data respectively.

Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing refer to note 11 to the consolidated financial statements on pages 50 to 51.

LITIGATION AND REGULATORY PROCEEDINGS

Key Audit Matter

As at 31 December 2021, the Bank recognizes provisions for legal risks of CHF 72.2m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

The Bank is involved in a number of legal and regulatory matters which could have a material effect on the Bank but do not qualify for the recognition of a provision. These matters are disclosed as contingent liabilities.

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of legal and regulatory matters requires significant judgment.

Our response

Our procedures included the assessment of key controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters.

We paid particular attention to significant matters that experienced notable developments or that emerged during the period. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Bank's internal and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes.

Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters

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For further information on litigation and regulatory proceedings refer to note 16 to the consolidated financial statements on pages 55 to 58.

VALUATION OF FINANCIAL INSTRUMENTS

Key Audit Matter

As at 31 December 2021, the Bank reports financial assets of CHF 30,316.6m and financial liabilities of CHF 17,889.9m measured at fair value representing 27.7% and 16.3% of total assets and total liabilities and equity respectively.

The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Bank.

Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments.

Our response

Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Bank in determining fair values.

For the Bank's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists.

Additionally, we assessed whether the fair value determination is appropriately disclosed.

For further information on valuation of financial instruments refer to notes 24B and 24C to the consolidated financial statements on pages 72 to 76.

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IMPAIRMENT OF LOANS

Key Audit Matter

As at 31 December 2021, the Bank reports loans of CHF 46,399.0m representing 42.4% of total assets and records a credit loss allowance of CHF 85.7m.

Loans are measured at amortized cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts.

The loan portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.

Our response

Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Bank to assess the adequacy of impairment allowances for individually assessed loans.

For a sample of loans with specific allowances for credit losses we evaluated the Bank's individual impairment assessment and specifically challenged the Bank's assumptions used, including the value of realizable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Bank revised its estimates and assumptions for specific allowances established in prior year.

We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Bank and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans refer to note 25A to the consolidated financial statements on pages 77 to 84.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the 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.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Mirko Liberto Licensed Audit Expert Auditor in Charge	Corina Wipfler Licensed Audit Expert

Zurich, 18 February 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich