Julius Bär

2019

HALF-YEAR REPORT

Julius Baer Group Ltd.

HALF-YEAR REPORT 2019
JULIUS BAER GROUP LTD.

This Half-Year Report also appears in German. The English version is prevailing.

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2019** *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*	Change *to H1 2018 in %*
Interest income on financial instruments measured at amortised cost and fair value through other comprehensive income		**678.3**	566.4	641.0	19.8
Interest and dividend income on financial instruments measured at fair value		**189.7**	173.2	43.8	9.6
Interest expense on financial instruments measured at amortised cost		**352.8**	186.1	319.1	89.6
Net interest and dividend income	1	**515.2**	553.5	365.7	-6.9
Commission and fee income		**1,058.6**	1,140.0	991.4	-7.1
Commission expense		**102.7**	124.5	103.9	-17.6
Net commission and fee income	2	**955.9**	1,015.5	887.4	-5.9
Net trading income	3	**197.1**	206.3	323.9	-4.4
Net credit losses/(recoveries) on financial assets		**-3.1**	-0.4	3.4	-
Other ordinary results		**27.6**	13.2	5.4	109.8
Operating income		**1,699.0**	1,788.8	1,579.0	-5.0
Personnel expenses	4	**834.8**	847.0	774.4	-1.4
General expenses	5	**323.9**	320.3	368.2	1.1
Depreciation of property and equipment		**48.9**[1]	18.6	19.9	163.3
Amortisation of customer relationships		**43.2**	36.4	37.4	18.5
Amortisation and impairment of other intangible assets		**30.7**	23.9	27.8	28.3
Operating expenses		**1,281.5**	1,246.2	1,227.7	2.8
Profit before taxes		**417.5**	542.6	351.4	-23.0
Income taxes		**74.6**	98.8	59.8	-24.5
Net profit		**342.9**	443.8	291.6	-22.7
Attributable to:					
Shareholders of Julius Baer Group Ltd.		**343.1**	443.8	291.6	-22.7
Non-controlling interests		**-0.2**	-	-0.1	
		342.9	443.8	291.6	-22.7

	H1 2019 *CHF*	H1 2018 *CHF*	H2 2018 *CHF*	Change *to H1 2018 in %*
Share information				
Basic earnings per share (EPS)	**1.58**	2.04	1.34	-22.5
Diluted earnings per share (EPS)	**1.57**	2.03	1.35	-22.8

[1] Due to the adoption of IFRS 16 Leases, the majority of expenses previously reported as occupancy expense are now reported as part of depreciation of property and equipment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*
Net profit recognised in the income statement	**342.9**	443.8	291.6
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	**98.9**	-67.8	6.5
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-0.6**	2.6	9.6
Net credit losses on debt instruments measured at FVOCI	**-0.1**	0.1	0.3
Translation differences	**-19.2**	-29.9	-31.0
Realised (gains)/losses on translation differences reclassified to the income statement	**-0.3**	-	-
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**72.5**	5.6	-1.9
Net realised (gains)/losses on equity instruments designated at FVOCI reclassified to retained earnings	**-**	-	-0.3
Remeasurement of defined benefit obligation	**-82.9**	48.3	-40.2
Other comprehensive income	**68.2**	-41.1	-56.6
Total comprehensive income	**411.1**	402.7	235.0

Attributable to:			
Shareholders of Julius Baer Group Ltd.	**411.3**	403.2	235.0
Non-controlling interests	**-0.2**	-0.5	-0.1
	411.1	402.7	235.0

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2019** CHF m	31.12.2018 CHF m	30.06.2018 CHF m
Assets				
Cash		**12,722.7**	15,835.5	13,175.4
Due from banks		**9,405.7**	9,228.8	11,863.8
Loans		**46,665.2**	45,323.2	46,661.6
Trading assets		**9,971.2**	8,415.6	9,411.0
Derivative financial instruments		**1,559.9**	2,128.5	2,143.6
Financial assets designated at fair value		**308.4**	298.8	290.8
Financial assets measured at fair value through other comprehensive income (FVOCI)	6	**15,120.6**	14,587.6	13,044.1
Investments in associates		**19.6**	48.1	28.7
Property and equipment		**611.7**	352.8	353.5
Goodwill and other intangible assets		**2,978.2**	2,932.2	2,935.5
Accrued income and prepaid expenses		**420.4**	392.4	387.3
Deferred tax assets		**13.9**	15.9	17.6
Other assets		**3,857.3**	3,339.0	3,227.1
Total assets		**103,654.9**	102,898.3	103,540.2

	Note	**30.06.2019** *CHF m*	31.12.2018 *CHF m*	30.06.2018 *CHF m*
Liabilities and equity				
Due to banks		**6,589.7**	6,892.2	8,219.5
Due to customers		**71,084.5**	71,506.4	70,236.7
Trading liabilities		**440.1**	132.5	920.5
Derivative financial instruments		**1,987.7**	1,719.3	1,917.5
Financial liabilities designated at fair value		**14,009.7**	13,703.6	13,824.8
Debt issued	9	**1,875.8**	1,503.3	1,508.6
Accrued expenses and deferred income		**567.6**	767.4	574.3
Current tax liabilities		**171.0**	201.1	139.8
Deferred tax liabilities		**76.9**	74.9	72.3
Provisions	10	**28.2**	24.6	29.0
Other liabilities		**736.7**	331.2	308.5
Total liabilities		**97,568.1**	96,856.4	97,751.5
Share capital		**4.5**	4.5	4.5
Retained earnings		**6,393.8**	6,474.7	6,197.8
Other components of equity		**20.8**	-130.3	-113.7
Treasury shares		**-341.7**	-308.9	-299.9
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,077.5**	6,039.9	5,788.7
Non-controlling interests		**9.3**	1.9	-
Total equity		**6,086.7**	6,041.9	5,788.7
Total liabilities and equity		**103,654.9**	102,898.3	103,540.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*	OCI related to equity instruments at FVOCI *CHF m*
At 1 January 2018, before the adoption of IFRS 9	4.5	6,106.3	60.3
Effect of adoption of IFRS 9	-	19.1[2]	1.5[2]
At 1 January 2018, after the adoption of IFRS 9	4.5	6,125.3	61.9
Net profit	-	443.8	-
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	48.3	5.6
Total other comprehensive income	-	48.3	5.6
Total comprehensive income	-	492.1	5.6
Changes in non-controlling interests	-	-85.6	-
Dividends	-	-313.3[3]	-
Dividend income on own shares	-	6.7	-
Share-based payments expensed	-	45.1	-
Share-based payments vested	-	-75.9	-
Changes in derivatives on own shares	-	-4.8	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	8.0	-
At 30 June 2018	4.5	6,197.8	67.5
At 1 July 2018	4.5	6,197.8	67.5
Net profit	-	291.6	-
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	-40.0	-2.1
Total other comprehensive income	-	-40.0	-2.1
Total comprehensive income	-	251.7	-2.1
Changes in non-controlling interests	-	5.0	-
Share-based payments expensed	-	33.3	-
Share-based payments vested	-	-1.9	-
Changes in derivatives on own shares	-	-7.6	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	-3.4	-
At 31 December 2018	4.5	6,474.7	65.3
At 1 January 2019	**4.5**	**6,474.7**	**65.3**
Net profit	**-**	**343.1**	**-**
Items that may be reclassified to the income statement	**-**	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-82.9**	**72.5**
Total other comprehensive income	**-**	**-82.9**	**72.5**
Total comprehensive income	**-**	**260.1**	**72.5**
Changes in non-controlling interests	**-**	**-**	**-**
Dividends	**-**	**-335.7**[3]	**-**
Dividend income on own shares	**-**	**8.0**	**-**
Share-based payments expensed	**-**	**41.4**	**-**
Share-based payments vested	**-**	**-58.5**	**-**
Changes in derivatives on own shares	**-**	**6.6**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**-2.8**	**-**
At 30 June 2019	**4.5**	**6,393.8**	**137.9**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd. Previous year's numbers have been adjusted due to the reclassification of the previous remeasurement of defined benefit obligation to retained earnings.
[2] Includes effects from a) reduction in loss allowance (net of tax), and b) reclass from equity instruments from available-for-sale to fair value through profit or loss (FVTPL)
[3] Dividend payment per share CHF 1.40 (2018) / Dividend payment per share CHF 1.50 (2019)

Other components of equity (net of taxes)						
OCI related to debt instruments at FVOCI *CHF m*	OCI related to ECL changes on debt instruments at FVOCI *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
-	-	-70.4	-276.1	5,824.5	29.5	5,854.0
-17.9	1.7	-	-	4.4	-	4.4
-17.9	1.7	-70.4	-276.1	5,828.9	29.5	5,858.4
-	-	-	-	443.8	-	443.8
-65.3	0.1	-29.4	-	-94.5	-0.5	-95.0
-	-	-	-	54.0	-0.0	53.9
-65.3	0.1	-29.4	-	-40.6	-0.5	-41.1
-65.3	0.1	-29.4	-	403.2	-0.5	402.7
-	-	-	-	-85.6	-29.0	-114.6
-	-	-	-	-313.3	-	-313.3
-	-	-	-	6.7	-	6.7
-	-	-	-	45.1	-	45.1
-	-	-	75.9	-	-	-
-	-	-	-22.9	-27.7	-	-27.7
-	-	-	-256.3	-256.3	-	-256.3
-	-	-	179.6	187.7	-	187.7
-83.2	1.8	-99.8	-299.9	5,788.7	0.0	5,788.7
-83.2	1.8	-99.8	-299.9	5,788.7	0.0	5,788.7
-	-	-	-	291.6	-0.1	291.6
16.1	0.3	-31.0	-	-14.5	-	-14.5
-	-	-	-	-42.1	-	-42.1
16.1	0.3	-31.0	-	-56.6	-	-56.6
16.1	0.3	-31.0	-	235.0	-0.1	235.0
-	-	-	-	5.0	2.0	7.0
-	-	-	-	33.3	-	33.3
-	-	-	1.9	-	-	-
-	-	-	-64.9	-72.5	-	-72.5
-	-	-	-164.3	-164.3	-	-164.3
-	-	-	218.2	214.8	-	214.8
-67.0	2.1	-130.8	-308.9	6,039.9	1.9	6,041.9
-67.0	**2.1**	**-130.8**	**-308.9**	**6,039.9**	**1.9**	**6,041.9**
-	**-**	**-**	**-**	**343.1**	**-0.2**	**342.9**
98.3	**-0.1**	**-19.5**	**-**	**78.7**	**-0.0**	**78.7**
-	**-**	**-**	**-**	**-10.4**	**-**	**-10.4**
98.3	**-0.1**	**-19.5**	**-**	**68.2**	**-0.0**	**68.2**
98.3	**-0.1**	**-19.5**	**-**	**411.3**	**-0.2**	**411.1**
-	**-**	**-**	**-**	**-**	**7.5**	**7.5**
-	**-**	**-**	**-**	**-335.7**	**-**	**-335.7**
-	**-**	**-**	**-**	**8.0**	**-**	**8.0**
-	**-**	**-**	**-**	**41.4**	**-**	**41.4**
-	**-**	**-**	**58.5**	**-**	**-**	**-**
-	**-**	**-**	**41.5**	**48.1**	**-**	**48.1**
-	**-**	**-**	**-280.2**	**-280.2**	**-**	**-280.2**
-	**-**	**-**	**147.5**	**144.7**	**-**	**144.7**
31.3	**2.0**	**-150.3**	**-341.7**	**6,077.5**	**9.3**	**6,086.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

	H1 2019 *CHF m*	H1 2018 *CHF m*
Net profit	**342.9**	443.8
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	**48.9**	18.6
– Amortisation and impairment of other intangible assets	**73.9**	60.4
– Change in loss allowance	**-3.1**	-0.1
– Income from investment in associates	**-0.7**	-0.5
– Deferred tax expense/(benefit)	**-12.7**	16.9
– Net loss/(gain) from investing activities	**17.7**	34.5
– Other non-cash income and expenses	**40.2**	45.1
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-389.2**	942.5
– Net trading and derivative financial instruments	**-411.0**	2,112.2
– Net loans/due to customers	**-1,759.3**	1,974.7
– Issuance and repayment of financial liabilities designated at fair value	**296.5**	2,583.1
– Accrued income, prepaid expenses and other assets	**-542.4**	-325.8
– Accrued expenses, deferred income, other liabilities and provisions	**-181.9**	-188.4
Adjustment for income tax expenses	**87.3**	81.9
Income taxes paid	**-116.5**	-158.2
Cash flow from operating activities	**-2,509.4**	7,640.7
Dividend from associates	**0.7**	0.5
Purchase of property and equipment and intangible assets	**-66.5**	-89.2
Disposal of property and equipment and intangible assets	**0.1**	0.2
Net (investment in)/divestment of financial assets measured at fair value through other comprehensive income	**-17.0**	-567.6
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-11.1**	-31.7
Deferred payment of acquisition of subsidiaries and associates	**-17.5**	-14.8
Cash flow from investing activities	**-111.4**	-702.6
Net money market instruments issued/(repaid)	**19.1**	-13.4
Net movements in treasury shares and own equity derivative activity	**-79.4**	-89.6
Dividend payments	**-335.7**	-313.3
Issuance of perpetual tier 1 subordinated bond	**347.9**	-
Repayment of perpetual tier 1 subordinated bond	**-**	-250.0
Changes in non-controlling interests	**-**	-114.6
Cash flow from financing activities	**-48.1**	-780.9
Net (decrease)/increase in cash and cash equivalents	**-2,668.9**	6,157.1

	30.06.2019 CHF m	30.06.2018 CHF m
Cash and cash equivalents at the beginning of the period	**25,628.8**	19,619.9
Cash flow from operating activities	**-2,509.4**	7,640.7
Cash flow from investing activities	**-111.4**	-702.6
Cash flow from financing activities	**-48.1**	-780.9
Effects of exchange rate changes on cash and cash equivalents	**84.2**	-103.7
Cash and cash equivalents at the end of the period	**23,044.1**	25,673.4

	30.06.2019 CHF m	30.06.2018 CHF m
Cash and cash equivalents are structured as follows:		
Cash	**12,722.7**	13,175.4
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**1,423.2**	877.8
Due from banks (original maturity of less than three months)	**8,898.2**	11,620.1
Total	**23,044.1**	25,673.4

	H1 2019 CHF m	H1 2018 CHF m
Additional information		
Interest received	**673.1**	567.9
Interest paid	**385.8**	-176.1
Dividends on equities received (including associates)	**175.6**	166.4

CONDENSED ACCOUNTING POLICIES AND VALUATION PRINCIPLES

This unaudited interim report was produced in accordance with International Accounting Standard 34, Interim Financial Reporting.

The condensed consolidated half-year financial statements of the Group as at, and for the six months ended, 30 June 2019 comprise of Julius Baer Group Ltd. and its subsidiaries. They were prepared on the basis of the accounting policies and valuation principles of the consolidated financial statements of Julius Baer Group Ltd. as at 31 December 2018, with the exception of the following new standards which have been applied as of 1 January 2019:

IFRS 16 – LEASES

The Group has adopted IFRS 16 Leases as of 1 January 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the respective lease payments during the lease term. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability in the income statement.

The vast majority of lease contracts where the Group is the lessee relates to office leases, with a limited number of vehicle and other items leases. The Group does not apply the new standard 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 Group as a lessee applies its incremental borrowing rate. This rate is determined based on the Group's actual funding rate (by currency and term) provided by external sources to the Group on a regular basis.

On transition to the new standard, the Group applied the modified retrospective approach, meaning that the comparative information is not restated and a possible cumulative effect of the initial application is recognised in equity. The right-of-use assets were determined at an amount equal to the lease liability. Lease contracts expiring in the transitional year 2019 have been included in the calculation of the lease liability and the right-of-use asset as per 1 January 2019. Most lease contracts previously reported as operating leases have been recognised on the Group's balance sheet, with the exception of short-term leases (up to 12 months) and some low-value leases.

Upon adoption of the new standard, assets (reported in property and equipment) and liabilities (reported in other liabilities) in the amount of CHF 302.5 million have been recognised. The expenses in the first half of 2019 for both the depreciation of the right-of-use asset (part of depreciation of property and equipment) in the amount of CHF 30.9 million and the interest expense (part of interest expense) on the lease liability in the amount of CHF 3.2 million are not materially different to the previously recognised operating lease expenses. The difference between the lease liability under IFRS 16 and the previously reported operating lease commitments is mainly based on the fact that the operating lease commitments are not discounted to their present value. There was no effect on equity due to the adoption of the new standard. The weighted average incremental borrowing rate of the Group applied at the date of transition was 3.15%.

The Group is lessor in a very limited number of lease contracts only, with all the leases qualifying as operating leases. The accounting for these contracts does not change under the new standard.

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

The Group has adopted the new interpretation on 1 January 2019. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. An entity has to consider whether it is probable that the relevant tax authority will accept each tax treatment. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (or tax losses), tax bases, unused loss carryforwards and tax rates.

The adoption of the new interpretation had no material impact on the Group's financial statements, as the Group has already applied the respective accounting treatment in prior reporting periods.

EVENTS AFTER THE BALANCE SHEET DATE

The Audit Committee of the Board of Directors, together with representatives of the Group Executive Board, approved the half-year condensed consolidated financial statements at its meeting on 19 July 2019. There were no significant events to report until this date.

The following exchange rates are used for the major currencies:

	Exchange rates as at			Average exchange rates		
	30.06.2019	30.06.2018	31.12.2018	**H1 2019**	H1 2018	2018
USD/CHF	**0.9752**	0.9930	0.9857	**0.9970**	0.9660	0.9770
EUR/CHF	**1.1105**	1.1594	1.1269	**1.1270**	1.1650	1.1505
GBP/CHF	**1.2411**	1.3110	1.2555	**1.2940**	1.3250	1.2995

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*	Change *to H1 2018 in %*
Interest income on amounts due from banks	**40.6**	25.5	40.6	59.5
Interest income on loans	**492.9**	433.9	475.1	13.6
Interest income on debt instruments at FVOCI	**144.8**	107.0	125.2	35.3
Interest income on financial instruments measured at amortised cost and fair value through other comprehensive income	**678.3**	566.4	641.0	19.8
Interest income on trading portfolios	**28.1**	14.3	24.7	97.2
Dividend income on trading portfolios	**161.6**	158.9	19.2	1.7
Total interest and dividend income	**868.1**	739.6	684.8	17.4
Interest expense on amounts due to banks	**16.3**	12.9	14.6	26.3
Interest expense on amounts due to customers	**284.0**	123.3	239.6	130.4
Interest expense on leasing liabilities	**3.2**	-	-	
Interest expense on debt issued	**32.9**	34.6	32.4	-4.9
Interest expense on financial assets[1]	**16.4**	15.3	32.4	7.3
Interest expense on financial instruments measured at amortised cost	**352.8**	186.1	319.1	89.6
Total	**515.2**	553.5	365.7	-6.9

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

2 NET COMMISSION AND FEE INCOME

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*	Change *to H1 2018 in %*
Advisory and asset management fees	**713.4**	736.2	684.5	-3.1
Brokerage commissions and income from securities underwriting	**306.0**	358.1	264.8	-14.6
Commission income from credit-related activities	**3.9**	3.5	4.1	10.3
Commission and fee income on other services	**35.4**	42.1	38.0	-16.0
Total commission and fee income	**1,058.6**	1,140.0	991.4	-7.1
Commission expense	**102.7**	124.5	103.9	-17.6
Total	**955.9**	1,015.5	887.4	-5.9

3 NET TRADING INCOME

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*	Change *to H1 2018 in %*
Debt instruments	**-39.5**	22.4	-26.0	-
Equity instruments	**-67.7**	-53.3	53.1	27.0
Foreign exchange	**304.3**	237.1	296.8	28.3
Total	**197.1**	206.3	323.9	-4.4

4 PERSONNEL EXPENSES

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*	Change *to H1 2018 in %*
Salaries and bonuses	**655.8**	655.2	616.1	0.1
Contributions to staff pension plans (defined benefits)	**39.5**	39.7	38.5	-0.6
Contributions to staff pension plans (defined contributions)	**23.1**	22.1	13.0	4.7
Other social security contributions	**54.8**	60.6	46.4	-9.6
Share-based payments	**41.4**	45.1	33.3	-8.3
Other personnel expenses	**20.2**	24.3	27.1	-17.0
Total	**834.8**	847.0	774.4	-1.4

5 GENERAL EXPENSES

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*	Change *to H1 2018 in %*
Occupancy expense	**15.8**[1]	47.6	49.1	-66.9
IT and other equipment expense	**43.0**	37.4	39.5	14.8
Information, communication and advertising expense	**93.8**	101.6	94.9	-7.7
Service expense, fees and taxes	**139.8**	127.4	167.3	9.7
Provisions and losses	**22.3**	2.2	13.5	-
Other general expenses	**9.3**	4.0	3.8	134.1
Total	**323.9**	320.3	368.2	1.1

[1] Due to the adoption of IFRS 16 Leases, the majority of expenses previously reported as occupancy expense are now reported as part of depreciation of property and equipment.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

6 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	30.06.2019 *CHF m*	30.06.2018 *CHF m*	31.12.2018 *CHF m*
Government and agency bonds	**3,627.2**	3,111.3	3,291.0
Financial institution bonds	**7,051.3**	6,286.6	7,113.0
Corporate bonds	**4,208.6**	3,496.9	4,038.3
Other bonds	**-**	5.9	-
Debt instruments at FVOCI	**14,887.2**	12,900.6	14,442.2
of which quoted	***10,364.5***	*9,535.4*	*10,394.6*
of which unquoted	***4,522.6***	*3,365.2*	*4,047.6*
Equity instruments at FVOCI	**233.4**	143.5	145.3
of which quoted	**-**	*5.6*	-
of which unquoted	***233.4***	*137.9*	*145.3*
Total	**15,120.6**	13,044.1	14,587.6

7 CREDIT QUALITY ANALYSIS

The following tables provide an analysis of the Group's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Group's internal credit systems[1]. For the half-year 2019 reporting, no material changes to year-end 2018 have been applied to the input factors used for the calculation of the ECL.

					30.06.2019
	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*	**Total** *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		8,779.1	-	-	**8,779.1**
R5–R6: Increased risk		626.9	-	-	**626.9**
R7–R10: Impaired		-	-	-	**-**
Total		9,406.0	-	-	**9,406.0**
Loss allowance		-0.3	-	-	-0.3
Carrying amount		**9,405.7**	**-**	**-**	**9,405.7**
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		35,602.1	19.0	-	**35,621.2**
R5–R6: Increased risk		1,306.9	252.5	-	**1,559.4**
R7–R10: Impaired		-	-	133.7	**133.7**
Total		36,909.0	271.6	133.7	**37,314.3**
Loss allowance		-4.8	-0.8	-15.3	-20.9
Carrying amount		**36,904.2**	**270.8**	**118.4**	**37,293.4**
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,678.8	450.2	-	**9,128.9**
R5–R6: Increased risk		137.8	78.5	-	**216.3**
R7–R10: Impaired		-	-	36.3	**36.3**
Total		8,816.6	528.6	36.3	**9,381.5**
Loss allowance		-3.0	-1.3	-5.5	-9.7
Carrying amount		**8,813.6**	**527.4**	**30.9**	**9,371.8**
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	14,870.2	-	-	**14,870.2**
R5–R6: Increased risk	Ba1 – B3	-	17.0	-	**17.0**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**14,870.2**	**17.0**	**-**	**14,887.2**
Loss allowance		-1.9	-0.1	-	-2.0

[1] For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

	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	31.12.2018 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		8,879.5	-	-	8,879.5
R5–R6: Increased risk		349.5	-	-	349.5
R7–R10: Impaired		-	-	-	-
Total		9,229.0	-	-	9,229.0
Loss allowance		-0.3	-	-	-0.3
Carrying amount		9,228.8	-	-	9,228.8
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		33,185.0	813.7	-	33,998.7
R5–R6: Increased risk		1,788.0	73.5	-	1,861.5
R7–R10: Impaired		-	-	61.5	61.5
Total		34,973.0	887.2	61.5	35,921.7
Loss allowance		-5.9	-0.2	-13.2	-19.3
Carrying amount		34,967.2	887.0	48.3	35,902.4
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,708.3	514.6	-	9,222.9
R5–R6: Increased risk		144.2	34.0	-	178.2
R7–R10: Impaired		-	-	31.7	31.7
Total		8,852.5	548.6	31.7	9,432.8
Loss allowance		-3.3	-1.6	-7.1	-12.1
Carrying amount		8,849.2	547.0	24.6	9,420.8
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	14,425.6	-	-	14,425.6
R5–R6: Increased risk	Ba1 – B3	-	16.7	-	16.7
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		14,425.6	16.7	-	14,442.2
Loss allowance		-2.0	-0.2	-	-2.1

[1] For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

8 FAIR VALUE

Level 1
For trading assets as well as for certain financial assets measured at fair value through other comprehensive income and exchange-traded derivatives whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

Level 2
For financial instruments for which quoted market prices are not directly available or are not derived from active markets, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unquoted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied to these financial instruments include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

Level 3
For certain financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.

Trading assets at FVTPL and *financial assets at FVOCI:* The Group holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Group holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at fair value through other comprehensive income, 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 2019, dividends related to these investments in the amount of CHF 13.3 million (2018: CHF 7.0 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Group issues to its private clients certain specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Group's balance sheet due to the strict derecognition criteria required by IFRS. Therefore, the private equity investments as well as the money market instruments are recorded as financial assets designated at fair value. Any changes in the fair value or any other income from the private equity investments, as well as any income related to the money market instruments, are recorded in the income statement. However, as the clients are entitled to all rewards related to the investments, these amounts net out in the respective line item in the income statement. Hence, any change in the valuation inputs has no impact on the Group's income statement or shareholders' equity.

To measure the fair values of the private equity investments, the Group generally relies on the valuations as provided by the respective private equity funds managing the investments. These funds in turn use their own valuation techniques, such as market approaches or income approaches, including their own input factors into the applied models. Therefore, the private equity investments are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The related issued notes are reported as financial liabilities designated at fair value and classified as level 3 instruments, due to the related private equity investments being part of the valuation of the notes.

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

				30.06.2019
	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 measured at fair value				
Trading – debt instruments FVTPL	2,283.9	142.2	48.8	2,474.9
Trading – equity instruments FVTPL	5,347.7	2,127.9	20.8	7,496.4
Total trading assets	**7,631.6**	**2,270.1**	**69.6**	**9,971.2**
Foreign exchange derivatives	4.9	713.2	-	718.1
Interest rate derivatives	3.8	146.0	-	149.8
Precious metal derivatives	2.4	178.2	-	180.5
Equity/indices derivatives	12.1	491.4	-	503.6
Credit derivatives	-	1.9	-	1.9
Other derivatives	6.0	-	-	6.0
Total derivative financial instruments	**29.2**	**1,530.7**	**-**	**1,559.9**
Financial assets designated at fair value	**16.1**	**76.8**	**215.5**	**308.4**
Debt instruments at FVOCI	10,374.1	4,513.0	-	14,887.2
Equity instruments at FVOCI	-	-	233.4	233.4
Financial assets measured at FVOCI	**10,374.1**	**4,513.0**	**233.4**	**15,120.6**
Total assets	**18,051.0**	**8,390.6**	**518.5**	**26,960.2**
Short positions – debt instruments	64.0	3.0	-	67.1
Short positions – equity instruments	349.3	23.8	-	373.1
Total trading liabilities	**413.4**	**26.8**	**-**	**440.1**
Foreign exchange derivatives	5.1	828.0	-	833.1
Interest rate derivatives	0.3	182.2	-	182.5
Precious metal derivatives	0.1	157.2	-	157.4
Equity/indices derivatives	5.0	790.1	-	795.1
Credit derivatives	-	16.5	-	16.5
Other derivatives	3.2	-	-	3.2
Total derivative financial instruments	**13.7**	**1,974.0**	**-**	**1,987.7**
Financial liabilities designated at fair value	**-**	**13,713.7**	**296.0**	**14,009.7**
Deferred payments	**-**	**-**	**52.9**	**52.9**
Total liabilities	**427.1**	**15,714.5**	**348.9**	**16,490.5**

	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	31.12.2018 Total CHF m
Financial assets and liabilities measured at fair value				
Trading – debt instruments FVTPL	1,964.3	114.3	-	2,078.6
Trading – equity instruments FVTPL	5,240.1	1,082.6	14.3	6,337.0
Total trading assets	7,204.4	1,196.8	14.3	8,415.6
Foreign exchange derivatives	2.7	945.3	-	948.0
Interest rate derivatives	5.4	112.6	-	118.0
Precious metal derivatives	0.1	185.9	-	186.0
Equity/indices derivatives	17.8	831.9	-	849.7
Credit derivatives	-	3.6	-	3.6
Other derivatives	23.2	-	-	23.2
Total derivative financial instruments	49.3	2,079.2	-	2,128.5
Financial assets designated at fair value	19.4	81.5	197.9	298.8
Debt instruments at FVOCI	10,665.6	3,776.6	-	14,442.2
Equity instruments at FVOCI	-	-	145.3	145.3
Financial assets measured at FVOCI	10,665.6	3,776.6	145.3	14,587.6
Total assets	17,938.7	7,134.2	357.5	25,430.4
Short positions – debt instruments	10.2	-	-	10.2
Short positions – equity instruments	108.1	14.2	-	122.3
Total trading liabilities	118.2	14.2	-	132.5
Foreign exchange derivatives	3.0	777.9	-	781.0
Interest rate derivatives	0.5	134.9	-	135.4
Precious metal derivatives	2.0	86.3	-	88.3
Equity/indices derivatives	13.9	693.1	-	707.0
Credit derivatives	-	6.7	-	6.7
Other derivatives	0.9	-	-	0.9
Total derivative financial instruments	20.4	1,698.9	-	1,719.3
Financial liabilities designated at fair value	-	13,413.0	290.6	13,703.6
Deferred payments	-	-	54.0	54.0
Total liabilities	138.6	15,126.1	344.6	15,609.4

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	30.06.2019 Carrying value CHF m	30.06.2019 Fair value CHF m	31.12.2018 Carrying value CHF m	31.12.2018 Fair value CHF m
Financial assets measured at amortised cost				
Cash	**12,722.7**	**12,722.7**	15,835.5	15,835.5
Due from banks	**9,405.7**	**9,417.2**	9,228.8	9,236.7
Loans	**46,665.2**	**47,285.3**	45,323.2	45,799.4
Accrued income/other assets	**415.8**	**415.8**	380.5	380.5
Total	**69,209.5**	**69,841.0**	70,767.9	71,252.1
Financial assets measured at FVTPL				
Trading assets	**9,971.2**	**9,971.2**	8,415.6	8,415.6
Derivative financial instruments	**1,559.9**	**1,559.9**	2,128.5	2,128.5
Financial assets designated at fair value	**308.4**	**308.4**	298.8	298.8
Total	**11,839.6**	**11,839.6**	10,842.9	10,842.9
Financial assets measured at FVOCI				
Financial assets measured at fair value through other comprehensive income (FVOCI)	**15,120.6**	**15,120.6**	14,587.6	14,587.6
Total	**15,120.6**	**15,120.6**	14,587.6	14,587.6
Total financial assets	**96,169.6**	**96,801.2**	96,198.3	96,682.5

Financial liabilities

	30.06.2019 Carrying value CHF m	30.06.2019 Fair value CHF m	31.12.2018 Carrying value CHF m	31.12.2018 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**6,589.7**	**6,611.2**	6,892.2	6,904.3
Due to customers	**71,084.5**	**71,152.9**	71,506.4	71,554.4
Debt issued	**1,875.8**	**1,891.6**	1,503.3	1,475.9
Accrued expenses	**204.7**	**204.7**	240.6	240.6
Other liabilities	**48.8**	**48.8**	28.3	28.3
Total	**79,754.7**	**79,860.4**	80,170.8	80,203.5
Financial liabilities measured at FVTPL				
Trading liabilities	**440.1**	**440.1**	132.5	132.5
Derivative financial instruments	**1,987.7**	**1,987.7**	1,719.3	1,719.3
Financial liabilities designated at fair value	**14,009.7**	**14,009.7**	13,703.6	13,703.6
Deferred payments	**52.9**[1]	**52.9**	54.0[2]	54.0
Total	**16,490.5**	**16,490.5**	15,609.4	15,609.4
Total financial liabilities	**96,245.2**	**96,350.8**	95,780.2	95,812.8

1 Relates to the deferred purchase price of NSC Asesores, Reliance Group and Wergen & Partner Vermögensverwaltungs Ltd.
2 Relates to the deferred purchase price of GPS Investimentos Financeiros e Participações S.A., Reliance Group and Wergen & Partner Vermögensverwaltungs Ltd.

9 DEBT ISSUED

	30.06.2019 *CHF m*	31.12.2018 *CHF m*
Money market instruments	**120.1**	101.0
Bonds	**1,755.7**	1,402.4
Total	**1,875.8**	1,503.3

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount *m*	**30.06.2019** Carrying value[1] *CHF m*	31.12.2018 Carrying value[1] *CHF m*
Julius Baer Group Ltd.						
2014[2]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**345.5**	345.5
Julius Baer Group Ltd.						
2015[3]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**327.3**	328.7
Julius Baer Group Ltd.						
2016[4]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**234.8**	234.2
Julius Baer Group Ltd.						
2017[5]	4.75	Perpetual tier 1 subordinated bond	USD	300.0	**296.2**	293.4
Julius Baer Group Ltd.						
2017[6]	0.375	Domestic senior unsecured bond	CHF	200.0	**205.4**	200.6
Julius Baer Group Ltd.						
2019[7]	2.375	Perpetual tier 1 subordinated bond	CHF	350.0	**346.6**	
Total					**1,755.7**	1,402.4

[1] The Group applies fair value hedge accounting for certain bonds based on specific interest rate swaps. The changes in the fair value that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the bond.
[2] Own bonds of CHF 3.7 million are offset with bonds outstanding (2018: CHF 3.2 million).
The effective interest rate amounts to 4.41%.
[3] No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 6.128%.
[4] No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 5.951%.
[5] No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 4.91%.
[6] No own bonds are offset with bonds outstanding (2018: none).
The effective interest rate amounts to 0.32361%.
[7] Own bonds of CHF 1.7 million are offset with bonds outstanding.
The effective interest rate amounts to 2.487%.

10 PROVISIONS

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

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

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Group's future business, results of operations, financial condition and prospects. The realisation of one or more of these risks may individually or together with other circumstances materially adversely affect the Group's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities
The Group is involved in various legal, regulatory and administrative proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Group – depending on the status of related proceedings – is difficult to assess.

The Group establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgment of any liability on the part of the Group and if the amount of such obligation or loss can already be reasonably estimated.

In rare cases in which the amount cannot be estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 30 June 2019. The contingent liabilities might have a material effect on the Group or for other reasons might be of interest for investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), the latter having served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million has 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 against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims 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 Bank and other defendants are currently seeking a review of the decision of the Court of Appeal by the Supreme Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York has decided on certain aspects in December 2018, which have been appealed by the Liquidators.

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

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a foreign corporation arguing that the Bank did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and 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 corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in the plaintiff's country of domicile in the European Union. The verdict dated 25 September 2017 of the court of first instance rejecting its jurisdiction was reversed by a verdict dated 1 March 2018 of the court of second instance confirming jurisdiction of the first instance court. The Bank appealed such decision of the second instance to the court of last instance, which confirmed the verdict of the court of first instance on 19 October 2018 in favour of the Bank and hence definitively rejected local jurisdiction, thereby terminating the local litigation against the Bank. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the foreign corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German

Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. The Zurich Court of Appeal has confirmed such verdict on 23 April 2018. BvS has appealed such verdict to the Swiss Federal Supreme Court, which, on 17 January 2019, partially approved the appeal and rejected the case back to the Zurich Court of Appeal for reassessment. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014 and been dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the maximal fine possible accordingly 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 has been initiated against the Bank potentially being brought to the court by the prosecutor. The Bank is cooperating with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

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

Bank Julius Baer & Co. Ltd. is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of approximately CHF 91.3 million (plus accrued interest). In December 2017, the Bank has received again a payment order in various currencies in the total amount of approximately CHF 153 million (plus accrued interest), which has been renewed yearly thereafter. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

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

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

The UK Financial Conduct Authority ('FCA') is investigating Julius Baer International Ltd., UK ('JBINT') in respect of compliance with certain of its principles for businesses and with underlying regulatory rules in the context of a legacy case. JBINT is fully cooperating with the FCA in its investigative work.

CAPITAL RATIOS

	30.06.2019 *Basel III fully-applied CHF m*	30.06.2018 *Basel III fully-applied CHF m*	31.12.2018 *Basel III fully-applied CHF m*
Risk-weighted positions			
Credit risk	**15,207.5**	13,540.9	14,527.7
Non-counterparty-related risk	**611.7**	353.5	352.8
Market risk	**539.8**	451.1	1,245.1
Operational risk	**5,340.9**	5,125.4	5,212.8
Total	**21,699.8**	19,471.0	21,338.4
Eligible capital			
CET1 capital	**2,836.8**	2,676.6	2,731.2
Tier 1 capital	**4,387.1**	3,878.2	3,933.0
of which hybrid tier 1 capital instruments[1]	***1,550.3***	*1,201.6*	*1,201.8*
Tier 2 capital	**108.6**	56.7	58.2
Total capital	**4,495.7**	3,934.9	3,991.2
CET1 capital ratio	**13.1%**	13.7%	12.8%
Tier 1 capital ratio	**20.2%**	19.9%	18.4%
Total capital ratio	**20.7%**	20.2%	18.7%

[1] The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2014, 2015, 2016, 2017 and 2019 (issued in June 2019).

Further details regarding tier 1 capital instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com. Also refer to Note 9 Debt issued.

A separate Basel III pillar 3 report, which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 30 June 2019, will be available from the end of August 2019 in the Regulatory Disclosures section of www.juliusbaer.com. The disclosure in the Basel III pillar 3 report is in accordance with the FINMA regulations governing the disclosure obligations regarding capital adequacy and liquidity.

ASSETS UNDER MANAGEMENT

	30.06.2019 *CHF m*	30.06.2018 *CHF m*	31.12.2018 *CHF m*
Assets with discretionary mandate	**63,828**	64,368	59,579
Other assets under management	**343,525**	328,612	316,648
Assets in collective investment schemes managed by the Group[1]	**4,907**	6,911	5,847
Total assets under management (including double counting)	**412,260**	399,891	382,074
of which double counting	**10,706**	*10,600*	*9,283*

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*
Change through net new money	**6,176**	9,896	7,517
Change through market and currency impacts	**25,558**	-2,833	-23,929
Change through acquisition	**3,015**[2]	4,502[3]	-
Change through divestment	**-1,730**[4]	-47[4]	-1,333[4]
Change through other effects	**-2,833**[5]	-49[5]	-72[5]
Client assets	**479,079**	467,438	443,860

[1] Collective investment schemes are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, and to Kairos Investment Management S.p.A., Milan.

[2] In March 2019, the Group acquired NSC Asesores, Mexico.

[3] In June 2018, the Group acquired Reliance Capital Participações (Reliance Group), São Paulo.

[4] Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries.

[5] Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

METHOD OF CALCULATION

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

ACQUISITIONS

NSC Asesores (2019/2015)
On 6 November 2015, the Group acquired 40% of the Mexico City-based NSC Asesores, S.C., Asesor en Inversiones Independiente, which is specialised in discretionary portfolio management and advisory services for high net worth individuals. The Group paid half of the consideration in the amount of CHF 14.5 million in cash for this interest, which was fully funded by existing excess capital of the Group. The Group agreed on two additional payments of CHF 7.1 million each on 6 November 2016 and 2017, respectively, for the outstanding purchase price, which were both performed as agreed. The Group also received two options to acquire additional interests of 30% per option in NSC Asesores at a predetermined relative price. The first option was executed in March 2019, the second option will be exercisable in 2021.

With the exercise of the first option, the Group has increased its overall participation to 70% and therefore consolidates NSC Asesores as of 1 March 2019. 80% of the first half of the purchase price of CHF 11.1 million has been paid in cash and the remaining 20% in listed shares of the Group at their fair value as of the date of the transaction. The second half of the purchase price will be paid in cash in two equal tranches at the first and the second anniversary of the transaction date. As part of the transaction, the Group realised a net gain in the amount of CHF 0.6 million (net of negative FX impact of CHF –0.6 million) on the revaluation to fair value (derived from the purchase price of the additional 30% interest) of the 40% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2019.

Since its acquisition on 1 March 2019, NSC Asesores has contributed CHF 4.0 million operating income and CHF 1.1 million net profit to the Group's results.

The assets and liabilities of NSC Asesores have been provisionally recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash and Julius Baer Group Ltd. shares	11.1
contribution of the previously held 30% interest (at fair value)	29.6
contingent deferred purchase price (liabilities)	11.1
Total	51.9
Due from banks	1.5
All other assets	2.4
Assets acquired	3.9
Deferred tax liabilities	2.1
All other liabilities	3.5
Liabilities assumed	5.6
Goodwill and other intangible assets	
Goodwill	34.2
Customer relationships	26.8
Non-controlling interests	7.5
Total	53.5

Reliance Capital Participações (Reliance Group), São Paulo (2018)
On 4 June 2018, the Group acquired 95% of the São Paulo-based Reliance Group (Reliance). Reliance is one of the largest independent wealth managers in Brazil, with client assets mainly in advisory mandates. This acquisition significantly strengthens Julius Baer's strategic position in Brazil, where the Group is already present with the wholly owned GPS Investimentos (GPS), the country's largest independent wealth manager.

The purchase price of total CHF 71.4 million has been and will be paid in cash in several tranches over a maximum of three years since the acquisition date, the timing of the payments being dependent on certain conditions and the tranches being contingent on the future growth rate of the business. The purchase price is and will be fully funded by existing excess capital of the Group.

As part of the purchase agreement, the Group received the right (but not the obligation) to purchase the remaining 5% of Reliance through a call option at a contractually agreed fixed amount. In case the Group does not exercise the call option until a specific date, the sellers have the right (but not the obligation) to sell the remaining 5% to the Group at the same contractually agreed fixed amount. Therefore, for accounting purposes, the Group acquired already 100% of Reliance; hence, the above-mentioned purchase price of CHF 71.4 million includes the exercise price (the fixed amount) of the option.

The assets and liabilities of Reliance have been recorded as follows (unchanged since 2018):

	Fair value *CHF m*
Purchase price	
in cash	33.8
contingent deferred purchase price (liabilities)	37.6
Total	71.4
Due from banks	2.1
Loans[1]	3.1
All other assets	0.4
Assets acquired	5.6
Deferred tax liabilities	4.7
All other liabilities	2.1
Liabilities assumed	6.9
Goodwill and other intangible assets	
Goodwill	42.0
Customer relationships	30.6
Total	72.7

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 3.1 million.

SCB-Julius Baer Securities Co., Ltd. (2018)
In March 2018, the Group signed a strategic agreement with Siam Commercial Bank (SCB) that establishes a jointly formed entity focusing on bringing the most relevant and impactful advice and solutions to the growing Thai wealth management market and its increasingly sophisticated clients. The entity seamlessly combines SCB's strong brand credibility and wealth management expertise with Julius Baer's full suite of international wealth management capabilities and advisory services. The cooperation complements SCB's existing wealth management capabilities whilst opening access for the Group to the fast-growing Thai wealth management market.

The entity operates via domestic and international companies in Thailand and Singapore, respectively, and provides a unique and holistic global wealth management proposition tailored to the needs of its Thai client base. The Group holds 40% in the entity and therefore treats it as an associate; its equity share of CHF 19.7 million has been contributed in 2018 in cash. The Group holds an option to increase its share to 49% step-by-step over time, with the option being exercisable at the equity value of the entity at the times of exercise.

The entity has taken up its full operations after the necessary approvals and licences to operate in Thailand have been received end of April 2019.

Kairos (2018/2016)
On 8 January 2018, the Group announced the purchase of the outstanding 20% shares in the Milan-based company Kairos Investment Management S.p.A., following its initial purchase of 19.9% in 2013 and the additional 60.1% interest in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice and fits into the Group's growth strategy. Kairos continues to operate under its brand.

The difference between the amount of the former non-controlling interest (NCI) recognised on the balance sheet and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

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