Julius Bär

HALF-YEAR REPORT 2017

JULIUS BAER GROUP LTD.

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

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2017** *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Interest and dividend income		**651.9**	596.4	447.4	9.3
Interest expense		**85.6**	86.4	80.4	-0.9
Net interest and dividend income	1	**566.3**	510.0	367.1	11.0
Commission and fee income		**1,034.8**	835.8	935.3	23.8
Commission expense		**113.0**	96.5	109.6	17.1
Net commission and fee income	2	**921.8**	739.3	825.7	24.7
Net trading income	3	**90.0**	117.6	214.9	-23.4
Other ordinary results		**13.7**	57.7	20.2	-76.3
Operating income		**1,591.8**	1,424.6	1,427.8	11.7
Personnel expenses	4	**764.3**	632.1	703.8	20.9
General expenses	5	**311.4**	287.5	335.7	8.3
Depreciation of property and equipment		**19.7**	17.9	19.8	10.4
Amortisation of customer relationships		**36.3**	34.8	33.7	4.3
Amortisation and impairment of other intangible assets		**21.2**	12.4	22.2	70.8
Operating expenses		**1,153.0**	984.7	1,115.2	17.1
Profit before taxes		**438.9**	439.9	312.7	-0.2
Income taxes		**82.0**	77.7	52.7	5.5
Net profit		**356.8**	362.1	260.0	-1.5
Attributable to:					
Shareholders of Julius Baer Group Ltd.		**353.2**	361.8	257.5	-2.4
Non-controlling interests		**3.7**	0.3	2.4	-
		356.8	362.1	260.0	-1.5

	H1 2017 *CHF*	H1 2016 *CHF*	H2 2016 *CHF*	*Change to H1 2016 in %*
Share information				
Basic earnings per share (EPS)	**1.63**	1.66	1.18	-2.2
Diluted earnings per share (EPS)	**1.63**	1.66	1.18	-2.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	Change *to H1 2016 in %*
Net profit recognised in the income statement	**356.8**	362.1	260.0	-1.5
Other comprehensive income (net of taxes):				
Items that may be reclassified to the income statement				
Net unrealised gains/(losses) on financial investments available-for-sale	**37.6**	179.5	-159.7	
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	**2.9**	2.1	5.7	
Translation differences	**-10.0**	15.8	7.0	
Realised (gains)/losses on translation differences reclassified to the income statement	**-**	-0.0	-	
Items that will not be reclassified to the income statement				
Remeasurement of defined benefit obligation	**37.1**	-41.2	60.1	
Other comprehensive income	**67.6**	156.2	-87.0	
Total comprehensive income	**424.5**	518.3	173.0	
Attributable to:				
Shareholders of Julius Baer Group Ltd.	**420.7**	515.0	170.7	
Non-controlling interests	**3.8**	3.3	2.3	
	424.5	518.3	173.0	

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2017** CHF m	31.12.2016 CHF m	30.06.2016 CHF m
Assets				
Cash		**12,085.3**	13,599.5	11,956.7
Due from banks	6	**6,855.1**	11,389.8	8,180.1
Loans	6	**40,733.4**	38,419.0	36,723.3
Trading assets		**10,287.4**	7,660.7	7,309.3
Derivative financial instruments		**2,035.0**	2,690.9	2,128.1
Financial assets designated at fair value		**255.0**	252.4	197.5
Financial investments available-for-sale	7	**16,335.5**	18,266.6	17,396.8
Investments in associates		**29.4**	29.4	28.2
Property and equipment		**363.8**	373.8	369.3
Goodwill and other intangible assets		**2,846.1**	2,834.3	2,783.8
Accrued income and prepaid expenses		**337.2**	327.2	358.8
Deferred tax assets		**26.9**	28.8	27.1
Other assets		**960.8**	335.0	291.7
Total assets		**93,150.8**	96,207.2	87,750.7

	Note	30.06.2017 CHF m	31.12.2016 CHF m	30.06.2016 CHF m
Liabilities and equity				
Due to banks		**6,089.5**	10,076.8	6,916.9
Due to customers		**65,763.3**	67,495.2	64,578.4
Trading liabilities		**195.3**	159.0	171.8
Derivative financial instruments		**2,223.4**	2,285.3	2,331.5
Financial liabilities designated at fair value		**11,201.7**	8,444.4	6,166.7
Debt issued	9	**1,253.6**	1,213.5	1,244.5
Accrued expenses and deferred income		**487.1**	620.3	431.2
Current tax liabilities		**109.8**	123.0	74.3
Deferred tax liabilities		**87.2**	77.8	86.6
Provisions	10	**23.0**	23.0	30.6
Other liabilities		**289.4**	335.1	546.7
Total liabilities		**87,723.3**	90,853.4	82,579.2
Share capital		**4.5**	4.5	4.5
Retained earnings		**5,906.6**	5,840.4	5,562.4
Other components of equity		**-184.1**	-251.6	-164.7
Treasury shares		**-320.9**	-263.1	-268.2
Equity attributable to shareholders of Julius Baer Group Ltd.		**5,406.1**	5,330.2	5,134.0
Non-controlling interests		**21.4**	23.6	37.6
Total equity		**5,427.5**	5,353.9	5,171.5
Total liabilities and equity		**93,150.8**	96,207.2	87,750.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*
At 1 January 2016	4.5	5,467.8
Net profit	-	361.8
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	361.8
Changes in non-controlling interests	-	-23.4[2]
Dividends	-	-246.2
Dividend income on own shares	-	6.2
Share-based payments expensed	-	35.1
Share-based payments vested	-	-39.6
Changes in derivatives on own shares	-	-1.4
Acquisitions of own shares	-	-
Disposals of own shares	-	2.0
At 30 June 2016	4.5	5,562.4
At 1 July 2016	4.5	5,562.4
Net profit	-	257.5
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	257.5
Changes in non-controlling interests	-	-
Share-based payments expensed	-	35.7
Share-based payments vested	-	-9.8
Changes in derivatives on own shares	-	1.2
Acquisitions of own shares	-	-
Disposals of own shares	-	-6.5
At 31 December 2016	4.5	5,840.4
At 1 January 2017	**4.5**	**5,840.4**
Net profit	**-**	**353.2**
Items that may be reclassified to the income statement	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-**
Total comprehensive income	**-**	**353.2**
Dividends	**-**	**-268.6**
Dividend income on own shares	**-**	**7.0**
Share-based payments expensed	**-**	**44.5**
Share-based payments vested	**-**	**-69.8**
Changes in derivatives on own shares	**-**	**1.1**
Acquisitions of own shares	**-**	**-**
Disposals of own shares	**-**	**-1.2**
At 30 June 2017	**4.5**	**5,906.6**

1 Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.

2 Related to the acquisition of GPS Investimentos Financeiros e Participações S.A. and Julius Bär Wealth Management AG.

3 Related to the acquisition of GPS Investimentos Financeiros e Participações S.A., Julius Bär Wealth Management AG and Kairos Investment Management SpA.

4 Related to the acquisition of Kairos Investment Management SpA.

Other components of equity						
Financial investments available-for-sale, net of taxes *CHF m*	Remeasurement of defined benefit obligation *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
23.1	-221.4	-119.6	-218.9	4,935.6	6.4	4,942.0
-	-	-	-	361.8	0.3	362.1
181.5	-	12.7	-	194.3	3.0	197.3
-	-41.2	-	-	-41.2	-	-41.2
181.5	-41.2	12.7	-	515.0	3.3	518.3
-	-	-	-	-23.4	29.9 [3]	6.5
-	-	-	-	-246.2	-2.1	-248.3
-	-	-	-	6.2	-	6.2
-	-	-	-	35.1	-	35.1
-	-	-	39.6	-	-	-
-	-	-	-9.5	-10.8	-	-10.8
-	-	-	-182.0	-182.0	-	-182.0
-	-	-	102.5	104.5	-	104.5
204.6	-262.5	-106.9	-268.2	5,134.0	37.6	5,171.5
204.6	-262.5	-106.9	-268.2	5,134.0	37.6	5,171.5
-	-	-	-	257.5	2.4	260.0
-154.0	-	7.1	-	-147.0	-0.1	-147.0
-	60.1	-	-	60.1	-0.1	60.1
-154.0	60.1	7.1	-	170.7	2.3	173.0
-	-	-	-	-	-16.2 [4]	-16.2
-	-	-	-	35.7	-	35.7
-	-	-	9.8	-	-	-
-	-	-	6.0	7.2	-	7.2
-	-	-	-123.8	-123.8	-	-123.8
-	-	-	113.0	106.5	-	106.5
50.6	-202.4	-99.8	-263.1	5,330.2	23.6	5,353.9
50.6	**-202.4**	**-99.8**	**-263.1**	**5,330.2**	**23.6**	**5,353.9**
-	**-**	**-**	**-**	**353.2**	**3.7**	**356.8**
40.5	**-**	**-10.1**	**-**	**30.5**	**0.1**	**30.6**
-	**37.0**	**-**	**-**	**37.0**	**0.0**	**37.1**
40.5	**37.0**	**-10.1**	**-**	**420.7**	**3.8**	**424.5**
-	**-**	**-**	**-**	**-268.6**	**-6.0**	**-274.6**
-	**-**	**-**	**-**	**7.0**	**-**	**7.0**
-	**-**	**-**	**-**	**44.5**	**-**	**44.5**
-	**-**	**-**	**69.8**	**-**	**-**	**-**
-	**-**	**-**	**4.7**	**5.7**	**-**	**5.7**
-	**-**	**-**	**-219.0**	**-219.0**	**-**	**-219.0**
-	**-**	**-**	**86.7**	**85.4**	**-**	**85.4**
91.2	**-165.4**	**-109.9**	**-320.9**	**5,406.1**	**21.4**	**5,427.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

	30.06.2017 *CHF m*	30.06.2016[1] *CHF m*
Net profit	**356.8**	362.1
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
– Depreciation of property and equipment	**19.7**	17.9
– Amortisation and impairment of other intangible assets	**57.5**	47.2
– Allowance for credit losses	**4.3**	7.5
– Income from investment in associates	**-**	-48.0
– Deferred tax expense/(benefit)	**-7.8**	3.2
– Net loss/(gain) from investing activities	**33.0**	41.3
– Other non-cash income and expenses	**44.5**	35.1
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-3,768.7**	2,020.6
– Trading portfolios and derivative financial instruments	**-1,996.4**	1,656.7
– Net loans/due to customers	**-4,048.5**	-551.5
– Accrued income, prepaid expenses and other assets	**-635.4**	271.5
– Accrued expenses, deferred income, other liabilities and provisions	**-119.7**	-680.2
Adjustment for income tax expenses	**89.9**	74.5
Income taxes paid	**-103.4**	-72.9
Cash flow from operating activities	**-10,074.4**	3,185.1
Dividend of associates	**-**	9.5
Purchase of property and equipment and intangible assets	**-78.5**	-75.7
Disposal of property and equipment and intangible assets	**0.0**	0.0
Net (investment in)/divestment of financial investments available-for-sale	**649.0**	-551.1
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-3.8**	-279.3
Deferred payment of acquisition of subsidiaries and associates	**-9.7**	-4.1
Cash flow from investing activities	**557.0**	-900.6
Net money market instruments issued/(repaid)	**30.1**	68.8
Net movements in treasury shares and own equity derivative activity	**-120.8**	-82.1
Dividend payments	**-268.6**	-246.2
Issuance and repayment of financial liabilities designated at fair value	**2,754.6**	1,915.0
Changes in non-controlling interests	**-**	-9.6
Dividend payment to non-controlling interests	**-6.0**	-2.1
Cash flow from financing activities	**2,389.4**	1,643.9
Net (decrease)/increase in cash and cash equivalents	**-7,127.9**	3,928.4

[1] Half-year report 2016 included a condensed consolidated statement of cash flows only.

	30.06.2017 CHF m	30.06.2016 CHF m
Cash and cash equivalents at the beginning of the period	**28,270.9**	18,128.7
Cash flow from operating activities	**-10,074.4**	3,185.1
Cash flow from investing activities	**557.0**	-900.6
Cash flow from financing activities	**2,389.4**	1,643.9
Effects of exchange rate changes on cash and cash equivalents	**481.7**	322.8
Cash and cash equivalents at the end of the period	**21,624.6**	22,379.9

	30.06.2017 CHF m	30.06.2016 CHF m
Cash and cash equivalents are structured as follows:		
Cash	**12,085.3**	11,956.7
Money market instruments	**2,968.9**	2,723.0
Due from banks (original maturity of less than three months)	**6,570.5**	7,700.3
Total	**21,624.6**	22,379.9

	30.06.2017 CHF m	30.06.2016 CHF m
Additional information		
Interest received	**462.6**	397.5
Interest paid	**-99.4**	-100.6
Dividends on equities received (including associates)	**188.7**	195.8

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 2017 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 2016.

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 21 July 2017. There were no significant events to report until this date.

	Exchange rates as at			Average exchange rates		
	30.06.2017	30.06.2016	31.12.2016	**H1 2017**	H1 2016	2016
USD/CHF	**0.9577**	0.9742	1.0164	**0.9850**	0.9840	0.9875
EUR/CHF	**1.0923**	1.0823	1.0720	**1.0780**	1.0950	1.0890
GBP/CHF	**1.2439**	1.3023	1.2559	**1.2530**	1.3950	1.3280

IFRS 9 – FINANCIAL INSTRUMENTS

The new standard, which will be applicable as of 1 January 2018, includes the following changes to current accounting for financial instruments:

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

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

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

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

Based on an analysis of the business model and the nature of the contractual cash flows, a financial asset is measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

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

In general, the expected credit loss model uses a dual measurement approach: if the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected losses. If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses.

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

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

During the first half of 2017, the Group continued its assessment of the impact of the new standard on the Group's financial statements and expects the following:

Recognition and measurement: Based on the analyses of the two classification criteria 'contractual cash flow characteristics' and 'business model', the Group determined that the financial instruments currently reported at amortised cost generally fulfil the criteria and therefore will be measured at amortised cost on an ongoing basis. The same applies to the vast majority of the debt financial instruments currently reported as available-for-sale and therefore measured at fair value through OCI, which will also be measured at fair value through OCI under the new standard. Certain equity instruments currently measured at fair value through OCI will be classified at fair value through profit or loss going forward. Therefore, the Group does not expect significant changes to the measurement basis arising from adopting the new classification and measurement model.

Expected credit losses: The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements. The models are generally based on the financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD), taking into account the respective effective interest rates. These models are tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the Treasury portfolio. Although the Group is currently testing its models based on the available data, it has not yet a reliable estimate of the impact of the new expected credit loss model on its financial statements.

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

Hedge accounting: The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9.

Transition: The Group will not restate prior periods.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Interest income on amounts due from banks	**22.6**	19.9	21.2	13.5
Interest income on loans	**301.6**	253.1	269.2	19.2
Interest income on financial investments available-for-sale	**129.0**	120.9	131.3	6.6
Total interest income using the effective interest method	**453.2**	394.0	421.7	15.0
Dividend income on financial investments available-for-sale	**7.6**	7.3	0.0	4.0
Interest income on trading portfolios	**9.9**	15.0	14.0	-33.9
Dividend income on trading portfolios	**181.2**	180.2	11.7	0.6
Total interest and dividend income	**651.9**	596.4	447.4	9.3
Interest expense on amounts due to banks	**8.8**	7.4	6.5	18.2
Interest expense on amounts due to customers	**32.8**	34.2	17.0	-4.1
Interest expense on debt issued	**31.3**	30.6	34.2	2.3
Interest expense on financial assets[1]	**12.7**	14.2	22.6	-10.4
Total interest expense using the effective interest method	**85.6**	86.4	80.4	-0.9
Total	**566.3**	510.0	367.1	11.0

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

2 NET COMMISSION AND FEE INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Advisory and asset management fees	**663.9**	524.2	613.3	26.6
Brokerage commissions and income from securities underwriting	**332.8**	251.0	287.8	32.6
Commission income from credit-related activities	**3.1**	3.7	4.0	-15.0
Commission and fee income on other services	**35.1**	56.9	30.2	-38.3
Total commission and fee income	**1,034.8**	835.8	935.3	23.8
Commission expense	**113.0**	96.5	109.6	17.1
Total	**921.8**	739.3	825.7	24.7

3 NET TRADING INCOME

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Debt instruments	**38.1**	14.2	35.9	169.0
Equity instruments	**-155.4**	-126.4	-40.2	23.0
Foreign exchange	**207.3**	229.8	219.2	-9.8
Total	**90.0**	117.6	214.9	-23.4

4 PERSONNEL EXPENSES

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Salaries and bonuses	**592.3**	550.1	556.5	7.7
Contributions to staff pension plans (defined benefits)	**35.4**	-25.7[1]	39.0	-
Contributions to staff pension plans (defined contributions)	**19.8**	12.7	14.7	55.5
Other social security contributions	**51.7**	45.7	43.9	13.3
Share-based payments	**44.5**	35.1	35.7	26.8
Other personnel expenses	**20.6**	14.2	14.0	44.9
Total	**764.3**	632.1	703.8	20.9

[1] Including the effect of a plan amendment in the amount of CHF 62.8 million.

5 GENERAL EXPENSES

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*	*Change to H1 2016 in %*
Occupancy expense	**47.5**	42.7	47.4	11.4
IT and other equipment expense	**36.9**	32.9	39.8	12.0
Information, communication and advertising expense	**90.2**	81.4	91.6	10.8
Service expense, fees and taxes	**121.0**	109.6	130.3	10.5
Valuation allowances, provisions and losses	**7.9**	18.2	22.2	-56.8
Other general expenses	**8.0**	2.8	4.3	190.7
Total	**311.4**	287.5	335.7	8.3

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

6A DUE FROM BANKS

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change* *to 31.12.2016 in %*
Due from banks	**6,856.6**	8,183.0	11,391.0	-39.8
Allowance for credit losses	**-1.5**	-2.9	-1.3	-
Total	**6,855.1**	8,180.1	11,389.8	-39.8

6B LOANS

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change* *to 31.12.2016 in %*
Loans	**31,171.9**	28,038.2	29,173.2	6.9
Mortgages	**9,602.4**	8,767.9	9,317.6	3.1
Subtotal	**40,774.3**	36,806.1	38,490.8	5.9
Allowance for credit losses	**-41.0**	-82.8	-71.8	-
Total	**40,733.4**	36,723.3	38,419.0	6.0

6C ALLOWANCE FOR CREDIT LOSSES

		H1 2017		H1 2016		H2 2016
	Specific *CHF m*	Collective *CHF m*	Specific *CHF m*	Collective *CHF m*	Specific *CHF m*	Collective *CHF m*
Balance at the beginning of the period	**47.2**	**25.9**	58.5	26.3	58.0	27.6
Write-offs	**-33.1**	**-**	-5.9	-	-21.3	-
Increase in allowance for credit losses	**2.9**	**3.0**	6.3	2.8	9.3	1.1
Decrease in allowance for credit losses	**-0.3**	**-1.3**	-0.1	-1.6	-	-2.8
Translation differences and other adjustments	**-1.8**	**0.1**	-0.8	0.0	1.2	-0.0
Balance at the end of the period	**14.9**	**27.6**	58.0	27.6	47.2	25.9

6D IMPAIRED LOANS

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change* *to 31.12.2016 in %*
Gross loans	**43.4**	76.2	83.3	-48.0
Specific allowance for credit losses	**-14.9**	-58.0	-47.2	-
Net loans	**28.5**	18.1	36.2	-21.2

7A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*	*Change to 31.12.2016 in %*
Money market instruments	**2,968.9**	2,723.0	3,785.0	-21.6
Government and agency bonds	**2,508.6**	3,411.3	3,477.0	-27.9
Financial institution bonds	**6,155.4**	6,406.3	6,295.5	-2.2
Corporate bonds	**4,504.8**	4,649.4	4,500.0	0.1
Other bonds	**13.4**	51.0	43.5	-69.3
Debt instruments	**13,182.2**	14,518.0	14,316.0	-7.9
of which quoted	***12,283.1***	*13,532.5*	*13,259.3*	*-7.4*
of which unquoted	***899.1***	*985.5*	*1,056.8*	*-14.9*
Equity instruments	**184.5**	155.8	165.5	11.5
of which quoted	***35.0***	*16.1*	*26.0*	*34.6*
of which unquoted	***149.5***	*139.7*	*139.5*	*7.2*
Total	**16,335.5**	17,396.8	18,266.6	-10.6

7B FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE – CREDIT RATINGS

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	**30.06.2017** *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*
1–2	AAA – AA-	Aaa – Aa3	**8,646.5**	9,299.8	9,491.3
3	A+ – A-	A1 – A3	**4,296.6**	4,717.3	4,458.7
4	BBB+ – BBB-	Baa1 – Baa3	**176.4**	410.6	266.7
5	BB+ – BB-	Ba1 – Ba3	**19.2**	44.4	52.1
Unrated			**43.5**	45.8	47.2
Total			**13,182.2**	14,518.0	14,316.0

8 FAIR VALUE

Level 1
For trading assets as well as for certain financial investments available-for-sale and exchange-traded derivatives whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

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

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

Financial investments available-for-sale: The Group holds certain equity instruments, which are required for the operation of the Group and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2017, dividends related to these investments in the amount of CHF 2.7 million have been recognised in the income statement.

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

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

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

	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**30.06.2017** **Total** *CHF m*
Assets and liabilities measured at fair value				
Trading assets – debt instruments	2,068.7	73.1	-	2,141.7
Trading assets – equity instruments	5,157.8	1,438.4	-	6,596.3
Total trading assets	**7,226.5**	**1,511.5**	**-**	**8,738.0**
Foreign exchange derivatives	11.9	1,063.4	-	1,075.4
Interest rate derivatives	1.6	129.6	-	131.2
Precious metal derivatives	0.5	156.7	-	157.2
Equity/indices derivatives	16.7	649.3	-	666.0
Credit derivatives	-	2.6	-	2.6
Other derivatives	2.7	-	-	2.7
Total derivative financial instruments	**33.3**	**2,001.6**	**-**	**2,035.0**
Financial assets designated at fair value	**31.9**	**109.8**	**113.3**	**255.0**
Financial investments available-for-sale – money market instruments	1,083.4	1,885.4	-	2,968.9
Financial investments available-for-sale – debt instruments	12,137.7	1,044.5	-	13,182.2
Financial investments available-for-sale – equity instruments	35.0	8.8	140.7	184.5
Total financial investments available-for-sale	**13,256.1**	**2,938.7**	**140.7**	**16,335.5**
Total assets	**20,547.9**	**6,561.7**	**254.0**	**27,363.6**
Short positions – debt instruments	43.1	4.1	-	47.2
Short positions – equity instruments	109.5	38.5	-	148.0
Total trading liabilities	**152.7**	**42.6**	**-**	**195.3**
Foreign exchange derivatives	11.0	1,015.0	-	1,026.0
Interest rate derivatives	1.8	149.4	-	151.3
Precious metal derivatives	0.1	60.4	-	60.5
Equity/indices derivatives	19.8	962.5	-	982.3
Credit derivatives	-	3.3	-	3.3
Total derivative financial instruments	**32.7**	**2,190.7**	**-**	**2,223.4**
Financial liabilities designated at fair value	**-**	**10,953.1**	**248.6**	**11,201.7**
Total liabilities	**185.4**	**13,186.4**	**248.6**	**13,620.4**

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2016 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	1,368.3	46.7	-	1,415.0
Trading assets – equity instruments	5,465.6	381.3	-	5,846.9
Total trading assets	6,833.9	428.0	-	7,261.8
Foreign exchange derivatives	8.6	1,256.3	-	1,264.9
Interest rate derivatives	1.4	132.7	-	134.1
Precious metal derivatives	1.3	209.9	-	211.2
Equity/indices derivatives	48.5	1,029.4	-	1,077.9
Credit derivatives	-	2.4	-	2.4
Other derivatives	0.5	-	-	0.5
Total derivative financial instruments	60.2	2,630.7	-	2,690.9
Financial assets designated at fair value	128.3	29.2	94.8	252.4
Financial investments available-for-sale – money market instruments	596.4	3,188.7	-	3,785.0
Financial investments available-for-sale – debt instruments	13,402.1	914.0	-	14,316.0
Financial investments available-for-sale – equity instruments	26.0	18.8	120.7	165.5
Total financial investments available-for-sale	14,024.5	4,121.4	120.7	18,266.6
Total assets	21,046.9	7,209.3	215.5	28,471.7
Short positions – debt instruments	44.6	3.4	-	48.0
Short positions – equity instruments	96.0	15.0	-	111.0
Total trading liabilities	140.5	18.4	-	159.0
Foreign exchange derivatives	6.4	1,081.6	-	1,088.0
Interest rate derivatives	1.7	182.1	-	183.8
Precious metal derivatives	0.0	99.0	-	99.1
Equity/indices derivatives	43.0	851.7	-	894.7
Credit derivatives	-	17.1	-	17.1
Other derivatives	2.7	-	-	2.7
Total derivative financial instruments	53.8	2,231.5	-	2,285.3
Financial liabilities designated at fair value	-	8,180.8	263.6	8,444.4
Total liabilities	194.4	10,430.7	263.6	10,888.7

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	30.06.2017 Carrying value CHF m	30.06.2017 Fair value CHF m	31.12.2016 Carrying value CHF m	31.12.2016 Fair value CHF m
Cash, loans and receivables				
Cash	**12,085.3**	**12,085.3**	13,599.5	13,599.5
Due from banks	**6,855.1**	**6,860.3**	11,389.8	11,395.5
Loans	**40,733.4**	**41,201.1**	38,419.0	38,873.2
Accrued income	**281.1**	**281.1**	282.8	282.8
Total	**59,954.8**	**60,427.7**	63,691.1	64,151.0
Held for trading				
Trading assets	**8,738.0**	**8,738.0**	7,261.8	7,261.8
Derivative financial instruments	**2,014.2**	**2,014.2**	2,680.1	2,680.1
Total	**10,752.2**	**10,752.2**	9,941.9	9,941.9
Derivatives designated as hedging instruments				
Derivative financial instruments	**20.8**	**20.8**	10.8	10.8
Total	**20.8**	**20.8**	10.8	10.8
Designated at fair value				
Financial assets designated at fair value	**255.0**	**255.0**	252.4	252.4
Total	**255.0**	**255.0**	252.4	252.4
Available-for-sale				
Financial investments available-for-sale	**16,335.5**	**16,335.5**	18,266.6	18,266.6
Total	**16,335.5**	**16,335.5**	18,266.6	18,266.6
Total financial assets	**87,318.3**	**87,791.3**	92,162.8	92,622.7

Financial liabilities

	30.06.2017 Carrying value CHF m	Fair value CHF m	31.12.2016 Carrying value CHF m	Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**6,089.5**	**6,089.5**	10,076.8	10,076.9
Due to customers	**65,763.3**	**65,765.3**	67,495.2	67,496.9
Debt issued	**1,253.6**	**1,292.9**	1,213.5	1,254.0
Accrued expenses	**163.5**	**163.5**	187.7	187.7
Total	**73,269.9**	**73,311.2**	78,973.2	79,015.5
Held for trading				
Trading liabilities	**195.3**	**195.3**	159.0	159.0
Derivative financial instruments	**2,169.5**	**2,169.5**	2,213.5	2,213.5
Total	**2,364.7**	**2,364.7**	2,372.4	2,372.4
Derivatives designated as hedging instruments				
Derivative financial instruments	**54.0**	**54.0**	71.9	71.9
Total	**54.0**	**54.0**	71.9	71.9
Designated at fair value				
Financial liabilities designated at fair value	**11,201.7**	**11,201.7**	8,444.4	8,444.4
Other liabilities	**39.0**[1]	**39.0**	41.2[2]	41.2
Total	**11,240.7**	**11,240.7**	8,485.6	8,485.6
Total financial liabilities	**86,929.3**	**86,970.6**	89,903.1	89,945.5

1 Relates to the deferred purchase price of Fransad Gestion SA, NSC Asesores, S.C., GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs AG.

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

9 DEBT ISSUED

	30.06.2017 *CHF m*	31.12.2016 *CHF m*
Money market instruments	**108.9**	78.8
Bonds	**1,144.7**	1,134.7
Total	**1,253.6**	1,213.5

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount *m*	**30.06.2017** Total *CHF m*	31.12.2016 Total *CHF m*
Julius Baer Group Ltd.						
2012[1]	5.375	Perpetual tier 1 subordinated bond	CHF	250.0	**249.8**	248.7
Julius Baer Group Ltd.						
2014[2]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**347.3**	346.7
Julius Baer Group Ltd.						
2015[3]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**321.7**	318.6
Julius Baer Group Ltd.						
2016[4]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**225.9**	220.6
Total					**1,144.7**	1,134.7

[1] No own bonds are offset with bonds outstanding (2016: CHF 1.0 million). The effective interest rate amounts to 5.59%.
[2] No own bonds are offset with bonds outstanding (2016: CHF 0.1 million). The effective interest rate amounts to 4.41%.
[3] No own bonds are offset with bonds outstanding (2016: none). The effective interest rate amounts to 6.128%.
[4] No own bonds are offset with bonds outstanding (2016: none). The effective interest rate amounts to 5.951%.

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 and censures on companies and employees. Regulators in certain markets may determine that industry practices, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations. Also, from time to time, the Group is confronted with inquiries from authorities with respect to certain topics. The Group principally is cooperating with such 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 2017. The contingent liabilities might have a material effect on the Group or for other reasons might be of interest for investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In addition, as the BVI Courts oversee the Fairfield Funds' liquidation proceedings, the Bank introduced an application challenging the Fairfield Liquidators' authority to pursue the US Litigation. The BVI trial court dismissed the application. The Bank and other defendants have appealed the dismissal. No decision has been issued yet in this regard. Further, in the Fairfield Liquidators' litigation in the United States, hundreds of defendants, including the Bank, filed a consolidated response, thereby seeking dismissal of the claims. It is expected that the proceedings last into 2018. In view of the pending application in the BVI and as the Fairfield cases pending in the courts of New York remain in preliminary stages, a meaningful assessment of the potential outcome is not yet possible. Finally, it is also worth mentioning that in the proceedings initiated by the Trustee, the Bankruptcy Court in New York issued a ruling in November 2016, reconfirming the extraterritoriality principles set by the District Court for the Southern District of New York and thereby dismissing the case against the Bank and other defendants. The Trustee has appealed this ruling.

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

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

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

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. BvS has appealed such verdict. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading related tax fraud in France, a formal procedure 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 (not yet final) Court Order in March 2017. Proceedings, in addition, may be resumed by the prosecutor at any time. In October 2014, as a precautionary measure, the Bank made the required security deposit in the amount of EUR 3.75 million with the competent French court representing the maximal fine possible. 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') filed against the Bank in the amount of CHF 91.3 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, that were former clients of Bank of China (Suisse) S.A. having been acquired by Bank Julius Baer & Co. Ltd., in the total amount of USD 29 million (plus accrued interests). Additionally, in October 2015, the claimant filed an amendment of claim in court, by which additionally USD 39 million was claimed. In March 2017, the claimant reduced the totally claimed amount to USD 44,565,434. The claimant argues that Bank of China (Suisse) S.A. acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequently to the liquidation of almost the entire portfolio of their assets in May 2010, arguing that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

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

CAPITAL RATIOS

	30.06.2017 Basel III phase-in[1] CHF m	30.06.2016 Basel III phase-in[1] CHF m	31.12.2016 Basel III phase-in[1] CHF m
Risk-weighted positions			
Credit risk	**14,072.5**	14,597.5	14,902.8
Non-counterparty-related risk	**442.2**	481.0	506.7
Market risk	**1,253.1**	876.9	957.7
Operational risk	**4,796.4**	4,451.6	4,634.6
Total	**20,564.2**	20,407.0	21,001.8
Eligible capital			
CET1 capital[2]	**3,060.3**	3,251.0	3,444.2
Tier 1 capital[2]	**3,720.0**	3,251.0	3,597.0
of which hybrid tier 1 capital instruments[3]	***1,144.7***	*927.9*	*1,134.7*
Tier 2 capital	**80.4**	272.9	70.2
of which lower tier 2 capital instruments	**-**	*150.1[4]*	-
Total capital	**3,800.4**	3,523.9	3,667.2
CET1 capital ratio	**14.9%**	15.9%	16.4%
Tier 1 capital ratio	**18.1%**	15.9%	17.1%
Total capital ratio	**18.5%**	17.3%	17.5%

1 The Basel III effects, but also the effects of IAS 19 revised relating to pension liabilities, will be phased in between 2014 and 2018 for the calculation of the eligible capital. All listed capital instruments of Julius Baer are fully compliant with the Basel III guidelines as at 30 June 2017.

2 During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increases proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreases respectively. As soon as the remaining amount of intangibles is lower than the additional tier 1 capital the CET1 capital will be lower than the tier 1 capital.

3 The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012, 2014, 2015 and 2016.

4 Julius Baer Group Ltd. exercised its call option for an early repayment in full at par value plus accrued interests on the reset date of 23 December 2016 and redeemed the 4.50% lower tier 2 subordinated bonds issued in 2011 with final maturity in 2021.

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

A separate Basel III pillar 3 report has been prepared which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 30 June 2017. This report, which is published in the Regulatory Disclosures section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure obligations regarding capital adequacy and liquidity (information will be available at the end of August 2017).

ASSETS UNDER MANAGEMENT

	30.06.2017 *CHF m*	30.06.2016 *CHF m*	31.12.2016 *CHF m*
Assets with discretionary mandate	**57,294**	51,113	54,904
Other assets under management	**292,462**	256,322	277,083
Assets in collective investment schemes managed by the Group[1]	**4,949**	3,983	4,174
Total assets under management (including double counting)	**354,705**	311,418	336,161
of which double counting	**7,133**	*5,603*	*6,106*

	H1 2017 *CHF m*	H1 2016 *CHF m*	H2 2016 *CHF m*
Change through net new money	**10,249**	5,498	6,367
Change through market and currency impacts	**7,966**	-2,361	15,756
Change through acquisition	**395**[2]	8,639[3]	2,628[4]
Change through divestment	**-66**[5]	-45[5]	-8[5]
Client assets	**416,480**	376,672[6]	391,620

[1] Collective investment schemes are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, and to Kairos Investment Management SpA, Milan.
[2] In February 2017, the Group acquired Wergen & Partner Vermögensverwaltungs AG, Zurich.
[3] In April 2016, the Group increased its participation in Kairos Investment Management SpA, Milan, to 80%.
[4] In July 2016, the Group acquired Commerzbank International S.A. Luxembourg.
[5] Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries.
[6] Excluding assets which were previously counted as assets under management and assets under custody.

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

The following transactions were executed:

Kairos (2016)
In November 2015, the Group agreed to exercise its option and to increase its stake in Kairos Investment Management S.p.A. by acquiring an additional 60.1% interest of the Milan-based company, following its initial purchase of 19.9% in 2013. The transaction was exercised on 1 April 2016. The Group paid the consideration in the amount of CHF 301.5 million in cash for this additional interest which was fully funded by existing excess capital of the Group. As part of the transaction, the Group realised a net gain in the amount of CHF 38.6 million on the revaluation to fair value of the 19.9% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice. The Group and Kairos have agreed to pursue the listing of Kairos in a subsequent step through an offering of a minority percentage of Kairos' share capital. Kairos continues to operate under its brand.

The assets and liabilities of Kairos were recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	301.5
contribution of the 19.9% interest (at fair value)	99.8
Total	401.4
Due from banks	31.9
Deferred tax assets	5.2
All other assets	23.2
Assets acquired	60.3
Deferred tax liabilities	7.1
All other liabilities	37.3
Liabilities assumed	44.3
Goodwill and other intangible assets and non-controlling interests	
Goodwill	317.3
Customer relationships	89.4
Non-controlling interests	21.3
Total	385.4

GPS Investimentos Financeiros e Participações S.A. (2016)
On 1 March 2016, the Group exercised the forward contract to acquire the remaining 20% interest of its Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS). The purchase price of CHF 28.6 million will be payable in four tranches, whereof the first tranche has been paid at acquisition date and was fully funded by existing excess capital of the Group. The outstanding amounts of the future instalments are recognised as a liability.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e., the difference of CHF 21.5 million between the amount of the former non-controlling interest and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

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

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e. the difference of CHF 2.1 million between the amount of the former non-controlling interest and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

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

The assets and liabilities of Commerzbank International S.A. Luxembourg/Bank Julius Baer Luxembourg S.A. were recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	84.9
Total	84.9
Cash	272.9
Due from banks	637.8
Loans[1]	344.6
Software	1.9
All other assets	78.7
Assets acquired	1,335.8
Due to banks	27.2
Due to customers	1,249.1
Provisions	1.2
Deferred tax liabilities	2.0
All other liabilities	15.9
Liabilities assumed	1,295.5
Goodwill and other intangible assets	
Goodwill	19.0
Customer relationships	15.2
Software	10.3
Total	44.6

[1] At the acquisition date, the gross contractual amount of loans acquired was CHF 344.6 million.

Wergen & Partner Vermögensverwaltungs AG, Zurich (2017)
In February 2017, the Group acquired the Zurich-based Wergen & Partner Vermögensverwaltungs AG, which will strengthen the Group's independent wealth management business.

The purchase price, including the deferred portion due in February 2019 and February 2021 of CHF 13.5 million has been and will be paid in cash and is fully funded by existing excess capital of the Group.

The assets and liabilities of Wergen & Partner Vermögensverwaltungs AG were recorded provisionally as follows:

	Fair value *CHF m*
Purchase price	
in cash	5.5
deferred purchase price (liabilities)	8.0
Total	13.5
All other assets	2.1
Assets acquired	2.1
All other liabilities	0.7
Liabilities assumed	0.7
Goodwill and other intangible assets	
Goodwill	4.7
Customer relationships	7.4
Total	12.1

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