Julius Bär

HALF-YEAR REPORT 2015

JULIUS BAER GROUP LTD.

Julius Bär
125
YEARS
1890 – 2015

HALF-YEAR REPORT 2015
JULIUS BAER GROUP LTD.

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

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2015** CHF m	H1 2014 CHF m	H2 2014 CHF m	Change to H1 2014 in %
Interest and dividend income		**453.9**	405.6	374.3	11.9
Interest expense		**69.7**	59.0	73.2	18.1
Net interest and dividend income	1	**384.2**	346.6	301.1	10.8
Commission and fee income		**904.2**	851.0	874.8	6.3
Commission expense		**112.2**	105.2	102.6	6.7
Net commission and fee income	2	**792.0**	745.7	772.3	6.2
Net trading income	3	**217.0**	115.1	212.4	88.5
Other ordinary results		**14.7**	28.2	25.1	-47.9
Operating income		**1,408.0**	1,235.7	1,311.0	13.9
Personnel expenses	4	**630.7**	631.1	627.5	-0.1
General expenses	5	**613.8**	271.6	337.7	126.0
Depreciation of property and equipment		**16.3**	14.7	16.4	10.9
Amortisation of customer relationships		**65.8**	58.9	67.5	11.7
Amortisation and impairment of other intangible assets		**28.0**	23.5	27.7	19.1
Operating expenses		**1,354.5**	999.8	1,076.7	35.5
Profit before taxes		**53.5**	235.9	234.3	-77.3
Income taxes		**13.7**	57.0	45.8	-76.0
Net profit		**39.7**	178.9	188.5	-77.8
Attributable to:					
Shareholders of Julius Baer Group Ltd.		**39.0**	178.3	187.9	-78.1
Non-controlling interests		**0.7**	0.6	0.6	16.7
		39.7	178.9	188.5	-77.8

	H1 2015 CHF	H1 2014 CHF	H2 2014 CHF	Change to H1 2014 in %
Share information				
Basic earnings per share (EPS)	**0.18**	0.82	0.86	-78.2
Diluted earnings per share (EPS)	**0.18**	0.82	0.86	-77.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2015 *CHF m*	H1 2014 *CHF m*	H2 2014 *CHF m*	Change *to H1 2014 in %*
Net profit recognised in the income statement	**39.7**	178.9	188.5	-77.8
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	**-34.5**	42.5	-16.3	
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	**0.7**	3.0	8.2	
Translation differences	**-81.1**	4.7	-5.2	
Realised (gains)/losses on translation differences reclassified to the income statement	**0.4**	15.7	-	
Items that will not be reclassified to the income statement				
Remeasurement of defined benefit obligation	**-108.5**	23.1	-100.7	
Other comprehensive income for the period recognised directly in equity	**-223.0**	89.0	-114.0	
Total comprehensive income for the period recognised in the income statement and in equity	**-183.3**	267.9	74.6	
Attributable to:				
Shareholders of Julius Baer Group Ltd.	**-182.3**	267.3	74.4	
Non-controlling interests	**-1.0**	0.6	0.2	
	-183.3	267.9	74.6	

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2015** CHF m	31.12.2014 CHF m	30.06.2014 CHF m
Assets				
Cash		**10,859.9**	11,201.9	9,302.6
Due from banks	6	**8,018.3**	8,922.6	8,230.1
Loans	6	**32,761.0**	33,669.1	30,595.7
Trading assets		**7,690.8**	7,424.2	6,751.5
Derivative financial instruments		**2,319.9**	3,001.9	1,023.5
Financial assets designated at fair value		**183.8**	121.8	-
Financial investments available-for-sale	7	**14,764.7**	14,597.3	14,594.2
Investments in associates		**64.2**	66.0	60.2
Property and equipment		**378.4**	382.7	383.2
Goodwill and other intangible assets		**2,283.8**	2,363.9	2,345.0
Accrued income and prepaid expenses		**380.6**	331.9	328.5
Deferred tax assets		**13.0**	15.3	15.0
Other assets		**430.8**	135.2	155.6
Total assets		**80,149.2**	82,233.8	73,785.1

	Note	30.06.2015 CHF m	31.12.2014 CHF m	30.06.2014 CHF m
Liabilities and equity				
Due to banks		**5,227.6**	5,190.2	5,112.8
Due to customers		**60,199.4**	61,820.5	54,709.9
Trading liabilities		**104.5**	116.2	294.2
Derivative financial instruments		**2,648.1**	3,014.9	1,058.8
Financial liabilities designated at fair value		**4,594.1**	4,399.3	5,363.4
Debt issued	9	**1,060.4**	1,059.8	1,065.5
Accrued expenses and deferred income		**423.2**	492.3	383.0
Current tax liabilities		**20.6**	115.4	57.8
Deferred tax liabilities		**94.8**	137.9	149.5
Provisions	10	**364.4**	89.5	70.5
Other liabilities		**532.5**	459.9	302.6
Total liabilities		**75,269.7**	76,896.0	68,568.0
Share capital		**4.5**	4.5	4.5
Retained earnings		**5,361.6**	5,560.3	5,310.6
Other components of equity		**-278.7**	-57.4	56.1
Treasury shares		**-215.0**	-178.7	-173.7
Equity attributable to shareholders of Julius Baer Group Ltd.		**4,872.4**	5,328.7	5,197.5
Non-controlling interests		**7.2**	9.1	19.7
Total equity		**4,879.5**	5,337.8	5,217.2
Total liabilities and equity		**80,149.2**	82,233.8	73,785.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *CHF m*	Retained earnings[1] *CHF m*
At 1 January 2014	4.5	5,235.8
Net profit	-	178.3
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	178.3
Capital increase	-	40.6[2]
Changes in non-controlling interests	-	-
Dividends	-	-133.2
Dividend income on own shares	-	2.4
Share-based payments expensed	-	27.6
Share-based payments vested	-	-40.7
Changes in derivatives on own shares	-	-3.2
Acquisitions of own shares	-	-
Disposals of own shares	-	2.9
At 30 June 2014	4.5	5,310.6
At 1 July 2014	4.5	5,310.6
Net profit	-	187.9
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	187.9
Capital increase	-	38.8[2]
Changes in non-controlling interests	-	-
Share-based payments expensed	-	25.9
Share-based payments vested	-	-3.8
Changes in derivatives on own shares	-	3.2
Acquisitions of own shares	-	-
Disposals of own shares	-	-2.3
At 31 December 2014	4.5	5,560.3
At 1 January 2015	**4.5**	**5,560.3**
Net profit	**-**	**39.0**
Items that may be reclassified to the income statement	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-**
Total comprehensive income	**-**	**39.0**
Dividends	**-**	**-223.8**
Dividend income on own shares	**-**	**4.8**
Share-based payments expensed	**-**	**29.9**
Share-based payments vested	**-**	**-47.8**
Changes in derivatives on own shares	**-**	**14.4**
Acquisitions of own shares	**-**	**-**
Disposals of own shares	**-**	**-15.2**
At 30 June 2015	**4.5**	**5,361.6**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the share premium reserve/capital contribution reserve of Julius Baer Group Ltd.

[2] The capital increase is related to the acquisition of Merrill Lynch's International Wealth Management (IWM) business outside the US from Bank of America. The respective shares have been issued in January 2013. Refer to page 26.

[3] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A.

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*
71.1	-45.4	-58.5	-169.5	5,037.9	0.6	5,038.6
-	-	-	-	178.3	0.6	178.9
45.5	-	20.4	-	65.9	-	65.9
-	23.1	-	-	23.1	-	23.1
45.5	23.1	20.4	-	267.3	0.6	267.9
-	-	-	-	40.6	-	40.6
-	-	-	-	-	18.5[3]	18.5
-	-	-	-	-133.2	-	-133.2
-	-	-	-	2.4	-	2.4
-	-	-	-	27.6	-	27.6
-	-	-	40.7	-	-	-
-	-	-	6.7	3.5	-	3.5
-	-	-	-166.3	-166.3	-	-166.3
-	-	-	114.7	117.6	-	117.6
116.5	-22.3	-38.1	-173.7	5,197.5	19.7	5,217.2
116.5	-22.3	-38.1	-173.7	5,197.5	19.7	5,217.2
-	-	-	-	187.9	0.6	188.5
-8.1	-	-4.8	-	-12.9	-0.4	-13.3
-	-100.7	-	-	-100.7	-	-100.7
-8.1	-100.7	-4.8	-	74.4	0.2	74.6
-	-	-	-	38.8	-	38.8
-	-	-	-	-	-10.9[3]	-10.9
-	-	-	-	25.9	-	25.9
-	-	-	3.8	-	-	-
-	-	-	16.1	19.3	-	19.3
-	-	-	-83.2	-83.2	-	-83.2
-	-	-	58.4	56.1	-	56.1
108.5	-123.0	-42.9	-178.7	5,328.7	9.1	5,337.8
108.5	**-123.0**	**-42.9**	**-178.7**	**5,328.7**	**9.1**	**5,337.8**
-	**-**	**-**	**-**	**39.0**	**0.7**	**39.7**
-33.8	**-**	**-79.0**	**-**	**-112.8**	**-1.7**	**-114.5**
-	**-108.5**	**-**	**-**	**-108.5**	**-**	**-108.5**
-33.8	**-108.5**	**-79.0**	**-**	**-182.3**	**-1.0**	**-183.3**
-	**-**	**-**	**-**	**-223.8**	**-0.9**	**-224.7**
-	**-**	**-**	**-**	**4.8**	**-**	**4.8**
-	**-**	**-**	**-**	**29.9**	**-**	**29.9**
-	**-**	**-**	**47.8**	**-**	**-**	**-**
-	**-**	**-**	**12.4**	**26.8**	**-**	**26.8**
-	**-**	**-**	**-172.0**	**-172.0**	**-**	**-172.0**
-	**-**	**-**	**75.5**	**60.3**	**-**	**60.3**
74.7	**-231.5**	**-121.9**	**-215.0**	**4,872.4**	**7.2**	**4,879.5**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

	H1 2015 *CHF m*	H1 2014 *CHF m*	H2 2014 *CHF m*
Cash and cash equivalents at the beginning of the period	**22,293.4**	23,336.2	20,206.3
Cash flow from operating activities after taxes	**-1,741.1**	-3,599.1	3,267.4
Cash flow from investing activities	**-1,325.0**	-292.3	158.8
Cash flow from financing activities	**-172.1**	738.9	-1,104.1
Effects of exchange rate changes	**763.1**	22.6	-235.1
Cash and cash equivalents at the end of the period	**19,818.3**	20,206.3	22,293.4

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 2015 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 2014.

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 17 July 2015. There were no significant events to report until this date.

	Exchange rates as at			Average exchange rates		
	30.06.2015	30.06.2014	31.12.2014	**H1 2015**	H1 2014	2014
USD/CHF	**0.9346**	0.8869	0.9936	**0.9420**	0.8890	0.9195
EUR/CHF	**1.0413**	1.2142	1.2024	**1.0450**	1.2180	1.2125
GBP/CHF	**1.4698**	1.5168	1.5493	**1.4400**	1.4900	1.5120

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	H1 2015 *CHF m*	H1 2014 *CHF m*	H2 2014 *CHF m*	*Change to H1 2014 in %*
Interest income on amounts due from banks	**18.7**	18.5	18.0	1.1
Interest income on loans	**213.3**	194.1	211.6	9.9
Interest income on money market instruments	**2.4**	7.5	6.4	-68.0
Interest income on financial investments available-for-sale	**80.0**	74.2	83.5	7.8
Total interest income using the effective interest method	**314.4**	294.3	319.5	6.8
Dividend income on financial investments available-for-sale	**4.5**	3.9	-	15.4
Interest income on trading portfolios	**13.1**	44.6	45.7	-70.6
Dividend income on trading portfolios	**121.9**	62.7	9.0	94.4
Total interest and dividend income	**453.9**	405.6	374.3	11.9
Interest expense on amounts due to banks	**4.2**	1.0	2.3	320.0
Interest expense on amounts due to customers	**28.8**	40.6	47.3	-29.1
Interest expense on debt issued	**23.8**	17.4	23.6	36.8
Interest expense on financial assets[1]	**12.9**	-	-	
Total interest expense using the effective interest method	**69.7**	59.0	73.2	18.1
Total	**384.2**	346.6	301.1	10.8

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

2 NET COMMISSION AND FEE INCOME

	H1 2015 *CHF m*	H1 2014 *CHF m*	H2 2014 *CHF m*	*Change to H1 2014 in %*
Advisory and management commissions	**431.0**	389.9	421.2	10.5
Investment fund fees	**112.5**	95.7	107.3	17.6
Fiduciary commissions	**3.0**	3.2	3.2	-6.3
Total commission and fee income from asset management	**546.5**	488.8	531.7	11.8
Brokerage commissions and income from securities underwriting	**310.1**	285.1	276.2	8.8
Commission income from credit-related activities	**2.9**	4.6	2.9	-37.0
Commission and fee income on other services	**44.7**	72.4	64.1	-38.3
Total commission and fee income	**904.2**	851.0	874.8	6.3
Commission expense	**112.2**	105.2	102.6	6.7
Total	**792.0**	745.7	772.3	6.2

3 NET TRADING INCOME

	H1 2015 *CHF m*	H1 2014 *CHF m*	H2 2014 *CHF m*	*Change to H1 2014 in %*
Debt instruments	**22.1**	10.8	7.9	104.6
Equity instruments	**-104.1**	-55.3	-3.2	-
Foreign exchange	**299.1**	159.6	207.7	87.4
Total	**217.0**	115.1	212.4	88.5

4 PERSONNEL EXPENSES

	H1 2015 *CHF m*	H1 2014 *CHF m*	H2 2014 *CHF m*	*Change to H1 2014 in %*
Salaries and bonuses	**516.5**	501.1	479.9	3.1
Contributions to staff pension plans	**45.0**	32.6	55.0	38.0
Other social security contributions	**44.2**	41.7	40.4	6.0
Share-based payments	**29.9**	27.6	25.9	8.3
Other personnel expenses	**22.9**	28.1	26.3	-18.5
Reimbursement of personnel expenses	**-27.9**[1]	-	-	-
Total	**630.7**	631.1	627.5	-0.1

[1] Represents a reimbursement from Bank of America in the amount of CHF 27.9 million for certain payments related to retention plans in the acquisition of Merrill Lynch's International Wealth Management (IWM).

5 GENERAL EXPENSES

	H1 2015 *CHF m*	H1 2014 *CHF m*	H2 2014 *CHF m*	*Change to H1 2014 in %*
Occupancy expense	**42.7**	42.1	43.3	1.4
IT and other equipment expense	**32.2**	35.1	36.9	-8.3
Information, communication and advertising expense	**76.4**	73.8	94.2	3.5
Service expense, fees and taxes	**91.9**	108.7	104.1	-15.5
Valuation allowances, provisions and losses	**368.5**[1]	7.7	52.2	-
Other general expenses	**2.0**	4.1	7.0	-51.2
Total	**613.8**	271.6	337.7	126.0

[1] Including the provision in the amount of USD 350 million related to the eventual, comprehensive and final settlement with US authorities concerning Julius Baer's legacy US cross-border business (see Note 10 Provisions).

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

6A DUE FROM BANKS

	30.06.2015 *CHF m*	30.06.2014 *CHF m*	31.12.2014 *CHF m*	*Change to 31.12.2014 in %*
Due from banks	**8,019.7**	8,233.8	8,926.7	-10.2
Allowance for credit losses	**-1.4**	-3.7	-4.1	-
Total	**8,018.3**	8,230.1	8,922.6	-10.1

6B LOANS

	30.06.2015 *CHF m*	30.06.2014 *CHF m*	31.12.2014 *CHF m*	*Change to 31.12.2014 in %*
Loans	**24,730.2**	22,949.0	25,584.6	-3.3
Mortgages	**8,104.9**	7,695.8	8,132.1	-0.3
Subtotal	**32,835.1**	30,644.8	33,716.7	-2.6
Allowance for credit losses	**-74.1**	-49.1	-47.7	-
Total	**32,761.0**	30,595.7	33,669.1	-2.7

6C ALLOWANCE FOR CREDIT LOSSES

		H1 2015		H1 2014		H2 2014
	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	**29.0**	**22.8**	30.9	21.2	33.4	19.4
Write-offs	**-**	**-**	-0.4	-	-20.0	-
Increase in allowance for credit losses	**31.8**	**0.5**	3.3	0.1	13.9	4.1
Decrease in allowance for credit losses	**-3.6**	**-2.5**	-0.5	-1.9	-0.3	-0.8
Translation differences and other adjustments	**-2.3**	**-0.2**	0.1	-	2.0	-
Balance at the end of the period	**54.9**	**20.6**	33.4	19.4	29.0	22.8

6D IMPAIRED LOANS

	30.06.2015 *CHF m*	30.06.2014 *CHF m*	31.12.2014 *CHF m*	*Change to 31.12.2014 in %*
Gross loans	**66.9**	33.5	54.1	23.7
Specific allowance for credit losses	**-54.9**	-33.4	-29.0	-
Net loans	**12.0**	0.1	25.1	-52.2

7A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30.06.2015 *CHF m*	30.06.2014 *CHF m*	31.12.2014 *CHF m*	*Change to 31.12.2014 in %*
Money market instruments	**2,104.2**	3,194.2	2,312.1	-9.0
Government and agency bonds	**1,992.8**	1,673.6	1,571.3	26.8
Financial institution bonds	**6,641.3**	6,151.6	7,055.5	-5.9
Corporate bonds	**3,919.5**	3,485.9	3,574.0	9.7
Other bonds	**24.0**	4.1	2.8	-
Debt instruments	**12,577.6**	11,315.2	12,203.5	3.1
of which quoted	***11,508.7***	*10,329.6*	*10,882.7*	*5.8*
of which unquoted	***1,068.9***	*985.6*	*1,320.9*	*-19.1*
Equity instruments	**82.9**	84.8	81.7	1.5
of which unquoted	***82.9***	*84.8*	*81.7*	*1.5*
Total	**14,764.7**	14,594.2	14,597.3	1.1

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

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	**30.06.2015** *CHF m*	30.06.2014 *CHF m*	31.12.2014 *CHF m*
1–2	AAA – AA-	Aaa – Aa3	7,536.0	7,699.9	7,332.0
3	A+ – A-	A1 – A3	4,511.7	3,176.7	4,344.9
4	BBB+ – BBB-	Baa1 – Baa3	327.4	282.1	267.2
5–7	BB+ – CCC-	Ba1 – Caa3	42.3	21.6	47.2
8–9	CC – D	Ca – C	-	0.4	3.0
Unrated			160.2	134.5	209.2
Total			12,577.6	11,315.2	12,203.5

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 in the amount of CHF 77.8 million, 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 2015, dividends related to these investments in the amount of CHF 4.5 million have been recognised in the income statement.

Financial instruments designated at fair value: As of 2014, the Group started to issue to its private clients certain specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the 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 in the amount of CHF 29.9 million are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The issued notes in the amount of CHF 192.8 million 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	30.06.2015 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	946.3	54.8	-	1,001.1
Trading assets – equity instruments	4,178.2	420.8	-	4,599.0
Trading assets – precious metals (physical)	-	2,090.7	-	2,090.7
Total trading assets	**5,124.5**	**2,566.3**	**-**	**7,690.8**
Foreign exchange derivatives	4.3	1,590.9	-	1,595.2
Interest rate derivatives	0.8	105.9	-	106.7
Precious metal derivatives	1.9	130.2	-	132.1
Equity/indices derivatives	306.7	175.0	-	481.7
Credit derivatives	-	1.0	-	1.0
Other derivatives	3.2	-	-	3.2
Total derivative financial instruments	**316.9**	**2,003.0**	**-**	**2,319.9**
Financial assets designated at fair value	**134.3**	**19.6**	**29.9**	**183.8**
Financial investments available-for-sale – money market instruments	-	2,104.2	-	2,104.2
Financial investments available-for-sale – debt instruments	11,508.7	1,068.9	-	12,577.6
Financial investments available-for-sale – equity instruments	-	5.1	77.8	82.9
Total financial investments available-for-sale	**11,508.7**	**3,178.2**	**77.8**	**14,764.7**
Total assets	**17,084.4**	**7,767.1**	**107.7**	**24,959.2**
Short positions – debt instruments	34.4	2.5	-	36.9
Short positions – equity instruments	45.1	22.5	-	67.6
Total trading liabilities	**79.5**	**25.0**	**-**	**104.5**
Foreign exchange derivatives	4.4	1,535.2	-	1,539.6
Interest rate derivatives	2.3	175.4	-	177.7
Precious metal derivatives	-	31.8	-	31.8
Equity/indices derivatives	657.0	230.2	-	887.2
Credit derivatives	-	11.8	-	11.8
Other derivatives	-	-	-	-
Total derivative financial instruments	**663.7**	**1,984.4**	**-**	**2,648.1**
Financial liabilities designated at fair value	**1,478.4**	**2,922.9**	**192.8**	**4,594.1**
Total liabilities	**2,221.6**	**4,932.3**	**192.8**	**7,346.7**

	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	31.12.2014 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	882.5	62.6	-	945.1
Trading assets – equity instruments	4,264.5	502.4	-	4,766.9
Trading assets – precious metals (physical)	-	1,712.2	-	1,712.2
Total trading assets	5,147.0	2,277.3	-	7,424.2
Foreign exchange derivatives	7.9	2,207.1	-	2,215.0
Interest rate derivatives	0.7	91.3	-	92.0
Precious metal derivatives	1.1	177.6	-	178.7
Equity/indices derivatives	323.4	168.8	-	492.2
Credit derivatives	-	0.8	-	0.8
Other derivatives	23.2	-	-	23.2
Total derivative financial instruments	356.3	2,645.6	-	3,001.9
Financial assets designated at fair value	100.5	17.9	3.4	121.8
Financial investments available-for-sale – money market instruments	-	2,312.1	-	2,312.1
Financial investments available-for-sale – debt instruments	10,882.6	1,320.9	-	12,203.5
Financial investments available-for-sale – equity instruments	-	2.4	79.2	81.7
Total financial investments available-for-sale	10,882.6	3,635.4	79.2	14,597.3
Total assets	16,486.4	8,576.2	82.6	25,145.2
Short positions – debt instruments	32.0	0.4	-	32.4
Short positions – equity instruments	70.4	13.4	-	83.8
Total trading liabilities	102.4	13.8	-	116.2
Foreign exchange derivatives	9.3	1,999.6	-	2,008.9
Interest rate derivatives	1.6	142.2	-	143.8
Precious metal derivatives	-	86.1	-	86.1
Equity/indices derivatives	537.8	236.7	-	774.5
Credit derivatives	-	1.6	-	1.6
Other derivatives	-	-	-	-
Total derivative financial instruments	548.7	2,466.2	-	3,014.9
Financial liabilities designated at fair value	1,464.8	2,787.7	146.8	4,399.3
Total liabilities	2,116.0	5,267.7	146.8	7,530.4

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	30.06.2015 Book value CHF m	30.06.2015 Fair value CHF m	31.12.2014 Book value CHF m	31.12.2014 Fair value CHF m
Cash, loans and receivables				
Cash	**10,859.9**	**10,859.9**	11,201.9	11,201.9
Due from banks	**8,018.3**	**8,029.5**	8,922.6	8,930.3
Loans	**32,761.0**	**33,213.8**	33,669.1	34,104.7
Accrued income	**330.3**	**330.3**	282.8	282.8
Total	**51,969.5**	**52,433.5**	54,076.4	54,519.7
Held for trading				
Trading assets	**7,690.8**	**7,690.8**	5,712.0	5,712.0
Derivative financial instruments	**2,319.9**	**2,319.9**	3,001.9	3,001.9
Total	**10,010.7**	**10,010.7**	8,713.9	8,713.9
Designated at fair value				
Financial assets designated at fair value	**183.8**	**183.8**	121.8	121.8
Total	**183.8**	**183.8**	121.8	121.8
Available-for-sale				
Financial investments available-for-sale	**14,764.7**	**14,764.7**	14,597.3	14,597.3
Total	**14,764.7**	**14,764.7**	14,597.3	14,597.3
Total financial assets	**76,928.7**	**77,392.7**	77,509.4	77,952.7

Financial liabilities

	30.06.2015 Book value CHF m	30.06.2015 Fair value CHF m	31.12.2014 Book value CHF m	31.12.2014 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**5,227.6**	**5,227.8**	5,190.2	5,189.4
Due to customers	**60,199.4**	**60,201.7**	61,820.5	61,824.1
Debt issued	**1,060.4**	**1,125.1**	1,059.8	1,121.2
Accrued expenses	**133.9**	**133.9**	147.1	147.1
Total	**66,621.3**	**66,688.5**	68,217.6	68,281.8
Held for trading				
Trading liabilities	**104.5**	**104.5**	116.2	116.2
Derivative financial instruments	**2,579.7**	**2,579.7**	2,964.1	2,964.1
Total	**2,684.2**	**2,684.2**	3,080.3	3,080.3
Derivatives designated as hedging instruments				
Derivative financial instruments	**68.4**	**68.4**	50.8	50.8
Total	**68.4**	**68.4**	50.8	50.8
Designated at fair value				
Financial liabilities designated at fair value	**4,594.1**	**4,594.1**	4,399.3	4,399.3
Other liabilities[1]	**34.8**	**34.8**	67.9	67.9
Total	**4,628.9**	**4,628.9**	4,467.2	4,467.2
Total financial liabilities	**74,002.8**	**74,070.0**	75,815.9	75,880.1

[1] Relates to the deferred purchase price of WMPartners Wealth Management Ltd. and GPS Investimentos Financeiros e Participações S.A.

9 DEBT ISSUED

	30.06.2015 CHF m	31.12.2014 CHF m
Money market instruments	**0.1**	0.2
Bonds	**835.3**	834.5
Preferred securities	**225.0**	225.0
Total	**1,060.4**	1,059.8

Bonds and preferred securities

Issuer/Year of issue	Stated interest rate %		Notional amount CHF m	30.06.2015 Total CHF m	31.12.2014 Total CHF m
Julius Baer Capital (Guernsey) I Ltd.					
2005	3.63	Preferred securities	225.0	**225.0**	225.0
Julius Baer Group Ltd.					
2011[1]	4.50	Lower tier 2 bond	250.0	**242.0**	241.8
Julius Baer Group Ltd.					
2012[2]	5.375	Perpetual tier 1 subordinated bond	250.0	**248.5**	247.8
Julius Baer Group Ltd.					
2014[3]	4.25	Perpetual tier 1 subordinated bond	350.0	**344.8**	345.0
Total				**1,060.3**	1,059.5

[1] Own bonds of CHF 5.225 million are offset with bonds outstanding (2014: CHF 5.280 million). The effective interest rate amounts to 4.89%.
[2] Own bonds of CHF 0.760 million are offset with bonds outstanding (2014: CHF 1.245 million). The effective interest rate amounts to 5.59%.
[3] Own bonds of CHF 0.720 million are offset with bonds outstanding (2014: CHF 0.090 million). The effective interest rate amounts to 4.41%.

10 PROVISIONS

Introduction
The Group operates in a legal and regulatory environment that exposes it to significant litigation 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 or 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 employees or the Group.

Regulators in certain markets may determine that industry practices generally, and the Group's practices in particular, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Group's 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 arbitration proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of 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 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 disclosed as a contingent liability as of 30 June 2015.

These 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, having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the liquidators of the Fairfield funds are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and USD 26.5 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the liquidators of the Fairfield funds have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, the trustee of Madoff's broker-dealer company seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the liquidators of the Fairfield funds. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. The favourable ruling by the Privy Council may impact some of the claims pending in the United States. In particular, because the underlying facts in these actions are basically the same, the United States courts may apply the reasoning by the Privy Council to the claims at issue in the US Litigation. In addition, as the BVI Commercial Court oversees the Fairfield Funds' liquidation proceedings, the Bank introduced an application in the BVI Commercial Court challenging the Fairfield Liquidator's authority to pursue the US Litigation. In view of this pending application in the BVI, the Fairfield cases pending in the courts of New York remain stayed and a meaningful assessment of the potential outcome is not yet possible. In addition, the District Court for the Southern District of New York ('District Court') has issued a number of preliminary decisions in the cases brought by the Madoff trustee, and the cases are now being returned to the bankruptcy court for further proceedings. The District Court decisions and/or any dismissals resulting from them are likely to be appealed by the Madoff trustee.

In 2011, the Swiss authorities informed Bank Julius Baer & Co. Ltd. that US authorities had named it as one of several Swiss banks being investigated in connection with their cross-border US private banking services. Since then, the Bank has been in an ongoing, constructive dialogue with the US authorities. It has cooperated with the US authorities in full compliance with Swiss law and in coordination with Swiss authorities with the aim of reaching a resolution of the US investigation. In the context of its cooperation, the Bank has provided the US authorities with information pertaining to its legacy US cross-border private banking business. In addition, in 2013, the US authorities filed a request under the Switzerland/US Double Taxation Treaty for US taxpayer information to which the Bank responded in coordination with Swiss authorities. In parallel, in August 2013, the US Department of Justice ('DOJ') announced a programme for Swiss banks to resolve their US law exposure in connection with their US cross-border private banking business (the 'DOJ Programme'). However, the DOJ Programme is expressly inapplicable to banks under investigation prior to the announcement of the DOJ Programme. The Bank received notification from the DOJ that it falls within this category of banks and will continue with its individual cooperation and settlement efforts. As previously reported, end of 2013 the Bank had recognised a provision in the amount of CHF 15 million for costs to be incurred in connection with the US investigation of which CHF 6.4 million has been utilised until 30 June 2015. On 23 June 2015, the Bank further announced its decision to take a provision of USD 350 million for its eventual settlement with the DOJ regarding its legacy US cross-border business. Such provision is the result of continued and advanced discussions with the DOJ which enabled the Bank to make a preliminary assessment of a probable and approximate amount required to reach a settlement with the DOJ. The amount of the provision reflects the Bank's current understanding and the present state of the preliminary discussions with the DOJ regarding the amount of an eventual settlement and may be subject to change.

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 law of mandate a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived to reclaim such fees. Bank Julius Baer & Co. Ltd. has been assessing the Court decision, mandate structures to which the Court decision might be applicable and documentation as well as the impact of respective waivers and communicated bandwidths having been introduced some years ago, and implemented appropriate measures to address the matter.

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

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

A writ of summons (together with a statement of claim) (the 'Writ') filed by two former clients of the Bank (together, the 'Plaintiffs') in the High Court of Singapore naming Bank Julius Baer & Co. Ltd. Singapore branch and a former relationship manager as defendants respectively was served on the Bank on 25 September 2013. The Plaintiffs' claim stems from a dispute over alleged damages/losses incurred by the Plaintiffs arising from share accumulator transactions in 2007 and 2008. The Plaintiffs claim they suffered damages/losses due to (i) alleged breach of fiduciary duties, (ii) alleged breach of duty of care and/or warranty, (iii) alleged breach of contractual and common law duties of skill and care and/or warranty and/or (iv) alleged misrepresentations (whether fraudulently or negligently made). Due to these alleged breaches and misrepresentations, the Plaintiffs are, among other things, claiming rescission or damages in lieu of rescission, damages/losses amounting to approx. SGD 89 million and HKD 213 million as well as losses arising from loss of use of funds to be assessed at an interest rate of 5.33% p.a. (alternatively, damages to be assessed by the court) plus interests and costs. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. Such investigation is part of respective international inquiries with respect to possible unlawful collusion in foreign exchange and precious metals trading. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, constructively continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

Bank Julius Baer & Co. Ltd. has received payment orders ('Betreibungsbegehren') by the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS'), the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'), in the amount of CHF 110 million plus accrued interest from 2009. BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1989 and 1992 from the account of a foreign trade company established by former officials of the GDR. Against this background, in September 2014, the BvS has initiated legal proceedings in Zurich, claiming CHF 97 million plus accrued interests from 1994. The Bank is contesting the claims of BvS and has taken and will take appropriate measures to defend its interests. In addition, the claim has been notified under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

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

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the 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. The Bank is contesting the claim and has taken appropriate measures to defend its interests.

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

CAPITAL RATIOS

	30.06.2015 *Basel III phase-in[1] CHF m*	30.06.2014 *Basel III phase-in[1] CHF m*	31.12.2014 *Basel III phase-in[1] CHF m*
Risk-weighted positions			
Credit risk	**12,790.2**	11,409.7	12,206.8
Non-counterparty-related risk	**505.0**	548.4	547.9
Market risk	**757.5**	516.0	346.6
Operational risk	**4,044.0**	3,772.8	3,876.4
Total	**18,096.7**	16,246.9	16,977.7
Eligible capital			
Tier 1 capital (= CET1 capital)[2]	**3,456.7**	3,633.9	3,739.6
of which hybrid tier 1 instruments[3]	***750.7***	*766.1*	*772.8*
Tier 2 capital	**223.2**	241.9	240.8
of which lower tier 2 instruments[4]	***168.8***	*193.4*	*193.0*
Total capital	**3,679.9**	3,875.8	3,980.4
Tier 1 capital ratio (= CET1 capital ratio)[2]	**19.1%**	22.4%	22.0%
Total capital ratio	**20.3%**	23.9%	23.4%

[1] In Switzerland the BIS Basel III framework came into effect on 1 January 2013. 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. Furthermore, non-compatible Basel III tier 1 and tier 2 capital instruments will be phased out between 2013 and 2022.

[2] The BIS Basel III tier 1 capital at the end of 30 June 2015 was the same as the BIS Basel III CET1 (common equity tier 1) capital and includes additional tier 1 capital which offsets the required deductions for goodwill and other intangible assets. 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 and consequently disclosed on a separate line.

[3] The hybrid tier 1 instruments consist of preferred securities issued by Julius Baer Capital (Guernsey) I Limited, tier 1 bonds issued by Julius Baer Group Ltd. in 2012 and tier 1 bonds issued by Julius Baer Group Ltd. in 2014.

[4] The lower tier 2 instruments are the subordinated unsecured bonds issued by Julius Baer Group Ltd.

ASSETS UNDER MANAGEMENT

	30.06.2015 CHF m	30.06.2014 CHF m	31.12.2014 CHF m	Change to 31.12.2014 in %
Assets with discretionary mandate	**44,752**	43,099	45,563	-1.8
Other assets under management	**239,228**	231,135	245,034	-2.4
Total assets under management (including double counting)	**283,980**	274,234	290,597	-2.3
of which double counting	**4,606**	*3,620*	*4,361*	5.6

	H1 2015 CHF m	H1 2014 CHF m	H2 2014 CHF m	
Change through net new money	**6,472**	7,452	5,239	
Change through market and currency impacts	**-15,442**	5,363	11,841	
Change through acquisition	**2,491**[1]	7,005[2]	-717[3]	
Change through divestment	**-138**[4]	-	-	
Client assets	**368,583**	372,401	396,388	-7.0
of which double counting[5]	**22,244**	*20,180*	*23,091*	-3.7

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

2 On 14 February 2014, 11 April 2014, 9 May 2014 and 13 June 2014, the Group acquired businesses of Merrill Lynch's International Wealth Management (IWM) in Hong Kong, Singapore, Switzerland, Guernsey, Monaco, Israel, the Netherlands, Ireland and Jersey.
On 25 March 2014, the Group acquired GPS Investimentos Financeiros e Participações S.A., Brazil.

3 On 11 July 2014, 5 September 2014, 26 September 2014, 8 November 2014 and 5 December 2014, the Group acquired businesses of Merrill Lynch's International Wealth Management (IWM) in Hong Kong, Singapore, Switzerland, Guernsey, Monaco, Israel, the Netherlands, Ireland and Jersey.
On 1 October 2014, the Group acquired Merrill Lynch, Pierce, Fenner & Smith S.A.S. (France), Paris.

4 Relates to the asset outflow at Julius Baer Investments S.A.S., Paris, which was acquired as part of Merrill Lynch's International Wealth Management (IWM) business and that Group management decided to close.

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

METHOD OF CALCULATION

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

ACQUISITION OF MERRILL LYNCH'S INTERNATIONAL WEALTH MANAGEMENT

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

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

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

Financing of the transaction
The Group put the following funding in place:

- the issuance of the consideration shares out of authorised share capital to Merrill Lynch & Co., Inc. in the amount of CHF 243 million at a predetermined share price;
- the issuance of shares through a public rights offering in the amount of CHF 492 million in October 2012;
- existing excess capital in the amount of CHF 488 million; and
- the issuance of perpetual tier 1 subordinated bonds in the amount of CHF 250 million in September 2012.

Consideration has been transferred as follows:

- first USD 150 million in cash;
- subsequent USD 500 million payable 50% in cash and 50% in shares of Julius Baer Group Ltd.; and
- remainder in cash.

Status as at 30 June 2015
As at 30 June 2015, AuM in the amount of CHF 52.0 billion have been booked with the Group.

The transaction resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 733.0 million. This amount consists of the following components:

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

Therefore, the purchase price of CHF 906.9 million was paid for goodwill and intangible assets and net asset values of the acquired legal entities.

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

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

	30.06.2015 Total Acquisitions Fair value *CHF m*	31.12.2014 Total Acquisitions Fair value *CHF m*
Purchase price		
in cash	**615.3**	591.7
in shares of Julius Baer Group Ltd.	**291.6**	291.6
Total	**906.9**	883.3
Assets acquired		
Cash	**271.8**	271.5
Due from banks	**8,280.8**	8,278.4
Loans[1]	**3,933.4**	3,933.4
Deferred tax assets	**0.1**	0.1
All other assets	**156.2**	149.4
Total	**12,642.3**	12,632.8
Liabilities assumed		
Due to banks	**3,542.2**	3,541.4
Due to customers	**8,687.0**	8,685.4
Deferred tax liabilities	**26.6**	26.6
All other liabilities	**212.7**	211.7
Total	**12,468.4**	12,465.0
Goodwill and other intangible assets related to legal entity acquisitions and to business transfers		
Goodwill	**416.3**	407.2
Customer relationships	**316.7**	308.3
Total	**733.0**	715.5

[1] At the acquisition dates, the gross contractual amount of loans acquired was CHF 3,933 million.

OTHER ACQUISITIONS

Apart from the acquisition of Merrill Lynch's International Wealth Management business (see page 26f. for details), the following transactions were executed:

GPS Investimentos Financeiros e Participações S.A.
On 25 March 2014, the Group acquired an additional 50% interest in São Paulo-based GPS Investimentos Financeiros e Participações S.A., which includes GPS Planejamento Financeiro Ltda. and CFO Administração de Recursos Ltda. ('GPS'). This transaction increased the Group's participation in GPS to 80% from the 30% acquired in May 2011. On 25 March 2014, the Group paid half of the consideration in the amount of CHF 55.8 million in cash for this additional interest which was fully funded by existing excess capital of the Group. In addition, the Group agreed on two additional payments on 25 March 2015 (performed as scheduled) and 2016, respectively. As part of the transaction, the Group realised a gain in the amount of CHF 14.8 million on the revaluation to fair value of the 30% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2014. The Group also holds a forward contract to acquire the remaining 20% interest in GPS at a predetermined relative price.

GPS is specialised in discretionary portfolio management and advisory services. The acquisition supports the Group's strategic intention to build its wealth management business in one of the most attractive and promising domestic wealth management markets. GPS will continue to operate under its well-established and respected brand.

The assets and liabilities of GPS were recorded as follows:

	Fair value *CHF m*
Purchase price	
in cash	55.8
contribution of the 30% interest (at fair value)	66.9
deferred purchase price (liabilities)	55.8
Total	178.5
Due from banks	4.7
All other assets	7.3
Assets acquired	12.0
Deferred tax liabilities	18.5
All other liabilities	13.2
Liabilities assumed	31.7
Goodwill and other intangible assets and non-controlling interests	
Goodwill	151.4
Customer relationships	54.4
Non-controlling interests	7.6
Total	198.2

Leumi Private Bank AG

On 21 July 2014, the Group announced a strategic cooperation with Bank Leumi. Under this agreement, Leumi will refer clients with international private banking needs to the Group, while the Group will refer clients to Leumi's domestic banking services. As part of the agreement, the Group acquired Leumi's international private banking clients in Switzerland in the form of a business transfer. The cost of the transaction was CHF 10 million in cash and is recognised as client relationships. The transaction has been executed in the first half of 2015 and the purchase price was fully funded by existing excess capital of the Group.

The business acquired has been fully integrated into the existing Group structure. Therefore the Group is not able to disclose any income statement impacts of the acquired Leumi business on the Group's financial statements.

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

	Fair value *CHF m*
Purchase price	
in cash	10.0
Total	10.0
Due from banks	992.5
Loans[1]	441.1
All other assets	28.7
Assets acquired	1,462.3
Due to banks	225.7
Due to customers	1,207.9
All other liabilities	28.7
Liabilities assumed	1,462.3
Goodwill and other intangible assets	
Customer relationships	10.0
Total	10.0

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

CORPORATE CONTACTS

Group Communications
Jan A. Bielinski
Chief Communications Officer
Telephone +41 (0) 58 888 5777

Investor Relations
Alexander C. van Leeuwen
Telephone +41 (0) 58 888 5256

International Banking Relations
Kaspar H. Schmid
Telephone +41 (0) 58 888 5497

JULIUS BAER GROUP LTD.
Bahnhofstrasse 36
P.O. Box
8010 Zurich
Switzerland
Telephone +41 (0) 58 888 1111
Fax +41 (0) 58 888 5517
www.juliusbaer.com

The Julius Baer Group
is present in some
50 locations worldwide.
From Zurich (Head Office),
Dubai, Frankfurt, Geneva,
Hong Kong, London,
Lugano, Monaco, Montevideo,
Moscow, Singapore to Tokyo.

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