Julius Bär

Half-year Report **2013**
Julius Baer Group Ltd.

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Julius Baer Group Ltd.

Consolidated income statement

	Note	**H1 2013** CHF m	H1 2012 CHF m restated [1]	H2 2012 CHF m restated [1]	Change to H1 2012 in %
Interest and dividend income		**316.3**	368.2	290.3	-14.1
Interest expense		**41.6**	45.5	54.5	-8.6
Net interest and dividend income	1	**274.8**	322.7	235.8	-14.8
Commission and fee income		**709.6**	566.5	605.5	25.3
Commission expense		**110.9**	95.9	95.6	15.6
Net commission and fee income	2	**598.8**	470.7	509.8	27.2
Net trading income	3	**184.5**	52.2	120.6	253.4
Other ordinary results		**18.7**	17.5	8.0	6.9
Operating income		**1,076.7**	863.1	874.3	24.7
Personnel expenses	4	**521.6**	421.4	400.8	23.8
General expenses	5	**319.1**	160.8	223.6	98.4
Depreciation of property and equipment		**14.0**	14.9	17.4	-6.0
Amortisation of customer relationships		**48.5**	45.7	45.4	6.1
Amortisation of other intangible assets		**29.7**	16.8	29.4	76.8
Operating expenses		**932.9**	659.6	716.6	41.4
Profit before taxes		**143.8**	203.5	157.7	-29.3
Income taxes		**29.5**	41.1	31.8	-28.2
Net profit		**114.3**	162.4	125.9	-29.6
Attributable to:					
Shareholders of Julius Baer Group Ltd.		**114.0**	162.2	125.5	-29.7
Non-controlling interests		**0.3**	0.2	0.4	50.0
		114.3	162.4	125.9	-29.6

	H1 2013 CHF	H1 2012 CHF restated [1]	H2 2012 CHF restated [1]	Change to H1 2012 in %
Share information				
Basic net profit per registered share	**0.53**	0.81	0.62	-34.3
Diluted net profit per registered share	**0.53**	0.81	0.62	-35.1

[1] Previous periods' numbers have been restated due to the retrospective application of the amended IAS 19 – Employee Benefits.

Consolidated statement of comprehensive income

	H1 2013 *CHF m*	H1 2012 *CHF m* *restated* [1]	H2 2012 *CHF m* *restated* [1]	Change *to H1 2012 in %*
Net profit recognised in the income statement	**114.3**	162.4	125.9	-29.6
Other comprehensive income (net of taxes):				
Items that may be reclassified subsequently to the income statement				
Net unrealised gains/(losses) on financial investments available-for-sale	**-19.7**	62.4	57.8	
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	**0.5**	10.2	12.2	
Hedging reserve for cash flow hedges	**10.1**	-2.1	-2.8	
Translation differences	**0.9**	-3.2	-3.5	
Realised (gains)/losses reclassified to the income statement on translation differences	**1.7**	-	12.5	
Items that will not be reclassified to the income statement				
Remeasurement of defined benefit obligation	**44.6**	-16.7	-0.3	
Other comprehensive income for the period recognised directly in equity	**38.1**	50.6	76.0	
Total comprehensive income for the period recognised in the income statement and in equity	**152.4**	213.0	201.9	
Attributable to:				
Shareholders of Julius Baer Group Ltd.	**152.1**	212.8	201.5	
Non-controlling interests	**0.3**	0.2	0.4	
	152.4	213.0	201.9	

[1] Previous periods' numbers have been restated due to the retrospective application of the amended IAS 19 – Employee Benefits.

Consolidated balance sheet

	Note	30.06.2013 CHF m	31.12.2012 CHF m restated [1]	30.06.2012 CHF m restated [1]	01.01.2012 CHF m restated [1]
Assets					
Cash		**10,349.7**	9,582.2	5,658.7	4,241.5
Due from banks	6	**11,522.8**	6,023.8	8,946.9	10,048.1
Loans	6	**22,908.7**	19,783.3	18,044.3	16,408.4
Trading assets		**4,777.7**	4,122.9	3,771.2	4,920.2
Derivative financial instruments		**1,976.4**	1,205.7	1,519.1	2,114.0
Financial investments available-for-sale	7	**12,998.0**	11,775.4	13,230.5	12,168.0
Investments in associates		**104.8**	45.2	45.7	48.5
Property and equipment		**374.1**	359.6	361.0	366.1
Goodwill and other intangible assets		**1,763.8**	1,635.5	1,671.0	1,706.9
Accrued income and prepaid expenses		**266.8**	212.2	223.1	192.1
Deferred tax assets		**17.9**	15.1	14.0	12.4
Other assets		**180.3**	59.8	146.3	112.2
Assets held for sale		**-**	-	546.5	565.8
Total assets		**67,241.0**	54,820.7	54,178.3	52,904.2

	Note	**30.06.2013** CHF m	31.12.2012 CHF m restated [1]	30.06.2012 CHF m restated [1]	01.01.2012 CHF m restated [1]
Liabilities and equity					
Due to banks		**8,456.3**	4,289.8	4,748.2	5,670.2
Due to customers		**45,694.1**	39,103.8	37,736.6	34,841.2
Trading liabilities		**890.1**	804.7	585.2	814.1
Derivative financial instruments		**1,957.2**	1,125.8	1,442.4	2,116.0
Financial liabilities designated at fair value		**3,795.3**	3,154.7	3,849.8	3,494.6
Debt issued		**722.8**	746.3	492.9	475.8
Accrued expenses and deferred income		**365.3**	358.6	247.3	322.8
Current tax liabilities		**13.3**	21.9	10.5	19.7
Deferred tax liabilities		**115.3**	92.8	82.9	89.4
Provisions	9	**58.8**	31.4	38.9	54.1
Other liabilities		**426.8**	366.6	346.2	253.7
Liabilities held for sale		**-**	-	546.3	565.4
Total liabilities		**62,495.2**	50,096.3	50,127.3	48,716.9
Share capital		**4.5**	4.3	3.9	4.1
Retained earnings		**4,946.9**	4,951.8	4,339.4	4,717.2
Other components of equity		**-68.4**	-106.5	-182.5	-233.1
Treasury shares		**-140.3**	-127.6	-111.6	-302.9
Equity attributable to shareholders of Julius Baer Group Ltd.		**4,742.8**	4,722.1	4,049.1	4,185.3
Non-controlling interests		**3.0**	2.3	1.9	1.9
Total equity		**4,745.8**	4,724.3	4,051.0	4,187.3
Total liabilities and equity		**67,241.0**	54,820.7	54,178.3	52,904.2

[1] Previous periods' numbers have been restated due to the retrospective application of the amended IAS 19 – Employee Benefits.

Consolidated statement of changes in equity

	Share capital CHF m	Retained earnings [1] CHF m	Financial investments available-for-sale, net of taxes CHF m
At 1 January 2012	4.1	4,717.2	-51.4
Restatement	-	-	-
At 1 January 2012, restated	4.1	4,717.2	-51.4
Net profit		162.2	
Items that may be reclassified subsequently to the income statement	-	-	72.6
Items that will not be reclassified to the income statement	-	-	-
Total comprehensive income	-	162.2	72.6
Capital reduction	-0.2	-352.1	-
Dividends	-	-196.4	-
Dividend income on own shares	-	2.5	-
Share-based payments expensed for the year	-	15.4	-
Share-based payments vested	-	-8.6	-
Changes in derivatives on own shares	-	1.8	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	-2.6	-
At 30 June 2012, restated	3.9	4,339.4	21.2
At 1 July 2012, restated	3.9	4,339.4	21.2
Net profit	-	125.5	-
Items that may be reclassified subsequently to the income statement	-	-	70.0
Items that will not be reclassified to the income statement	-	-	-
Total comprehensive income	-	125.5	70.0
Capital increase	0.4	470.9	-
Share-based payments expensed for the year	-	17.1	-
Share-based payments vested	-	-3.5	-
Changes in derivatives on own shares	-	2.4	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	0.1	-
At 31 December 2012, restated	4.3	4,951.8	91.2
At 1 January 2013, restated	**4.3**	**4,951.8**	**91.2**
Net profit	**-**	**114.0**	**-**
Items that may be reclassified subsequently to the income statement	**-**	**-**	**-19.2**
Items that will not be reclassified to the income statement	**-**	**-**	**-**
Total comprehensive income	**-**	**114.0**	**-19.2**
Changes	**-**	**-**	**-**
Capital increase	**0.1**	**6.5** [2]	**-**
Dividends	**-**	**-130.0**	**-**
Dividend income on own shares	**-**	**2.0**	**-**
Share-based payments expensed for the year	**-**	**20.9**	**-**
Share-based payments vested	**-**	**-16.2**	**-**
Changes in derivatives on own shares	**-**	**-6.9**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**4.7**	**-**
At 30 June 2013	**4.5**	**4,946.9**	**72.0**

[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]Including incremental costs of CHF 1.1 million that are directly attributable to the issuance of the new shares in 2012.

Other components of equity						
Hedging reserve for cash flow hedges, 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*
-5.3	-	-53.4	-302.9	4,308.3	1.9	4,310.2
-	-119.7	-3.3	-	-123.0	-	-123.0
-5.3	-119.7	-56.7	-302.9	4,185.3	1.9	4,187.3
	-	-		162.2	0.2	162.4
-2.1	-	-3.2	-	67.3	-	67.3
-	-16.7	-	-	-16.7	-	-16.7
-2.1	-16.7	-3.2	-	212.8	0.2	213.0
-	-	-	352.3	-	-	-
-	-	-	-	-196.4	-0.2	-196.6
-	-	-	-	2.5	-	2.5
-	-	-	-	15.4	-	15.4
-	-	-	8.6	-	-	-
-	-	-	-40.7	-38.9	-	-38.9
-	-	-	-312.0	-312.0	-	-312.0
-	-	-	183.1	180.5	-	180.5
-7.4	-136.4	-59.9	-111.6	4,049.1	1.9	4,051.0
-7.4	-136.4	-59.9	-111.6	4,049.1	1.9	4,051.0
-	-	-	-	125.5	0.4	125.9
-2.8	-	9.0	-	76.2	-	76.2
-	-0.3		-	-0.3	-	-0.3
-2.8	-0.3	9.0	-	201.5	0.4	201.9
-	-	-	-	471.3	-	471.3
-	-	-	-	17.1	-	17.1
-	-	-	3.5	-	-	-
-	-	-	0.9	3.3	-	3.3
-	-	-	-64.6	-64.6	-	-64.6
-	-	-	44.2	44.3	-	44.3
-10.1	-136.7	-50.9	-127.6	4,722.1	2.3	4,724.3
-10.1	**-136.7**	**-50.9**	**-127.6**	**4,722.1**	**2.3**	**4,724.3**
-	**-**	**-**	**-**	**114.0**	**0.3**	**114.3**
10.1	**-**	**2.6**	**-**	**-6.5**	**-**	**-6.5**
-	**44.6**		**-**	**44.6**	**-**	**44.6**
10.1	**44.6**	**-**	**-**	**152.1**	**0.3**	**152.4**
-	**-**	**-**	**-**	**-**	**0.8**	**0.8**
-	**-**	**-**	**-**	**6.6**	**-**	**6.6**
-	**-**	**-**	**-**	**-130.0**	**-0.3**	**-130.3**
-	**-**	**-**	**-**	**2.0**	**-**	**2.0**
-	**-**	**-**	**-**	**20.9**	**-**	**20.9**
-	**-**	**-**	**16.2**	**-**	**-**	**-**
-	**-**	**-**	**16.0**	**9.1**	**-**	**9.1**
-	**-**	**-**	**-179.3**	**-179.3**	**-**	**-179.3**
-	**-**	**-**	**134.5**	**139.2**	**-**	**139.2**
-	**-92.1**	**-48.3**	**-140.3**	**4,742.8**	**3.0**	**4,745.8**

Consolidated statement of cash flows (condensed)

	H1 2013 *CHF m*	H1 2012 *CHF m*	H2 2012 *CHF m*
Cash and cash equivalents at the beginning of the period	**15,968.3**	17,317.3	16,859.6
Cash flow from operating activities after taxes	**6,391.9**	1,478.4	-636.4
Cash flow from investing activities	**222.7**	-1,942.7	-297.4
Cash flow from financing activities	**465.6**	7.8	11.2
Effects of exchange rate changes	**-79.2**	-1.2	31.3
Cash and cash equivalents at the end of the period	**22,969.3**	16,859.6	15,968.3

Condensed accounting policies and valuation principles

This unaudited interim report was produced in accordance with International Accounting Standard 34.

The condensed consolidated half-year financial statements of the Group as at, and for the six month ended, 30 June 2013 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 2012 with the exception of the recently adopted accounting standards.

Starting 1 January 2013, the following new or revised accounting standards are in force and are relevant to the Group:

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
The amendments require entities to present separately the items within other comprehensive income (OCI) that at some point may be reclassified to (recycled through) the income statement from those that would never be reclassified. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements, including or excluding related tax.

The amendment affected presentation only and had no impact on the Group's financial statements.

IAS 19 – Employee Benefits (amended 2011)
The revised standard eliminates the corridor method that has been previously applied by the Group. Under the amended standard, all changes in the present value of the defined benefit obligation and in the fair value of the plan assets are recognised in the financial statements immediately in the period they occur. Any movements in actuarial gains and losses are recognised through other comprehensive income.

In addition, the revised standard specifies the presentation of the changes in the net defined benefit liability. Service costs and net interest on the net defined benefit liability are recognised in the consolidated income statement, whereas the remeasurement of the net defined benefit liability is recognised in other comprehensive income. Previously, all recognisable changes, including the recognised part of the actuarial gains and losses under the corridor method, were recognised in the consolidated income statement.

Under the revised version of IAS 19, the defined benefit expenses recognised in the consolidated income statement consist of the service costs and the net interest cost based on the net defined benefit liabilities. The net interest costs are based on the discount rate used to discount the obligation.

The Group applied this change in accounting policy retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, affecting both the net defined benefit liability in the consolidated balance sheet and the amount recognised in the consolidated income statement. The following amounts have been restated for previous accounting periods:

A pension liability in the amount of CHF 131.6 million was recognised for 2012 (previously: pension asset in the amount of CHF 47.1 million). The total defined benefits expenses recognised in the income statement 2012 amounted to CHF 79.4 million (previously: contribution to staff pension plans of CHF 44.4 million), consisting of service costs of CHF 77.5 million and net interest costs of CHF 1.9 million. The net interest costs consist of interest cost on the obligation of CHF 40.5 million and interest income on plan assets of CHF 38.6 million, both calculated based on the discount rate used to discount the defined benefit obligation.

The negative impact (net of tax) of the amendment on basic and diluted net profit per registered share would have been CHF 0.13.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
The new disclosure requirements enable the users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements. Therefore, the amendment does not have an impact on the Group.

IFRS 10 – Consolidated Financial Statements
The new standard provides a single basis for consolidation based on control, irrespective of the nature of the investee. The following three elements constitute control:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

An investor must possess all three elements to conclude it controls an investee. The assessment is based on all facts and circumstances and is reassessed as facts and circumstances change.

Power exists when the investor has existing rights that give the current ability to direct the activities that significantly affect the investee's return. Power most commonly arises through voting rights, but can also arise through contractual arrangements. Rights to direct the relevant activities are based on the ability to direct the relevant activities, i.e. they do not need to be exercised to provide an investor power. When assessing if it controls the investee, an investor should consider potential voting rights, economic dependency and the size of its shareholding in comparison to other holdings, together with voting patterns at shareholder meetings.

The new standard introduces guidance on assessing whether an entity with decision-making rights is principal or agent. An agent has been engaged to act on behalf, and for the benefit, of another party (principal).

The application of the new standard had no material impact on the consolidation of investments held by the Group.

IFRS 13 – Fair Value Measurement
The new standard a) defines fair value; b) sets out in a single IFRS a framework for measuring fair value; and c) requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements based on fair value or disclosures about those measurements, e.g. fair value less costs to sell).

The IFRS explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs from now on.

The application of the new standard had a positive impact on the Group's financial statements due to the elimination of certain bid-ask adjustments previously included in fair values, resulting in a market-based measurement.

Events after the balance sheet date

The Audit Committee of the Board of Directors, together with representatives of the Group Executive Board, approved the half-year condensed consolidated financial statements at its meeting on 19 July 2013.

The following significant events occurred since the closing on 30 June 2013:

As part of the acquisition of Merrill Lynch's International Wealth Management, further legal entities (mainly in the UK) have been acquired and the transfer of businesses in the UK, Spain and Israel started. Additional AuM in the amount of CHF 22.4 billion have been transferred. Refer also to page 21f.

	Exchange rates as at			Average exchange rates		
	30.06.2013	30.06.2012	31.12.2012	**H1 2013**	H1 2012	2012
USD/CHF	**0.9462**	0.9465	0.9153	**0.9380**	0.9250	0.9325
EUR/CHF	**1.2299**	1.2012	1.2068	**1.2280**	1.2030	1.2040
GBP/CHF	**1.4351**	1.4846	1.4878	**1.4390**	1.4650	1.4850

Information on the consolidated income statement

1 Net interest income and dividend income

	H1 2013 CHF m	H1 2012 CHF m	H2 2012 CHF m	Change to H1 2012 in %
Interest income on amounts due from banks	**10.2**	16.2	11.3	-37.0
Interest income on loans	**159.8**	143.3	148.2	11.5
Interest income on money market instruments	**2.6**	9.2	5.6	-71.7
Interest income on financial investments available-for-sale	**70.4**	79.7	81.5	-11.7
Total interest income using the effective interest method	**243.0**	248.4	246.6	-2.2
Dividend income on financial investments available-for-sale	**6.5**	2.8	-	132.1
Interest income on trading portfolios	**33.6**	26.5	41.1	26.8
Dividend income on trading portfolios	**33.2**	90.5	2.6	-63.3
Total interest and dividend income	**316.3**	368.2	290.3	-14.1
Interest expense on amounts due to banks	**0.5**	2.2	0.5	-77.3
Interest expense on amounts due to customers	**24.6**	33.6	40.7	-26.8
Interest expense on debt issued	**16.4**	9.6	13.4	70.8
Total interest expense using the effective interest method	**41.6**	45.5	54.5	-8.6
Total	**274.8**	322.7	235.8	-14.8

2 Net commission and fee income

	H1 2013 CHF m	H1 2012 CHF m	H2 2012 CHF m	Change to H1 2012 in %
Advisory and management commissions	**351.3**	306.2	327.9	14.7
Investment fund fees	**67.2**	53.5	55.2	25.6
Fiduciary commissions	**4.1**	6.8	5.0	-39.7
Total commission and fee income from asset management	**422.6**	366.5	388.0	15.3
Brokerage commissions and income from securities underwriting	**216.8**	174.5	184.9	24.2
Commission income from credit-related activities	**3.0**	2.9	2.9	3.4
Commission and fee income on other services	**67.1**	22.6	29.7	196.9
Total commission and fee income	**709.6**	566.5	605.5	25.3
Commission expense	**110.9**	95.9	95.6	15.6
Total	**598.8**	470.7	509.8	27.2

3 Net trading income

	H1 2013 CHF m	H1 2012 CHF m	H2 2012 CHF m	*Change to H1 2012 in %*
Debt instruments	**8.8**	2.5	11.3	252.0
Equity instruments	**-29.5**	-82.6	-13.6	-
Foreign exchange	**205.3**	132.2	123.0	55.3
Total	**184.5**	52.2	120.6	253.4

4 Personnel expenses

	H1 2013 CHF m	H1 2012 CHF m restated [1]	H2 2012 CHF m restated [1]	*Change to H1 2012 in %*
Salaries and bonuses	**408.3**	323.5	326.7	26.2
Contributions to staff pension plans	**33.4**	50.1	21.1	-33.3
Other social security contributions	**36.5**	27.9	25.3	30.8
Share-based payments	**20.9**	15.4	17.1	35.7
Other personnel expenses	**22.6**	4.5	10.6	402.2
Total	**521.6**	421.4	400.8	23.8

[1] Previous periods' numbers have been restated due to the retrospective application of the amended IAS 19 – Employee Benefits.

5 General expenses

	H1 2013 CHF m	H1 2012 CHF m	H2 2012 CHF m	*Change to H1 2012 in %*
Occupancy expense	**37.2**	26.5	28.3	40.4
IT and other equipment expense	**39.0**	24.7	24.2	57.9
Information, communication and advertising expense	**66.1**	57.9	59.8	14.2
Service expense, fees and taxes	**135.5**	61.3	116.9	121.0
Valuation allowances, provisions and losses	**40.1** [1]	-10.7	-6.3	-
Other general expenses	**1.1**	1.1	0.7	-0.0
Total	**319.1**	160.8	223.6	98.4

[1] Including CHF 28 million related to the withholding tax treaty between Switzerland and the UK (see Note 9 Provisions).

Information on the consolidated balance sheet
6a Due from banks

	30.06.2013 CHF m	30.06.2012 CHF m	31.12.2012 CHF m	Change to 31.12.12 in %
Due from banks	**11,527.1**	8,952.2	6,028.4	91.2
Allowance for credit losses	**-4.3**	-5.3	-4.5	-
Total	**11,522.8**	8,946.9	6,023.8	91.3

6b Loans

	30.06.2013 CHF m	30.06.2012 CHF m	31.12.2012 CHF m	Change to 31.12.12 in %
Loans	**16,743.6**	13,085.1	14,232.2	17.6
Mortgages	**6,194.3**	5,036.8	5,619.4	10.2
Subtotal	**22,937.9**	18,121.9	19,851.6	15.5
Allowance for credit losses	**-29.2**	-77.6	-68.4	-
Total	**22,908.7**	18,044.3	19,783.3	15.8

6c Allowance for credit losses

	H1 2013		H1 2012		H2 2012	
	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	**56.4**	**16.5**	65.1	27.3	56.6	26.3
Write-offs	**-44.5**	**-**	-	-	-0.4	-
Increase in allowance for credit losses	**4.9**	**0.2**	2.0	-	1.7	0.9
Decrease in allowance for credit losses	**-**	**-**	-10.6	-1.0	-0.5	-10.7
Translation differences and other adjustments	**-**	**-**	0.1	-	-1.1	-
Balance at the end of the period	**16.8**	**16.7**	56.6	26.3	56.4	16.5

6d Impaired loans

	30.06.2013 CHF m	30.06.2012 CHF m	31.12.2012 CHF m	Change to 31.12.12 in %
Gross loans	**26.8**	60.0	70.6	-62.0
Specific allowance for credit losses	**-16.8**	-56.6	-56.4	-
Net loans	**10.0**	3.4	14.2	-29.6

7a Financial investments available-for-sale

	30.06.2013 CHF m	30.06.2012 CHF m	31.12.2012 CHF m	Change to 31.12.12 in %
Money market instruments	**1,528.7**	2,510.1	634.5	140.9
Government and agency bonds	**1,755.1**	1,921.2	1,775.4	-1.1
Financial institution bonds	**5,440.3**	5,343.2	5,202.7	4.6
Corporate bonds	**4,184.0**	3,381.7	4,072.5	2.7
Other bonds	**7.6**	-	-	-
Debt instruments	**11,387.0**	10,646.1	11,050.6	3.0
of which quoted	***10,531.6***	*9,814.7*	*10,038.6*	*4.9*
of which unquoted	***855.4***	*831.4*	*1,012.0*	*-15.5*
Equity instruments	**82.3**	74.3	90.2	-8.8
of which quoted	**-**	*0.1*	-	
of which unquoted	***82.3***	*74.2*	*90.2*	*-8.8*
Total	**12,998.0**	13,230.5	11,775.4	10.4

7b Financial investments available-for-sale – Credit ratings

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	30.06.2013 CHF m	30.06.2012 CHF m	31.12.2012 CHF m
1–2	AAA – AA-	Aaa – Aa3	**7,827.9**	8,065.0	8,259.4
3	A+ – A-	A1 – A3	**3,047.5**	2,144.0	2,374.5
4	BBB+ – BBB-	Baa1 – Baa3	**331.0**	213.4	235.6
5–7	BB+ – CCC-	Ba1 – Caa3	**60.2**	104.6	92.9
Unrated			**120.4**	119.1	88.2
Total			**11,387.0**	10,646.1	11,050.6

8 Fair value

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

For financial instruments for which quoted market prices are not directly available, 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 (level 2). 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 include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model or generalisations of that 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.

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 (level 3). In 2013 and 2012, the Group recognised two such financial instruments in the financial investments available-for-sale. These investments are interests held in SIX Swiss Exchange AG and Euroclear in the amount of CHF 76.2 million (2012: CHF 68.3 million), which are required for the operation of the Group. These investments are not tradable. The determination of the fair value is based on the published net asset value of the investees. The net asset value was adjusted by the management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method).

The fair value of financial instruments carried at fair value is determined as follows (previous year numbers have been adjusted due to the move of the investments in SIX Swiss Exchange AG and Euroclear from level 2 to level 3):

				30.06.2013
	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**Total** *CHF m*
Determination of fair values				
Trading assets	2,537.4	884.1	-	**3,421.5**
Derivative financial instruments	99.8	1,876.6	-	**1,976.4**
Financial investments available-for-sale	10,531.6	2,390.2	76.2	**12,998.0**
Total assets at fair value	**13,168.8**	**5,150.9**	**76.2**	**18,395.9**
Trading liabilities	347.2	542.9	-	**890.1**
Derivative financial instruments	236.3	1,720.9	-	**1,957.2**
Financial liabilities designated at fair value	930.4	2,864.9	-	**3,795.3**
Total liabilities at fair value	**1,513.9**	**5,128.7**	**-**	**6,642.6**

	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*	31.12.2012 Total *CHF m*
Determination of fair values				
Trading assets	1,696.4	859.3	-	2,555.7
Derivative financial instruments	103.6	1,102.1	-	1,205.7
Financial investments available-for-sale	10,038.6	1,668.5	68.3	11,775.4
Total assets at fair value	11,838.6	3,629.9	68.3	15,536.8
Trading liabilities	353.3	451.4	-	804.7
Derivative financial instruments	102.6	1,023.2	-	1,125.8
Financial liabilities designated at fair value	974.5	2,180.2	-	3,154.7
Total liabilities at fair value	1,430.4	3,654.8	-	5,085.2

The fair value of the level 3 financial instruments increased due to the remeasurement of the investments based on the delayed availability of the net asset values. The increase in the fair value is recognised in other comprehensive income. In 2013, dividends related to these investments in the amount of CHF 6.5 million (2012: CHF 2.8 million) have been recognised in the income statement.

9 Provisions

Since 31 December 2012, the following new legal or other proceedings arose:

Bank Julius Baer & Co. Ltd. ("the Bank") 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). 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") has been filed in the High Court of Singapore naming Bank Julius Baer & Co Ltd. Singapore branch ("the Bank") and a former relationship manager as defendants respectively by the plaintiffs, two former clients of the Bank (together, the "Plaintiffs"), on 12 June 2013. The Writ has not been served on the Bank as at 19 July 2013. The Writ has a validity period of 6 months (unless otherwise extended by the court) and has to be served by the Plaintiffs on the Bank within 6 months from 12 June 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. Based on the statement of the filed claim, the Plaintiffs claimed they suffered damages/ losses due to (i) alleged breach of fiduciary duties, (ii) alleged breach of duty of care, (iii) alleged breach of contractual and common law duties of skill and care and/or (iv) alleged misrepresentations (whether fraudulently or negligently made). Arising from the alleged breaches and misrepresentations, the Plaintiffs are, among other things, claiming damages/losses amounting to SGD 94 million and HKD 186 million (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 5 July 2013, the Swiss Banker Association (SBA) provided an update on the progress of the withholding tax treaty between Switzerland and the UK. According to this announcement, it cannot be excluded that the Group's guarantee payment will not, or only to a very limited extent, be reimbursed. This is 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 is substantially below the initial expectations. In accordance with the allocation key, the Group may face a maximum payment in the amount of CHF 28 million, which has been fully provisioned for as at 30 June 2013.

Capital ratios

	30.06.2013 *Basel III phase in*[1] *CHF m*	30.06.2012 *Basel 2.5* *CHF m*	31.12.2012 *Basel 2.5* *CHF m*
Risk-weighted positions			
Credit risk	**10,165.7**	8,675.7	7,886.5
Non-counterparty-related risk	**560.9**	534.6	541.6
Market risk	**1,169.4**	853.3	1,098.4
Operational risk	**3,322.2**	2,871.3	2,924.6
Total	**15,218.2**	12,934.9	12,451.1
Eligible capital			
Eligible tier 1 capital (= CET1 capital in 2013)[2]	**3,487.9**	2,765.9	3,645.0
of which hybrid tier 1 instruments[3]	***446.4***	*225.0*	*470.3*
Total capital	**3,724.3**	3,056.4	3,940.1
of which lower tier 2 instruments[4]	***220.9***	*243.1*	*245.6*
BIS tier 1 capital ratio (= CET1 capital ratio in 2013)[2]	**22.9%**	21.4%	29.3%
BIS total capital ratio	**24.5%**	23.6%	31.6%

[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 2013 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 are the preferred securities issued by Julius Baer Capital (Guernsey) I Limited and the perpetual tier 1 subordinated bonds issued by Julius Baer Group Ltd.

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

Assets under management

	30.06.2013 *CHF m*	30.06.2012 *CHF m*	31.12.2012 *CHF m*	*Change to 31.12.12 in %*
Assets with discretionary mandate	**29,975**	25,931	27,626	8.5
Other assets under management	**187,719**	152,876	161,707	16.1
Total assets under management (including double counting)	**217,694**	178,807	189,333	15.0
of which double counting	***2,415***	*2,478*	*1,730*	*39.6*

	H1 2013 *CHF m*	H1 2012 *CHF m*	H2 2012 *CHF m*	
Change through net new money	**3,438**	5,450	4,221	
Change through market and currency impacts	**1,356**	3,037	6,326	
Change through acquisition	**24,527** [1]	-	555 [3]	
Change through divestment	**-960** [2]	-	-576 [4]	
Client assets	**303,580**	268,888	276,977	9.6

[1] On 1 February 2013, the Group acquired Merrill Lynch Bank (Suisse) S.A., Geneva, and its branches in Zurich and Dubai.
On 1 April 2013, the Group acquired Merrill Lynch (Montevideo) S.A., Uruguay, Institución Financiera Externa Merrill Lynch Bank (Uruguay) S.A., Uruguay, Merrill Lynch (Chile) SpA, Chile, Merrill Lynch (Luxembourg) S.à.r.l., Luxembourg, and Merrill Lynch S.A.M. Monaco, Monaco.
On 27 May 2013, the Group acquired businesses of Merrill Lynch's International Wealth Management (IWM) in Hong Kong and Singapore.
On 17 April 2013, the Group acquired 60% of TFM Asset Management Ltd., Erlenbach.
[2] On 31 May 2013, the Group sold Julius Baer SIM S.p.A., Milano.
[3] On 1 October 2012, the Group acquired Bank of China (Suisse) SA, Geneva.
[4] On 24 August 2012, the Group sold Julius Baer Life (Bahamas) Ltd.

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 where only AuM and the related client deposits and loans are transferred. Acquired legal entities are either held as a subsidiary or are merged with existing entities of the Group. Businesses are transferred to existing booking centres within the Group. While principal completion occured on 1 February 2013 the transfer will continue during the integration which is expected to end in the first quarter of 2015. The Group expects that the acquisition will result in additional Assets under Management (AuM) of between CHF 57 billion and CHF 72 billion by the end of the integration.

Purchase price

The consideration payable 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 will pay 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 at a level that is sufficient to support the acquisition of up to CHF 72 billion of AuM:

- 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 pre-determined 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 is to be 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 of 30 June 2013

As of 30 June 2013, AuM in the amount of CHF 24.3 billion have been transferred to the Group, whereof CHF 12.1 billion have been booked with the Group and therefore have been paid for. The related income and expenses are recorded according to the Group's accounting policies. The transaction so far resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 168.9 million, consisting of the contractual consideration of 1.2% of the AuM booked and adjustments due to the remeasurement to fair value of the assets acquired and the liabilities assumed in the process of the purchase price allocation.

Next to the income and expense recognised in relation to the AuM booked, 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.

The following legal entities have been acquired since principal completion:

- Merrill Lynch Bank (Suisse) S.A., Switzerland
- Merrill Lynch S.A.M. Monaco, Monaco
- Merrill Lynch (Chile) SpA, Chile
- Merrill Lynch (Montevideo) S.A., Uruguay
- Institución Financiera Externa Merrill Lynch Bank (Uruguay) S.A. and
- Merrill Lynch (Luxembourg) S.à.r.l., Luxembourg

In addition, the transfer of the IWM businesses in Hong Kong and Singapore started in May 2013 and the respective asset migration process was initiated.

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

	Fair value *CHF m*
Purchase price	
in cash	264.2
in shares of Julius Baer Group Ltd.	7.6
Total	271.8
Assets acquired	
Cash	271.5
Due from banks	638.8
Loans	995.3
All other assets	54.0
Total	1,959.6
Liabilities assumed	
Due to banks	326.5
Due to customers	1,410.3
All other liabilities	119.9
Total	1,856.7
Goodwill and other intangible assets	
Goodwill and other intangible assets related to legal entity acquisitions	153.7
Goodwill and other intangible assets related to business transfer	15.2
Total	168.9

Other acquisitions and disposals

Apart from the acquisition of Merrill Lynch's International Wealth Management business (see page 21f. for details), the following transactions were executed:

On 12 November 2012, the Group announced that it has reached an agreement for a cooperation with Milan-based Kairos Investment Management SpA ("Kairos") to jointly create a wealth management business in Italy. In the transaction, which was executed on 31 May 2013, Julius Baer Società Di Intermediazione Mobiliare S.p.A. has been sold to Kairos and is held as a subsidiary by Kairos. As of 1 June 2013, the former Group subsidiary operates under the new name "Kairos Julius Baer SIM SpA". The parties have also agreed to set up a new private bank in Italy by applying for a banking licence for Kairos Julius Baer SIM SpA after the closing of this transaction.

Simultaneously with this disposal, the Group has acquired 19.9% of Kairos. This interest provides the Group with significant influence due to its representation on Kairos' Board of Directors. The Group paid a total consideration of CHF 62.7 million, including the contribution of its former subsidiary. The Group also received options to acquire additional interests in Kairos at a predetermined relative price. The options will be exercisable three to six years after the initial purchase.

On 17 April 2013, the Group acquired 60% of TFM Asset Management Ltd. ("TFM"), a Swiss-registered independent asset management company with a branch in Tokyo. TFM 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. The Group received options to acquire additional interests in TFM at a predetermined relative price which will be exercisable three years after the initial acquisition.

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The Julius Baer Group is present in over 40 locations worldwide. From Zurich (Head Office), Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Madrid, Monaco, Montevideo, Moscow, Shanghai to Singapore.