

Half-year Report **2010** Julius Baer Group Ltd.

Condensed financial statements of the Julius Baer Group according to IAS 34.

Financial accounts including integration and restructuring expenses and the amortisation of intangible assets in connection with the acquisition made at the end of 2005 and the acquisition made at the beginning of 2010.

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Consolidated income statement

	Note	H1 2010 CHF m	H1 2009 CHF m represented	H2 2009 CHF m	Change to H1 2009 in %
Interest income		277.7	353.0	223.5	-21.3
Interest expense		32.5	72.4	37.6	-55.1
Net interest income	1	245.2	280.6	185.9	-12.6
Fee and commission income		601.0	476.1	530.1	26.2
Commission expense		109.1	83.1	104.5	31.3
Net fee and commission income	2	491.9	393.0	425.7	25.2
Net trading income	3	163.1	151.2	147.3	7.9
Other ordinary results		16.3	-12.2	14.6	-
Operating income		916.4	812.7	773.4	12.8
Personnel expenses	4	424.6	357.0	331.7	18.9
General expenses	5	184.5	152.9	148.9	20.7
Depreciation of property and equipment		13.1	11.3	11.5	15.9
Amortisation of customer relationships		42.6	38.0	38.4	12.1
Amortisation of other intangible assets		14.2	9.6	12.2	47.9
Operating expenses		679.1	568.7	542.9	19.4
Profit before taxes		237.3	244.0	230.6	-2.7
Income taxes		52.1	40.9	44.4	27.4
Net profit		185.2	203.1	186.2	-8.8
Attributable to:					
Shareholders of Julius Baer Group Ltd.		184.8	203.0	185.7	-9.0
Non-controlling interests		0.4	0.1	0.5	-
		185.2	203.1	186.2	-8.8

	H1 2010 CHF	H1 2009 CHF represented	H2 2009 CHF	Change to H1 2009 in %
Share information				
Basic net profit per registered share	0.9	1.0	0.9	-8.8
Diluted net profit per registered share	0.9	1.0	0.9	-8.5

Consolidated statement of comprehensive income

	H1 2010 <i>CHF m</i>	H1 2009 <i>CHF m</i> <i>represented</i>	H2 2009 <i>CHF m</i>	Change to H1 2009 in %
Net profit recognised in the income statement	185.2	203.1	186.2	-8.8
Other comprehensive income (net of taxes):				
Net unrealised gains/(losses) on financial investments available-for-sale	7.9	-12.3	92.1	
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	8.9	7.6	18.8	
Hedging reserve for cash flow hedges	0.9	1.5	1.6	
Translation differences	-8.9	5.9	-8.3	
Other comprehensive income for the period recognised directly in equity	8.8	2.7	104.1	
Total comprehensive income for the period recognised in the income statement and in equity	194.0	205.8	290.3	
Attributable to:				
Shareholders of Julius Baer Group Ltd.	193.6	205.7	289.9	
Non-controlling interests	0.4	0.1	0.5	
	194.0	205.8	290.3	

Consolidated balance sheet

		30.06.2010	30.06.2009	31.12.2009	<i>Change</i>
	<i>Note</i>	<i>CHF m</i>	<i>CHF m</i>	<i>CHF m</i>	<i>to 31.12.09 in %</i>
			<i>represented</i>		
Assets					
Cash		1 514.7	3 983.1	2 814.8	-46.2
Due from banks	6	6 419.9	7 373.9	6 598.2	-2.7
Loans	6	12 898.7	9 481.9	10 431.2	23.7
Trading assets		2 561.3	2 182.7	2 735.1	-6.4
Derivative financial instruments		2 777.8	2 273.3	1 859.3	49.4
Financial assets designated at fair value		1 030.0	944.0	963.6	6.9
Financial investments available-for-sale	7	17 289.4	13 895.7	15 011.5	15.2
Property and equipment		371.6	332.5	331.9	12.0
Goodwill and other intangible assets		1 842.8	1 724.9	1 705.3	8.1
Accrued income and prepaid expenses		170.8	190.0	141.2	21.0
Deferred tax assets		5.0	2.3	3.5	42.9
Other assets		489.4	165.8	133.4	-
Total assets		47 371.4	42 550.2	42 729.0	10.9

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i> <i>represented</i>	31.12.2009 <i>CHF m</i>	<i>Change</i> <i>to 31.12.09 in %</i>
Liabilities and equity				
Due to banks	4 222.3	3 999.9	3 962.4	6.6
Due to customers	30 054.2	27 712.0	27 284.7	10.2
Trading liabilities	732.2	466.1	714.9	2.4
Derivative financial instruments	2 991.0	2 251.1	1 786.2	67.5
Financial liabilities designated at fair value	4 094.4	3 810.6	3 942.7	3.8
Debt issued	244.8	230.0	253.5	-3.4
Accrued expenses and deferred income	258.4	258.2	308.3	-16.2
Current tax liabilities	12.4	14.3	11.1	11.7
Deferred tax liabilities	110.1	87.1	85.8	28.3
Provisions	40.3	27.9	17.3	132.9
Other liabilities	302.7	88.0	170.3	77.7
Total liabilities	43 062.8	38 945.1	38 537.2	11.7
Share capital	4.1	4.1	4.1	-
Retained earnings	4 413.6	3 820.7	4 312.9	2.3
Other components of equity	-75.6	-188.5	-84.4	10.4
Treasury shares	-35.4	-32.5	-42.6	16.9
Equity attributable to shareholders of Julius Baer Group Ltd.	4 306.8	3 603.9	4 190.1	2.8
Non-controlling interests	1.9	1.2	1.7	11.8
Total equity	4 308.6	3 605.1	4 191.8	2.8
Total liabilities and equity	47 371.4	42 550.2	42 729.0	10.9

Consolidated statement of changes in equity

	Share capital <i>CHF m</i>	Retained earnings ¹ <i>CHF m</i>
At 1 January 2009 represented	4.1	3 701.1
Comprehensive income	-	203.0
Dividends	-	-72.3 ²
Treasury shares and own equity derivative activity	-	-11.1
Changes in derivatives on own shares	-	-
Acquisitions of own shares	-	-
Disposals of own shares	-	-
At 30 June 2009 represented	4.1	3 820.7
At 1 July 2009 represented	4.1	3 820.7
Comprehensive income	-	185.7
Contribution received due to the Artio Global IPO	-	309.0
Treasury shares and own equity derivative activity	-	-2.5
Changes in derivatives on own shares	-	-
Acquisitions of own shares	-	-
Disposals of own shares	-	-
At 31 December 2009	4.1	4 312.9
At 1 January 2010	4.1	4 312.9
Comprehensive income	-	184.8
Dividends	-	-82.7
Treasury shares and own equity derivative activity	-	-1.4
Changes in derivatives on own shares	-	-
Acquisitions of own shares	-	-
Disposals of own shares	-	-
At 30 June 2010	4.1	4 413.6

¹ Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. in the amount of CHF 1860 million.

² The amount is based on the assumption that the Group contributed to the dividend distributed by the former Julius Baer Holding Ltd.

Other components of equity

Financial investments available-for-sale, net of taxes <i>CHF m</i>	Hedging reserve for cash flow hedges, net of taxes <i>CHF m</i>	Translation differences <i>CHF m</i>	Treasury shares <i>CHF m</i>	Equity attributable to shareholders of Julius Baer Group Ltd. <i>CHF m</i>	Non-controlling interests <i>CHF m</i>	Total equity <i>CHF m</i>
-171.4	-4.2	-15.6	-30.9	3 483.1	1.4	3 484.6
-4.7	1.5	5.9	-	205.7	0.1	205.8
-	-	-	-	-72.3	-0.3	-72.6
-	-	-	-	-11.1	-	-11.1
-	-	-	-8.3	-8.3	-	-8.3
-	-	-	-78.9	-78.9	-	-78.9
-	-	-	85.6	85.6	-	85.6
-176.1	-2.7	-9.7	-32.5	3 603.9	1.2	3 605.1
-176.1	-2.7	-9.7	-32.5	3 603.9	1.2	3 605.1
110.9	1.6	-8.3	-	289.9	0.5	290.3
-	-	-	-	309.0	-	309.0
-	-	-	-	-2.5	-	-2.5
-	-	-	9.2	9.2	-	9.2
-	-	-	-104.1	-104.1	-	-104.1
-	-	-	84.8	84.8	-	84.8
-65.2	-1.1	-18.1	-42.6	4 190.1	1.7	4 191.8
-65.2	-1.1	-18.1	-42.6	4 190.1	1.7	4 191.8
16.8	0.9	-8.9	-	193.6	0.4	194.0
-	-	-	-	-82.7	-0.3	-83.0
-	-	-	-	-1.4	-	-1.4
-	-	-	22.6	22.6	-	22.6
-	-	-	-105.4	-105.4	-	-105.4
-	-	-	90.0	90.0	-	90.0
-48.4	-0.2	-27.0	-35.4	4 306.8	1.9	4 308.6

Consolidated statement of cash flows (condensed)

	H1 2010 <i>CHF m</i>	H1 2009 <i>CHF m</i> <i>represented</i>	H2 2009 <i>CHF m</i>
Cash and cash equivalents at the beginning of the period	18 390.5	17 591.6	19 007.0
Cash flow from operating activities after taxes	621.7	2 188.9	-678.9
Cash flow from investing activities	-2 261.9	-1 319.6	-451.1
Cash flow from financing activities	-12.7	640.1	427.0
Effects of exchange rate changes	159.0	-94.0	86.6
Cash and cash equivalents at the end of the period	16 896.6	19 007.0	18 390.5

Condensed accounting policies and valuation principles

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

The Julius Baer Group is the continuation of the existing private banking business of the former Julius Baer Holding. Therefore, in the financial statements as of 30 June 2009, the new Julius Baer Group is presented as if it had already existed on 1 January 2008. For this purpose, the income, expenses and balances relating to the new Group have been separated from the previously published Annual Report 2008 and the interim report 2009 of Julius Baer Holding. In addition, the effects of any intercompany transactions and balances between the Julius Baer Group and the new GAM Holding have been converted into third-party transactions and balances.

Additional details regarding the separation of the former Julius Baer Holding and the respective accounting impacts have been published in the Listing Prospectus, dated 24 September 2009.

The half-year condensed consolidated financial statements were prepared on the basis of the accounting policies and valuation principles of the consolidated financial statements of Julius Baer

Group Ltd. as of 31 December 2009 with the exception of the recently adopted accounting pronouncements.

Starting 1 January 2010, the following new or revised accounting standards are in force or have been early applied and are relevant to the Group:

- IFRS 2 – Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2 – Share-based Payment)
- IAS 39 – Eligible Hedged Items (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)
- Improvements to IFRSs

The adoption of these changes had no significant impact on the interim reporting.

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 2010. There were no significant events to report until this date.

	Exchange rates as of		Average exchange rates	
	30.06.2010	31.12.2009	2010	2009
USD/CHF	1.0784	1.0337	1.0820	1.0825
EUR/CHF	1.3209	1.4832	1.4210	1.5070
GBP/CHF	1.6133	1.6694	1.6430	1.6945

Information on the consolidated income statement

	H1 2010 <i>CHF m</i>	H1 2009 <i>CHF m</i>	H2 2009 <i>CHF m</i>	<i>Change to H1 2009 in %</i>
1 Net interest income				
Interest income on amounts due from banks	14.9	24.4	18.6	-38.9
Interest income on loans	117.5	129.5	93.6	-9.3
Interest income on money market instruments	20.1	115.4	39.7	-82.6
Interest income on financial investments available-for-sale	62.6	68.3	68.9	-8.3
Dividend income on financial investments available-for-sale	2.3	3.6	-	-36.1
Interest income on trading portfolios	1.3	0.8	1.1	62.5
Dividend income on trading portfolios	59.0	11.0	1.6	-
Total interest income	277.7	353.0	223.5	-21.3
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Interest expense on amounts due to banks	6.8	0.9	5.5	-
Interest expense on amounts due to customers	21.6	67.4	28.0	-68.0
Interest expense on debt issued	4.1	4.1	4.1	-
Total interest expense	32.5	72.4	37.6	-55.1
Total	245.2	280.6	185.9	-12.6
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2 Net fee and commission income				
Investment fund fees	59.6	47.4	51.2	25.7
Fiduciary commissions	9.6	16.0	9.9	-40.0
Portfolio and other management fees	301.5	248.3	251.4	21.4
Total fee and commission from asset management	370.7	311.7	312.5	18.9
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Income from brokerage and securities underwriting	210.4	145.4	196.5	44.7
Commission income on lending activities	1.8	1.6	1.8	12.5
Commission income on other services	18.1	17.4	19.4	4.0
Total fee and commission income	601.0	476.1	530.1	26.2
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Commission expense	109.1	83.1	104.5	31.3
Total	491.9	393.0	425.7	25.2

	H1 2010 <i>CHF m</i>	H1 2009 <i>CHF m</i>	H2 2009 <i>CHF m</i>	<i>Change to H1 2009 in %</i>
3 Net trading income				
Debt instruments	2.7	6.0	4.2	-55.0
Equity instruments ¹	-25.6	-0.2	22.5	-
Foreign exchange	186.0	145.4	120.7	27.9
Total	163.1	151.2	147.3	7.9

¹ Dividend income related to trading instruments is recognised in Net interest income (see Note 1).

4 Personnel expenses				
Salaries and bonuses	334.2	292.0	265.1	14.5
Contributions to staff pension plans	31.1	26.0	29.6	19.6
Other social security contributions	26.0	25.8	23.0	0.8
Share-based payments	11.7	7.0	2.7	67.1
Other personnel expenses	21.6	6.3	11.2	-
Total	424.6	357.0	331.7	18.9

5 General expenses				
Occupancy expense	26.8	25.1	25.1	6.8
Expense for IT and other equipment	27.4	23.4	21.6	17.1
Information, communication and advertising expense	55.1	46.6	48.2	18.2
Service expense, fees and taxes	61.8	42.1	43.2	46.8
Valuation adjustments, provisions and losses	12.9	15.4	10.1	-16.2
Other general expenses	0.5	0.3	0.7	66.7
Total	184.5	152.9	148.9	20.7

Information on the consolidated balance sheet

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i>	31.12.2009 <i>CHF m</i>	<i>Change to 31.12.09 in %</i>
6a Due from banks				
Due from banks	6 430.8	7 387.0	6 610.9	-2.7
Allowance for credit losses	-10.9	-13.1	-12.7	-14.2
Total	6 419.9	7 373.9	6 598.2	-2.7

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i>	31.12.2009 <i>CHF m</i>	<i>Change to 31.12.09 in %</i>
6b Loans				
Loans	9 855.3	7 527.4	8 165.5	20.7
Mortgages	3 097.5	2 007.5	2 318.4	33.6
Subtotal	12 952.8	9 534.9	10 483.9	23.5
Allowance for credit losses	-54.1	-53.0	-52.7	2.7
Total	12 898.7	9 481.9	10 431.2	23.7

	H1 2010		H1 2009		H2 2009	
	Specific <i>CHF m</i>	Collective <i>CHF m</i>	Specific <i>CHF m</i>	Collective <i>CHF m</i>	Specific <i>CHF m</i>	Collective <i>CHF m</i>
6c Allowance for credit losses						
Balance at the beginning of the period	42.3	23.2	40.8	19.8	42.8	23.3
Write-offs	-9.3	-	-0.4	-	-	-
Increase in allowance for credit losses	6.3	1.8	1.9	3.5	1.4	-0.1
Decrease in allowance for credit losses	-0.1	-	-0.2	-	-	-
Translation differences and other adjustments	0.8	-	0.7	-	-1.9	-
Balance at the end of the period	40.0	25.0	42.8	23.3	42.3	23.2

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i>	31.12.2009 <i>CHF m</i>	<i>Change to 31.12.09 in %</i>
6d Impaired loans				
Gross loans	69.1	73.4	70.4	-1.8
Specific allowance for credit losses	-40.0	-42.8	-42.3	-5.4
Net loans	29.1	30.6	28.1	3.6

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i>	31.12.2009 <i>CHF m</i>	<i>Change to 31.12.09 in %</i>
7a Financial investments available-for-sale				
Money market instruments	9 170.3	8 413.7	9 086.7	0.9
Government and agency bonds	3 235.0	739.3	931.7	-
Financial institution bonds	2 906.3	2 511.8	2 839.4	2.4
Corporate bonds	1 818.9	2 056.8	1 983.5	-8.3
Debt instruments	7 960.2	5 307.9	5 754.6	38.3
<i>of which listed</i>	7 453.6	4 699.6	5 170.9	44.1
<i>of which unlisted</i>	506.6	608.3	583.7	-13.2
Equity instruments	158.9	174.1	170.3	-6.7
<i>of which listed</i>	30.7	14.8	5.8	-
<i>of which unlisted</i>	128.2	159.3	164.5	-22.0
Total financial investments available-for-sale	17 289.4	13 895.7	15 011.5	15.2

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i>	31.12.2009 <i>CHF m</i>
7b Financial investments available-for-sale – Credit ratings			
Debt instruments by credit rating classes (excluding money market instruments)			
	Fitch, S&P	Moody's	
1-2	AAA – AA-	Aaa – Aa3	6 300.0
3	A+ – A-	A1 – A3	1 368.1
4	BBB+ – BBB-	Baa1 – Baa3	140.5
5-7	BB+ – CCC-	Ba1 – Caa3	39.2
Unrated			112.4
Total			7 960.2
		5 307.9	5 754.6

Capital ratios

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i>	31.12.2009 <i>CHF m</i>
Risk-weighted positions			
Credit risk	7 951.1	8 510.3	7 140.6
Non-counterparty-related risk	514.7	506.8	465.0
Market risk	421.8	380.9	708.6
Operational risk	2 949.0	2 579.9	2 656.2
Total	11 836.6	11 977.9	10 970.4
Eligible capital			
Eligible tier 1 capital	2 695.3	1 974.7	2 656.4
<i>of which hybrid tier 1 capital¹</i>	225.0	225.0	225.0
Eligible tier 1 and tier 2 capital	2 766.5	2 053.7	2 725.2
BIS tier 1 ratio	22.8%	16.5%	24.2%
BIS tier 1 and tier 2 ratio	23.4%	17.1%	24.8%

¹The hybrid tier 1 capital consists of preferred securities issued by Julius Baer Capital (Guernsey) I Limited.

Assets under management

	30.06.2010 <i>CHF m</i>	30.06.2009 <i>CHF m</i>	31.12.2009 <i>CHF m</i>	<i>Change to 31.12.09 in %</i>
Assets with discretionary mandate	23 784	21 711	22 244	6.9
Other assets under management	142 279	122 878	131 358	8.3
Total assets under management (including double counting)	166 063	144 589	153 602	8.1
<i>of which double counting</i>	3 057	1 908	2 449	24.8
	H1 2010 <i>CHF m</i>	H1 2009 <i>CHF m</i>	H2 2009 <i>CHF m</i>	
Change through net new money	3 293	4 307	799	
Change through market appreciation	-4 390	11 193	7 607	
Change through acquisition	13 558 ²	-	607 ¹	
 Client assets	 255 096	 212 654	 240 877	 5.9

¹On 30 September 2009, the Group acquired Alpha SIM S.p.A., Milan.

²On 15 January 2010, the Group acquired ING Bank (Switzerland) 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.

Purchase of subsidiary

On 15 January 2010, Julius Baer Group acquired ING Bank (Switzerland) Ltd, a fully owned subsidiary of ING Group NV, including its subsidiaries in Monaco and Jersey. The Group paid a total consideration of approximately CHF 510 million in cash, still subject to possible adjustments. The purchase price was fully funded by existing excess capital of the Group.

ING Bank (Switzerland) Ltd, which was active in private banking business, has been fully integrated into Bank Julius Baer & Co. Ltd. as of 1 March 2010. At the time of acquisition, the assets under management amounted to CHF 13.6 billion.

The assets and liabilities of the acquired entity were recorded provisionally as follows:

	Fair value CHF m
Assets	
Cash	265.2
Due from banks	1 745.9
Loans	1 169.3
Financial investments available-for-sale	350.0
Goodwill and other intangible assets	191.9
All other assets	83.3
Total assets	3 805.6
Liabilities and equity	
Due to banks	1 118.4
Due to customers	2 052.5
Deferred tax liabilities	23.4
All other liabilities	100.4
Total liabilities	3 294.7
Total equity	510.9
Total liabilities and equity	3 805.6

The transaction resulted in goodwill and other intangible assets of CHF 191.9 million, which represents existing customer relationships as well as expected synergies and growth opportunities from the com-

bined private banking activities. The customer relationships are amortised over an expected useful life of 10 years.

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

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