Julius Bär

2020

HALF-YEAR REPORT

Julius Baer Group Ltd.

HALF-YEAR REPORT 2020
JULIUS BAER GROUP LTD.

This Half-Year Report appears only in English.

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2020** *CHF m*	H1 2019 *CHF m*	H2 2019 *CHF m*	Change *to H1 2019 in %*
Interest income on financial instruments measured at amortised cost or FVOCI		**468.7**	678.3	614.8	-30.9
Interest expense on financial instruments measured at amortised cost		**135.3**	267.6	233.3	-49.4
Net interest income	1	**333.4**	410.7	381.4	-18.8
Commission and fee income		**1,148.2**	1,058.6	1,081.0	8.5
Commission expense		**115.4**	102.7	114.0	12.4
Net commission and fee income	2	**1,032.8**	955.9	967.0	8.0
Net income from financial instruments measured at FVTPL	3	**515.2**	301.6	316.5	70.8
Net credit losses/(recoveries) on financial assets		**48.5**	-3.1	12.2	-
Other ordinary results		**18.0**	27.6	31.1	-34.9
Operating income		**1,850.8**	1,699.0	1,683.9	8.9
Personnel expenses	4	**853.9**	834.8	781.4	2.3
General expenses	5	**306.1**	323.9	526.9	-5.5
Depreciation of property and equipment		**49.4**	48.9	51.2	1.1
Amortisation of customer relationships		**29.3**	43.2	38.1	-32.2
Amortisation and impairment of intangible assets		**35.0**	30.7	137.7	13.8
Operating expenses		**1,273.6**	1,281.5	1,535.2	-0.6
Profit before taxes		**577.2**	417.5	148.7	38.2
Income taxes		**86.2**	74.6	26.6	15.6
Net profit		**491.0**	342.9	122.1	43.2
Attributable to:					
Shareholders of Julius Baer Group Ltd.		**490.9**	343.1	121.7	43.1
Non-controlling interests		**0.0**	-0.2	0.4	-
		491.0	342.9	122.1	43.2

	H1 2020 *CHF*	H1 2019 *CHF*	H2 2019 *CHF*	Change *to H1 2019 in %*
Share information				
Basic earnings per share (EPS)	**2.28**	1.58	0.56	44.7
Diluted earnings per share (EPS)	**2.27**	1.57	0.55	44.9
Weighted average number of shares outstanding	**215,226,886**	217,625,728	216,973,692	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2020 *CHF m*	H1 2019 *CHF m*	H2 2019 *CHF m*
Net profit recognised in the income statement	**491.0**	342.9	122.1
Other comprehensive income (net of taxes):			
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**56.6**	98.9	9.7
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-3.2**	-0.6	-8.8
Net credit losses on debt instruments measured at FVOCI	**0.8**	-0.1	-0.7
Translation differences	**-111.9**	-19.2	-33.6
Realised (gains)/losses on translation differences reclassified to the income statement	**0.0**	-0.3	0.1
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**-4.7**	72.5	-5.9
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**-4.6**	0.0	-0.0
Remeasurement of defined benefit obligation	**-43.9**	-82.9	8.3
Other comprehensive income	**-110.9**	68.2	-31.0
Total comprehensive income	**380.1**	411.1	91.1
Attributable to:			
Shareholders of Julius Baer Group Ltd.	**380.1**	411.3	90.7
Non-controlling interests	**-0.1**	-0.2	0.4
	380.1	411.1	91.1

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2020** *CHF m*	31.12.2019 *CHF m*	30.06.2019 *CHF m*
Assets				
Cash		**14,763.8**	10,097.0	12,722.7
Due from banks		**7,955.9**	7,082.5	9,405.7
Loans		**46,495.8**	48,427.3	46,665.2
Financial assets measured at FVTPL		**10,444.1**	13,776.2	9,971.2
Derivative financial instruments		**2,092.6**	1,630.7	1,559.9
Financial assets designated at fair value		**303.5**	305.0	308.4
Financial assets measured at FVOCI	6	**14,771.3**	13,166.2	15,120.6
Investments in associates		**22.1**	23.3	19.6
Property and equipment		**576.0**	612.9	611.7
Goodwill and other intangible assets		**2,825.7**	2,866.1	2,978.2
Accrued income and prepaid expenses		**394.8**	397.0	420.4
Deferred tax assets		**16.1**	16.4	13.9
Other assets		**6,697.7**	3,634.5	3,857.3
Total assets		**107,359.3**	102,035.2	103,654.9

	Note	**30.06.2020** CHF m	31.12.2019 CHF m	30.06.2019 CHF m
Liabilities and equity				
Due to banks		**4,588.7**	3,160.0	6,589.7
Due to customers		**76,487.5**	72,913.1	71,084.5
Financial liabilities measured at FVTPL		**827.4**	613.8	440.1
Derivative financial instruments		**2,489.1**	2,120.8	1,987.7
Financial liabilities designated at fair value		**13,473.3**	13,281.1	14,009.7
Debt issued	7	**1,461.7**	1,893.0	1,875.8
Accrued expenses and deferred income		**577.9**	746.1	567.6
Current tax liabilities		**157.7**	205.3	171.0
Deferred tax liabilities		**60.1**	68.8	76.9
Provisions	8	**189.8**	201.3	28.2
Other liabilities		**756.3**	642.7	736.7
Total liabilities		**101,069.5**	95,845.8	97,568.1
Share capital		**4.5**	4.5	4.5
Retained earnings		**6,791.7**	6,557.4	6,393.8
Other components of equity		**-85.3**	-18.4	20.8
Treasury shares		**-430.8**	-363.2	-341.7
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,280.1**	6,180.2	6,077.5
Non-controlling interests		**9.7**	9.2	9.3
Total equity		**6,289.8**	6,189.4	6,086.7
Total liabilities and equity		**107,359.3**	102,035.2	103,654.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF m	Retained earnings[1] CHF m	OCI related to equity instruments at FVOCI CHF m
At 1 January 2019	4.5	6,474.7	65.3
Net profit	-	343.1	-
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	-82.9	72.5
Total other comprehensive income	-	-82.9	72.5
Total comprehensive income	-	260.1	72.5
Changes in non-controlling interests	-	-	-
Dividends	-	-335.7[3]	-
Dividend income on own shares	-	8.0	-
Share-based payments expensed	-	41.4	-
Share-based payments vested	-	-58.5	-
Changes in derivatives on own shares	-	6.6	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	-2.8	-
At 30 June 2019	4.5	6,393.8	137.9
At 1 July 2019	4.5	6,393.8	137.9
Net profit	-	121.7	-
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	8.3	-5.9
Total other comprehensive income	-	8.3	-5.9
Total comprehensive income	-	129.9	-5.9
Changes in non-controlling interests	-	-1.2	-
Dividends	-	-	-
Share-based payments expensed	-	37.7	-
Share-based payments vested	-	-6.4	-
Changes in derivatives on own shares	-	-4.5	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	8.1	-
At 31 December 2019	4.5	6,557.4	132.0
At 1 January 2020	**4.5**	**6,557.4**	**132.0**
Net profit	**-**	**490.9**	**-**
Items that may be reclassified to the income statement	**-**	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-43.9**	**-4.7**
Total other comprehensive income	**-**	**-43.9**	**-4.7**
Total comprehensive income	**-**	**447.0**	**-4.7**
Changes in non-controlling interests	**-**	**-1.1**	**-**
Dividends	**-**	**-165.9**[3]	**-**
Dividend income on own shares	**-**	**4.2**	**-**
Share-based payments expensed	**-**	**34.4**	**-**
Share-based payments vested	**-**	**-48.0**	**-**
Changes in derivatives on own shares	**-**	**3.9**	**-**
Acquisitions of own shares	**-**	**-**	**-**
Disposals of own shares	**-**	**-40.1**	**-**
At 30 June 2020	**4.5**	**6,791.7**	**127.3**

[1] Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.
[2] Including OCI related to ECL changes on debt instruments at FVOCI
[3] Dividend payment per share CHF 1.50 (2019) / dividend payment per share CHF 0.75 (2020)

Other components of equity (net of taxes)						
OCI related to debt instruments at FVOCI[2] *CHF m*	Own credit risk on financial liabilities designated at FV *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*
-64.9	0.0	-130.8	-308.9	6,039.9	1.9	6,041.9
-	-	-	-	343.1	-0.2	342.9
98.2	-	-19.5	-	78.7	-0.0	78.7
-	0.0	-	-	-10.4	-	-10.4
98.2	0.0	-19.5	-	68.2	-0.0	68.2
98.2	0.0	-19.5	-	411.3	-0.2	411.1
-	-	-	-	-	7.5	7.5
-	-	-	-	-335.7	-	-335.7
-	-	-	-	8.0	-	8.0
-	-	-	-	41.4	-	41.4
-	-	-	58.5	-	-	-
-	-	-	41.5	48.1	-	48.1
-	-	-	-280.2	-280.2	-	-280.2
-	-	-	147.5	144.7	-	144.7
33.3	0.0	-150.3	-341.7	6,077.5	9.3	6,086.7
33.3	0.0	-150.3	-341.7	6,077.5	9.3	6,086.7
-	-	-	-	121.7	0.4	122.1
0.2	-	-33.6	-	-33.4	0.0	-33.4
-	-0.0	-	-	2.4	-	2.4
0.2	-0.0	-33.6	-	-31.0	0.0	-31.0
0.2	-0.0	-33.6	-	90.7	0.4	91.1
-	-	-	-	-1.2	1.2	-
-	-	-	-	-	-1.7	-1.7
-	-	-	-	37.7	-	37.7
-	-	-	6.4	-	-	-
-	-	-	14.5	10.0	-	10.0
-	-	-	-114.5	-114.5	-	-114.5
-	-	-	72.0	80.0	-	80.0
33.5	0.0	-183.9	-363.2	6,180.2	9.2	6,189.4
33.5	**0.0**	**-183.9**	**-363.2**	**6,180.2**	**9.2**	**6,189.4**
-	**-**	**-**	**-**	**490.9**	**0.0**	**491.0**
54.2	**-**	**-111.8**	**-**	**-57.6**	**-0.1**	**-57.7**
-	**-4.6**	**-**	**-**	**-53.2**	**-**	**-53.2**
54.2	**-4.6**	**-111.8**	**-**	**-110.8**	**-0.1**	**-110.9**
54.2	**-4.6**	**-111.8**	**-**	**380.1**	**-0.1**	**380.1**
-	**-**	**-**	**-**	**-1.1**	**1.1**	**-**
-	**-**	**-**	**-**	**-165.9**	**-0.5**	**-166.4**
-	**-**	**-**	**-**	**4.2**	**-**	**4.2**
-	**-**	**-**	**-**	**34.4**	**-**	**34.4**
-	**-**	**-**	**48.0**	**-**	**-**	**-**
-	**-**	**-**	**-9.9**	**-6.0**	**-**	**-6.0**
-	**-**	**-**	**-305.9**	**-305.9**	**-**	**-305.9**
-	**-**	**-**	**200.2**	**160.1**	**-**	**160.1**
87.7	**-4.6**	**-295.7**	**-430.8**	**6,280.1**	**9.7**	**6,289.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

	H1 2020 *CHF m*	H1 2019 *CHF m*
Net profit	**491.0**	342.9
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
– Depreciation of property and equipment	**49.4**	48.9
– Amortisation and impairment of intangible assets	**64.2**	73.9
– Change in loss allowance	**48.5**	-3.1
– Income from investment in associates	**-**	-0.7
– Deferred tax expense/(benefit)	**2.2**	-12.7
– Net loss/(gain) from investing activities	**4.6**	17.7
– Other non-cash income and expenses	**34.4**	40.2
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**287.5**	-389.2
– Net financial assets measured at FVTPL and derivative financial instruments	**3,452.2**	-411.0
– Net loans/due to customers	**5,459.9**	-1,759.3
– Issuance and repayment of financial liabilities designated at fair value	**193.7**	296.5
– Accrued income, prepaid expenses and other assets	**-3,060.9**	-542.4
– Accrued expenses, deferred income, other liabilities and provisions	**-134.3**	-181.9
Adjustment for income tax expenses	**84.1**	87.3
Income taxes paid	**-129.9**	-116.5
Cash flow from operating activities	**6,846.6**	-2,509.4
Dividend from associates	**-**	0.7
Purchase of property and equipment and intangible assets	**-87.3**	-66.5
Disposal of property and equipment and intangible assets	**0.5**	0.1
Net (investment in)/divestment of financial assets measured at FVOCI	**-2,061.5**	-17.0
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**0.3**	-11.1
Deferred payment of acquisition of subsidiaries and associates	**-13.1**	-17.5
Cash flow from investing activities	**-2,161.3**	-111.4
Net movements in treasury shares and own equity derivative activity	**-147.6**	-79.4
Dividend payments	**-165.9**	-335.7
Changes in debt issued	**-406.7**	367.1[1]
Dividend payment to non-controlling interests	**-0.5**	-
Cash flow from financing activities	**-720.7**	-48.1
Net (decrease)/increase in cash and cash equivalents	**3,964.6**	-2,668.9

[1] Includes changes in bonds and money market instruments

	30.06.2020 CHF m	30.06.2019 CHF m
Cash and cash equivalents at the beginning of the period (01.01.)	**18,566.0**	25,628.8
Cash flow from operating activities	**6,846.6**	-2,509.4
Cash flow from investing activities	**-2,161.3**	-111.4
Cash flow from financing activities	**-720.7**	-48.1
Effects of exchange rate changes on cash and cash equivalents	**119.9**	84.2
Cash and cash equivalents at the end of the period	**22,650.5**	23,044.1

	30.06.2020 CHF m	30.06.2019 CHF m
Cash and cash equivalents are structured as follows:		
Cash	**14,763.8**	12,722.7
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**1,170.7**	1,423.2
Due from banks (original maturity of less than three months)	**6,716.0**	8,898.2
Total	**22,650.5**	23,044.1

	H1 2020 CHF m	H1 2019 CHF m
Additional information		
Interest received	**516.9**	673.1
Interest paid	**-257.0**	-385.8
Dividends on equities received (including associates)	**205.3**	175.6

	30.06.2020 CHF m	30.06.2019 CHF m
Leases		
Cash payments – leases	**-26.7**	-26.9
Cash payments – interest paid	**-3.0**	-3.4
Short-term lease payments	**-2.5**	-2.8
Total	**-32.2**	-33.0

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 2020 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 2019, with the exception of the below amendments which have been applied as of 1 January 2020. All these amendments had no material impact on the Group's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)
The amendments clarify the definition of 'material': Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements as a whole.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
These first-phase amendments related to the interbank offered rates (IBOR) reform provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to the IBOR reform by modifying some specific hedge accounting requirements. More specifically, an entity shall assume that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform.

Definition of a Business (Amendments to IFRS 3)
The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 9 – Expected Credit Losses
End of March 2020, the IASB issued a statement on accounting for expected credit losses (ECL) under IFRS 9 Financial Instruments due to the uncertainty resulting from the COVID-19 pandemic.

The core message that the applied models regarding the determination of the ECL should not be adjusted, but the input factors into the model may have to be adjusted based on management's judgement, has been considered by the Group. The critical uncertainties existing in particular when assessing future macroeconomic conditions and whether a significant increase in credit risk has occurred, have been addressed accordingly. Refer to Note 10 Credit Quality Analysis for the impact of the statement and the COVID-19 outbreak in general on the Group's credit portfolio.

INFORMATION ON COVID-19

The global economy is facing unprecedented challenges. The outbreak of COVID-19 in the first quarter of 2020 has also resulted in enormous economic damage. Global gross domestic product (GDP) has contracted significantly in the first half of the year, and a sharp increase in the volatility of the prices for financial instruments was observed, especially at the beginning of the pandemic. Despite the ongoing impact of COVID-19 on the economies around the world, the Group's relatively conservative lending policies related to Lombard loans and mortgages, as well as the Group's treasury policy of investing in high-quality bonds, prevented it from material losses on its financial instruments.

However, management had to overhaul its significant judgements and assumptions and the estimation uncertainty increased accordingly. Refer to the section on goodwill below and to Note 10 Credit Quality Analysis for further details on the COVID-19 impact on the Group's financial statements.

Goodwill impairment test due to COVID-19
In line with IFRS, the Group continually assesses whether there are indications that require a review of the goodwill recognised in the Group's books. In the case of the Kairos goodwill, management came to the conclusion that there are such indications given the deterioration in the macropicture of Italy, which was one of the hardest-hit European countries in the context of COVID-19; however, the conducted goodwill impairment test revealed no material impairment loss. Notwithstanding, given the general uncertainty and the rapidly changing economic environment and market sentiment, the forecasts may change. The Group is repositioning the business and considering changes at leadership level. Therefore, the Group continues to monitor the situation on an ongoing basis and impairment tests will be performed at year end, or sooner, if indications emerge.

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 2020. There are no events to report that had an influence on the balance sheet or income statement up to that date.

The following exchange rates are used for the major currencies:

	Exchange rates as at			Average exchange rates		
	30.06.2020	30.06.2019	31.12.2019	**H1 2020**	H1 2019	2019
USD/CHF	**0.9476**	0.9752	0.9682	**0.9620**	0.9970	0.9930
EUR/CHF	**1.0643**	1.1105	1.0870	**1.0640**	1.1270	1.1110
GBP/CHF	**1.1708**	1.2411	1.2827	**1.2140**	1.2940	1.2720

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	H1 2020 *CHF m*	H1 2019 *CHF m*	H2 2019 *CHF m*	Change *to H1 2019 in %*
Interest income on amounts due from banks	**10.7**	40.6	21.8	-73.7
Interest income on loans	**370.1**	482.5[1]	467.0	-23.3
Interest income on debt instruments at FVOCI	**74.7**	144.8	113.3	-48.4
Negative interest received on financial liabilities	**13.2**	10.4[1]	12.7	26.6
Interest income on financial instruments measured at amortised cost or FVOCI	**468.7**	678.3	614.8	-30.9
Interest expense on amounts due to banks	**10.5**	16.3	11.8	-35.5
Interest expense on amounts due to customers	**66.7**	198.8[1]	171.3	-66.4
Interest expense on debt issued	**32.1**	32.9	36.9	-2.4
Negative interest paid on financial assets	**22.8**	16.4	10.1	39.3
Interest expense on lease liabilities	**3.1**	3.2	3.3	-3.3
Interest expense on financial instruments measured at amortised cost	**135.3**	267.6	233.3	-49.4
Total	**333.4**	410.7	381.4	-18.8

[1] The H1 2019 numbers have been aligned to the improved structure of interest and dividend reporting related to financial instruments measured at FVTPL.

NOTE 2 NET COMMISSION AND FEE INCOME

	H1 2020 *CHF m*	H1 2019 *CHF m*	H2 2019 *CHF m*	Change *to H1 2019 in %*
Advisory and management fees	**661.4**	713.4	715.9	-7.3
Brokerage commissions and income from securities underwriting	**439.6**	306.0	303.6	43.7
Commission income from credit-related activities	**16.3**	3.9	5.5	320.1
Commission and fee income on other services	**30.8**	35.4	56.0	-12.8
Total commission and fee income	**1,148.2**	1,058.6	1,081.0	8.5
Commission expense	**115.4**	102.7	114.0	12.4
Total	**1,032.8**	955.9	967.0	8.0

NOTE 3 NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FVTPL

	H1 2020 *CHF m*	H1 2019[1] *CHF m*	H2 2019 *CHF m*	Change *to H1 2019 in %*
Net gains/(losses) from debt instruments and foreign exchange	**222.8**	207.7	283.3	7.2
Net gains/(losses) from equity instruments	**292.5**	93.9	33.2	211.4
of which dividend income	***203.5***	*161.6*	*26.2*	*25.9*
Total	**515.2**	301.6	316.5	70.8

1 The H1 2019 numbers have been aligned to the improved structure of interest and dividend reporting related to financial instruments measured at FVTPL.

NOTE 4 PERSONNEL EXPENSES

	H1 2020 *CHF m*	H1 2019 *CHF m*	H2 2019 *CHF m*	Change *to H1 2019 in %*
Salaries and bonuses	**686.7**	655.8	616.2	4.7
Contributions to staff pension plans (defined benefits)	**40.2**	39.5	43.0	1.8
Contributions to staff pension plans (defined contributions)	**18.8**	23.1	14.6	-18.7
Other social security contributions	**56.0**	54.8	46.8	2.2
Share-based payments	**34.4**	41.4	37.7	-16.9
Other personnel expenses	**17.8**	20.2	23.1	-11.9
Total	**853.9**	834.8	781.4	2.3

NOTE 5 GENERAL EXPENSES

	H1 2020 *CHF m*	H1 2019 *CHF m*	H2 2019 *CHF m*	Change *to H1 2019 in %*
Occupancy expense	**15.7**	15.8	17.2	-0.5
IT and other equipment expense	**41.2**	43.0	39.3	-4.0
Information, communication and advertising expense	**77.2**	93.8	96.1	-17.6
Service expense, fees and taxes	**162.8**	139.8	176.3	16.4
Provisions and losses	**4.1**	22.3	191.6	-81.4
Other general expenses	**5.0**	9.3	6.4	-45.9
Total	**306.1**	323.9	526.9	-5.5

NOTE 6 FINANCIAL ASSETS MEASURED AT FVOCI

	30.06.2020 *CHF m*	30.06.2019 *CHF m*	31.12.2019 *CHF m*
Government and agency bonds	**5,058.5**	3,627.2	5,016.6
Financial institution bonds	**5,551.4**	7,051.3	4,695.4
Corporate bonds	**3,907.7**	4,208.6	3,222.2
Debt instruments at FVOCI	**14,517.6**	14,887.2	12,934.2
of which quoted	***10,154.0***	*10,364.5*	*8,843.3*
of which unquoted	***4,363.6***	*4,522.6*	*4,090.9*
Equity instruments at FVOCI	**253.7**	233.4	232.0
of which unquoted	***253.7***	*233.4*	*232.0*
Total	**14,771.3**	15,120.6	13,166.2

NOTE 7 DEBT ISSUED

	30.06.2020 CHF m	31.12.2019 CHF m
Money market instruments	**89.1**	145.8
Bonds	**1,372.6**	1,747.3
Total	**1,461.7**	1,893.0

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	30.06.2020 Carrying value[1] CHF m	31.12.2019 Carrying value[1] CHF m
Julius Baer Group Ltd.						
2014[2]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**-**	344.1
Julius Baer Group Ltd.						
2015[3]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**307.5**	326.6
Julius Baer Group Ltd.						
2016[4]	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	**226.4**	235.6
Julius Baer Group Ltd.						
2017[5]	4.75	Perpetual tier 1 subordinated bond	USD	300.0	**286.3**	294.1
Julius Baer Group Ltd.						
2017[6]	0.375	Domestic senior unsecured bond	CHF	200.0	**204.1**	203.1
Julius Baer Group Ltd.						
2019[7]	2.375	Perpetual tier 1 subordinated bond	CHF	350.0	**348.3**	343.8
Total					**1,372.6**	1,747.3

[1] The Group applies fair value hedge accounting for certain bonds based on specific interest rate swaps. The changes in the fair value that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the bond.
[2] The bond was paid back on the first possible redemption date (5 June 2020) at par value plus accrued interest.
Own bonds of CHF 5.5 million were offset with bonds outstanding in 2019.
[3] Own bonds of CHF 0.6 million are offset with bonds outstanding (2019: none).
The effective interest rate amounts to 6.128%.
[4] No own bonds are offset with bonds outstanding (2019: none).
The effective interest rate amounts to 5.951%.
[5] Own bonds of CHF 9.6 million are offset with bonds outstanding (2019: none).
The effective interest rate amounts to 4.91%.
[6] No own bonds are offset with bonds outstanding (2019: none).
The effective interest rate amounts to 0.32361%.
[7] No own bonds are offset with bonds outstanding (2019: CHF 4.4 million).
The effective interest rate amounts to 2.487%.

NOTE 8 PROVISIONS

Introduction

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

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

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

Legal proceedings/contingent liabilities

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

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

In rare cases in which the amount cannot be estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 30 June 2020. The contingent liabilities may result in a materially adverse effect on the Group or for other reasons may be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), the latter having served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million has been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, wherefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York has decided on certain aspects in December 2018, which have been appealed by the Liquidators, whilst the Bankruptcy Court has additionally decided to continue the proceeding with respect to certain aspects.

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

Bank Julius Baer & Co. Ltd. is confronted with a claim by the liquidator of a Lithuanian corporation arguing that the Bank did not prevent two of its clients from embezzling assets of such corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank was served with a claim from said Lithuanian corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in Lithuania. On 19 October 2018, the Lithuanian court of last instance definitively rejected local jurisdiction, thereby terminating the litigation against the Bank in Lithuania. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the Lithuanian corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, the Bank was served with the corresponding claim in the amount of EUR 335 million plus 5% interest since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

In September 2014, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben ('BvS') initiated legal proceedings in Zurich against Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court dismissed the claim on 9 December 2016. The Zurich Court of Appeal confirmed such verdict on 23 April 2018. BvS has appealed such verdict to the Swiss Federal Supreme Court, which, on 17 January 2019, partially approved the appeal and referred the case back to the Zurich Court of Appeal for reassessment. On 3 December 2019, the Zurich Court of Appeal confirmed the claim in the amount of CHF 97 million plus accrued interests since 2009. Both parties have appealed the decision by the Zurich Court of Appeal to the Swiss Federal Supreme Court. As an appeal does not have a suspensive effect, in December 2019 the Bank booked a provision in the amount of CHF 153 million. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions was initiated against Bank Julius Baer & Co. Ltd. in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

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

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by Bank Julius Baer & Co. Ltd. in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total claimed amount to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequent upon the liquidation of almost their entire portfolio of assets in May 2010, and argues that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims are subject to acquisition-related representations and warranties.

Bank Julius Baer & Co. Ltd. has been cooperating with authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the U.S. These requests in particular focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment 'United States v. Webb [E.D.N.Y. 15 CR 0252 (RJD) (RML)]') and in the respective superseding indictment of 25 November 2015. The authorities in Switzerland and abroad have opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. In particular, FINMA had opened an enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. related to the FIFA matter, which was closed by an order as published on 20 February 2020. Julius Baer continues to support the ongoing investigation of the U.S. Department of Justice in order to also reach a conclusion of such investigation.

Similarly, Bank Julius Baer & Co. Ltd. has received inquiries from and has been cooperating with authorities investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA) in Switzerland and the U.S. These requests in particular focus on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. In particular, FINMA had opened an enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. related to the PDVSA matter, which was closed by an order as published on 20 February 2020. Julius Baer continues to support other ongoing inquiries and investigations and cooperates with the competent authorities.

Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer is contesting the claim and seizure request whilst taking appropriate measures to defend its interests.

As publicly stated, FINMA has initiated an additional enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. related to the compliance treatment of a historical Latin American client relationship.

The UK Financial Conduct Authority ('FCA') is investigating Julius Baer International Limited, UK ('JBINT') in respect of its compliance with certain of the FCA's Principles for Businesses and underlying regulatory rules in the context of two legacy matters. JBINT is fully cooperating with the FCA in its investigative work.

Bank Julius Baer & Co. Ltd. is confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under the U.S. Office of Foreign Assets Control ('OFAC') sanctions. The procedure relates to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank is defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. In addition, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank has addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations.

NOTE 9A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	30.06.2020 Carrying value CHF m	30.06.2020 Fair value CHF m	31.12.2019 Carrying value CHF m	31.12.2019 Fair value CHF m
Financial assets measured at amortised cost				
Cash	**14,763.8**	**14,763.8**	10,097.0	10,097.0
Due from banks	**7,955.9**	**7,963.2**	7,082.5	7,085.8
Loans	**46,495.8**	**47,006.7**	48,427.3	48,979.7
Accrued income/other assets	**378.0**	**378.0**	396.5	396.5
Total	**69,593.6**	**70,111.8**	66,003.3	66,559.0
Financial assets measured at FVTPL				
Financial assets measured at FVTPL	**10,444.1**	**10,444.1**	13,776.2	13,776.2
Derivative financial instruments	**2,092.6**	**2,092.6**	1,630.7	1,630.7
Financial assets designated at fair value	**303.5**	**303.5**	305.0	305.0
Total	**12,840.1**	**12,840.1**	15,711.9	15,711.9
Financial assets measured at FVOCI				
Financial assets measured at FVOCI	**14,771.3**	**14,771.3**	13,166.2	13,166.2
Total	**14,771.3**	**14,771.3**	13,166.2	13,166.2
Total financial assets	**97,205.0**	**97,723.2**	94,881.5	95,437.1

Financial liabilities

	30.06.2020 Carrying value CHF m	30.06.2020 Fair value CHF m	31.12.2019 Carrying value CHF m	31.12.2019 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**4,588.7**	**4,588.8**	3,160.0	3,160.0
Due to customers	**76,487.5**	**76,498.8**	72,913.1	72,956.3
Debt issued	**1,461.7**	**1,397.6**	1,893.0	1,900.7
Accrued expenses	**184.1**	**184.1**	221.4	221.4
Other liabilities	**32.1**	**32.1**	28.7	28.7
Total	**82,754.3**	**82,701.5**	78,216.3	78,267.1
Financial liabilities measured at FVTPL				
Financial liabilities measured at FVTPL	**827.4**	**827.4**	613.8	613.8
Derivative financial instruments	**2,489.1**	**2,489.1**	2,120.8	2,120.8
Financial liabilities designated at fair value	**13,473.3**	**13,473.3**	13,281.1	13,281.1
Deferred payments related to acquisitions	**17.9**	**17.9**	34.8	34.8
Total	**16,807.7**	**16,807.7**	16,050.4	16,050.4
Total financial liabilities	**99,561.9**	**99,509.1**	94,266.7	94,317.6

NOTE 9B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

For financial instruments measured at fair value through profit and loss (FVTPL) as well as for financial assets measured at fair value through other comprehensive income (FVOCI), the fair values are determined as follows:

Level 1
For financial instruments for which prices are quoted in an active market, the fair value is determined directly from the quoted market price.

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, the vast majority of the Group's issued structured notes 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 assets measured at FVTPL and *financial assets measured at FVOCI:* The Group holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Group holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2020, dividends related to these investments in the amount of CHF 1.8 million (2019: CHF 17.5 million) have been recognised in the income statement.

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

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

Deferred payments related to acquisitions: Payments related to the deferred purchase price portion of acquisitions may be dependent on certain conditions to be achieved and also contingent on future growth rates of the businesses. As these fair value inputs are not observable, the outstanding balances are reported in level 3.

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

				30.06.2020
	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**Total** *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,386.6	226.5	47.4	2,660.5
Trading – equity instruments at FVTPL	5,912.4	1,762.1	45.1	7,719.6
Other securities mandatorily measured at FVTPL	9.6	32.0	22.5	64.0
Total financial assets measured at FVTPL	**8,308.6**	**2,020.6**	**114.9**	**10,444.1**
Foreign exchange derivatives	1.4	770.9	-	772.3
Interest rate derivatives	0.8	193.6	-	194.4
Precious metal derivatives	0.2	186.9	-	187.1
Equity/indices derivatives	21.4	899.7	-	921.1
Credit derivatives	-	15.5	-	15.5
Other derivatives	2.2	-	-	2.2
Total derivative financial instruments	**26.1**	**2,066.5**	**-**	**2,092.6**
Financial assets designated at fair value	**11.5**	**62.7**	**229.2**	**303.5**
Debt instruments at FVOCI	11,466.0	3,051.6	-	14,517.6
Equity instruments at FVOCI	-	-	253.7	253.7
Total financial assets measured at FVOCI	**11,466.0**	**3,051.6**	**253.7**	**14,771.3**
Total assets	**19,812.2**	**7,201.5**	**597.8**	**27,611.5**
Short positions – debt instruments	221.4	6.1	-	227.5
Short positions – equity instruments	571.7	28.2	-	599.8
Total financial liabilities measured at FVTPL	**793.1**	**34.2**	**-**	**827.4**
Foreign exchange derivatives	2.5	974.9	-	977.4
Interest rate derivatives	1.6	225.8	-	227.4
Precious metal derivatives	1.9	282.1	-	283.9
Equity/indices derivatives	9.3	967.7	-	977.1
Credit derivatives	-	18.8	-	18.8
Other derivatives	4.6	-	-	4.6
Total derivative financial instruments	**19.9**	**2,469.3**	**-**	**2,489.1**
Financial liabilities designated at fair value	**-**	**13,184.9**	**288.4**	**13,473.3**
Deferred payments related to acquisitions	**-**	**-**	**17.9**	**17.9**
Total liabilities	**813.0**	**15,688.4**	**306.3**	**16,807.7**

				31.12.2019
	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	Total *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,150.3	209.1	48.4	2,407.7
Trading – equity instruments at FVTPL	7,939.0	3,259.9	-	11,199.0
Other securities mandatorily measured at FVTPL	2.2	35.8	131.5	169.5
Total financial assets measured at FVTPL	10,091.5	3,504.8	179.9	13,776.2
Foreign exchange derivatives	0.5	776.4	-	776.9
Interest rate derivatives	0.7	132.2	-	133.0
Precious metal derivatives	0.2	126.3	-	126.4
Equity/indices derivatives	20.5	570.4	-	591.0
Credit derivatives	-	2.7	-	2.7
Other derivatives	0.7	-	-	0.7
Total derivative financial instruments	22.7	1,608.0	-	1,630.7
Financial assets designated at fair value	19.6	69.9	215.5	305.0
Debt instruments at FVOCI	9,720.4	3,213.8	-	12,934.2
Equity instruments at FVOCI	-	-	232.0	232.0
Total financial assets measured at FVOCI	9,720.4	3,213.8	232.0	13,166.2
Total assets	19,854.2	8,396.5	627.4	28,878.2
Short positions – debt instruments	143.9	-	-	143.9
Short positions – equity instruments	453.9	16.0	-	469.8
Total financial liabilities measured at FVTPL	597.8	16.0	-	613.8
Foreign exchange derivatives	6.3	821.9	-	828.2
Interest rate derivatives	0.6	152.5	-	153.1
Precious metal derivatives	1.7	164.7	-	166.4
Equity/indices derivatives	7.0	937.6	-	944.5
Credit derivatives	-	23.7	-	23.7
Other derivatives	4.8	-	-	4.8
Total derivative financial instruments	20.4	2,100.4	-	2,120.8
Financial liabilities designated at fair value	-	12,983.4	297.7	13,281.1
Deferred payments related to acquisitions	-	-	34.8	34.8
Total liabilities	618.2	15,099.7	332.5	16,050.4

For financial instruments measured at FVTPL, no material shifts between the fair value levels have occurred due to COVID-19.

NOTE 10 CREDIT QUALITY ANALYSIS

The following tables provide an analysis of the Group's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Group's internal credit systems.

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	30.06.2020 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		7,571.1	-	-	**7,571.1**
R5–R6: Increased risk		384.9	-	-	**384.9**
R7–R10: Impaired		-	-	-	**-**
Total		7,956.0	-	-	**7,956.0**
Loss allowance		-0.1	-	-	-0.1
Carrying amount		**7,955.9**	**-**	**-**	**7,955.9**
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		34,712.5	39.5	-	**34,752.1**
R5–R6: Increased risk		2,458.8	331.9	-	**2,790.7**
R7–R10: Impaired		-	-	117.1	**117.1**
Total		37,171.4	371.4	117.1	**37,659.9**
Loss allowance		-3.3	-0.4	-85.7	-89.4
Carrying amount		**37,168.0**	**371.1**	**31.4**	**37,570.5**
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,394.8	370.0	-	**8,764.8**
R5–R6: Increased risk		94.2	36.5	-	**130.7**
R7–R10: Impaired		-	-	37.6	**37.6**
Total		8,489.0	406.4	37.6	**8,933.0**
Loss allowance		-4.2	-0.8	-2.7	-7.7
Carrying amount		**8,484.8**	**405.6**	**34.9**	**8,925.3**
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	14,517.6	-	-	**14,517.6**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**14,517.6**	**-**	**-**	**14,517.6**
Loss allowance		-2.1	-	-	-2.1

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2019 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,758.5	-	-	6,758.5
R5–R6: Increased risk		324.1	-	-	324.1
R7–R10: Impaired		-	-	-	-
Total		7,082.6	-	-	7,082.6
Loss allowance		-0.1	-	-	-0.1
Carrying amount		7,082.5	-	-	7,082.5
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		37,568.0	83.1	-	37,651.2
R5–R6: Increased risk		1,444.5	312.3	-	1,756.8
R7–R10: Impaired		-	-	141.0	141.0
Total		39,012.5	395.5	141.0	39,548.9
Loss allowance		-4.4	-0.6	-36.5	-41.4
Carrying amount		39,008.1	394.9	104.5	39,507.5
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,264.2	513.0	-	8,777.2
R5–R6: Increased risk		94.2	25.8	-	120.0
R7–R10: Impaired		-	-	28.1	28.1
Total		8,358.4	538.8	28.1	8,925.3
Loss allowance		-2.1	-0.7	-2.7	-5.5
Carrying amount		8,356.3	538.1	25.3	8,919.8
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,917.3	-	-	12,917.3
R5–R6: Increased risk	Ba1 – B3	-	16.9	-	16.9
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		12,917.3	16.9	-	12,934.2
Loss allowance		-1.3	-0.1	-	-1.3

The Group's credit portfolio is prudently managed using a sophisticated credit risk framework. This approach ensured quality also under the COVID-19-related market stress and did not result in material additional credit losses.

For half-year reporting purposes, management has assessed the unprecedented situation and has exercised the appropriate judgement, including considering the guidance issued by the IASB and supervisory authorities.

Considering both quantitative and qualitative indicators, the Group did not experience significant increases in credit risk; hence, no material movements in the stage allocation had to be recognised in the credit portfolio.

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the changed economic environment and the related uncertainty. As a consequence, the growth assumption (based on the gross domestic products) used in the baseline scenario has been lowered from a positive forecast in the year-end calculation 2019 to an assumed negative forecast. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, and in line with external guidance, the models used for the ECL calculation have not been modified due to the crisis.

Despite the adjusted scenario, the ECL calculations did not reveal material additional losses to be recognised for half-year reporting 2020.

However, as the significant uncertainty regarding the development of the macroeconomic situation persists, the input factors used in the ECL models are monitored on an ongoing basis and may have to be adjusted further in the next reporting periods.

NOTE 11 ASSETS UNDER MANAGEMENT

	30.06.2020 *CHF m*	30.06.2019 *CHF m*	31.12.2019 *CHF m*
Assets with discretionary mandate	**62,772**	63,828	66,128
Other assets under management	**337,699**	343,525	356,260
Assets in collective investment schemes managed by the Group[1]	**1,372**	4,907	3,672
Total assets under management (including double counting)	**401,843**	412,260	426,060
of which double counting	**11,039**	*10,706*	*10,963*

	H1 2020 *CHF m*	H1 2019 *CHF m*	H2 2019 *CHF m*
Change through net new money	**4,956**	6,176	4,422
Change through market and currency impacts	**-28,664**	25,558	13,226
Change through acquisition	**-**	3,015[2]	-
Change through divestment	**-509**	-1,730[3]	-2,983[3]
Change through other effects	**-**	-2,833[4]	-865[4]
Client assets	**468,046**	479,079	499,047

[1] Collective investment schemes are related to Julius Baer Family Office Brasil Gestão de Patrimônio Ltda. (former GPS Investimentos Financeiros e Participações S.A.), São Paulo, and to Kairos Investment Management S.p.A., Milan.
[2] In March 2019, the Group acquired NSC Asesores, Mexico.
[3] Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries and completion of sale of Julius Baer (Netherlands) B.V.
[4] Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

Method of calculation

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

NOTE 12 ACQUISITIONS AND DISPOSALS

NSC Asesores (2019/2015)
On 6 November 2015, the Group acquired 40% of the Mexico City-based NSC Asesores, S.C., Asesor en Inversiones Independiente, which is specialised in discretionary portfolio management and advisory services for high net worth individuals. The Group paid a total of CHF 28.7 million in cash for this interest, which was fully funded by existing excess capital of the Group. The Group also received two options to acquire additional interests of 30% per option in NSC Asesores at a predetermined relative price. The first option was executed in March 2019, the second option will be exercisable in 2021.

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

The assets and liabilities of NSC Asesores have been recorded as follows (unchanged since 2019):

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

Julius Baer Bank (Bahamas) Ltd. (2020)
At the beginning of February 2020, the Group announced its decision to close its Nassau booking centre as part of the Group's efficiency and productivity programme. Following this announcement, the Group received purchase offers for its Bahamas operations and reached an agreement with Ansbacher (Bahamas) Limited on 30 April 2020.

Ansbacher will acquire Julius Baer Bank (Bahamas) Ltd. which has assets under management of around CHF 1 billion. The closing of the transaction is expected in the second half of 2020, subject to customary transaction-related conditions, including regulatory approvals. The sales price will be based on the assets under management actually transferred at the closing date.

CAPITAL RATIOS

	30.06.2020 *Basel III* *CHF m*	30.06.2019 *Basel III* *CHF m*	31.12.2019 *Basel III* *CHF m*
Risk-weighted positions			
Credit risk	**14,194.2**	15,207.5	13,749.3
Non-counterparty-related risk	**576.0**	611.7	612.9
Market risk	**902.6**	539.8	670.8
Operational risk	**5,612.1**	5,340.9	5,461.7
Total	**21,284.9**	21,699.8	20,494.6
Eligible capital			
CET1 capital	**2,950.1**	2,836.8	2,876.7
Tier 1 capital	**4,118.6**	4,387.1	4,420.9
of which hybrid tier 1 capital instruments[1]	***1,168.5***	*1,550.3*	*1,544.2*
Tier 2 capital	**131.6**	108.6	100.8
Total capital	**4,250.2**	4,495.7	4,521.7
CET1 capital ratio	**13.9%**	13.1%	14.0%
Tier 1 capital ratio	**19.3%**	20.2%	21.6%
Total capital ratio	**20.0%**	20.7%	22.1%

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

Further details regarding tier 1 capital instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com. Also refer to Note 7 Debt issued.

A separate Basel III pillar 3 report, which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 30 June 2020, will be available from the end of August 2020 in the Regulatory Disclosures section of www.juliusbaer.com. The disclosure in the Basel III pillar 3 report is in accordance with the FINMA regulations governing the disclosure obligations regarding capital adequacy and liquidity.

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