Julius Bär

2021

HALF-YEAR REPORT

Bank Julius Baer & Co. Ltd.

HALF-YEAR REPORT 2021
BANK JULIUS BAER & CO. LTD.

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2021** *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	*Change to H1 2020 in %*
Interest income on financial instruments measured at amortised cost or FVOCI		**326.2**	425.3	319.3	-23.3
Interest expense on financial instruments measured at amortised cost		**40.5**	125.6	54.1	-67.8
Net interest income	1	**285.7**	299.7	265.2	-4.7
Commission and fee income		**1,083.7**	959.1	902.3	13.0
Commission expense		**287.7**	257.9	247.2	11.6
Net commission and fee income	2	**796.0**	701.2	655.1	13.5
Net income from financial instruments measured at FVTPL	3	**472.3**	436.6	395.9	8.2
Net credit losses/(recoveries) on financial assets		**8.2**	50.2	-14.2	-
Other ordinary results		**61.5**	41.7	44.1	47.5
Operating income		**1,607.3**	1,429.0	1,374.5	12.5
Personnel expenses	4	**621.4**	634.8	552.4	-2.1
General expenses	5	**322.6**	303.7	397.9	6.2
Depreciation of property and equipment		**34.2**	35.9	36.6	-4.7
Amortisation of customer relationships		**16.1**	16.1	16.1	-
Amortisation and impairment of other intangible assets		**38.5**	32.9	44.0	17.0
Operating expenses		**1,032.8**	1,023.4	1,047.0	0.9
Profit before taxes		**574.5**	405.6	327.5	41.6
Income taxes		**74.2**	65.8	53.5	12.8
Net profit		**500.3**	339.8	274.0	47.2

Share information	**H1 2021** *CHF*	H1 2020 *CHF*	H2 2020 *CHF*	*Change to H1 2020 in %*
Basic earnings per share (EPS)	**87.01**	59.10	47.65	47.2
Diluted earnings per share (EPS)	**87.01**	59.10	47.65	47.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2021 CHF m	H1 2020 CHF m	H2 2020 CHF m
Net profit recognised in the income statement	**500.3**	339.8	274.0
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	**-26.4**	55.6	49.7
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-9.3**	-2.2	-13.0
Effective portion of changes in fair value of hedging instruments designated as cash flow hedges	**-1.7**	-	-
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**48.1**	-4.7	-6.7
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**0.9**	-4.6	0.7
Remeasurement of defined benefit obligation	**57.0**	-42.5	75.5
Other comprehensive income	**68.6**	1.6	106.2
Total comprehensive income	**568.9**	341.4	380.2
Attributable to:			
Shareholders of Bank Julius Baer & Co. Ltd.	**568.9**	341.4	380.2

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2021** *CHF m*	31.12.2020 *CHF m*	30.06.2020 *CHF m*
Assets				
Cash		**14,109.0**	12,095.7	12,050.9
Due from banks		**4,896.7**	7,258.2	7,819.3
Loans		**46,822.2**	43,394.8	42,819.0
Financial assets measured at FVTPL		**13,834.7**	13,557.5	10,557.0
Derivative financial instruments		**2,123.6**	2,576.3	2,088.3
Financial assets designated at fair value		**288.9**	252.2	286.4
Financial assets measured at FVOCI	6	**13,859.9**	13,653.0	14,641.4
Property and equipment		**444.7**	469.0	493.5
Goodwill and other intangible assets		**2,232.4**	2,205.3	2,187.9
Accrued income and prepaid expenses		**342.0**	296.5	334.3
Other assets		**7,002.0**	6,337.3	6,629.2
Total assets		**105,956.1**	102,095.8	99,907.2

	Note	**30.06.2021** *CHF m*	31.12.2020 *CHF m*	30.06.2020 *CHF m*
Liabilities and equity				
Due to banks		**8,275.4**	8,519.5	8,428.4
Due to customers		**71,843.1**	69,842.7	67,894.3
Financial liabilities measured at FVTPL		**1,042.6**	896.5	827.4
Derivative financial instruments		**2,074.7**	2,710.0	2,576.8
Financial liabilities designated at fair value		**14,835.9**	13,154.8	13,473.3
Debt issued	7	**807.3**	-	-
Accrued expenses and deferred income		**488.1**	501.4	502.4
Current tax liabilities		**218.8**	192.1	142.4
Deferred tax liabilities		**74.3**	56.1	40.6
Provisions	8	**44.8**	90.4	164.3
Other liabilities		**371.8**	461.5	566.2
Total liabilities		**100,076.8**	96,425.0	94,616.1
Share capital		**575.0**	575.0	575.0
Capital reserves		**1,931.1**	1,931.1	1,931.1
Retained earnings		**3,122.2**	2,925.3	2,575.9
Other components of equity		**251.0**	239.4	209.1
Total equity attributable to shareholders of Bank Julius Baer & Co. Ltd.		**5,879.3**	5,670.8	5,291.1
Total liabilities and equity		**105,956.1**	102,095.8	99,907.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF m	Capital reserves CHF m	Retained earnings CHF m
At 1 January 2020	575.0	1,931.1	2,628.6
Net profit	-	-	339.8
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	-	-42.5
Total other comprehensive income	-	-	-42.5
Total comprehensive income	-	-	297.3
Bank Julius Baer & Co. Ltd. dividend payment	-	-	-350.0[1]
Share-based payment expensed	-	-	27.1
Distribution to the parent related to share-based payments	-	-	-27.1
At 30 June 2020	575.0	1,931.1	2,575.9
At 1 July 2020	575.0	1,931.1	2,575.9
Net profit	-	-	274.0
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	-	75.5
Total other comprehensive income	-	-	75.5
Total comprehensive income	-	-	349.8
Share-based payment expensed	-	-	25.4
Distribution to the parent related to share-based payments	-	-	-25.8
At 31 December 2019	575.0	1,931.1	2,925.3
At 1 January 2021	**575.0**	**1,931.1**	**2,925.3**
Net profit	**-**	**-**	**500.3**
Items that may be reclassified to the income statement	**-**	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-**	**57.0**
Total other comprehensive income	**-**	**-**	**57.0**
Total comprehensive income	**-**	**-**	**557.3**
Bank Julius Baer & Co. Ltd. dividend payment	**-**	**-**	**-360.0**[1]
Share-based payment expensed	**-**	**-**	**28.4**
Distribution to the parent related to share-based payments	**-**	**-**	**-28.8**
At 30 June 2021	**575.0**	**1,931.1**	**3,122.2**

[1] Dividend payment per share CHF 60.87 (2020) / Dividend payment per share CHF 62.61 (2021)

Other components of equity (net of taxes)				
OCI related to equity instruments at FVOCI *CHF m*	OCI related to debt instruments at FVOCI *CHF m*	Cash flow hedges *CHF m*	Own credit risk on financial liabilities designated at FV *CHF m*	Total equity attributable to share-holders of Bank Julius Baer & Co. Ltd. *CHF m*
132.2	32.8	-	-	5,299.7
-	-	-	-	339.8
-	53.4	-	-	53.4
-4.8	-	-	-4.6	-51.9
-4.8	53.4	-	-4.6	1.5
-4.8	53.4	-	-4.6	341.3
-	-	-	-	-350.0
-	-	-	-	27.1
-	-	-	-	-27.1
127.4	86.2	-	-4.6	5,291.0
127.4	86.2	-	-4.6	5291.0
-	-	-	-	274.0
-	36.7	-	-	36.7
-6.7			0.7	69.5
-6.7	36.7	-	0.7	106.2
-7.0	36.7	-	0.7	380.2
-	-	-	-	25.4
-	-	-	-	-25.8
120.4	122.9	-	-3.9	5670.8
120.4	**122.9**	**-**	**-3.9**	**5,670.8**
-	**-**	**-**	**-**	**500.3**
-	**-35.7**	**-1.7**	**-**	**-37.4**
48.1	**-**	**-**	**0.9**	**106.0**
48.1	**-35.7**	**-1.7**	**0.9**	**68.6**
48.1	**-35.7**	**-1.7**	**0.9**	**568.9**
-	**-**	**-**		**-360.0**
-	**-**	**-**	**-**	**28.4**
-	**-**	**-**	**-**	**-28.8**
168.5	**87.2**	**-1.7**	**-3.0**	**5,879.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

	H1 2021 *CHF m*	H1 2020 *CHF m*
Net profit	**500.3**	339.8
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	**34.2**	35.9
- Amortisation and impairment of intangible assets	**54.6**	49.0
- Change in loss allowance	**8.2**	50.2
- Deferred tax expense/(benefit)	**-4.4**	3.8
- Net loss/(gain) from investing activities	**-1.5**	4.8
- Other non-cash income and expenses	**28.4**	27.1
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**1,053.8**	-627.0
- Net financial assets measured at FVTPL	**-350.3**	3,488.5
- Net loans/due to customers	**-1,435.5**	4,415.4
- Issuance and repayment of financial liabilities designated at fair value	**1,682.0**	187.6
- Accrued income, prepaid expenses and other assets	**-711.8**	-2,980.7
- Accrued expenses, deferred income, other liabilities and provisions	**-82.1**	-103.3
Adjustment for income tax expenses	**78.6**	62.0
Income taxes paid	**-52.4**	-92.9
Cash flow from operating activities	**802.1**	4,860.2
Purchase of property and equipment and intangible assets	**-89.9**	-78.9
Net (investment in)/divestment of financial assets measured at FVOCI	**671.0**	-700.5
Cash flow from investing activities	**581.1**	-779.4
Dividend payments	**-360.0**	-350.0
Changes in debt issued	**807.5**	-
Distribution to the parent related to share-based payments for the year	**-27.3**	-27.1
Cash flow from financing activities	**420.2**	-377.1
Net (decrease)/increase in cash and cash equivalents	**1,803.4**	3,703.7

	30.06.2021 CHF m	30.06.2020 CHF m
Cash and cash equivalents at the beginning of the period	**19,660.8**	15,978.0
Cash flow from operating activities	**802.1**	4,860.2
Cash flow from investing activities	**581.1**	-779.4
Cash flow from financing activities	**420.2**	-377.1
Effects of exchange rate changes on cash and cash equivalents	**-26.6**	-201.4
Cash and cash equivalents at the end of the period	**21,437.6**	19,480.3

	30.06.2021 CHF m	30.06.2020 CHF m
Cash and cash equivalents are structured as follows:		
Cash	**14,109.0**	12,050.9
Money market paper	**2,570.7**	2,556.7
Due from banks (original maturity of less than three months)	**4,757.9**	4,872.7
Total	**21,437.6**	19,480.3

	30.06.2021 CHF m	30.06.2020 CHF m
Additional information		
Interest received	**285.2**	469.9
Interest paid	**-11.5**	-229.7
Dividends on equities received	**185.8**	208.3
Total	**459.5**	448.5

	30.06.2021 CHF m	30.06.2020 CHF m
Leases		
Cash payments - leases	**-20.7**	-18.8
Cash payments - interest paid	**-2.0**	-2.4
Short-term lease payments	**-0.3**	-0.2
Total	**-23.0**	-21.4

CONDENSED ACCOUNTING POLICIES AND VALUATION PRINCIPLES

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

The condensed consolidated half-year financial statements of the Bank as at, and for the six month ended, 30 June 2021 comprise of Bank Julius Baer & Co. Ltd. and its branches. They were prepared on the basis of the accounting policies and valuation principles of the consolidated financial statements of Bank Julius Baer & Co. Ltd. as at 31 December 2020, with the exception of the below amendments which have been applied as of 1 January 2021. All these amendments had no material impact on the Bank's consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)
On 1 January 2021, the Bank adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16). These second amendments related to the interbank offered rates (IBOR) reform address issues that might affect financial reporting, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the IBOR benchmark rates with alternative benchmark rates. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, and hedge accounting.

The replacement of the IBOR rates by the new benchmark rates (e.g. SARON, SOFR) will only accelerate in the second half of 2021. However, the Bank does not expect any material impacts on its consolidated financial statements from the application of the new benchmark rates.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
This practical expedient is an extension of the initial amendment to IFRS 16 in 2020 which introduced an optional practical expedient that simplifies how lessees accounts for rent concessions that are a direct consequence of COVID-19. The amendment applies only if certain conditions are met and is limited up to 30 June 2022. The Bank did not benefit from material COVID-19 rent concessions.

IFRS 9 Financial Instruments: Adoption of hedge accounting requirements
The Bank adopted the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2021 which resulted in changes to the Bank's accounting policies as outlined in the following sections.

Application and transition effect
As permitted by IFRS 9 Financial Instruments, the Bank has prospectively adopted the hedge accounting requirements of this standard for all its existing hedges previously accounted for under the guidelines of IAS 39 Financial Instruments: Recognition and Measurement, except for fair value hedges of portfolio interest rate risk, which continue to be accounted for under IAS 39.

The hedge accounting model in IFRS 9 improves the alignment of the Bank's risk management practices with the respective accounting treatment. In addition, it amends the hedge effective testing requirements, extends possibilities of the application of hedge accounting and permits the amortisation of option's time value as 'cost of hedging'.

The adoption of these requirements had no financial impact on the Bank's financial statements. However, since the adoption of the new standard, the Bank increasingly designates more effective hedge accounting relationships due to the more favourable rules and applications and hence reduces volatility in the income statement. The Bank also introduced cash flow hedge accounting to hedge the interest rate risk of certain groups of assets (Lombard loans) as well as to hedge future stable and predictable foreign currency cash flows.

Hedge accounting under IFRS 9
The Bank applies the new hedge accounting rules to fair value hedges of interest rate risks, to cash flow hedges of interest rate risks and foreign exchange risks, and to net investment hedges.

An entity may choose to designate a hedging relationship between a hedging instrument and a hedged item in order to achieve hedge accounting. Prior to hedge accounting being applied, all of the following steps must have been completed:

- identification of eligible hedged item(s) and hedging instruments;
- identification of an eligible hedged risk;
- ensuring the hedge relationship meets the definition of one of the permitted types (see below);
- satisfying the qualifying criteria for hedge accounting; and
- formal designation of the hedge relationship.

Hedge accounting under IFRS 9 includes the following three hedge accounting models (concepts):

Fair value hedge accounting (FVH)
The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect the income statement. The changes in fair value might arise through changes in interest rates, foreign exchange rates, or equity prices, i.e. the item to hedge is “some fixed item”, which however underlies variability due to market changes, which shall be prevented.

For a FVH, an adjustment is made to the carrying value of the hedged item to reflect the change in the value due to the hedged risk, with an offset to the income statement for the change in value of the hedging instrument. Where the offset is not complete, this will result in ineffectiveness to be recorded in the income statement.

Cash flow hedge accounting (CFH)
The risk being hedged in a cash flow hedge is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, an unrecognised firm commitment or a highly probable forecast transaction, and could affect the income statement. The item to hedge is “some variable item”, i.e. producing some variable cash amount, which shall be stabilised (the amount shall be fixed).

For a CFH, the carrying amount of the hedged item, which may not even be recognised yet, is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument in other comprehensive income. Any ineffective portion remains in the income statement as ineffectiveness.

Net investment hedge accounting (NIH)
The risk being hedged in a net investment hedge is the currency risk associated with the translation (into the consolidated financial statements) of the net assets of subsidiaries reporting in a different currency. The item to hedge is a net investment in a foreign operation.

For a NIH, the carrying amount of the hedged item is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument (i.e. the change in the foreign exchange rate of the derivative) in other comprehensive income. Any ineffective portion remains in the income statement as ineffectiveness.

Remaining hedge accounting under IAS 39
As permitted under IFRS 9, the Bank continues to apply the hedge accounting requirements of IAS 39 to fair value hedges of portfolio interest rate risk related to Lombard loans, as outlined in the summary of significant accounting policies in the Bank’s consolidated financial statements 2020.

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 20 July 2021. There are no events to report that had an influence on the balance sheet or the income statement up to that date.

The following exchange rates are used for the major currencies:

	Exchange rates as at			Average exchange rates		
	30.06.2021	30.06.2020	31.12.2020	**H1 2021**	H1 2020	2020
USD/CHF	**0.9244**	0.9476	0.8839	**0.9120**	0.9620	0.9340
EUR/CHF	**1.0962**	1.0643	1.0816	**1.0970**	1.0640	1.0705
GBP/CHF	**1.2770**	1.1708	1.2083	**1.2670**	1.2140	1.2060

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	*Change to H1 2020 in %*
Interest income on amounts due from banks	**0.9**	8.7	1.0	-89.7
Interest income on loans	**251.8**	330.0	244.8	-23.7
Interest income on debt instruments at FVOCI	**56.3**	73.7	59.5	-23.6
Negative interest received on financial liabilities	**17.2**	12.9	14.0	33.3
Interest income on financial instruments measured at amortised cost and fair value through other comprehensive income	**326.2**	425.3	319.3	-23.3
Interest expense on amounts due to banks	**0.6**	5.8	4.6	-89.7
Interest expense on amounts due to customers	**19.9**	98.8	25.7	-79.9
Interest expense on debt issued	**0.1**	-	-	-
Negative interest paid on financial assets	**17.9**	18.6	21.7	-
Interest expense on lease liabilities	**2.0**	2.4	2.1	-16.7
Interest expense on financial instruments measured at amortised cost	**40.5**	125.6	54.1	-67.8
Total	**285.7**	299.7	265.2	-4.7

NOTE 2 NET COMMISSION AND FEE INCOME

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	*Change to H1 2020 in %*
Advisory and asset management fees	**619.1**	516.6	525.5	19.8
Brokerage commissions and income from securities underwriting	**436.2**	407.2	348.9	7.1
Commission and fee income on other services	**28.4**	35.3	27.9	-19.5
Total commission and fee income	**1,083.7**	959.1	902.3	13.0
Commission expense	**287.7**	257.9	247.2	11.6
Total	**796.0**	701.2	655.1	13.5

NOTE 3 NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FVTPL

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	*Change to H1 2020 in %*
Net gains/(losses) from debt instruments and foreign exchange	**257.4**	186.6	283.5	-37.9
Net gains/(losses) from equity instruments	**214.9**	250.0	112.4	14.0
Total	**472.3**	436.6	395.9	8.2

NOTE 4 PERSONNEL EXPENSES

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	*Change to H1 2020 in %*
Salaries and bonuses	**501.4**	508.3	436.1	-1.4
Contributions to staff pension plans (defined benefits)	**34.6**	40.4	42.2	-14.4
Contributions to staff pension plans (defined contributions)	**10.7**	11.1	9.7	-3.6
Other social security contributions	**39.7**	37.9	31.3	4.7
Share-based payments	**28.4**	27.1	25.4	4.8
Other personnel expenses	**6.6**	10.0	7.7	-34.0
Total	**621.4**	634.8	552.4	-2.1

NOTE 5 GENERAL EXPENSES

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	*Change to H1 2020 in %*
Occupancy expense	**8.9**	9.6	12.7	-7.3
IT and other equipment expense	**38.0**	36.5	40.8	4.1
Information, communication and advertising expense	**66.6**	65.0	65.3	2.5
Service expense, fees and taxes	**176.5**	193.7	195.0	-8.9
Provision and losses	**29.7**	-2.8	83.3	-
Other general expenses	**2.9**	1.7	0.8	70.6
Total	**322.6**	303.7	397.9	6.2

NOTE 6 FINANCIAL ASSETS MEASURED AT FVOCI

	30.06.2021 *CHF m*	30.06.2020 *CHF m*	31.12.2020 *CHF m*	*Change to 31.12.2020 in %*
Government and agency bonds	**4,613.7**	5,038.1	4,254.6	8.4
Financial institution bonds	**5,154.9**	5,440.0	5,261.4	-2.0
Corporate bonds	**3,731.5**	3,907.7	3,864.7	-3.4
Debt instruments	**13,500.1**	14,385.8	13,380.7	0.9
of which quoted	***9,385.4***	*10,022.2*	*8,903.7*	*5.4*
of which unquoted	***4,114.7***	*4,363.6*	*4,477.0*	*-8.1*
Equity instruments	**359.8**	255.6	272.3	32.1
of which unquoted	***359.8***	*255.6*	*272.3*	*32.1*
Total	**13,859.9**	14,641.4	13,653.0	1.5

NOTE 7 DEBT ISSUED

	30.06.2021 *CHF m*	31.12.2020 *CHF m*
Bonds	**807.3**	-
Total	**807.3**	-

Bonds

	Stated interest rate %		Currency	Notional amount m	**30.06.2021** Carrying value CHF m	31.12.2020 Carrying value CHF m
Bank Julius Baer & Cie Ltd.						
2021[1]	0.125	Senior bond	CHF	260.0	260.2	-
Bank Julius Baer & Cie Ltd.						
2021[2]	0.000	Senior unsecured bond	EUR	500.0	547.1	-
Total					**807.3**	-

[1] The effective interest rate amounts to 0.103%.
[2] The effective interest rate amounts to 0.06%.

Changes in debt issued

	30.06.2021 *CHF m*	31.12.2020 *CHF m*
Balance at the beginning of the year	**-**	-
Changes from financing cash flows:		
– Proceeds from issuance of new bonds	**807.5**	-
Total changes from financing cash flows	**807.5**	-
Changes related to hedge accounting	**-0.2**	-
Balance at the end of the year	**807.3**	-

NOTE 8 PROVISIONS

Introduction
The Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Bank's future business, results of operations, financial condition and prospects. The realisation of one or more of these risks may individually or together with other circumstances materially adverse impact on the Bank's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities
The Bank 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 Bank – depending on the status of related proceedings – is difficult to assess.

The Bank establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgment of any liability on the part of the Bank 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 2021. The contingent liabilities might result in a materially adverse effect on the Bank or for other reasons may be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against 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 had 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, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. A decision on the merits of the appeal is expected late 2021 the earliest. Whilst such appeal is pending, the Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. Such decision has been appealed.

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 the right 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.

The Bank 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 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/money laundering was initiated against the Bank 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, scheduled to be trialed in Court in mid-December 2021. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

The Bank 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 then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 135 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, Bank Julius Baer & Co. Ltd. was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, 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 the Bank 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.

The Bank has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focused 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 against third parties, 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. FINMA's related enforcement procedure against the Bank and Julius Baer Group Ltd. was closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities. In the meantime, FINMA also lifted an acquisition ban at the end of March 2021 initially imposed with the closing of the enforcement procedure in February 2020. 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 the Bank and Julius Baer Group Ltd. related to the compliance treatment of a historical Latin American client relationship. Julius Baer has been fully cooperating with FINMA in its investigative work.

The Bank 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 US 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. The competent court has decided in favour of the Bank in November 2020; however, the claimant has appealed this decision to the Swiss Federal Supreme Court. 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. A resolution in the latter legacy matter is expected to be reached in 2021.

In May 2021, the Bank became aware that a Writ of Summons ('the Writ') had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited ('SRC') claiming the sum of approximately USD 112 million from the Bank, alleging the Bank was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. The Bank will contest such civil claim, which has not been served, and will take all appropriate measures to defend its interests in this matter.

NOTE 9A FINANCIAL INSTRUMENTS - FAIR VALUES

Financial assets

	30.06.2021 Carrying value CHF m	30.06.2021 Fair value CHF m	31.12.2020 Carrying value CHF m	31.12.2020 Fair value CHF m
Financial assets measured at amortised cost				
Cash	**14,109.0**	**14,109.0**	12,095.7	12,095.7
Due from banks	**4,896.7**	**4,898.4**	7,258.2	7,261.1
Loans	**46,822.2**	**47,212.5**	43,394.8	43,784.8
Accrued income	**272.4**	**272.4**	254.8	254.8
Other assets	**24.8**	**24.8**	5.3	5.3
Total	**66,125.1**	**66,517.1**	63,008.8	63,401.7
Financial assets measured at FVTPL				
Financial assets measured at FVTPL	**13,834.7**	**13,834.7**	13,557.6	13,557.6
Derivative financial instruments	**2,123.6**	**2,123.6**	2,576.3	2,576.3
Financial assets designated at fair value	**288.9**	**288.9**	252.2	252.2
Total	**16,247.2**	**16,247.2**	16,386.1	16,386.1
Financial assets measured at FVOCI				
Financial assets measured at FVOCI	**13,859.9**	**13,859.9**	13,653.0	13,653.0
Total	**13,859.9**	**13,859.9**	13,653.0	13,653.0
Total financial assets	**96,232.2**	**96,624.2**	93,047.9	93,440.8

Financial liabilities

	30.06.2021 Carrying value CHF m	 Fair value CHF m	31.12.2020 Carrying value CHF m	 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**8,275.4**	**8,275.6**	8,519.5	8,523.6
Due to customers	**71,843.1**	**71,961.1**	69,842.7	69,978.0
Debt issued	**807.3**	**807.3**	-	-
Accrued expenses	**220.6**	**220.6**	138.7	138.7
Other liabilities	**6.1**	**6.1**	4.6	4.6
Total	**81,152.5**	**81,270.7**	78,505.5	78,644.9
Financial liabilities measured at FVTPL				
Financial liabilities measured at FVTPL	**1,042.6**	**1,042.6**	896.5	896.5
Derivative financial instruments	**2,074.7**	**2,074.7**	2,710.0	2,710.0
Financial liabilities designated at fair value	**14,835.9**	**14,835.9**	13,154.8	13,154.8
Total	**17,953.2**	**17,953.2**	16,761.3	16,761.3
Total financial liabilities	**99,105.7**	**99,223.9**	95,266.8	95,406.2

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 Bank'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 Bank holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Bank holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Bank 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 2021, dividends related to these investments in the amount of CHF 11.9 million (2020: CHF 1.8 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Bank 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 Bank'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 Bank's income statement or shareholders' equity.

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

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

				30.06.2021
	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 FVTPL	2,615.0	681.2	305.7	3,601.9
Trading – equity instruments FVTPL	7,913.9	2,263.5	55.4	10,232.8
Total financial assets measured at FVTPL	**10,528.9**	**2,944.7**	**361.1**	**13,834.7**
Foreign exchange derivatives	3.3	1,018.3	-	1,021.6
Interest rate derivatives	0.7	133.2	-	133.9
Precious metal derivatives	2.9	126.7	-	129.6
Equity/indices derivatives	23.9	798.8	-	822.7
Credit derivatives	-	13.8	-	13.8
Other derivatives	2.0	-	-	2.0
Total derivative financial instruments	**32.8**	**2,090.8**	**-**	**2,123.6**
Financial assets designated at fair value	**16.7**	**81.1**	**191.1**	**288.9**
Debt instruments at FVOCI	10,357.8	3,142.3	-	13,500.1
Equity instruments at FVOCI	-	-	359.8	359.8
Total financial assets measured at FVOCI	**10,357.8**	**3,142.3**	**359.8**	**13,859.9**
Total assets	**20,936.2**	**8,258.9**	**912.0**	**30,107.1**
Short positions – debt instruments	181.4	40.9	-	222.3
Short positions – equity instruments	777.2	43.1	-	820.3
Total financial liabilities measured at FVTPL	**958.6**	**84.0**	**-**	**1,042.6**
Foreign exchange derivatives	1.7	687.4	-	689.1
Interest rate derivatives	0.1	161.9	-	162.0
Precious metal derivatives	2.5	136.7	-	139.2
Equity/indices derivatives	7.6	1,008.2	-	1,015.8
Credit derivatives	-	61.6	-	61.6
Other derivatives	7.0	-	-	7.0
Total derivative financial instruments	**18.9**	**2,055.8**	**-**	**2,074.7**
Financial liabilities designated at fair value	**-**	**14,523.1**	**312.8**	**14,835.9**
Total liabilities	**977.5**	**16,662.9**	**312.8**	**17,953.2**

	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	31.12.2020 Total CHF m
Financial assets and liabilities measured at fair value				
Trading – debt instruments FVTPL	2,866.2	298.8	232.9	3,397.9
Trading – equity instruments FVTPL	8,222.9	1,886.4	50.4	10,159.7
Total financial assets measured at FVTPL	11,089.1	2,185.2	283.3	13,557.6
Foreign exchange derivatives	-	1,046.8	-	1,046.8
Interest rate derivatives	1.2	162.1	-	163.3
Precious metal derivatives	0.2	169.8	-	170.0
Equity/indices derivatives	28.4	1,156.3	-	1,184.7
Credit derivatives	-	11.2	-	11.2
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	30.1	2,546.2	-	2,576.3
Financial assets designated at fair value	8.6	64.7	178.9	252.2
Debt instruments at FVOCI	10,252.6	3,128.1	-	13,380.7
Equity instruments at FVOCI	-	-	272.3	272.3
Total financial assets measured at FVOCI	10,252.6	3,128.1	272.3	13,653.0
Total assets	21,380.4	7,924.2	734.5	30,039.1
Short positions – debt instruments	217.0	22.5	-	239.5
Short positions – equity instruments	626.3	30.7	-	657.0
Total financial liabilities measured at FVTPL	843.3	53.2	-	896.5
Foreign exchange derivatives	4.8	1,320.8	-	1,325.6
Interest rate derivatives	0.1	189.2	-	189.3
Precious metal derivatives	1.7	232.8	-	234.5
Equity/indices derivatives	5.7	917.5	-	923.2
Credit derivatives	-	36.6	-	36.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	13.1	2,696.9	-	2,710.0
Financial liabilities designated at fair value	-	12,889.8	265.0	13,154.8
Total liabilities	856.4	15,639.9	265.0	16,761.3

For financial instruments measured at FVTPL, no material shifts between the fair value levels have occurred in 2021 and 2020 due to COVID-19.

NOTE 10 CREDIT QUALITY ANALYSIS

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

Exposure to credit risk by credit quality

	Moody's	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	30.06.2021 Total CHF m
Due from banks, at amortised cost					
R1 – R4: Low to medium risk		4,526.4	-	-	**4,526.4**
R5 – R6: Increased risk		370.4	-	-	**370.4**
R7 – R10: Impaired		-	-	-	**-**
Total		4,896.8	-	-	**4,896.8**
Loss allowance		-0.1	-	-	-0.1
Carrying amount		**4,896.7**	**-**	**-**	**4,896.7**
Lombard loans, at amortised cost					
R1 – R4: Low to medium risk		38,973.7	42.5	-	**39,016.2**
R5 – R6: Increased risk		1,424.7	211.8	-	**1,636.5**
R7 – R10: Impaired		-	-	97.3	**97.3**
Total		40,398.4	254.3	97.3	**40,750.0**
Loss allowance		-4.0	-	-77.2	-81.2
Carrying amount		**40,394.4**	**254.3**	**20.1**	**40,668.8**
Mortgages, at amortised cost					
R1 – R4: Low to medium risk		5,783.3	312.8	-	**6,096.1**
R5 – R6: Increased risk		-	33.8	-	**33.8**
R7 – R10: Impaired		-	-	27.0	**27.0**
Total		5,783.3	346.6	27.0	**6,156.9**
Loss allowance		-0.7	-0.1	-2.7	-3.5
Carrying amount		**5,782.6**	**346.5**	**24.3**	**6,153.4**
Debt instruments, at FVOCI					
R1 – R4: Low to medium risk	Aaa – Baa3	13,455.5	-	-	**13,455.5**
R5 – R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7 – R10: Impaired	Caa1 – C	46.1	-	-	**46.1**
Carrying amount		**13,501.6**	**-**	**-**	**13,501.6**
Loss allowance		-1.5	-	-	-1.5

	Moody's	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2020 Total CHF m
Due from banks, at amortised cost					
R1 – R4: Low to medium risk		6,831.2	-	-	6,831.2
R5 – R6: Increased risk		427.1	-	-	427.1
R7 – R10: Impaired		-	-	-	-
Total		7,258.3	-	-	7,258.3
Loss allowance		-0.1	-	-	-0.1
Carrying amount		7,258.2	-	-	7,258.2
Lombard loans, at amortised cost					
R1 – R4: Low to medium risk		34,908.4	25.4	-	34,933.8
R5 – R6: Increased risk		1,741.3	207.1	-	1,948.4
R7 – R10: Impaired		-	-	87.3	87.3
Total		36,649.7	232.5	87.3	36,969.5
Loss allowance		-2.5	-0.3	-71.6	-74.4
Carrying amount		36,647.2	232.2	15.7	36,895.1
Mortgages, at amortised cost					
R1 – R4: Low to medium risk		6,132.1	306.6	-	6,438.7
R5 – R6: Increased risk		16.2	20.2	-	36.4
R7 – R10: Impaired		-	-	28.4	28.4
Total		6,148.3	326.8	28.4	6,503.5
Loss allowance		-1.0	-0.1	-2.7	-3.8
Carrying amount		6147.3	326.7	25.7	6499.7
Debt instruments, at FVOCI					
R1 – R4: Low to medium risk	Aaa – Baa3	13,382.5	-	-	13,382.5
R5 – R6: Increased risk	Ba1 – B3	-	-	-	-
R7 – R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		13,382.5	-	-	13,382.5
Loss allowance		-1.8	-	-	-1.8

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the ongoing challenging 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 increased again for half-year reporting 2021; this after the Bank has lowered it for the half-year reporting 2020 to an assumed negative forecast for the following periods. 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 pandemic.

The ECL calculations did not reveal any material losses to be recognised for half-year reporting 2021.

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 in the next reporting periods.

NOTE 11 ASSETS UNDER MANAGEMENT

	30.06.2021 *CHF m*	30.06.2020 *CHF m*	31.12.2020 *CHF m*
Assets with discretionary mandate	**58,857**	46,605	50,675
Other assets under management	**334,919**	281,330	301,713
Total assets under management (including double counting)	**393,776**	327,935	352,388
of which double counting	***15,799***	*9,828*	*14,349*

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*
Change through net new money	**8,191**	3,027	8,340
Change through market and currency impacts	**33,393**	-20,091	16,544
Change through divestment	**-196**[1]	-94[1]	-423[1]
Change through other effects	**-**[2]	-[2]	-8[2]
Client assets	**472,553**	394,139	424,031

1 Assets under management were affected by the Bank's decision to discontinue its offering to clients from a number of selected countries.
2 Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland.

Method of calculation

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

CAPITAL RATIOS

Further details regarding tier 1 capital instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com.

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06.08.2021 Publ. No. PU00068EN