Julius Bär

HALF-YEAR REPORT 2016

JULIUS BAER GROUP LTD.

HALF-YEAR REPORT 2016 JULIUS BAER GROUP LTD.

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

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2016** *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*	*Change to H1 2015 in %*
Interest and dividend income		**596.4**	453.9	393.3	31.4
Interest expense		**86.4**	69.7	66.1	23.9
Net interest and dividend income	1	**510.0**	384.2	327.2	32.8
Commission and fee income		**835.8**	904.2	827.9	-7.6
Commission expense		**96.5**	112.2	97.5	-14.0
Net commission and fee income	2	**739.3**	792.0	730.4	-6.7
Net trading income	3	**117.6**	217.0	218.8	-45.8
Other ordinary results		**57.7**	14.7	10.0	292.4
Operating income		**1,424.6**	1,408.0	1,286.4	1.2
Personnel expenses	4	**632.1**	630.7	605.5	0.2
General expenses	5	**287.5**	613.8	486.4	-53.2
Depreciation of property and equipment		**17.9**	16.3	18.2	9.6
Amortisation of customer relationships		**34.8**	65.8	60.4	-47.1
Amortisation and impairment of other intangible assets		**12.4**	28.0	30.7	-55.6
Operating expenses		**984.7**	1,354.5	1,201.1	-27.3
Profit before taxes		**439.9**	53.5	85.3	722.2
Income taxes		**77.7**	13.7	2.5	467.4
Net profit		**362.1**	39.7	82.8	812.2

	H1 2016 *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*	*Change to H1 2015 in %*
Attributable to:				
Shareholders of Julius Baer Group Ltd.	**361.8**	39.0	82.1	827.8
Non-controlling interests	**0.3**	0.7	0.6	-56.0
	362.1	39.7	82.8	812.2

	H1 2016 *CHF*	H1 2015 *CHF*	H2 2015 *CHF*	*Change to H1 2015 in %*
Share information				
Basic earnings per share (EPS)	**1.66**	0.18	0.38	833.5
Diluted earnings per share (EPS)	**1.66**	0.18	0.37	811.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2016 *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*	Change *to H1 2015 in %*
Net profit recognised in the income statement	**362.1**	39.7	82.8	812.2
Other comprehensive income (net of taxes):				
Items that may be reclassified to the income statement				
Net unrealised gains/(losses) on financial investments available-for-sale	**179.5**	-34.5	-51.2	
Net realised (gains)/losses on financial investments available-for-sale reclassified to the income statement	**2.1**	0.7	-0.4	
Translation differences	**15.8**	-81.1	1.5	
Realised (gains)/losses on translation differences reclassified to the income statement	**-0.0**	0.4	-0.2	
Items that will not be reclassified to the income statement				
Remeasurement of defined benefit obligation	**-41.2**	-108.5	10.1	
Other comprehensive income for the period recognised directly in equity	**156.2**	-223.0	-40.2	
Total comprehensive income for the period recognised in the income statement and in equity	**518.3**	-183.3	42.5	
Attributable to:				
Shareholders of Julius Baer Group Ltd.	**515.0**	-182.3	42.9	
Non-controlling interests	**3.3**	-1.0	-0.4	
	518.3	-183.3	42.5	

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2016** *CHF m*	31.12.2015 *CHF m*	30.06.2015 *CHF m*
Assets				
Cash		**11,956.7**	9,185.7	10,859.9
Due from banks	6	**8,180.1**	6,901.1	8,018.3
Loans	6	**36,723.3**	36,380.9	32,761.0
Trading assets		**7,309.3**	8,984.0	7,690.8
Derivative financial instruments		**2,128.1**	2,189.1	2,319.9
Financial assets designated at fair value		**197.5**	197.0	183.8
Financial investments available-for-sale	7	**17,396.8**	16,572.5	14,764.7
Investments in associates		**28.2**	90.3	64.2
Property and equipment		**369.3**	373.2	378.4
Goodwill and other intangible assets		**2,783.8**	2,316.4	2,283.8
Accrued income and prepaid expenses		**358.8**	366.2	380.6
Deferred tax assets		**27.1**	23.8	13.0
Other assets		**291.7**	535.4	430.8
Total assets		**87,750.7**	84,115.5	80,149.2

	Note	30.06.2016 CHF m	31.12.2015 CHF m	30.06.2015 CHF m
Liabilities and equity				
Due to banks		**6,916.9**	4,672.0	5,227.6
Due to customers		**64,578.4**	64,781.4	60,199.4
Trading liabilities		**171.8**	190.8	104.5
Derivative financial instruments		**2,331.5**	2,391.4	2,648.1
Financial liabilities designated at fair value		**6,166.7**	4,263.1	4,594.1
Debt issued	9	**1,244.5**	1,152.7	1,060.4
Accrued expenses and deferred income		**431.2**	530.1	423.2
Current tax liabilities		**74.3**	65.6	20.6
Deferred tax liabilities		**86.6**	41.6	94.8
Provisions	10	**30.6**	575.2	364.4
Other liabilities		**546.7**	509.7	532.5
Total liabilities		**82,579.2**	79,173.5	75,269.7
Share capital		**4.5**	4.5	4.5
Retained earnings		**5,562.4**	5,467.8	5,361.6
Other components of equity		**-164.7**	-317.9	-278.7
Treasury shares		**-268.2**	-218.9	-215.0
Equity attributable to shareholders of Julius Baer Group Ltd.		**5,134.0**	4,935.6	4,872.4
Non-controlling interests		**37.6**	6.4	7.2
Total equity		**5,171.5**	4,942.0	4,879.5
Total liabilities and equity		**87,750.7**	84,115.5	80,149.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF m	Retained earnings[1] CHF m
At 1 January 2015	4.5	5,560.3
Net profit	-	39.0
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	39.0
Dividends	-	-223.8
Dividend income on own shares	-	4.8
Share-based payments expensed	-	29.9
Share-based payments vested	-	-47.8
Changes in derivatives on own shares	-	14.4
Acquisitions of own shares	-	-
Disposals of own shares	-	-15.2
At 30 June 2015	4.5	5,361.6
At 1 July 2015	4.5	5,361.6
Net profit	-	82.1
Items that may be reclassified to the income statement	-	-
Items that will not be reclassified to the income statement	-	-
Total comprehensive income	-	82.1
Dividends	-	-
Share-based payments expensed	-	30.1
Share-based payments vested	-	-7.3
Changes in derivatives on own shares	-	-0.2
Acquisitions of own shares	-	-
Disposals of own shares	-	1.4
At 31 December 2015	4.5	5,467.8
At 1 January 2016	**4.5**	**5,467.8**
Net profit	**-**	**361.8**
Items that may be reclassified to the income statement	**-**	**-**
Items that will not be reclassified to the income statement	**-**	**-**
Total comprehensive income	**-**	**361.8**
Changes in non-controlling interests	**-**	**-23.4**[2]
Dividends	**-**	**-246.2**
Dividend income on own shares	**-**	**6.2**
Share-based payments expensed	**-**	**35.1**
Share-based payments vested	**-**	**-39.6**
Changes in derivatives on own shares	**-**	**-1.4**
Acquisitions of own shares	**-**	**-**
Disposals of own shares	**-**	**2.0**
At 30 June 2016	**4.5**	**5,562.4**

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

[2] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A. and Julius Bär Wealth Management AG.

[3] Related to the acquisition of GPS Investimentos Financeiros e Participações S.A., Julius Bär Wealth Management AG and Kairos Investment Management SpA.

Other components of equity						
Financial investments available-for-sale, net of taxes *CHF m*	Remeasurement of defined benefit obligation *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
108.5	-123.0	-42.9	-178.7	5,328.7	9.1	5,337.8
-	-	-	-	39.0	0.7	39.7
-33.8	-	-79.0	-	-112.8	-1.7	-114.5
-	-108.5	-	-	-108.5	-	-108.5
-33.8	-108.5	-79.0	-	-182.3	-1.0	-183.3
-	-	-	-	-223.8	-0.9	-224.7
-	-	-	-	4.8	-	4.8
-	-	-	-	29.9	-	29.9
-	-	-	47.8	-	-	-
-	-	-	12.4	26.8	-	26.8
-	-	-	-172.0	-172.0	-	-172.0
-	-	-	75.5	60.3	-	60.3
74.7	-231.5	-121.9	-215.0	4,872.4	7.2	4,879.5
74.7	-231.5	-121.9	-215.0	4,872.4	7.2	4,879.5
-	-	-	-	82.1	0.6	82.7
-51.6	-	2.3	-	-49.3	-1.0	-50.3
-	10.1	-	-	10.1	-	10.1
-51.6	10.1	2.3	-	42.9	-0.4	42.5
-	-	-	-	-	-0.4	-0.4
-	-	-	-	30.1	-	30.1
-	-	-	7.3	-	-	-
-	-	-	-3.4	-3.6	-	-3.6
-	-	-	-60.0	-60.0	-	-60.0
-	-	-	52.4	53.8	-	53.8
23.1	-221.4	-119.6	-218.9	4,935.6	6.4	4,942.0
23.1	**-221.4**	**-119.6**	**-218.9**	**4,935.6**	**6.4**	**4,942.0**
-	**-**	**-**	**-**	**361.8**	**0.3**	**362.1**
181.5	**-**	**12.7**	**-**	**194.3**	**3.0**	**197.3**
-	**-41.2**	**-**	**-**	**-41.2**	**-**	**-41.2**
181.5	**-41.2**	**12.7**	**-**	**515.0**	**3.3**	**518.3**
-	**-**	**-**	**-**	**-23.4**	**29.9**[3]	**6.5**
-	**-**	**-**	**-**	**-246.2**	**-2.1**	**-248.3**
-	**-**	**-**	**-**	**6.2**	**-**	**6.2**
-	**-**	**-**	**-**	**35.1**	**-**	**35.1**
-	**-**	**-**	**39.6**	**-**	**-**	**-**
-	**-**	**-**	**-9.5**	**-10.8**	**-**	**-10.8**
-	**-**	**-**	**-182.0**	**-182.0**	**-**	**-182.0**
-	**-**	**-**	**102.5**	**104.5**	**-**	**104.5**
204.6	**-262.5**	**-106.9**	**-268.2**	**5,134.0**	**37.6**	**5,171.5**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

	H1 2016 *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*
Cash and cash equivalents at the beginning of the period	**18,128.7**	22,293.4	19,818.3
Cash flow from operating activities after taxes	**3,185.1**	-1,741.1	-892.0
Cash flow from investing activities	**-900.6**	-1,325.0	-252.1
Cash flow from financing activities	**1,643.9**	-172.1	-35.2
Effects of exchange rate changes	**322.8**	763.1	-510.2
Cash and cash equivalents at the end of the period	**22,379.9**	19,818.3	18,128.7

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 2016 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 2015. However, the Group applied the new Amendments to IAS 1 – Disclosure Initiative which had no material impact on the half-year financial statements of the Group.

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 22 July 2016.

Commerzbank International S.A. Luxembourg
In December 2015, the Group agreed to acquire Commerzbank International S.A. Luxembourg, a fully licensed private bank. This transaction will significantly strengthen the Group's presence in Luxembourg, and in addition will provide the Group with further strategic flexibility for its European business. Closing of the transaction took place on 4 July 2016. A provisional purchase price of CHF 84.4 million has been paid, which was funded by existing excess capital of the Group. At the time the financial statements were authorised for issue, the initial accounting for the business combination has not been completed.

There were no other significant events to report until 22 July 2016.

	Exchange rates as at			Average exchange rates		
	30.06.2016	30.06.2015	31.12.2015	**H1 2016**	H1 2015	2015
USD/CHF	**0.9742**	0.9346	1.0010	**0.9840**	0.9420	0.9645
EUR/CHF	**1.0823**	1.0413	1.0874	**1.0950**	1.0450	1.0640
GBP/CHF	**1.3023**	1.4698	1.4753	**1.3950**	1.4400	1.4710

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	H1 2016 *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*	*Change to H1 2015 in %*
Interest income on amounts due from banks	**19.9**	18.7	19.6	6.6
Interest income on loans	**253.1**	213.3	231.2	18.6
Interest income on financial investments available-for-sale	**120.9**	82.4	109.0	46.8
Total interest income using the effective interest method	**394.0**	314.4	359.9	25.3
Dividend income on financial investments available-for-sale	**7.3**	4.5	5.8	61.8
Interest income on trading portfolios	**15.0**	13.1	10.5	14.8
Dividend income on trading portfolios	**180.2**	121.9	17.2	47.8
Total interest and dividend income	**596.4**	453.9	393.3	31.4
Interest expense on amounts due to banks	**7.4**	4.2	4.5	76.8
Interest expense on amounts due to customers	**34.2**	28.8	20.7	18.7
Interest expense on debt issued	**30.6**	23.8	26.9	28.5
Interest expense on financial assets[1]	**14.2**	12.9	13.9	10.2
Total interest expense using the effective interest method	**86.4**	69.7	66.1	23.9
Total	**510.0**	384.2	327.2	32.8

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

2 NET COMMISSION AND FEE INCOME

	H1 2016 *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*	*Change to H1 2015 in %*
Advisory and management commissions	**433.1**	431.0	426.8	0.5
Investment fund fees	**87.0**	112.5	114.8	-22.6
Fiduciary commissions	**4.1**	3.0	3.5	37.8
Total commission and fee income from asset management	**524.2**	546.5	545.1	-4.1
Brokerage commissions and income from securities underwriting	**251.0**	310.1	241.4	-19.1
Commission income from credit-related activities	**3.7**	2.9	3.8	26.5
Commission and fee income on other services	**56.9**	44.7	37.6	27.3
Total commission and fee income	**835.8**	904.2	827.9	-7.6
Commission expense	**96.5**	112.2	97.5	-14.0
Total	**739.3**	792.0	730.4	-6.7

3 NET TRADING INCOME

	H1 2016 CHF m	H1 2015 CHF m	H2 2015 CHF m	Change to H1 2015 in %
Debt instruments	**14.2**	22.1	7.9	-36.0
Equity instruments	**-126.4**	-104.1	0.1	21.4
Foreign exchange	**229.8**	299.1	210.8	-23.2
Total	**117.6**	217.0	218.8	-45.8

4 PERSONNEL EXPENSES

	H1 2016 CHF m	H1 2015 CHF m	H2 2015 CHF m	Change to H1 2015 in %
Salaries and bonuses	**550.1**	516.5	472.3	6.5
Contributions to staff pension plans (defined benefits)	**-25.7**[1]	32.2	37.4	-
Contributions to staff pension plans (defined contributions)	**12.7**	12.8	14.2	-0.5
Other social security contributions	**45.7**	44.2	31.9	3.3
Share-based payments	**35.1**	29.9	30.1	17.3
Other personnel expenses	**14.2**	22.9	19.7	-38.0
Reimbursement of personnel expenses	**-**	-27.9[2]	-	-
Total	**632.1**	630.7	605.5	0.2

1 Including the effect of a plan amendment in the amount of CHF 62.8 million.

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

5 GENERAL EXPENSES

	H1 2016 CHF m	H1 2015 CHF m	H2 2015 CHF m	Change to H1 2015 in %
Occupancy expense	**42.7**	42.7	41.1	-0.1
IT and other equipment expense	**32.9**	32.2	32.4	2.2
Information, communication and advertising expense	**81.4**	76.4	85.8	6.6
Service expense, fees and taxes	**109.6**	91.9	115.8	19.2
Valuation allowances, provisions and losses	**18.2**	368.5[1]	206.1[2]	-95.1
Other general expenses	**2.8**	2.0	5.3	37.5
Total	**287.5**	613.8	486.4	-53.2

1 Including the provision in the amount of USD 350 million related to the eventual settlement with US authorities concerning Julius Baer's legacy US cross-border business.

2 Including the additional provision in the amount of USD 197.25 million related to the agreement in principle with US Attorney's Office for the Southern District of New York with respect to a resolution regarding Julius Baer's legacy US cross-border business.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

6A DUE FROM BANKS

	30.06.2016 CHF m	30.06.2015 CHF m	31.12.2015 CHF m	Change to 31.12.2015 in %
Due from banks	**8,183.0**	8,019.7	6,903.4	18.5
Allowance for credit losses	**-2.9**	-1.4	-2.3	-
Total	**8,180.1**	8,018.3	6,901.1	18.5

6B LOANS

	30.06.2016 CHF m	30.06.2015 CHF m	31.12.2015 CHF m	Change to 31.12.2015 in %
Loans	**28,038.2**	24,730.2	27,913.7	0.4
Mortgages	**8,767.9**	8,104.9	8,549.9	2.5
Subtotal	**36,806.1**	32,835.1	36,463.5	0.9
Allowance for credit losses	**-82.8**	-74.1	-82.6	-
Total	**36,723.3**	32,761.0	36,380.9	0.9

6C ALLOWANCE FOR CREDIT LOSSES

		H1 2016		H1 2015		H2 2015
	Specific CHF m	Collective CHF m	Specific CHF m	Collective CHF m	Specific CHF m	Collective CHF m
Balance at the beginning of the period	**58.5**	**26.3**	29.0	22.8	54.9	20.6
Write-offs	**-5.9**	**-**	-	-	-2.5	-
Increase in allowance for credit losses	**6.3**	**2.8**	31.8	0.5	3.9	5.7
Decrease in allowance for credit losses	**-0.1**	**-1.6**	-3.6	-2.5	-	-
Translation differences and other adjustments	**-0.8**	**0.0**	-2.3	-0.2	2.2	0.1
Balance at the end of the period	**58.0**	**27.6**	54.9	20.6	58.5	26.3

6D IMPAIRED LOANS

	30.06.2016 CHF m	30.06.2015 CHF m	31.12.2015 CHF m	Change to 31.12.2015 in %
Gross loans	**76.2**	66.9	72.2	5.5
Specific allowance for credit losses	**-58.0**	-54.9	-58.5	-
Net loans	**18.1**	12.0	13.7	32.3

7A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30.06.2016 *CHF m*	30.06.2015 *CHF m*	31.12.2015 *CHF m*	*Change to 31.12.2015 in %*
Money market instruments	**2,723.0**	2,104.2	2,298.1	18.5
Government and agency bonds	**3,411.3**	1,992.8	3,560.1	-4.2
Financial institution bonds	**6,406.3**	6,641.3	6,187.1	3.5
Corporate bonds	**4,649.4**	3,919.5	4,387.7	6.0
Other bonds	**51.0**	24.0	42.3	20.5
Debt instruments	**14,518.0**	12,577.6	14,177.2	2.4
of which quoted	***13,532.5***	*11,508.7*	*13,210.8*	*2.4*
of which unquoted	***985.5***	*1,068.9*	*966.4*	*2.0*
Equity instruments	**155.8**	82.9	97.2	60.3
of which quoted	***16.1***	-	*15.7*	*2.5*
of which unquoted	***139.7***	*82.9*	*81.5*	*71.4*
Total	**17,396.8**	14,764.7	16,572.5	5.0

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

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	**30.06.2016** *CHF m*	30.06.2015 *CHF m*	31.12.2015 *CHF m*
1–2	AAA – AA-	Aaa – Aa3	9,299.8	7,536.0	9,122.4
3	A+ – A-	A1 – A3	4,717.3	4,511.7	4,662.0
4	BBB+ – BBB-	Baa1 – Baa3	410.6	327.4	286.6
5–7	BB+ – CCC-	Ba1 – Caa3	44.4	42.3	42.9
8–9	CC – D	Ca – C	-	-	4.3
Unrated			45.8	160.2	59.1
Total			14,518.0	12,577.6	14,177.2

8 FAIR VALUE

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

Level 2
For financial instruments for which quoted market prices are not directly available or are not derived from active markets, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unquoted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied to these financial instruments include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

Level 3
For certain financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.

Financial investments available-for-sale: The Group holds certain equity instruments, which are required for the operation of the Group and are reported as financial instruments available-for-sale, with changes in the fair value recognised in other comprehensive income. The determination of the fair value is based on the published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2016, dividends related to these investments in the amount of CHF 7.3 million have been recognised in the income statement.

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

To measure the fair values of the private equity investments, the Group generally relies on the valuations as provided by the respective private equity funds managing the investments. These funds in turn use their own valuation techniques, such as market approaches or income approaches, including their own input factors into the applied models. Therefore, the private equity investments 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 carried at fair value is determined as follows:

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	30.06.2016 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	1,039.4	187.3	-	1,226.7
Trading assets – equity instruments	3,316.2	402.2	-	3,718.4
Total trading assets	**4,355.5**	**589.6**	**-**	**4,945.1**
Foreign exchange derivatives	12.4	1,095.4	-	1,107.7
Interest rate derivatives	8.2	175.4	-	183.6
Precious metal derivatives	0.0	201.7	-	201.7
Equity/indices derivatives	19.9	613.9	-	633.9
Credit derivatives	-	0.7	-	0.7
Other derivatives	0.5	-	-	0.5
Total derivative financial instruments	**41.0**	**2,087.1**	**-**	**2,128.1**
Financial assets designated at fair value	**105.1**	**18.1**	**74.3**	**197.5**
Financial investments available-for-sale – money market instruments	95.0	2,627.9	-	2,723.0
Financial investments available-for-sale – debt instruments	10,665.6	3,852.4	-	14,518.0
Financial investments available-for-sale – equity instruments	16.1	18.5	121.2	155.8
Total financial investments available-for-sale	**10,776.7**	**6,498.8**	**121.2**	**17,396.8**
Total assets	**15,278.3**	**9,193.7**	**195.5**	**24,667.5**
Short positions – debt instruments	21.9	34.8	-	56.7
Short positions – equity instruments	90.3	24.7	-	115.0
Total trading liabilities	**112.2**	**59.5**	**-**	**171.8**
Foreign exchange derivatives	12.5	1,114.9	-	1,127.4
Interest rate derivatives	2.3	270.2	-	272.5
Precious metal derivatives	1.0	88.5	-	89.5
Equity/indices derivatives	12.8	814.7	-	827.5
Credit derivatives	-	11.2	-	11.2
Other derivatives	3.4	-	-	3.4
Total derivative financial instruments	**31.9**	**2,299.6**	**-**	**2,331.5**
Financial liabilities designated at fair value	**-**	**5,962.0**	**204.8**	**6,166.7**
Total liabilities	**144.1**	**8,321.1**	**204.8**	**8,670.0**

	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	31.12.2015 Total CHF m
Assets and liabilities measured at fair value				
Trading assets – debt instruments	773.6	382.1	-	1,155.7
Trading assets – equity instruments	5,388.1	413.9	-	5,802.0
Total trading assets	6,161.7	795.9	-	6,957.7
Foreign exchange derivatives	5.0	1,006.4	-	1,011.4
Interest rate derivatives	2.2	109.8	-	112.0
Precious metal derivatives	1.0	158.6	-	159.6
Equity/indices derivatives	22.3	872.9	-	895.2
Credit derivatives	-	0.6	-	0.6
Other derivatives	10.3	-	-	10.3
Total derivative financial instruments	40.8	2,148.3	-	2,189.1
Financial assets designated at fair value	121.8	27.0	48.2	197.0
Financial investments available-for-sale – money market instruments	-	2,298.1	-	2,298.1
Financial investments available-for-sale – debt instruments	10,395.2	3,782.0	-	14,177.2
Financial investments available-for-sale – equity instruments	15.7	7.2	74.3	97.2
Total financial investments available-for-sale	10,410.9	6,087.3	74.3	16,572.5
Total assets	16,735.2	9,058.5	122.5	25,916.2
Short positions – debt instruments	81.2	36.0	-	117.2
Short positions – equity instruments	54.0	19.6	-	73.6
Total trading liabilities	135.2	55.6	-	190.8
Foreign exchange derivatives	4.8	795.2	-	800.1
Interest rate derivatives	3.4	180.0	-	183.5
Precious metal derivatives	0.0	36.9	-	36.9
Equity/indices derivatives	20.2	1,340.9	-	1,361.1
Credit derivatives	-	9.9	-	9.9
Other derivatives	0.0	-	-	0.0
Total derivative financial instruments	28.5	2,362.9	-	2,391.4
Financial liabilities designated at fair value	-	4,059.7	203.4	4,263.1
Total liabilities	163.7	6,478.2	203.4	6,845.3

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	30.06.2016 Book value CHF m	30.06.2016 Fair value CHF m	31.12.2015 Book value CHF m	31.12.2015 Fair value CHF m
Cash, loans and receivables				
Cash	**11,956.7**	**11,956.7**	9,185.7	9,185.7
Due from banks	**8,180.1**	**8,189.0**	6,901.1	6,909.0
Loans	**36,723.3**	**37,262.2**	36,380.9	36,850.6
Accrued income	**299.7**	**299.7**	326.9	326.9
Total	**57,159.9**	**57,707.7**	52,794.6	53,272.2
Held for trading				
Trading assets	**7,309.3**	**7,309.3**	6,957.7	6,957.7
Derivative financial instruments	**2,103.0**	**2,103.0**	2,189.1	2,189.1
Total	**9,412.3**	**9,412.3**	9,146.8	9,146.8
Derivatives designated as hedging instruments				
Derivative financial instruments	**25.2**	**25.2**	-	-
Total	**25.2**	**25.2**	-	-
Designated at fair value				
Financial assets designated at fair value	**197.5**	**197.5**	197.0	197.0
Total	**197.5**	**197.5**	197.0	197.0
Available-for-sale				
Financial investments available-for-sale	**17,396.8**	**17,396.8**	16,572.5	16,572.5
Total	**17,396.8**	**17,396.8**	16,572.5	16,572.5
Total financial assets	**84,191.5**	**84,739.3**	78,710.9	79,188.5

Financial liabilities

	30.06.2016 Book value CHF m	30.06.2016 Fair value CHF m	31.12.2015 Book value CHF m	31.12.2015 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**6,916.9**	**6,917.1**	4,672.0	4,672.3
Due to customers	**64,578.4**	**64,580.0**	64,781.4	64,782.8
Debt issued	**1,244.5**	**1,263.2**	1,152.7	1,191.8
Accrued expenses	**140.7**	**140.7**	154.4	154.4
Total	**72,880.4**	**72,900.9**	70,760.5	70,801.3
Held for trading				
Trading liabilities	**171.8**	**171.8**	190.8	190.8
Derivative financial instruments	**2,233.6**	**2,233.6**	2,318.9	2,318.9
Total	**2,405.4**	**2,405.4**	2,509.7	2,509.7
Derivatives designated as hedging instruments				
Derivative financial instruments	**97.9**	**97.9**	72.5	72.5
Total	**97.9**	**97.9**	72.5	72.5
Designated at fair value				
Financial liabilities designated at fair value	**6,166.7**	**6,166.7**	4,263.1	4,263.1
Other liabilities	**46.5**[1]	**46.5**	24.5[2]	24.5
Total	**6,213.2**	**6,213.2**	4,287.6	4,287.6
Total financial liabilities	**81,596.9**	**81,617.4**	77,630.3	77,671.1

[1] Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and NSC Asesores, S.C.

[2] Relates to the deferred purchase price of WMPartners Wealth Management Ltd., Fransad Gestion SA and NSC Asesores, S.C.

9 DEBT ISSUED

	30.06.2016 CHF m	31.12.2015 CHF m
Money market instruments	**68.9**	0.1
Bonds	**1,175.6**	1,152.6
Total	**1,244.5**	1,152.7

Bonds and preferred securities

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount CHF m	30.06.2016 Total CHF m	31.12.2015 Total CHF m
Julius Baer Group Ltd.						
2011[1]	4.50	Lower tier 2 bond	CHF	250.0	**247.7**	244.6
Julius Baer Group Ltd.						
2012[2]	5.375	Perpetual tier 1 subordinated bond	CHF	250.0	**249.5**	249.3
Julius Baer Group Ltd.						
2014[3]	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	**343.5**	343.9
Julius Baer Group Ltd.						
2015[4]	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	**334.9**	314.7
Total					**1,175.6**	1,152.6

1 No own bonds are offset with bonds outstanding (2015: CHF 2.9 million).
The effective interest rate amounts to 4.89%.

2 No own bonds are offset with bonds outstanding (2015: none).
The effective interest rate amounts to 5.59%.

3 Own bonds of CHF 2.9 million are offset with bonds outstanding (2015: CHF 2.0 million).
The effective interest rate amounts to 4.41%.

4 No own bonds are offset with bonds outstanding (2015: none).
The effective interest rate amounts to 6.128%.

10 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 its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the suspension or expulsion from a particular jurisdiction or market of any of the Group's business organisations or their key personnel and the imposition of fines and censures on companies and employees. Regulators in certain markets may determine that industry practices, e.g. regarding the provision of services to clients, are or have become inconsistent with their interpretations of existing local laws and regulations.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Group's 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 adversely affect the Group's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities
The Group is involved in various legal, regulatory and 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 acknowledgment 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 2016. The contingent liabilities might have a material effect on the Group or for other reasons might be of interest for investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the liquidators of the Fairfield funds are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and USD 26.5 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the liquidators of the Fairfield funds have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against the Bank and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, the trustee of Madoff's broker-dealer company seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the liquidators of the Fairfield funds. As most of the aforementioned litigation remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. The favourable ruling by the Privy Council may impact some of the claims pending in the United States. In particular, because the underlying facts in these actions are basically the same, the United States courts may apply the reasoning by the Privy Council to the claims at issue in the US Litigation. In addition, as the BVI Courts oversee the Fairfield Funds' liquidation proceedings, the Bank introduced an application challenging the Fairfield Liquidator's authority to pursue the US Litigation. In view of this pending application in the BVI, the Fairfield cases pending in the courts of New York remain and a meaningful assessment of the potential outcome is not yet possible. In addition, the District Court for the Southern District of New York ('District Court') has issued a number of preliminary decisions in the cases brought by the Madoff trustee, and the cases have been returned to the bankruptcy court for further proceedings. The District Court decisions and/or decisions from the bankruptcy court are likely to be appealed by the Madoff trustee.

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 been assessing the Court decision, the mandate structures to which the Court decision might be applicable and the documentation as well as the impact of respective waivers and the communicated bandwidths having been introduced some years ago, and implemented appropriate measures to address the matter.

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

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

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

On 31 March 2014, the Swiss Competition Commission ('COMCO') opened an investigation regarding possible collusion in foreign exchange trading against several banks amongst which also Bank Julius Baer & Co. Ltd. According to its media release of 28 September 2015, the COMCO in addition opened an investigation regarding potential collusive behaviour in precious metal trading. Subject to these investigations are Swiss and foreign financial institutes which are active in foreign exchange and precious metal trading, including Julius Baer. The aim of the investigations, which are part of respective international inquiries, is to clarify possible unlawful collusion amongst market participants and possible violation of market behaviour regulations. Julius Baer, with its primary focus on foreign exchange and precious metals trading for private clients, continues to support the investigation of the COMCO and related inquiries of other authorities in Switzerland and abroad.

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

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

In April 2015, Bank Julius Baer & Co. Ltd. was served with 62 claims in Geneva totalling approximately CHF 20 million plus accrued interest. The claimants, being part of a larger group of former clients of an external asset manager claiming damages in a total amount of approximately CHF 40 million, argue lack of due diligence on the part of the Bank in the context of the late external asset manager allegedly having used his personal account and company account with the Bank for flow-through client transactions and pooling of client funds. On 16 October 2015, such claims have been formalized by 51 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. The Bank is contesting the claim and has taken appropriate measures to defend its interests.

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

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, that were former clients of Bank of China (Suisse) S.A. having been acquired by Bank Julius Baer & Co. Ltd., in the total amount of USD 29 million (plus accrued interests). Additionally, in October 2015, the claimant filed an amendment of claim in court, by which additionally USD 39 million is claimed. The claimant argues that Bank of China (Suisse) S.A. 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 consequently to the liquidation of almost the entire portfolio of their assets in May 2010, arguing 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.

In October 2015, Bank Julius Baer & Co. Ltd. was served with a claim by a former client in Zurich in the amount of CHF 1 million plus accrued interests since 2008. The claimant claims losses in the context with foreign exchange transactions and argues that the Bank has breached its duties with respect to diligence, disclosure and information duties. The claimant filed a partial claim, i.e. reserved the right to increase the claimed amount to approximately CHF 121 million arguing that the total loss incurred with foreign exchange transactions amounts to CHF 441 million in total. The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In October 2015, Julius Baer International Ltd., UK, has been presented a complaint by three associated clients claiming failings with respect to the suitability of investments made on their behalf, obtaining appropriate instructions, the provision of appropriate information and the monitoring processes. As a consequence, the clients claim a loss of approximately USD 37 million. Julius Baer International Ltd. is handling and reporting this case in line with local rules and regulations.

Bank Julius Baer & Co. Ltd. has received inquiries from authorities investigating corruption and bribery allegations surrounding Fédération Internationale de Football Association (FIFA) in Switzerland and the USA. These requests focus on persons named in the so-called 'FIFA Indictment' of 20 May 2015 (Indictment filed in 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 are, in addition to the corruption and bribery allegations, investigating 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. The Bank is supporting the investigations and cooperating with the authorities on this matter.

CAPITAL RATIOS

	30.06.2016 *Basel III phase-in[1] CHF m*	30.06.2015 *Basel III phase-in[1] CHF m*	31.12.2015 *Basel III phase-in[1] CHF m*
Risk-weighted positions			
Credit risk	**14,597.5**	12,790.2	13,775.4
Non-counterparty-related risk	**481.0**	505.0	510.0
Market risk	**876.9**	757.5	776.5
Operational risk	**4,451.6**	4,044.0	4,232.9
Total	**20,407.0**	18,096.7	19,294.8
Eligible capital			
Tier 1 capital (= CET1 capital)[2]	**3,251.0**	3,456.7	3,534.2
of which hybrid tier 1 instruments[3]	***927.9***	*750.7*	*908.0*
Tier 2 capital	**272.9**	223.2	214.2
of which lower tier 2 instruments[4]	***150.1***	*168.8*	*171.4*
Total capital	**3,523.9**	3,679.9	3,748.4
Tier 1 capital ratio (= CET1 capital ratio)[2]	**15.9%**	19.1%	18.3%
Total capital ratio	**17.3%**	20.3%	19.4%

[1] The Basel III effects, but also the effects of IAS 19 revised relating to pension liabilities will be phased in between 2014 and 2018 for the calculation of the eligible capital. Furthermore, non-compatible Basel III tier 1 and tier 2 capital instruments will be phased out between 2013 and 2022.

[2] The BIS Basel III tier 1 capital at the end of 30 June 2016 was the same as the BIS Basel III CET1 (common equity tier 1) capital and includes additional tier 1 capital which offsets the required deductions for goodwill and other intangible assets. During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increases proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreases respectively. As soon as the remaining amount of intangibles is lower than the additional tier 1 capital the CET1 capital will be lower than the tier 1 capital and consequently disclosed on a separate line.

[3] The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012, tier 1 bonds issued by Julius Baer Group Ltd. in 2014 and tier 1 bonds issued by Julius Baer Group Ltd. in 2015.

[4] The lower tier 2 instruments are the subordinated unsecured bonds issued by Julius Baer Group Ltd. in 2011.

Further details regarding tier 1 and tier 2 instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com. Please also refer to debt issued.

A separate Basel III pillar 3 report has been prepared 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 2016. This report, which is published in the Regulatory Disclosures section of www.juliusbaer.com, has been prepared in accordance with the FINMA regulations governing the disclosure obligations regarding capital adequacy and liquidity (information will be available at the end of August 2016).

ASSETS UNDER MANAGEMENT

	30.06.2016 *CHF m*	30.06.2015 *CHF m*	31.12.2015 *CHF m*
Assets with discretionary mandate	**51,113**	44,752	45,420
Other assets under management	**256,322**	238,769	253,589
Assets in collective investment schemes managed by the Group[1]	**3,983**	459	678
Total assets under management (including double counting)	**311,418**	283,980	299,687
of which double counting	**5,603**	*4,606*	*4,884*

	H1 2016 *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*
Change through net new money	**5,498**	6,472	5,598
Change through market and currency impacts	**-2,361**	-15,442	5,029
Change through acquisition	**8,639**[2]	2,491[3]	5,526[4]
Change through divestment	**-45**[5]	-138[5]	-446[5]
Client assets	**397,431**	368,583	385,490
of which double counting[6]	**20,759**	*22,244*	*21,709*

1 Collective investment schemes in 2015 are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, in 2016 additionally to Kairos Investment Management SpA, Milan.
2 In April 2016, the Group increased its participation in Kairos Investment Management SpA, Milan, to 80%.
3 In March 2015, the Group acquired the business of Leumi Private Bank Ltd.
4 On 21 September 2015, the Group acquired the business of Merrill Lynch's International Wealth Management (IWM) in India. In November 2015, the Group acquired Fransad Gestion SA, Geneva.
5 Relates to the asset outflow at Julius Baer Investments S.A.S., Paris, which was acquired as part of Merrill Lynch's International Wealth Management (IWM) business and that Group management decided to close.
6 Including assets which are counted as assets under management and assets under custody.

METHOD OF CALCULATION

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

ACQUISITION OF MERRILL LYNCH'S INTERNATIONAL WEALTH MANAGEMENT BUSINESS

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

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

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

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

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

Consideration was transferred as follows:

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

Final status as at 31 December 2015
As at 31 December 2015, AuM in the amount of CHF 58.6 billion (fair value as of the respective acquisition date) have been booked with the Group, whereof CHF 2.3 billion have been reclassified to assets under custody.

The transaction resulted in the recognition of goodwill and intangible assets (customer relationships) in the amount of CHF 813.2 million. This amount consists of the following components:

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

Therefore, the purchase price of CHF 982.1 million was paid for goodwill and intangible assets and net asset values of the acquired legal entities.

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

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

	Fair value *CHF m*
Purchase price	
in cash	690.5
in shares of Julius Baer Group Ltd.	291.6
Total	982.1
Assets acquired	
Cash	271.5
Due from banks	8,298.0
Loans[1]	4,000.5
Deferred tax assets	0.1
All other assets	158.3
Total	12,728.4
Liabilities assumed	
Due to banks	3,589.5
Due to customers	8,726.5
Deferred tax liabilities	26.6
All other liabilities	217.0
Total	12,559.5
Goodwill and other intangible assets related to legal entity acquisitions and to business transfers	
Goodwill	481.0
Customer relationships	332.2
Total	813.2

[1] At the acquisition dates, the gross contractual amount of loans acquired was CHF 4,000.5 million.

OTHER ACQUISITIONS

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

Kairos

In November 2015, the Group agreed to exercise its option and to increase its stake in Kairos Investment Management S.p.A. by acquiring an additional 60.1% interest of the Milan-based company, following its initial purchase of 19.9% in 2013. The transaction was exercised on 1 April 2016. The Group paid the consideration in the amount of CHF 301.5 million in cash for this additional interest which was fully funded by existing excess capital of the Group. As part of the transaction, the Group realised a net gain in the amount of CHF 38.6 million on the revaluation to fair value of the 19.9% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice. The Group and Kairos have agreed to pursue the listing of Kairos in a subsequent step through an offering of a minority percentage of Kairos' share capital. Kairos continues to operate under its brand.

For the six months ended 30 June 2016, Kairos recorded CHF 34.6 million operating income and CHF 8.5 million net profit. Since its acquisition on 1 April 2016, Kairos has contributed CHF 18.9 million operating income and CHF 4.6 million net profit to the Group's results.

The assets and liabilities of Kairos were recorded provisionally as follows:

	Fair value *CHF m*
Purchase price	
in cash	301.5
contribution of the 19.9% interest (at fair value)	99.8
Total	401.4
Due from banks	31.9
All other assets	29.7
Assets acquired	61.6
Deferred tax liabilities	13.8
All other liabilities	37.4
Liabilities assumed	51.2
Goodwill and other intangible assets and non-controlling interests	
Goodwill	251.2
Customer relationships	177.3
Non-controlling interests	37.5
Total	391.0

GPS Investimentos Financeiros e Participações S.A.
On 25 March 2014, the Group acquired an additional 50% interest in São Paulo-based GPS Investimentos Financeiros e Participações S.A., which includes GPS Planejamento Financeiro Ltda. and CFO Administração de Recursos Ltda. ('GPS'). This transaction increased the Group's participation in GPS to 80% from the 30% acquired in May 2011. On 25 March 2014, the Group paid half of the consideration in the amount of CHF 55.8 million in cash for this additional interest which was fully funded by existing excess capital of the Group. In addition, the Group agreed on two additional payments on 25 March 2015 and 10 December 2015, which were performed. As part of the transaction, the Group realised a net gain in the amount of CHF 14.8 million on the revaluation to fair value of the 30% interest previously held as an investment in associates, including foreign exchange translation losses, which was recognised in other ordinary results in 2014.

On 1 March 2016, the Group exercised the forward contract to acquire the remaining 20% interest of its Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS). The purchase price of CHF 28.6 million will be payable in four tranches, whereof the first tranche has been paid at acquisition date and was fully funded by existing excess capital of the Group. The outstanding amounts of the future instalments are recognised as a liability.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e. the difference of CHF 28.1 million between the amount of the former non-controlling interest and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

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

Leumi Private Bank AG

On 21 July 2014, the Group announced a strategic cooperation with Bank Leumi. Under this agreement, Leumi will refer clients with international private banking needs to the Group, while the Group will refer clients to Leumi's domestic banking services. As part of the agreement, the Group acquired Leumi's international private banking clients in Switzerland in the form of a business transfer. The cost of the transaction was CHF 11.9 million in cash and is recognised as client relationships and goodwill. The transaction has been executed in the first half of 2015 and the purchase price was fully funded by existing excess capital of the Group.

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

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

	Fair value *CHF m*
Purchase price	
in cash	11.9
Total	**11.9**
Due from banks	992.5
Loans[1]	441.1
All other assets	28.7
Assets acquired	**1,462.3**
Due to banks	225.7
Due to customers	1,207.9
All other liabilities	28.7
Liabilities assumed	**1,462.3**
Goodwill and other intangible assets	
Goodwill	1.9
Customer relationships	10.0
Total	**11.9**

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

Fransad Gestion SA
On 3 November 2015, the Group acquired the Swiss independent wealth manager Fransad Gestion SA which is based in Geneva. Fransad complements the Group's existing independent wealth management business and strengthens the Group's position in French-speaking Switzerland.

The purchase price, including the deferred portion due in March 2018, of CHF 16.6 million has been and will be paid in cash and is fully funded by existing excess capital of the Group.

The assets and liabilities of Fransad Gestion SA were recorded provisionally as follows:

	Fair value *CHF m*
Purchase price	
in cash	12.1
deferred purchase price (liabilities)	4.5
Total	16.6
Due from banks	3.9
All other assets	2.6
Assets acquired	6.5
All other liabilities	3.4
Liabilities assumed	3.4
Goodwill and other intangible assets	
Goodwill	5.1
Customer relationships	8.3
Total	13.5

Julius Bär Wealth Management AG (former TFM Asset Management AG)
On 1 April 2016, the Group exercised its call option to acquire the outstanding 40% interest in its Japanese-market-focused subsidiary Julius Bär Wealth Management AG (JBWM), formerly called TFM Asset Management AG. The Group paid CHF 2.5 million in cash for this additional interest which was fully funded by existing excess capital of the Group. JBWM, a Swiss-registered independent asset management company, specialises in discretionary asset management services for HNW Japanese and Swiss private clients and holds investment advisory and investment management licences granted by the Japanese FSA.

Changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders, i.e. the difference of CHF 2.1 million between the amount of the former non-controlling interest and the fair value of the consideration paid is recognised directly in equity (retained earnings). In addition, no changes in the carrying amount of assets, including goodwill, or liabilities are recognised.

CORPORATE CONTACTS

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

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

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

MIX
Paper from responsible sources
FSC® C016003
ClimatePartner
climate neutral
Print | ID: 53232-1607-1003

The Forest Stewardship Council (FSC) is an independent, not-for-profit organisation that promotes responsible forest management throughout the world.

Julius Baer cares for the environment. Therefore this publication was printed on FSC-certified paper.

Neidhart + Schön AG, Zurich, is a FSC- as well as ClimatePartner-certified climate-neutral printer.

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

The Julius Baer Group
is present in more than
50 locations worldwide,
including Zurich (Head Office),
Dubai, Frankfurt, Geneva,
Hong Kong, London, Luxembourg,
Milan, Monaco, Montevideo,
Moscow, Mumbai,
Singapore and Tokyo.

25.07.2016 Publ. No. PU00063EN