

Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 23 July 2018

Presentation of the 2018 half-year results for the Julius Baer Group

Significant increase in net profit – Net new money and cost/income ratio in target range

- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. increased by 26% to record CHF 444 million and IFRS earnings per share (EPS) by 25% to CHF 2.04.**
- **Adjusted¹ net profit for the Group up 19% to record CHF 480 million. Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. grew by 20% to CHF 2.20.**
- **Assets under management (AuM) CHF 400 billion, up CHF 11 billion, or 3%, from the end of 2017.**
- **Net new money CHF 10 billion, or over 5% annualised, well inside the 4–6% target range. The number of relationship managers has grown by 79 since the start of the year.**
- **Gross margin essentially unchanged at 91.5 basis points (bp).**
- **Adjusted cost/income ratio² improved from 69.1% in H1 2017 to 67.3%, comfortably inside the 64–68% medium-term target range.**
- **Adjusted pre-tax margin rose from 28.4 bp to 29.8 bp, moving closer to the 30 bp medium-term target.**
- **BIS CET1 capital ratio 13.7% and BIS total capital ratio 20.2%, well above the minimum regulatory requirements and the Group's own floors.**

Bernhard Hodler, Chief Executive Officer of Julius Baer Group Ltd., said: “I am pleased that we continue to deliver on our targets and are reporting an all-time high in net profit. Markets had a strong and upbeat start to the year but ended the first half on a more cautious note, pondering the potential impacts of trade tensions and of an impending end to quantitative easing. It is a challenging environment, but one that plays to our strengths as trusted advisor of our clients. Based on the current outlook, I remain confident that we will reach our net inflow and cost efficiency targets this year.”

AuM up 3% since end 2017, supported by robust net inflows and the acquisition of Reliance

Assets under management ended the first six months at CHF 400 billion, an increase of over CHF 11 billion, or 3%, since the end of 2017. The growth in AuM was driven by net new money of CHF 10 billion, complemented by CHF 4.5 billion from the acquisition of 95% of Reliance Group in Brazil (successfully completed on 4 June 2018), and a positive currency impact of CHF 1 billion. These positive contributions were partly offset by negative market performance of CHF 4 billion, as leading stock markets in Switzerland, Europe and Asia edged lower towards the end of the first half.

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The annualised net new money growth rate of 5.1% was well inside the Group's medium-term target range (4–6%). All regions recorded net inflows, with particularly strong contributions from clients domiciled in Europe, Switzerland and Asia. Solid inflows from existing and new clients were somewhat tempered by deleveraging by clients in Asia and the Middle East, reflecting a more cautious positioning of their portfolios, in line with broader market sentiment.

Including assets under custody of CHF 68 billion, total client assets grew by 2% from year-end 2017 to CHF 467 billion.

Operating income up 12% – stable gross margin

Operating income rose to CHF 1,789 million. The increase of 12% compared to H1 2017 was in line with the growth in monthly average AuM (to CHF 391 billion), resulting in a largely unchanged gross margin of 91.5 bp (H1 2017: 91.6 bp).

Net commission and fee income rose by 10% to CHF 1,015 million, driven by an 11% increase in asset-based fee income and an 8% rise in brokerage commissions. Despite increased AuM, the contribution from Kairos was modestly lower.

Net interest and dividend income declined by 2% to CHF 554 million. It included CHF 159 million of dividend income on trading portfolios, down 12% year-on-year. Excluding this item, underlying net interest and dividend income was up 2% at CHF 395 million, as the benefit of higher loan volumes and rates was largely offset by a reduction in the portfolio of financial assets as well as an increase in US dollar interest rates payable on client deposits.

Net trading income went up by 129% to CHF 206 million. Including the dividend income related to trading portfolios, underlying net trading income increased by 35% to CHF 365 million. This improvement follows a rise in overall FX and structured products-related trading income.

Other ordinary results (which among other items includes income from associates, rental income and net gains/losses from the disposal of investments from the financial assets portfolio) was essentially unchanged at CHF 14 million.

Cost/income ratio² inside medium-term target range

Operating expenses according to IFRS rose by 8% year-on-year to CHF 1,246 million, driven by an 11% increase in *personnel expenses* to CHF 847 million, a 3% increase in *general expenses* to CHF 320 million, a 5% increase in amortisation to CHF 60 million and a 6% decrease in *depreciation* to CHF 19 million.

As in previous years, in the analysis and discussion of the results in the Media Release and the Business Review, *adjusted operating expenses* exclude acquisition-related integration and restructuring expenses (CHF 4 million, a decrease of 80% from CHF 20 million in H1 2017) as well as the acquisition-related amortisation of intangible assets (CHF 36 million, versus CHF 35 million in H1 2017). Adjusted operating expenses increased by 10% to CHF 1,206 million.

At 6,643 full-time equivalents (FTEs), personnel has risen by 7%, or 438 FTEs, in the twelve months since 30 June 2017, and by 6%, or 351 FTEs, in the six months since the end of 2017. Compared to the first half of 2017, the monthly average number of employees increased by 5% to 6,451. The number of relationship managers (RMs) grew to 1,475, an increase of 94 compared to the end of June 2017, and an increase of 79 since the end of 2017, reflecting successful hiring as well as the inclusion of 13 RMs from Reliance Group.

Following the rise in average levels of staff and an increase in performance-related remuneration, *adjusted personnel expenses* went up by 11% to CHF 846 million.

Adjusted general expenses went up by 8% to CHF 317 million, driven mainly by increased marketing spend, a rise in general expenses resulting from the higher staff levels, and to a smaller extent because of a CHF 4 million increase in adjusted provisions and losses.

Adjusted depreciation decreased by 5% to CHF 19 million and *adjusted amortisation* rose by 7% to CHF 24 million. The growth in adjusted amortisation mainly reflects the rise in IT-related investments in recent years.

The adjusted *cost/income ratio*² improved from 69.1% in H1 2017 to 67.3%, comfortably inside the 64–68% medium-term target range, as higher expenses were more than offset by a robust growth in revenues.

Significant increase in net profit

IFRS *profit before taxes* rose by almost 24% year-on-year to CHF 543 million. As income taxes increased by 20% to CHF 99 million, *net profit for the Group* grew by more than 24% to CHF 444 million. After considering non-controlling interests in H1 2017 of CHF 4 million, the increase in net profit attributable to shareholders of Julius Baer Group Ltd. was 26% in H1 2018, and EPS rose, also by 25%, to CHF 2.04.

Adjusted profit before taxes grew by 18% to CHF 583 million and the adjusted pre-tax margin improved to 29.8 bp, closer to the 30 bp medium-term target. The related income taxes were CHF 103 million, representing a tax rate of 17.7%, compared to 18.3% in H1 2017.

Adjusted net profit for the Group increased by 19% to CHF 480 million. After considering adjusted non-controlling interests in H1 2017 of CHF 4 million, the rise in adjusted net profit attributable to shareholders of Julius Baer Group Ltd. was 20% in H1 2018, and adjusted EPS grew, also by 20%, to CHF 2.20.

Stable loan book – modest decrease in loan-to-deposit ratio

Since the end of 2017, *total assets* have increased by CHF 6 billion, or 6%, to CHF 104 billion. Despite the increase in AuM, the total loan book remained stable at CHF 47 billion – comprising CHF 37 billion of Lombard loans and CHF 10 billion of mortgages. As deposits rose by CHF 3 billion, or 4%, to CHF 70 billion, the loan-to-deposit ratio came down somewhat to 66% (end of 2017: 69%). Total equity attributable to shareholders of Julius Baer Group Ltd. was at CHF 5.8 billion, a decrease of less than 1%.

Solid capital position³

Following a partial reinvestment of the Group's excess capital into accretive acquisitions, i.e. the residual 20% stake in Kairos (Italy) acquired in January 2018 and 95% of Reliance Group (Brazil) purchased in June 2018, CET1 capital increased to CHF 2.7 billion (compared to fully-applied CET1 capital of CHF 2.6 billion at the end of 2017). Mainly as a consequence of the repayment in March 2018 of the CHF 250 million of perpetual Tier 1 bonds issued on 18 September 2012, BIS Tier 1 capital decreased to CHF 3.9 billion (compared to fully-applied Tier 1 capital of CHF 4.1 billion at the end of 2017) and BIS total capital also to CHF 3.9 billion (compared to fully-applied total capital of CHF 4.2 billion at the end of 2017).

As risk-weighted assets decreased slightly, by 1%, to CHF 19.5 billion, the *BIS CET1 capital ratio* rose to 13.7% at the end of June 2018 (compared to 13.5% fully applied at the end of 2017) while the *BIS total capital ratio* came down modestly to 20.2% (compared to 21.2% fully applied at the

end of 2017). The redemption of the Tier 1 bonds and a 6% increase in the leverage exposure, to CHF 102 billion, were the main drivers of the reduction in the Tier 1 leverage ratio to 3.8% (compared to 4.2% fully applied at the end of 2017).

At these levels, the Group's capitalisation continues to be solid: the CET1 and total capital ratios remain well above the Group's own floors of 11% and 15% and significantly in excess of the regulatory minimums of 8.1% and 12.3%, respectively, while the Tier 1 leverage ratio is comfortably above the 3.0% regulatory minimum.

¹ The adjusted results as presented and commented in this Media Release and in the Business Review are derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.

² Calculated using adjusted operating expenses, excluding provisions and losses.

³ The multi-year Basel III phase-in period ended at the beginning of 2018. As a consequence, the differentiation between the formerly used 'phase-in' and 'fully-applied' capital ratios is no longer relevant.

The results conference will be webcast at 9:30 a.m. (CEST). All documents (presentation, Business Review First Half 2018, Half-Year Report 2018, spreadsheets and this Media Release) are available at www.juliusbaer.com.

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Important dates

20 November 2018: Publication of ten-month Interim Management Statement

4 February 2019: Publication and presentation of 2018 full-year results, Zurich

10 April 2019: Annual General Meeting 2019, Zurich

About Julius Baer

Julius Baer is the leading Swiss private banking group, with a focus on servicing and advising sophisticated private clients and a premium brand in global wealth management. At the end of June 2018, assets under management amounted to CHF 400 billion. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank with origins dating back to 1890, is the principal operating company of Julius Baer Group Ltd., whose shares are listed on the SIX Swiss Exchange (ticker symbol: BAER) and are included in the Swiss Market Index (SMI), comprising the 20 largest and most liquid Swiss stocks.

Julius Baer is present in over 25 countries and more than 50 locations. Headquartered in Zurich, we have offices in key locations including Dubai, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Milan, Monaco, Montevideo, Moscow, Mumbai, Singapore and Tokyo. Our client-centric approach, our objective advice based on the Julius Baer open product platform, our solid financial base and our entrepreneurial management culture make us the international reference in private banking.

For more information visit our website at www.juliusbaer.com

Cautionary statement regarding forward-looking statements

This media release by Julius Baer Group Ltd. ('the Company') includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industries in which it operates. Forward-looking statements involve all matters that are not historical facts. The Company has tried to identify those forward-looking statements by using the words 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'seek', 'plan', 'predict', 'continue' and similar expressions. Such statements are made on the basis of

assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.

These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause the Company's actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions, legislative, fiscal and regulatory developments, general economic conditions in Switzerland, the European Union and elsewhere, and the Company's ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. In view of these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. The Company and its subsidiaries, and their directors, officers, employees and advisors expressly disclaim any obligation or undertaking to release any update of or revisions to any forward-looking statements in this media release and any change in the Company's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable law or regulation.

KEY FIGURES JULIUS BAER GROUP¹

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Consolidated income statement				
Operating income	1,788.8	1,591.8	1,660.4	12.4
Adjusted operating expenses	1,206.1	1,098.1	1,165.5	9.8
Profit before taxes	582.7	493.7	494.9	18.0
Adjusted net profit for the Group	479.6	403.6	402.1	18.9
IFRS net profit for the Group ²	443.8	356.8	359.1	24.4
Cost/income ratio ³	67.3%	69.1%	68.9%	-
Pre-tax margin (basis points)	29.8	28.4	26.2	-

	30.06.2018	30.06.2017	31.12.2017	Change to 31.12.2017 in %
Assets under management (CHF bn)				
Assets under management	399.9	354.7	388.4	3.0
Net new money (in period)	9.9	10.2	11.9	-

Consolidated balance sheet (CHF m)				
Total assets	103,540.2	93,150.8	97,917.6	5.7
Total equity	5,788.7	5,427.5	5,854.0	-1.1
BIS total capital ratio	20.2%	18.5%	22.0%	-
BIS CET1 capital ratio	13.7%	14.9%	16.7%	-

Personnel (FTE)				
Number of employees	6,643	6,205	6,292	5.6
Number of relationship managers	1,475	1,381	1,396	5.7

Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Market capitalisation (CHF m)	13,044	11,291	13,339	-2.2

Moody's rating Bank Julius Baer & Co. Ltd.				
Long-term deposit rating	Aa2	Aa2	Aa2	-
Short-term deposit rating	Prime-1	Prime-1	Prime-1	-

¹ Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.

² Reconciliation with adjusted net profit for the Group is detailed in the table on the next page.

³ Calculated using adjusted operating expenses, excluding provisions and losses.

Reconciliation consolidated financial statement¹ IFRS to adjusted net profit

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	443.8	353.2	351.6	25.7
Non-controlling interests	0.0	3.7	7.5	-100.0
Profit after tax for the Group per consolidated Financial Statements (IFRS)	443.8	356.8	359.1	24.4
Amortisation of intangible assets related to previous acquisitions or divestments ²	36.2	34.9	37.1	3.8
Integration, restructuring and transaction costs	4.0	20.0	10.2	-80.0
Tax impact	-4.3	-8.1	-4.3	-47.1
Net impact	35.9	46.7	43.0	-23.2
Adjusted net profit for the Group	479.6	403.6	402.1	18.9

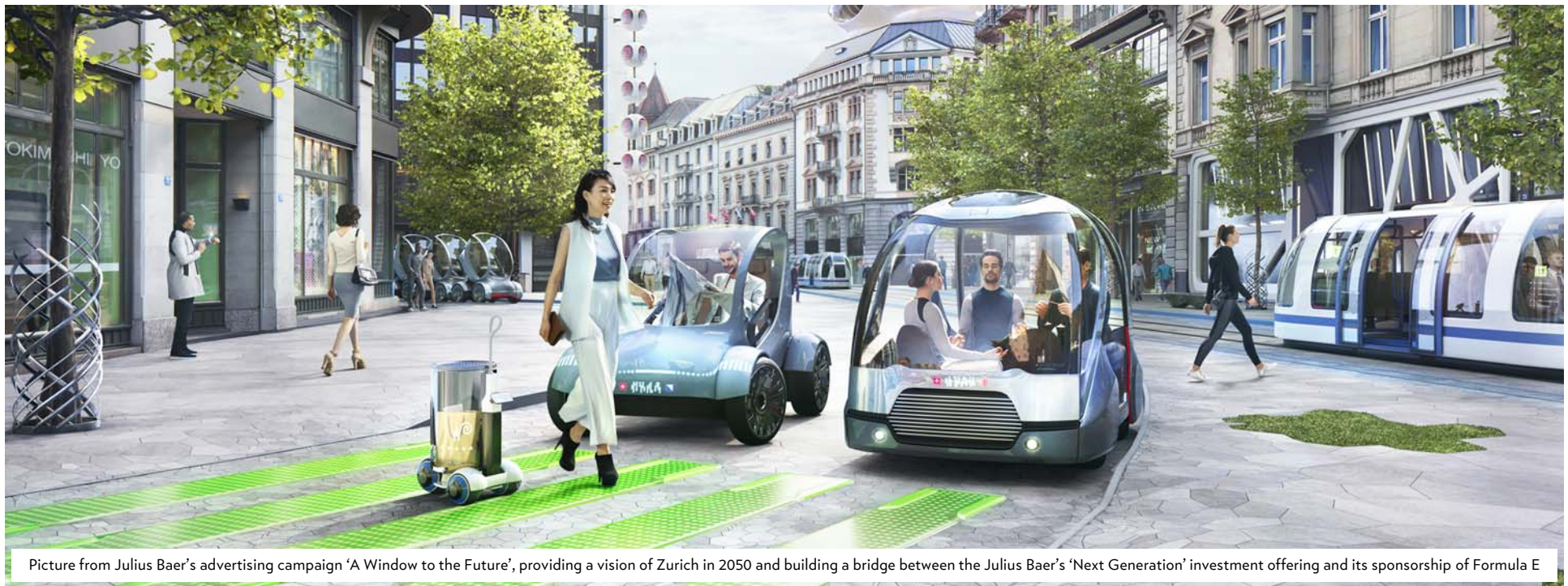
¹ Detailed financial statements are available in the Half-Year Report 2018

² Further details on transaction-related amortisation can be found in the presentation to Investors, Analysts and Media

Julius Bär

HY 2018 RESULTS AND BUSINESS UPDATE

Presentation for Investors, Analysts & Media
Zurich, 23 July 2018



Picture from Julius Baer's advertising campaign 'A Window to the Future', providing a vision of Zurich in 2050 and building a bridge between the Julius Baer's 'Next Generation' investment offering and its sponsorship of Formula E

CONTENT

Introduction

Bernhard Hodler, CEO

HY 2018 HIGHLIGHTS

Solid result, delivering on growth and efficiency targets

Strong profit –
CIR in target
range

- Record adjusted net profit: CHF 480 million, up 19% year-on-year
- Resilient gross margin: 91.5 bp
- Adjusted cost/income ratio improved to 67.3%

Solid asset
growth with
expanded
footprint

- Assets under management: CHF 400 billion, up 3% since year-end 2017
- Net new money: CHF 9.9 billion, 5.1% annualised – well within target range
- 79 additional RMs (net) in H1 2018

Continue to
invest into next
phase of growth

- Successful closing of acquisition of Brazilian wealth manager Reliance Group in June
- Preparations for joint venture with Siam Commercial Bank in Thailand on track
- Continued investments into automatisisation, processes and operating platforms

CONTENT

Financial Results HY 2018*

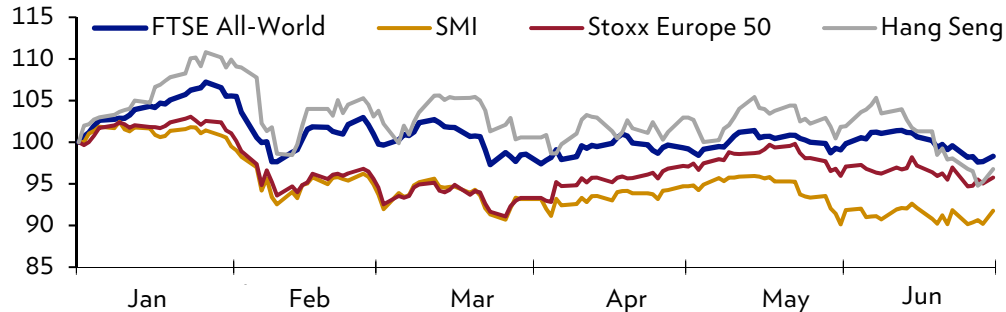
Dieter A. Enkelmann, CFO

*Financial Results are presented on adjusted basis. See “Scope of Presentation of Financials” in the Appendix

H1 2018 MARKET ENVIRONMENT

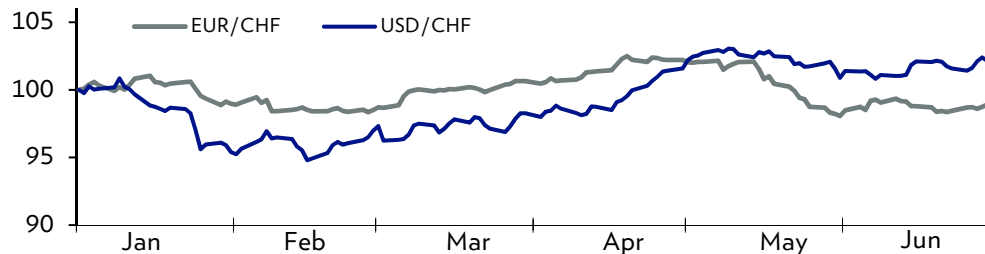
Stock markets edging lower – US dollar recovering in Q2 – US yield curve flattening

Development of FTSE ALL-WORLD INDEX¹



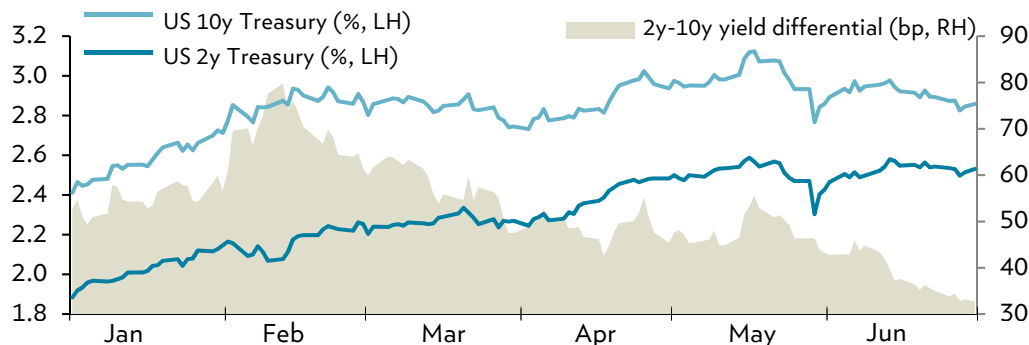
- After a strong start in January and a sharp correction in February ...
- ... stock markets gradually edged lower ...
- ... with key Swiss, European and Asian markets underperforming global stocks

Development of EUR, USD against CHF, rebased¹



- US dollar initially weakened vs. Swiss franc ...
- ... but recovered in Q2

Development of US 10y vs. 2y bond yield²



- US Treasury term spread continued to shrink ...
- ... which historically has signalled impending recessions

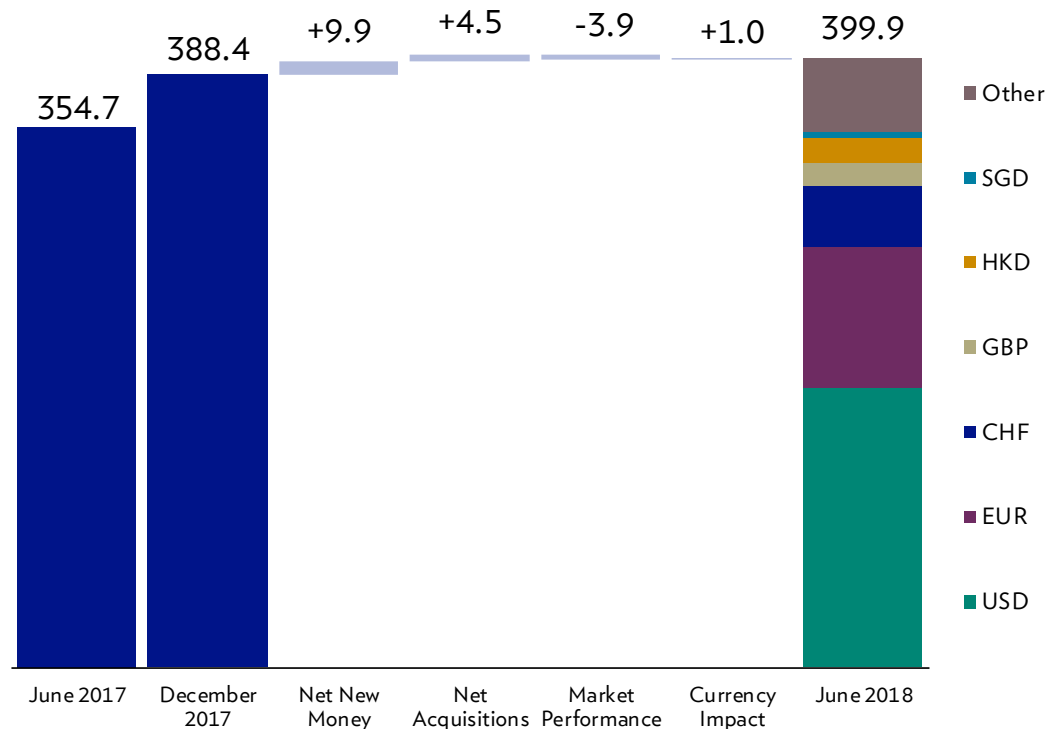
¹ Source: Datastream, Julius Baer | ² Source: Bloomberg Finance L.P., Julius Baer

AUM INCREASE OF CHF 11bn (+3%) TO CHF 400bn

Driven by strong NNM and acquisition of Reliance Group

Development of Assets under Management

CHF bn



- AuM CHF 400bn, +3% vs. year-end 2017
 - Net new money CHF +9.9bn
 - Net acquisitions² CHF +4.5bn
 - Market performance CHF -3.9bn
 - Currency impact CHF +1.0bn
- Average AuM¹ CHF 391bn, +12% vs. CHF 348bn in H1 2017
- AuC³ CHF 68bn, -2% vs. year-end 2017

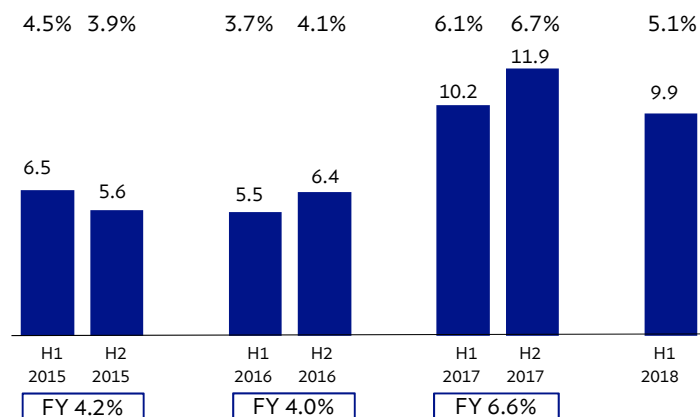
¹ Calculated on the basis of monthly AuM levels | ² Net acquisition consisting of acquisition of CHF +4.5bn Reliance Group | ³ Assets under custody

NET NEW MONEY WELL WITHIN TARGET RANGE

Strong contributions from RMs hired in 2016 and 2017

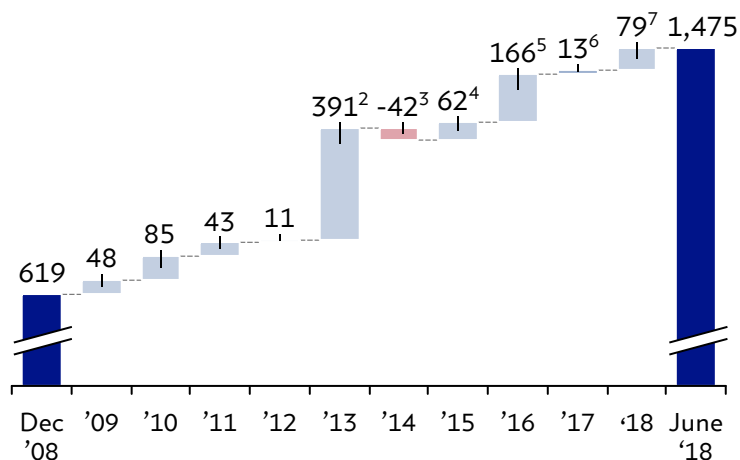
Net New Money

in CHF bn and %¹



- NNM: CHF 9.9bn (5.1% annualised)
- All geographic regions with positive net inflows
- Particularly strong net inflows from clients domiciled in Europe, Switzerland and Asia
- Healthy inflows slightly tempered by some deleveraging by clients in Asia and Middle East, following the increase in US interest rates

Relationship Managers

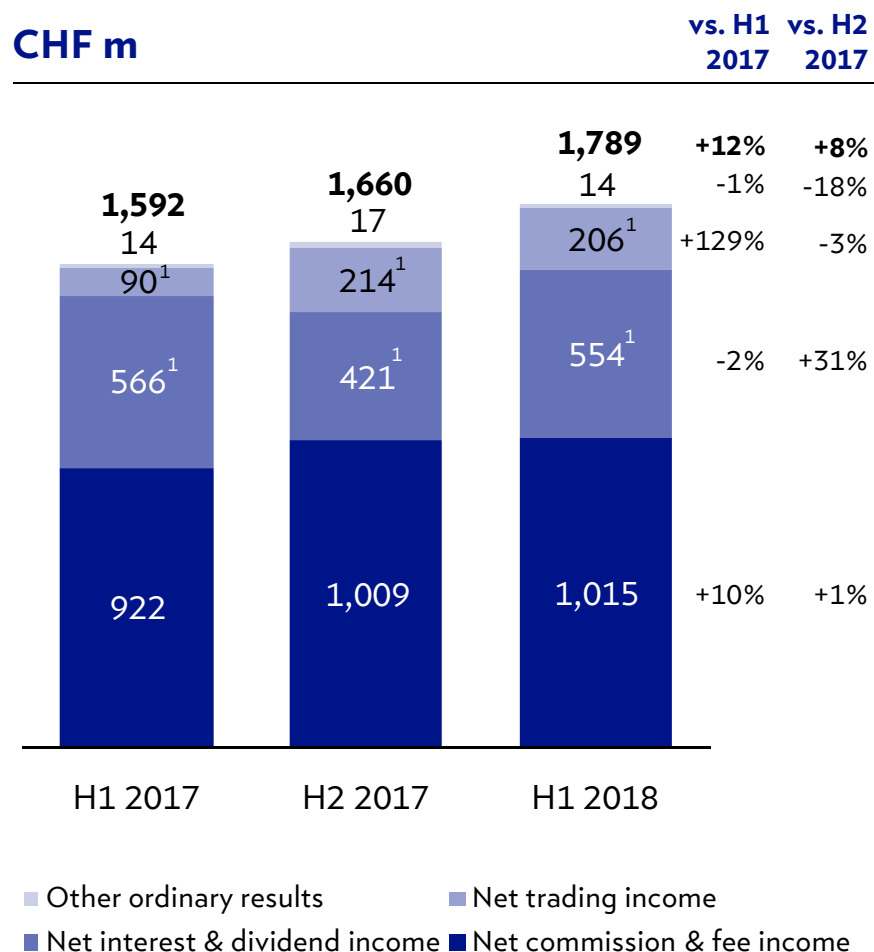


- Added 79 RMs (net), of which 13 through acquisition of Reliance Group

¹ Annualised NNM in % of AuM at the beginning of the period | ² +391, mostly from RMs transferring in from Bank of America's International Wealth Management business (IWM) outside the US | ³ -42, driven by IWM transaction-related synergy realisations | ⁴ +62, of which net 40 from hiring, remainder from acquisitions | ⁵ Incl. 50 RMs transferring following the consolidation of Kairos and Commerzbank International S.A. Luxembourg | ⁶ +13 of which 41 net from hiring, -28 following internal transfers | ⁷ Incl. 13 RMs from the acquisition of Reliance Group

OPERATING INCOME +12% TO CHF 1.8bn

In line with growth in monthly average AuM



Net commission/fee income +10% to CHF 1,015m

- 11% increase in asset-based fee income
- 8% rise in brokerage commissions
- Despite increased AuM, contribution from Kairos was modestly lower

Net interest/dividend income -2% to CHF 554m

- Excl. dividend trading portfolios¹: +2% to CHF 395m
- Higher loan volumes and rates, largely offset by ...
- ... y-o-y reduction in financial assets portfolio, and ...
- ... increase in interest paid on US dollar deposits

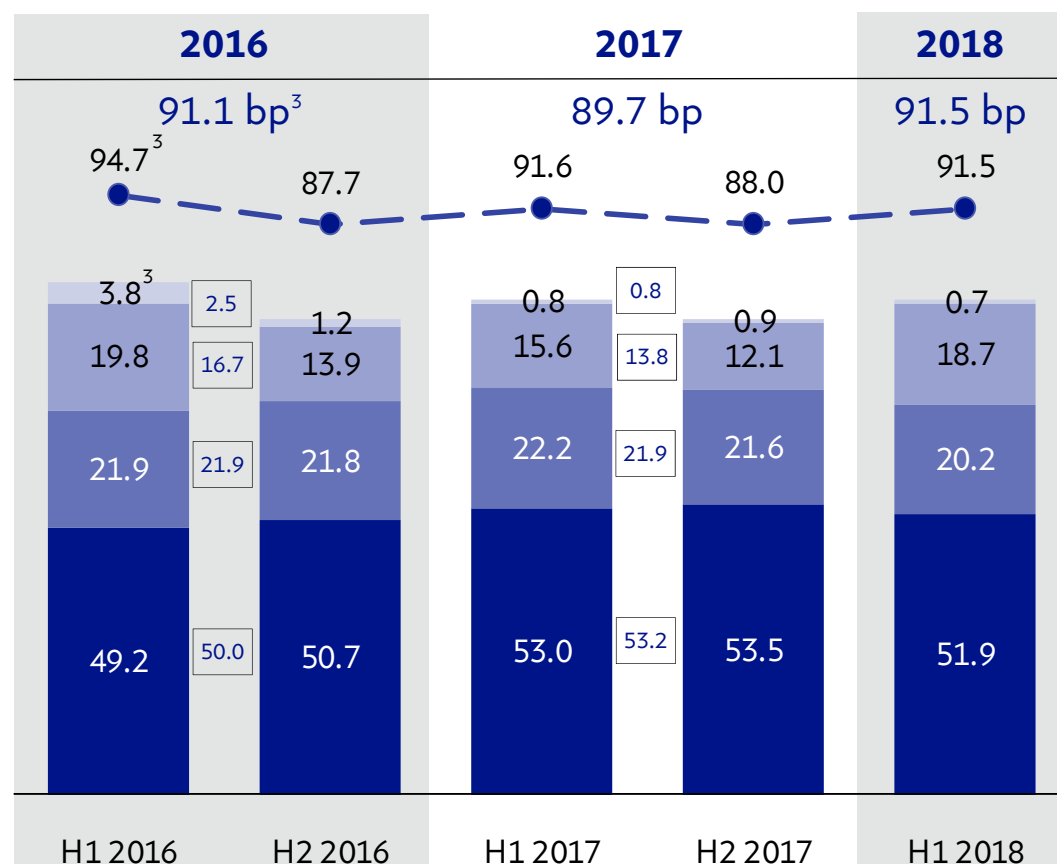
Net trading income +129% to CHF 206m

- Crediting back dividend on trading portfolios¹: +35% to CHF 365m
- Rise in FX and structured products-related trading income

¹ Dividend income on trading portfolios: H1 2018: CHF 159m (H1 2017: CHF 181m, H2 2017: CHF 14m)

STABLE GROSS MARGIN^{1,2}

Higher trading income offsets lower contribution from NII and brokerage commissions



Gross margin at 91.5bp

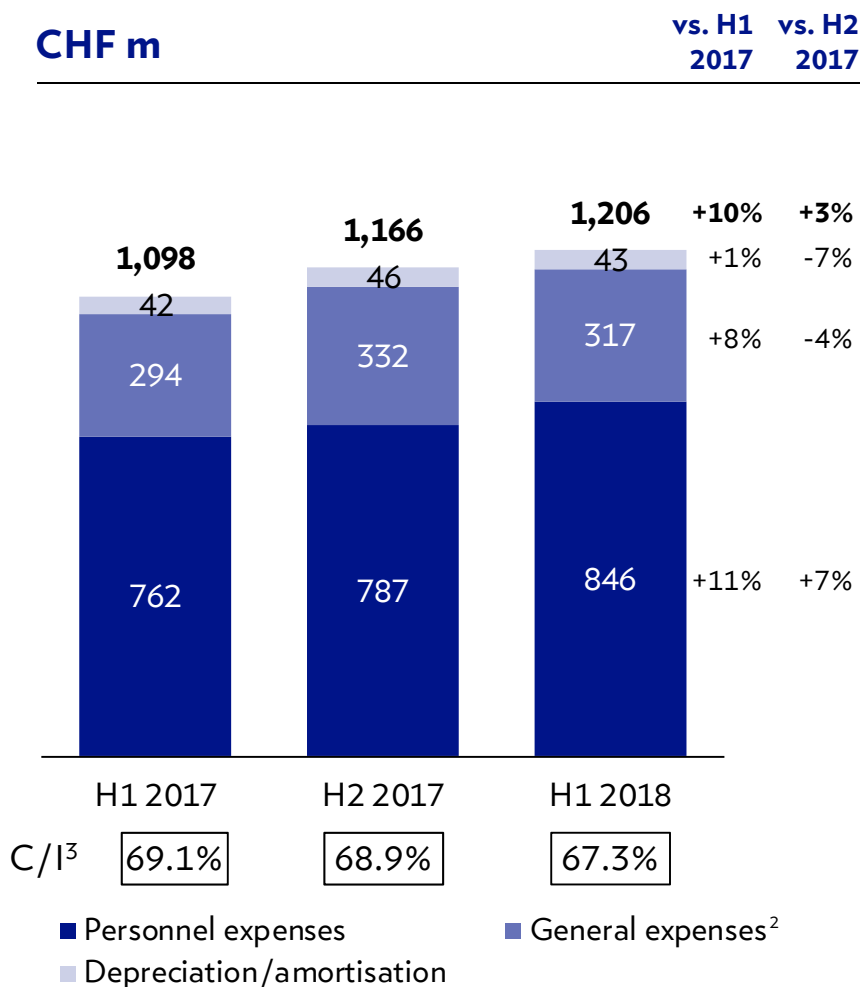
- Commission & fee: -1.1 bp to 51.9 bp
- Trading²: +3.1 bp to 18.7 bp
- Net interest²: -2.0 bp to 20.2 bp

■ Net commission & fee income ■ Net interest & dividend income
■ Net trading income ■ Other ordinary results
 Full year

¹ Operating income (annualised) divided by average AuM, in basis points. Average AuM for H1 2018 was CHF 391bn, up 12% compared to H1 2017 and up 4% compared to H2 2017 | ² Net interest income adjusted to exclude dividends on trading portfolios, net trading income adjusted to include the same (H1 2016: CHF 180m, H2 2016: CHF 12m, H1 2017: CHF 181m, H2 2017: CHF 14m, H1 2018: CHF 159m) | ³ Includes CHF 38.6m Kairos fair value adjustment (equivalent to 2.6 bp)

OPERATING EXPENSES¹ +10% TO CHF 1.2bn

Cost/income ratio improved to 67.3%, inside medium-term target range



Personnel expenses +11% to CHF 846m

- Reflecting 5% increase in average FTE and higher performance-based pay driven by increased revenues

General expenses² +8% to CHF 317m

- Increased marketing spend
- Rise in general expenses resulting from staff increase
- CHF 4m increase in provisions and losses

Depreciation/amortisation +1% to CHF 43m

- Driven by increase in IT software amortisation and IT hardware depreciation

Cost/income ratio³ 67.3%

Operating expenses¹ – approx. breakdown by currency

CHF	53%	SGD	10%	USD	6%	Other	4%
EUR	15%	HKD	7%	GBP	5%		

¹ Excluding integration and restructuring expenses and the amortisation of intangible assets related to acquisitions and divestments | ² Including provisions and losses |

³ Cost/income ratio not considering provisions and losses

ADJUSTED NET PROFIT UP 19% to CHF 480m

IFRS net profit up 26% to CHF 444m

CHF m	H1 2017	H2 2017	H1 2018	Change H1 18/H1 17	Change H1 18/H2 17
Operating income	1,592	1,660	1,789	+12%	+8%
Adjusted operating expenses	1,098	1,166	1,206	+10%	+3%
Adjusted profit before taxes	494	495	583	+18%	+18%
Adjusted pre-tax margin (bp)	28.4	26.2	29.8	+1.4 bp	+3.6 bp
Income taxes	90	93	103	+14%	+11%
Adjusted net profit¹ for the Group	404	402	480	+19%	+19%
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	1.84	1.82	2.20	+20%	+21%
ROTE, adjusted ² (%)	31.6%	28.6%	33.0%	+1.5pt	+4.5 pt
Tax rate (%)	18.3%	18.8%	17.7%	-0.6 pt	-1.1 pt
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	353	352	444	+26%	+26%

Tax guidance

- Full-year adjusted tax rate (H1 2018: 17.7%) expected to be in 18-19% range in next few years

¹ Excluding integration and restructuring expenses and the amortisation of intangible assets related to acquisitions and divestments, as well as taxes on those items. Including these positions (see also Appendix), the net profit attributable to shareholders of Julius Baer Group Ltd. was CHF 444m in H1 2018, up 26% from CHF 353m in H1 2017 and also up 26% from CHF 352m in H2 2017. | ² Adjusted net profit attributable to shareholders/(half-yearly) average shareholders' equity less goodwill and other intangible assets

SOLID BALANCE SHEET – LOW RISK PROFILE

Loans decreased relative to AuM, further to some client deleveraging

CHF bn

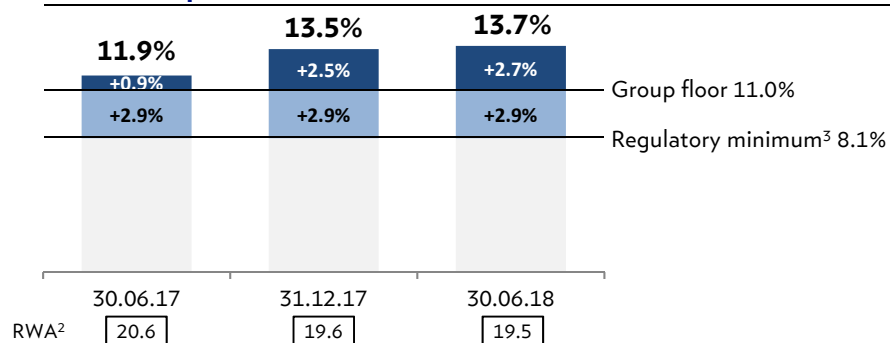
		Assets	CHF 103.5bn (CHF 97.9bn)*	Liabilities & Equity	
Due from banks		11.9 (8.3)		8.2 (7.2)	Due to banks
Loans		46.7 (46.6)	Loan-to-deposit ratio 66% (69%)	70.2 (67.6)	Due to customers (incl. client deposits)
<i>Lombard lending:</i> 36.8 (36.7) <i>Mortgage lending:</i> 9.8 (9.9)			Liability Driven		
Trading portfolios		9.4 (12.8)			
Financial assets (FVOCI)		13.0 (12.2)			
Cash		13.2 (10.9)		13.8 (11.8)	Financial liabilities (structured products issued)
Others		6.4 (4.3)		5.5 (5.4)	Others (incl. hybrid instruments)
Goodwill & other intangible assets		2.9 (2.9)		5.8 (5.9)	Total equity

Figures as at 30 June 2018, summarised and regrouped from Financial Statements | * In brackets: figures as at 31 December 2017

CAPITAL RATIOS WELL ABOVE GROUP AND REGULATORY FLOORS

AT1 bond repayment has slight impact on total capital and leverage ratios

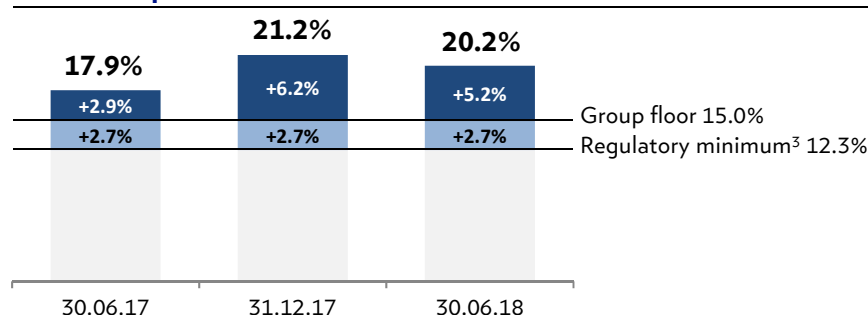
BIS CET1 capital ratio¹



(For more details please see pages 23-24)

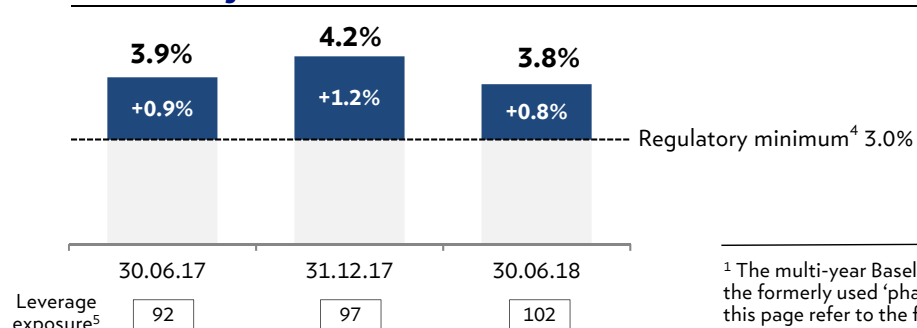
- CET1 ratio 13.7%, up 20 bp from end 2017¹
 - Small CET1 capital build, despite increase in goodwill and net negative OCI⁶ impact
 - Slight decrease in RWA

BIS total capital ratio¹



- Total capital ratio 20.2%, down 100 bp¹
- Following repayment of CHF 250m AT1 bond in March 2018

Tier 1 leverage ratio¹



- Tier 1 leverage ratio 3.8%, well in excess of 3.0% minimum leverage ratio requirement⁴
- Impacted by AT1 bond repayment and growth in balance sheet

¹ The multi-year Basel III phase-in period ended at the beginning of 2018. As a consequence, the differentiation between the formerly used 'phase-in' and 'fully-applied' capital ratios is no longer relevant. The ratios for 30.06.17 and 31.12.17 on this page refer to the former 'fully-applied' ratios. | ² Risk-weighted assets, in CHF bn | ³ Including 0.2% SNB countercyclical buffer and 0.1% extended countercyclical buffer | ⁴ From 1 January 2018 | ⁵ In CHF bn | ⁶ Other comprehensive income

RECAP: JULIUS BAER'S GROWTH STRATEGY

Profitable growth along three drivers

CAPITALISING ON OUR STRONG FRANCHISE

1

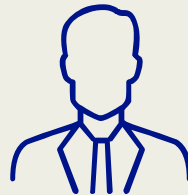
Organic growth by
taking advantage of
existing Julius Baer
network



ATTRACTING TALENT

2

Adding top talents by
continuous hiring and
expansion of footprint



TAKING ADVANTAGE OF M&A OPPORTUNITIES

3

Taking advantage of
strategic transactions to
enable our market
strategies



STRENGTHENED EUROPEAN PRESENCE

As solid base for further growth

- Strong net new money flows and growth across all European markets including Switzerland
- Significant hiring and opening of new offices
- 100% stake in Kairos, solidifying position in Italy
- Platform capabilities of EU hub providing integrated and MiFID II-compliant advisory process



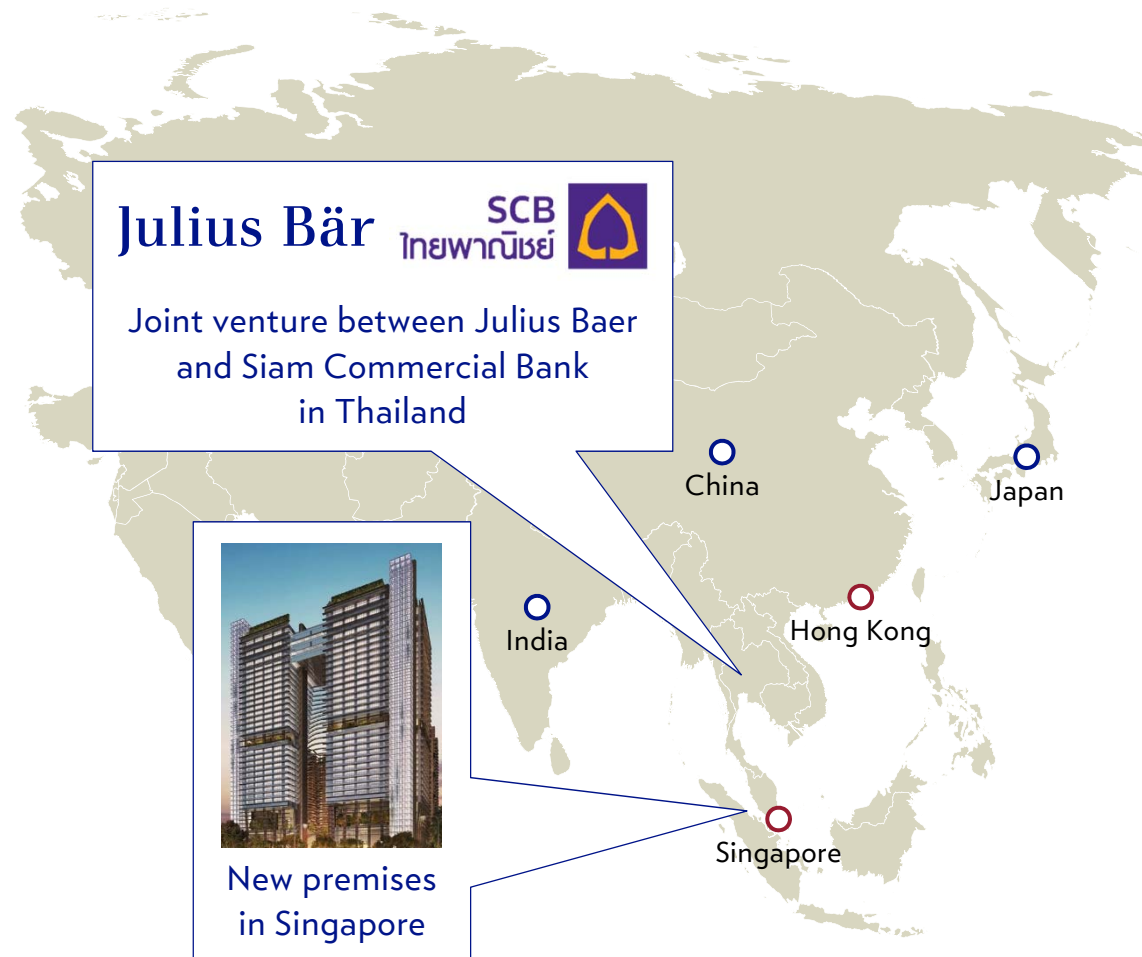
○ Countries with Julius Baer booking centres

○ Countries with Julius Baer office(s)

○ Kairos Investment Management S.p.A., a fully owned subsidiary | Julius Baer is present in Milan with Julius Baer Fiduciaria S.p.A.

SUSTAINED GROWTH IN ASIA

Our second home market

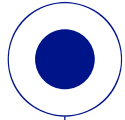


- Significant net new money inflows
- Relocated to new state-of-the-art premises in Singapore
- Successful go-live of new core banking platform
- Strongly positioned among top 5 players in Asia
- Among top 3 foreign wealth managers in India
- Joint venture with Siam Commercial Bank

○ Countries with Julius Baer booking centres

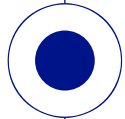
○ Countries with Julius Baer office(s)

SOLID BASIS TO SUPPORT FURTHER GROWTH



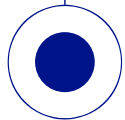
TECHNOLOGY

- Continuous investments into core banking platforms, laying the operational and technical foundation of Julius Baer's further profitable growth
- Ongoing upgrade of front-end technology and digital channels to support RMs to deliver holistic and tailored advice to our clients



CLIENT SERVICING

- Holistic 'Your Wealth' approach and strengthened discretionary offering
- Increased emphasis on enhancing client documentation



BALANCE SHEET

- Financial strength and quality of balance sheet providing capacity for future structural investments in growth

DELIVERING ON MEDIUM-TERM FINANCIAL TARGETS

	Adjusted results ¹			
	H1 2017	H2 2017	H1 2018	Medium-term targets
Net new money	6.1%	6.7%	5.1%	4-6%
Cost/income ratio ²	69.1%	68.9%	67.3%	64-68%
Pre-tax margin	28.4 bp	26.2 bp	29.8 bp	>30 bp

¹ Excluding integration and restructuring expenses and the amortisation of intangible assets related to acquisitions and divestments

² Excluding provisions and losses

CONTENT

Appendix

SCOPE OF PRESENTATION OF FINANCIALS

Financial results are presented as usual on the adjusted basis

- *Excluding* integration and restructuring expenses and amortisation of intangible assets related to previous acquisitions or divestments, as well as taxes on those respective items
- Reconciliation from the IFRS results to the adjusted results is outlined on the next page
- Please refer to the Julius Baer Group Ltd. Half-Year Report 2018¹ for the IFRS results

¹ Available from www.juliusbaer.com

RECONCILIATION CONSOLIDATED FINANCIAL STATEMENT¹

IFRS to adjusted net profit

CHF m	H1 2017	H2 2017	H1 2018	Change H1 18/H1 17	Change H1 18/H2 17
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	353.2	351.6	443.8	+26%	+26%
Non-controlling interests	3.7	7.5	0.0	-100%	-100%
Profit after tax for the Group per consolidated Financial Statements (IFRS)	356.8	359.1	443.8	+24%	+24%
Amortisation of intangible assets related to the ING transaction	8.2	8.2	8.2	-	-
Amortisation of intangible assets related to the IWM transaction	18.1	18.2	18.2	+0%	-
Amortisation of intangible assets related to the GPS transaction	2.4	2.3	2.1	-9%	-8%
Amortisation of intangible assets related to the Kairos transaction	4.5	4.5	4.5	+1%	+1%
Amortisation of intangible assets related to the Commerzbank Lux. transaction	0.8	0.8	0.8	+0%	+0%
Amortisation of intangible assets related to the Leumi and Fransad transactions	1.0	1.0	1.0	+0%	+0%
Amortisation of intangible assets related to the Wergen transactions		0.7	0.4	-	-45%
Amortisation of intangible assets related to the WMPartner transactions		1.4	0.7	-	-50%
Amortisation of intangible assets related to the Reliance transaction			0.3	-	-
Integration, restructuring and transaction costs	20.0	10.2	4.0	-80%	-61%
Tax impact	-8.1	-4.3	-4.3	-47%	+1%
Net impact	46.7	43.0	35.9	-23%	-17%
Adjusted net profit for the Group	403.6	402.1	479.6	+19%	+19%

Further details on transaction-related amortisation:

- ING: January 2010 – December 2019 (CHF 16.3m p.a.)
- IWM: January 2014 – October 2024 (approx. CHF 36m p.a. for most of the years²)
- GPS: April 2014 – March 2023 (BRL 15.4m p.a.)
- Leumi: March 2015 – February 2025 (CHF 1.0m p.a.)
- Fransad: November 2015 – October 2024 (CHF 0.9m p.a.)
- Kairos: April 2016 – March 2026 (CHF 8.9m p.a.)
- Commerzbank Luxembourg: July 2016 – June 2025 (CHF 1.7m p.a.)
- Wergen: February 2017 – January 2026 (CHF 0.7m for February 2017 - December 2017, going forward CHF 0.8m p.a.)
- WMPartners: January 2014 – December 2022 (CHF 1.4m p.a., starting in 2017 only)
- Reliance: June 2018 – May 2027 (BRL 12.9m p.a., starting in June 2018)

¹ Please see detailed financial statements in the Half-Year Report 2018

² The acquisition of IWM took place in steps and is to a small extent subject to CHF translation

ADJUSTED* HALF-YEARLY PERFORMANCE

CHF m	H1 2017	H2 2017	H1 2018	Change H1 18/H1 17	Change H1 18/H2 17	H1 2018 in %
Net interest and dividend income ¹	566	421	554	-2%	+31%	31%
Net commission and fee income	922	1,009	1,015	+10%	+1%	57%
Net trading income ¹	90	214	206	+129%	-3%	12%
Other ordinary results	14	17	14	-1%	-18%	1%
Operating income	1,592	1,660	1,789	+12%	+8%	100%
Personnel expenses	762	787	846	+11%	+7%	70%
General expenses ²	294	332	317	+8%	-4%	26%
Depreciation and amortisation	42	46	43	+1%	-7%	4%
Operating expenses	1,098	1,166	1,206	+10%	+3%	100%
Profit before taxes	494	495	583	+18%	+18%	
Pre-tax margin (bp) ⁴	28.4	26.2	29.8	+1.4 bp	+3.6 bp	
Income taxes	90	93	103	+14%	+11%	
Adjusted net profit for the Group ³	404	402	480	+19%	+19%	
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	1.84	1.82	2.20	+20%	+21%	
ROTE, adjusted (%) ⁶	31.6%	28.6%	33.0%	+1.5% pt	+4.5% pt	
Gross margin (bp) ⁴	91.6	88.0	91.5	-0.1 bp	+3.5 bp	
Cost/income ratio (%) ⁵	69.1	68.9	67.3	-1.8% pt	-1.6% pt	
Tax rate	18.3%	18.8%	17.7%	-0.6% pt	-1.1% pt	
Staff (FTE)	6,205	6,292	6,643	+7%	+6%	
Provisions and losses	-2	22	2	-	-90%	
Net new money (CHF bn)	10.2	11.9	9.9	-3%	-17%	
Assets under management (CHF bn)	354.7	388.4	399.9	+13%	+3%	
Average assets under management (CHF bn)	347.7	377.4	391.1	+12%	+4%	

* Excluding integration and restructuring expenses and the amortisation of intangible assets related to acquisitions and divestments, as well as taxes on those items

¹ Net interest income contains dividend income (H1 2017 CHF 181m, H2 2017 CHF 14m, H1 2018 CHF 159m) on trading portfolios

² Including provisions and losses

³ Including non-controlling interests of CHF 4.5m for H1 2017, CHF 8.3m for H2 2017. No non-controlling interests for H1 2018, as for accounting purposes 100% of Reliance Group was acquired (see also p. 39 of Half-Year Report 2018)

⁴ Based on average AuM

⁵ Not considering provisions and losses

⁶ Adjusted net profit attributable to shareholders/(half-yearly) average shareholders' equity less goodwill and other intangible assets

DETAILED RWA AND CAPITAL RATIO DEVELOPMENT

BIS approach / CHF m	30.06.2017 <i>Basel III</i> ¹	31.12.2017 <i>Basel III</i> ¹	30.06.2018 <i>Basel III</i> ¹
Risk-weighted positions			
Credit risk	14,187	13,742	13,541
Non-counterparty-related risk	364	357	354
Market risk	1,253	561	451
Operational risk	4,796	4,941	5,125
Total risk-weighted positions	20,600	19,601	19,471
CET1 capital ²	2,458	2,643	2,677
Tier 1 capital ²	3,603	4,098	3,878
- of which tier 1 capital 'fully eligible Basel III instruments'	1,145	1,455	1,202
Eligible total capital ²	3,686	4,164	3,935
CET1 capital ratio ²	11.9%	13.5%	13.7%
Tier 1 capital ratio ²	17.5%	20.9%	19.9%
Total capital ratio ²	17.9%	21.2%	20.2%
Leverage ratio (LERA, tier 1 divided by total exposure)	3.9%	4.2%	3.8%
Liquidity coverage ratio (LCR)	123.3%	144.8%	188.9%
Net stable funding ratio (NSFR)	118.9%	119.0%	126.2%
Leverage exposure (LERA)	92,048	96,949	102,407

¹ The multi-year Basel III phase-in period ended at the beginning of 2018. As a consequence, the differentiation between the formerly used 'phase-in' and 'fully-applied' capital ratios is no longer relevant. The ratios for 30.06.17 and 31.12.17 on this page refer to the former 'fully-applied' ratios | ² After dividend

CAPITAL DEVELOPMENT

Basel III¹

CHF m	30.06.2017 <i>Basel III¹</i>	31.12.2017 <i>Basel III¹</i>	30.06.2018 <i>Basel III¹</i>	Change
Equity at the beginning of the period	5,354	5,354	5,854	+9%
Julius Baer Group Ltd. dividend	-269	-269	-313	
Net profit (IFRS)	357	716	444	
Effect of adoption of IFRS 9			4	
Change in treasury shares	-58	-13	-24	
Treasury shares and own equity derivative activity	-18	29	-21	
Other components of equity	67	43	-41	
<i>Financial assets measured at fair value through other comprehensive income</i>	41	10	-60	
<i>Remeasurement of defined benefit obligation</i>	37	3	48	
<i>FX translation differences</i>	-10	30	-30	
Others	-6	-6	-114	
Equity at the end of the period	5,427	5,854	5,789	-1%
- Goodwill & intangible assets (as per capital adequacy rules)	-2,802	-2,837	-2,904	
- Other deductions	-167	-374	-208	
CET1 capital	2,458	2,643	2,677	+1%
+ Tier 1 capital instruments	1,145	1,455	1,202	
= BIS tier 1 capital	3,603	4,098	3,878	-5%
+ Tier 2 capital	83	66	57	
= BIS total capital	3,686	4,164	3,935	-5%

¹ The multi-year Basel III phase-in period ended at the beginning of 2018. As a consequence, the differentiation between the formerly used 'phase-in' and 'fully-applied' capital ratios is no longer relevant. The ratios for 30.06.17 and 31.12.17 on this page refer to the former 'fully-applied' ratios

BALANCE SHEET – FINANCIAL ASSETS (FVOCI)

CHF m	30.06.2017	31.12.2017	30.06.2018	in %	Change vs. 31.12.2017
Debt instruments	16,151	12,060	12,901	99%	+7%
Government and agency bonds	4,057	2,848	3,111	24%	+9%
Financial institution bonds	7,514	5,769	6,287	48%	+9%
Corporate bonds	4,567	3,437	3,497	27%	+2%
Other bonds	13	6	6	0%	-5%
Equity instruments	185	187	144	1%	-23%
Total financial assets measured at fair value through other comprehensive income (FVOCI)	16,336	12,247	13,044	100%	+7%
Cash with central banks	12,058	10,838	13,149		+21%

Debt instruments by credit rating classes	Fitch, S&P	Moody's	30.06.2017	31.12.2017	30.06.2018	in %	Change vs. 31.12.2017
1–2	AAA – AA-	Aaa – Aa3	10,414	8,386	8,540	66%	+2%
3	A+ – A-	A1 – A3	5,327	3,517	3,984	31%	+13%
4	BBB+ – BBB-	Baa1 – Baa3	301	127	346	3%	+172%
5	BB+ – BB-	Ba1 – Ba3	66	17	17	0%	+0%
Unrated ¹			43	13	13	0%	+3%
Total			16,151	12,060	12,901	100%	+7%

Note: With the application of IFRS 9 as of 1 January 2018, the previously separately disclosed money market instruments have been included in debt instruments.

¹ New issues or unrated bonds from top rated issuers

BREAKDOWN OF AUM

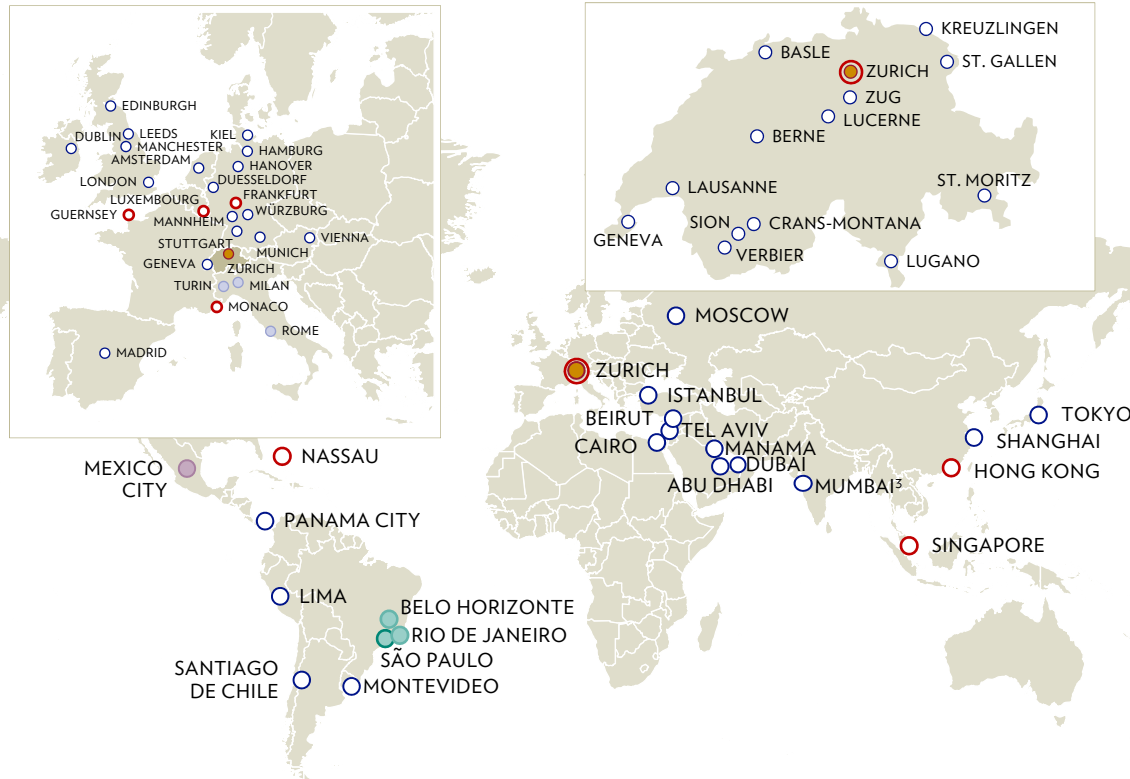
Asset mix	30.06.2017	31.12.2017	30.06.2018
Equities	27%	28%	28%
Bonds (including Convertible Bonds)	19%	19%	19%
Investment Funds ¹	25%	26%	26%
Money Market Instruments	3%	3%	3%
Client Deposits	19%	18%	18%
Structured Products	6%	5%	6%
Other, including alternative investment assets	1%	1%	0%
Total	100%	100%	100%

Currency mix	30.06.2017	31.12.2017	30.06.2018
USD	45%	45%	46%
EUR	22%	23%	23%
CHF	11%	10%	10%
GBP	4%	4%	4%
HKD	3%	4%	4%
INR	3%	3%	3%
SGD	2%	2%	1%
BRL	1%	1%	2%
JPY	1%	1%	1%
AUD	1%	1%	1%
CNY	1%	1%	1%
CAD	1%	1%	1%
Others	5%	4%	3%
Total	100%	100%	100%

¹ Includes, amongst other asset classes, further exposure to equities and bonds

JULIUS BAER: PURE-PLAY PRIVATE BANKING GROUP

Well positioned for further growth



Legend

- Head office
- Location
- Booking centre
- GPS
- Kairos
- NSC (40%)
- Reliance (95%)

- World's largest pure private banking Group
- Premium brand in global wealth management
- Client-centric approach
- Balanced exposure to traditional and growth markets
- Present in more than 50 locations
- Over 6,600 highly dedicated staff, incl. almost 1,500 RMs
- AuM CHF 400bn¹
- Strongly capitalised:
 - BIS total capital ratio 20.2%¹
 - BIS CET1 capital ratio 13.7%¹
- Moody's long-term deposit rating Bank Julius Baer & Co. Ltd: Aa2 / stable outlook
- Market capitalisation: CHF 13bn²

¹ At 30 June 2018 | ² At 20 July 2018 | ³ Additional advisory locations in Bangalore, Chennai, Kolkata and New Delhi

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

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This presentation by Julius Baer Group Ltd. (“the Company”) does not constitute an invitation or offer to acquire, purchase or subscribe for securities nor is it designed to invite any such offer or invitation.

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These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause the Company’s actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions; legislative, fiscal and regulatory developments; general economic conditions in Switzerland, the European union and elsewhere; and the Julius Baer Group’s ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially.

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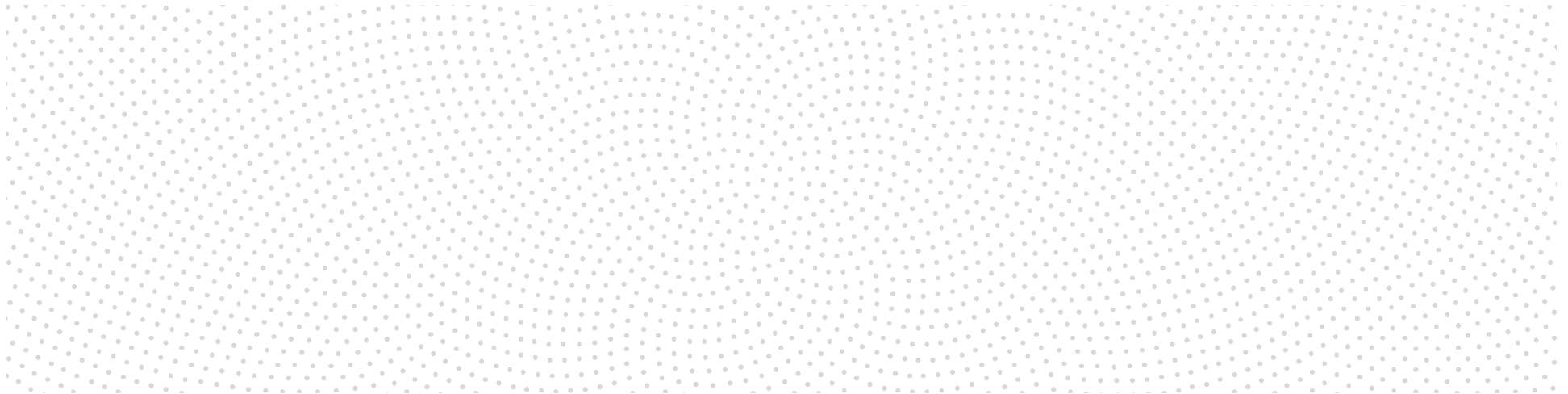
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Julius Bär



A photograph of a modern staircase with wide, grey steps. The walls and side panels are made of dark wood and brushed metal. A bright light source on the left creates a strong vertical glow. The stairs lead up towards a brightly lit area at the top.

Julius Bär

BUSINESS REVIEW FIRST HALF 2018

JULIUS BAER GROUP

Pre-print as at 23 July 2018

OUR MISSION

Julius Baer is the leading Swiss private banking group. We focus on providing high-end services and in-depth advice to private clients around the world. Our relationships are built on partnership, continuity and mutual trust. Julius Baer is synonymous with best-in-class investment and wealth planning solutions based on the *Julius Baer open product platform*. We actively embrace change to remain at the leading edge of a genuine growth industry – as we have done for over 125 years.

As the international reference in private banking, we manage our company for the long term and pursue a corporate strategy founded on four cornerstones:

We passionately live **pure** private banking – for our clients locally and worldwide

We are **competent** and foresighted – remaining true to our Swiss family heritage

We give **holistic** advice – leveraging our expertise via the Julius Baer open product platform

We are **entrepreneurial** and innovative – setting the pace in the industry

This is built on a platform that prioritises prudent financial and risk management and aims to deliver sustainable, industry-leading growth.

Our dynamic strategy allows us to capture the strong wealth creation dynamics of growth markets and to further penetrate the high wealth concentration of our European markets.

We continue to build the business with a combination of organic and inorganic growth, broadening our teams of highly qualified relationship managers and cooperating with strong commercial partners, while at the same time remaining vigilant to acquisitive growth opportunities provided they offer a valuable strategic and cultural fit.

CONTENTS

2	FOREWORD
4	FINANCIAL PERFORMANCE IN FIRST HALF 2018
10	BUSINESS DEVELOPMENT IN FIRST HALF 2018
22	OUR COMMITMENT
24	IMPORTANT DATES AND CORPORATE CONTACTS

Cover pictures:

Impressions from inside the client reception area
at the Head Office in Zurich.
Welcome to Julius Baer!

KEY FIGURES JULIUS BAER GROUP¹

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Consolidated income statement				
Operating income	1,788.8	1,591.8	1,660.4	12.4
Adjusted operating expenses	1,206.1	1,098.1	1,165.5	9.8
Profit before taxes	582.7	493.7	494.9	18.0
Adjusted net profit for the Group	479.6	403.6	402.1	18.9
IFRS net profit for the Group ²	443.8	356.8	359.1	24.4
Cost/income ratio ³	67.3%	69.1%	68.9%	-
Pre-tax margin (basis points)	29.8	28.4	26.2	-
	30.06.2018	30.06.2017	31.12.2017	Change to 31.12.2017 in %
Assets under management (CHF bn)				
Assets under management	399.9	354.7	388.4	3.0
Net new money (in period)	9.9	10.2	11.9	-
Consolidated balance sheet (CHF m)				
Total assets	103,540.2	93,150.8	97,917.6	5.7
Total equity	5,788.7	5,427.5	5,854.0	-1.1
BIS total capital ratio	20.2%	18.5%	22.0%	-
BIS CET1 capital ratio	13.7%	14.9%	16.7%	-
Personnel (FTE)				
Number of employees	6,643	6,205	6,292	5.6
Number of relationship managers	1,475	1,381	1,396	5.7
Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Market capitalisation (CHF m)	13,044	11,291	13,339	-2.2
Moody's rating Bank Julius Baer & Co. Ltd.				
Long-term deposit rating	Aa2	Aa2	Aa2	-
Short-term deposit rating	Prime-1	Prime-1	Prime-1	-

¹ Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.

² Reconciliation with adjusted net profit for the Group is detailed in the table on page 8.

³ Calculated using adjusted operating expenses, excluding provisions and losses.

FOREWORD

Dear Reader

Volatility staged a comeback in the financial markets at the beginning of this year, after months of remaining at unusually low levels. In parallel, ongoing trade tensions put question marks on the future of globalisation – and the resilience of the current late-cycle economic expansion. At Julius Baer, we see such changes in conditions as opportunities to reach out to our clients and advise them on their decisions. And we are convinced that this proactive approach to put our clients' needs first is what ultimately drives our success.

Looking at our results for the first half of 2018, we continued to deliver on our targets. The cost/income ratio¹ ended the period inside the medium-term target range of 64 to 68% as we further improved profitability. Net new money growth was again solid, with existing and new clients contributing CHF 9.9 billion to the rise in assets under management to CHF 400 billion at the end of June 2018.

'The cost/income ratio¹ ended the period inside the medium-term target range of 64 to 68% as we further improved profitability.'

The steady flow of net new money is the greatest recognition of our work. It is testament to the trust we have earned with existing clients and the strength of our brand in attracting new clients. An expanding asset base is also the beginning of a virtuous circle, supporting our competitive standing in our chosen markets and making us an employer of choice for talented employees. Larger business volumes contribute to operational efficiency and enable us to invest in making our offering more scalable while simultaneously retaining the highly personal touch in serving our clients.

In addition, we continue to utilise our expertise in finding and executing targeted and successful acquisitions. The takeover of the well-established Reliance Group in Brazil, announced in January this year, was closed at the beginning of June. This step substantially strengthens our existing local business managed under the GPS brand. In Italy, at the beginning of this year we increased our participation in local wealth manager Kairos in a third step to 100%. And in a pioneering move, in March we announced the establishment of a joint venture with Siam Commercial Bank in Thailand, targeting the rising demand for international wealth management from the growing group of wealthy Thai private clients.

¹ Excluding integration and restructuring expenses, the amortisation of intangible assets related to acquisitions or divestments as well as provisions and losses

Client centricity is at the core of our advice to clients. *Julius Baer – Your Wealth* is our holistic client advisory approach that brings together all the qualities of pure private banking as we have practiced it for generations, with the content renewed for this day and age and powered with modern technology. *Your Wealth* has already made a real difference in how we serve our clients, allowing us to tailor solutions even more to a client's interests, passions and ambitions at any stage of her or his life – covering investment, financing and wealth planning – and to implement those solutions in a faster and more efficient manner. As such, it is a key investment in longer-term organic growth.

Our Group is in an excellent position. With a BIS total capital ratio of 20.2% and a BIS CET1 capital ratio of 13.7% at mid-year, Julius Baer solidly exceeds the regulatory minimums as well as the Group's own floors. We are well regarded as trusted advisor of choice and a leader in our industry. We owe this to our focused strategy and its relentless implementation. Julius Baer is dedicated to one business: pure private banking. And that is why our clients choose to work with us. With over 6,500 employees sharing the same vision of shaping private banking with pioneering spirit, always ensuring our advice is personal, advancing our strategy is an inspiring and ever-exciting journey.

Thank you for your continued interest and trust in Julius Baer.



Daniel J. Sauter
Chairman

A handwritten signature in black ink, appearing to read 'D. Sauter', written in a cursive style.



Bernhard Hodler
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'B. Hodler', written in a cursive style.

FINANCIAL PERFORMANCE IN FIRST HALF 2018

In the first half of 2018, net profit grew significantly on the back of a further increase in client assets and continued robust net inflows, a stable gross margin and a further improvement in the cost/income ratio¹. The Group's capital position remained solid.



Dieter A. Enkelmann, Chief Financial Officer

Assets under management (AuM) ended the first six months at CHF 400 billion, an increase of over CHF 11 billion, or 3%, since the end of 2017. The growth in AuM was driven by net new money of CHF 10 billion, complemented by CHF 4.5 billion from the acquisition of 95% of Reliance Group in Brazil (successfully completed on 4 June 2018), and a positive currency impact of CHF 1 billion. These positive contributions were partly offset by negative market performance of CHF 4 billion, as leading stock markets in Switzerland, Europe and Asia edged lower towards the end of the first half.

The annualised net new money growth rate of 5.1% was well inside the Group's medium-term target range (4-6%). All regions recorded net inflows, with particularly strong contributions from clients domiciled in Europe, Switzerland and Asia. Solid inflows from existing and new clients were somewhat

tempered by deleveraging by clients in Asia and the Middle East, reflecting a more cautious positioning of their portfolios, in line with broader market sentiment.

'The annualised net new money growth rate of 5.1% was well inside the Group's medium-term target range (4-6%).'

Including assets under custody of CHF 68 billion, total client assets grew by 2% from year-end 2017 to CHF 467 billion.

Operating income rose to CHF 1,789 million. The increase of 12% compared to H1 2017 was in line with the growth in monthly average AuM (to CHF 391 billion), resulting in a largely unchanged gross margin of 91.5 basis points (bp) (H1 2017: 91.6 bp).

Net commission and fee income rose by 10% to CHF 1,015 million, driven by an 11% increase in asset-based fee income and an 8% rise in brokerage commissions. Despite increased AuM, the contribution from Kairos was modestly lower.

¹ Calculated using adjusted operating expenses, excluding provisions and losses.

CONSOLIDATED INCOME STATEMENT¹

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Net interest and dividend income	553.5	566.3	421.4	-2.3
Net commission and fee income	1,015.5	921.8	1,008.7	10.2
Net trading income	206.3	90.0	213.6	129.1
Net impairment losses/(recoveries) on financial assets	-0.4	-	-	-
Other ordinary results	13.2	13.7	16.6	-3.7
Operating income	1,788.8	1,591.8	1,660.4	12.4
Personnel expenses	845.9	761.5	787.5	11.1
General expenses ²	317.4	294.4	332.0	7.8
Depreciation and amortisation	42.8	42.2	46.1	1.4
Adjusted operating expenses	1,206.1	1,098.1	1,165.5	9.8
Profit before taxes	582.7	493.7	494.9	18.0
Income taxes	103.1	90.2	92.8	14.4
Adjusted net profit for the Group	479.6	403.6	402.1	18.9
IFRS net profit for the Group³	443.8	356.8	359.1	24.4
Attributable to:				
Shareholders of Julius Baer Group Ltd.	479.6	399.1	393.8	20.2
Non-controlling interests	-	4.5	8.3	-100.0
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	2.20	1.84	1.82	19.6
Key performance ratios				
Cost/income ratio ⁴	67.3%	69.1%	68.9%	-
Gross margin (basis points)	91.5	91.6	88.0	-
Pre-tax margin (basis points)	29.8	28.4	26.2	-
Tax rate	17.7%	18.3%	18.8%	-

¹ Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.

² Including provisions and losses.

³ Reconciliation with adjusted net profit for the Group is detailed in the table on page 8.

⁴ Calculated using adjusted operating expenses, excluding provisions and losses.

Net interest and dividend income declined by 2% to CHF 554 million. It included CHF 159 million of dividend income on trading portfolios, down 12% year-on-year. Excluding this item, underlying net interest and dividend income was up 2% at CHF 395 million, as the benefit of higher loan volumes and rates was largely offset by a reduction in the portfolio of financial assets as well as an increase in US dollar interest rates payable on client deposits.

Net trading income went up by 129% to CHF 206 million. Including the dividend income related to trading portfolios, underlying net trading income increased by 35% to CHF 365 million. This improvement follows a rise in overall FX and structured products-related trading income.

Other ordinary results (which among other items includes income from associates, rental income and net gains/losses from the disposal of investments from the financial assets portfolio) was essentially unchanged at CHF 14 million.

Operating expenses according to IFRS rose by 8% year-on-year to CHF 1,246 million, driven by an 11% increase in *personnel expenses* to CHF 847 million, a 3% increase in *general expenses* to CHF 320 million, a 5% increase in amortisation to CHF 60 million and a 6% decrease in *depreciation* to CHF 19 million.

Breakdown of assets under management by currency

	30.06.2018	30.06.2017	31.12.2017
USD	46%	45%	45%
EUR	23%	22%	23%
CHF	10%	11%	10%
GBP	4%	4%	4%
HKD	4%	3%	4%
SGD	1%	2%	2%
RUB	1%	1%	1%
CAD	1%	1%	1%
Other	10%	11%	10%

As in previous years, in the analysis and discussion of the results in the Business Review, *adjusted operating expenses* exclude acquisition-related integration and restructuring expenses (CHF 4 million, a decrease of 80% from the CHF 20 million in H1 2017) as well as the acquisition-related amortisation of intangible assets (CHF 36 million, versus CHF 35 million in H1 2017). Adjusted operating expenses increased by 10% to CHF 1,206 million.

‘The number of relationship managers grew by 79 to 1,475, reflecting successful hiring as well as the inclusion of 13 RMs from Reliance Group.’

At 6,643 full-time equivalents (FTEs), personnel rose by 7%, or 438 FTEs, in the twelve months since 30 June 2017, and by 6%, or 351 FTEs, in the six months since the end of 2017. Compared to the first half of 2017, the monthly average number of employees increased by 5% to 6,451. The number of relationship managers (RMs) grew to 1,475, an increase of 94 compared to the end of June 2017, and an increase of 79 since the end of 2017, reflecting successful hiring as well as the inclusion of 13 RMs from Reliance Group.

Following the rise in average levels of staff and an increase in performance-related remuneration, *adjusted personnel expenses* went up by 11% to CHF 846 million.

Adjusted general expenses went up by 8% to CHF 317 million, driven mainly by increased marketing spend, a rise in general expenses resulting from the higher staff levels, and to a smaller extent because of a CHF 4 million increase in adjusted provisions and losses.

ASSETS UNDER MANAGEMENT

	30.06.2018 CHF bn	30.06.2017 CHF bn	31.12.2017 CHF bn	Change to 31.12.2017 in %
Assets under management	399.9	354.7	388.4	3.0
<i>Change through net new money</i>	9.9	10.2	11.9	-
<i>Change through market and currency impacts</i>	-2.8	8.0	27.9	-
<i>Change through acquisition</i>	4.5	0.4	-	-
<i>Change through divestment</i>	-0.0 ¹	-0.1 ¹	-0.0 ¹	-
<i>Change through other effects</i>	-0.0 ²	-	-6.1 ³	-
Average assets under management (in period)	391.1	347.7	377.4	3.6

¹ Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries.

² Assets under management were affected by the Group's decision to discontinue its offering to certain clients in selected jurisdictions.

³ Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

Adjusted depreciation decreased by 5% to CHF 19 million and *adjusted amortisation* rose by 7% to CHF 24 million. The growth in adjusted amortisation mainly reflects the rise in IT-related investments in recent years.

The adjusted *cost/income ratio*¹ improved from 69.1% in H1 2017 to 67.3%, comfortably inside the 64-68% medium-term target range, as higher expenses were more than offset by a robust growth in revenues.

IFRS *profit before taxes* rose by almost 24% year-on-year to CHF 543 million. As income taxes increased by 20% to CHF 99 million, *net profit for the Group* grew by more than 24% to CHF 444 million. After

considering non-controlling interests in H1 2017 of CHF 4 million, the increase in net profit attributable to shareholders of Julius Baer Group Ltd. was 26% in H1 2018, and EPS rose, also by 25%, to CHF 2.04.

‘The adjusted cost/income ratio¹ improved from 69.1% in H1 2017 to 67.3%, comfortably inside the 64-68% medium-term target range.’

Breakdown of assets under management by asset mix

	30.06.2018	30.06.2017	31.12.2017
Equities	28%	27%	28%
Investment funds	26%	25%	26%
Bonds/convertibles	19%	19%	19%
Client deposits	18%	19%	18%
Structured products	6%	6%	5%
Money market instruments	3%	3%	3%
Other	0%	1%	1%

Adjusted profit before taxes grew by 18% to CHF 583 million and the adjusted pre-tax margin improved to 29.8 bp, closer to the 30 bp medium-term target. The related income taxes were CHF 103 million, representing a tax rate of 17.7%, compared to 18.3% in H1 2017.

*Adjusted net profit for the Group*² increased by 19% to CHF 480 million. After considering adjusted non-controlling interests in H1 2017 of CHF 4 million, the rise in adjusted net profit attributable to shareholders of Julius Baer Group Ltd. was 20% in H1 2018, and adjusted EPS grew, also by 20%, to CHF 2.20.

¹ Calculated using adjusted operating expenses, excluding provisions and losses.

² Cf. footnote 1 to the table on page 5

Balance sheet and capital development

Since the end of 2017, *total assets* increased by CHF 6 billion, or 6%, to CHF 104 billion. Despite the increase in AuM, the total loan book remained stable at CHF 47 billion – comprising CHF 37 billion of Lombard loans and CHF 10 billion of mortgages. As deposits rose by CHF 3 billion, or 4%, to CHF 70 billion, the loan-to-deposit ratio came down somewhat to 66% (end of 2017: 69%). Total equity attributable to shareholders of Julius Baer Group Ltd. was at CHF 5.8 billion, a decrease of less than 1%.

Following a partial reinvestment of the Group's excess capital into accretive acquisitions, i.e. the residual 20% stake in Kairos (Italy) acquired in January 2018 and 95% of Reliance Group (Brazil) purchased in June 2018, CET1 capital increased to CHF 2.7 billion (compared to fully-applied CET1 capital of CHF 2.6 billion at the end of 2017). Mainly as a consequence of the repayment in March 2018 of the CHF 250 million of perpetual Tier 1 bonds issued on 18 September 2012, BIS Tier 1 capital decreased to CHF 3.9 billion (compared to fully-

applied Tier 1 capital of CHF 4.1 billion at the end of 2017) and BIS total capital also to CHF 3.9 billion (compared to fully-applied total capital of CHF 4.2 billion at the end of 2017).

As risk-weighted assets decreased slightly, by 1%, to CHF 19.5 billion, the *BIS CET1 capital ratio* rose to 13.7% at the end of June 2018 (compared to 13.5% fully-applied at the end of 2017) while the *BIS total capital ratio* came down modestly to 20.2% (compared to 21.2% fully-applied at the end of 2017). The redemption of the Tier 1 bonds and a 6% increase in the leverage exposure, to CHF 102 billion, were the main drivers of the reduction in the Tier 1 leverage ratio to 3.8% (compared to 4.2% fully-applied at the end of 2017).

At these levels, the Group's capitalisation continues to be solid: the CET1 and total capital ratios remain well above the Group's own floors of 11% and 15% and significantly in excess of the regulatory minimums of 8.1% and 12.3% respectively, while the Tier 1 leverage ratio is comfortably above the 3.0% regulatory minimum.

Reconciliation consolidated financial statement¹ IFRS to adjusted net profit

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	443.8	353.2	351.6	25.7
Non-controlling interests	0.0	3.7	7.5	-100.0
Profit after tax for the Group per consolidated Financial Statements (IFRS)	443.8	356.8	359.1	24.4
Amortisation of intangible assets related to previous acquisitions or divestments ²	36.2	34.9	37.1	3.8
Integration, restructuring and transaction costs	4.0	20.0	10.2	-80.0
Tax impact	-4.3	-8.1	-4.3	-47.1
Net impact	35.9	46.7	43.0	-23.2
Adjusted net profit for the Group	479.6	403.6	402.1	18.9

¹ Detailed financial statements are available in the Half-Year Report 2018

² Further details on transaction-related amortisation can be found in the presentation to Investors, Analysts and Media

CONSOLIDATED BALANCE SHEET

	30.06.2018 CHF m	30.06.2017 CHF m	31.12.2017 CHF m	Change to 31.12.2017 in %
Assets				
Due from banks	11,863.8	6,855.1	8,308.9	42.8
Loans to customers ¹	46,661.6	40,733.4	46,623.7	0.1
Trading assets	9,411.0	10,287.4	12,751.8	-26.2
Financial assets measured at fair value through other comprehensive income	13,044.1	16,335.5	12,246.5	6.5
Goodwill and other intangible assets	2,935.5	2,846.1	2,872.4	2.2
Other assets	19,624.1	16,093.4	15,114.4	29.8
Total assets	103,540.2	93,150.8	97,917.6	5.7
Liabilities and equity				
Due to banks	8,219.5	6,089.5	7,209.5	14.0
Deposits from customers	70,236.7	65,763.3	67,636.8	3.8
Financial liabilities designated at fair value	13,824.8	11,201.7	11,836.7	16.8
Other liabilities	5,470.5	4,668.8	5,380.5	1.7
Total liabilities	97,751.5	87,723.3	92,063.6	6.2
Equity attributable to shareholders of Julius Baer Group Ltd.	5,788.7	5,406.1	5,824.5	-0.6
Non-controlling interests	-	21.4	29.5	-100.0
Total equity	5,788.7	5,427.5	5,854.0	-1.1
Total liabilities and equity	103,540.2	93,150.8	97,917.6	5.7
Key performance ratios				
Loan-to-deposit ratio	66%	62%	69%	-
Book value per share outstanding (CHF) ²	27.2	25.6	27.3	-0.2
Return on tangible equity (ROTE) annualised ³	33.0%	31.6%	28.6%	-
BIS statistics				
Risk-weighted assets	19,471.0	20,564.2	19,576.0	-0.5
BIS total capital	3,934.9	3,800.4	4,298.5	-8.5
BIS CET1 capital	2,676.6	3,060.3	3,260.8	-17.9
BIS total capital ratio	20.2%	18.5%	22.0%	-
BIS CET1 capital ratio	13.7%	14.9%	16.7%	-

¹ Mostly Lombard lending and mortgages to clients² Based on shareholders' equity³ Adjusted net profit attributable to shareholders/(half-yearly) average shareholders' equity less goodwill and other intangible assets

BUSINESS DEVELOPMENT IN FIRST HALF 2018

During the first half of 2018, we continued to implement our strategy of expanding our presence in growth markets, by adding new teams, making acquisitions and closing a joint venture. In addition, we pushed forward with our efforts to make our business more scalable and efficient.

Our Group's strategy is built around three principles: delivering a best-in-class wealth management experience to our clients, being the most admired and respected firm in our sector and pursuing sustainable profitability. These principles are also guiding multiple efforts throughout our Group, designed to ensure industry leadership in the world of tomorrow.

Julius Baer's new core banking system in Asia was introduced successfully at the end of March 2018. Based on Temenos T24 banking software, the platform has been implemented in the Asian booking centres of Singapore and Hong Kong. It lays the operational and technical foundation for Julius Baer's further growth in the region and the digitalisation of business processes.

Luxembourg completed the first step of its transformation into Julius Baer's European hub at the end of 2017. All client relationships managed out of the advisory locations of Luxembourg, Madrid, Amsterdam and Dublin are now booked in Luxembourg. Consequently, the Luxembourg entity was renamed Bank Julius Baer Europe S.A. effective 1 July 2018. The local platform's capabilities have been further enhanced through the *Integrated Advisory Platform* to even better support the user in the integrated MIFID II-compliant, end-to-end advisory process. In a second step, we are preparing the migration of clients booked in Monaco and Nassau to the

Luxembourg platform. Ultimately, this will result in a fully streamlined operating model supported by unified booking centre capabilities for key EU markets.

Julius Baer – Your Wealth is our holistic client advisory approach to systematically derive the appropriate financial solutions for each client based on their unique situation, encompassing wealth planning, wealth management and wealth financing. The updated and expanded set of tools required for our relationship managers to deliver on this promise in a consistent and efficient fashion was first rolled out in our Swiss home market at the beginning of February this year. Other markets will follow, with the roll-out in the UK to start in the second half of 2018. This integrated approach to providing advisory services will ensure a consistent client experience as well as compliance with local rules and regulations primarily focusing on customer protection (see also page 18).

Following last year's implementation of the MIFID II processes in the Group's European locations and the enhancements achieved in the first half of 2018, the focus is now on preparing the Bank for similar legislation in Switzerland. Rolled out in stages, different aspects of compliance with the forthcoming FinfraG (infrastructure) and FIDLEG (services) legislation have either already been implemented in the affected booking centres of the Group or are in preparation. This includes a set of new advisory tools, which we continue to refine in order to facilitate the work of our relationship managers.

Evolving regulatory frameworks, such as the Common Reporting Standard (CRS) for the Automatic Exchange of Information (AEI), QI/ FATCA or international tax offence prevention initiatives, resulted in system updates across the Group. Related compliance training efforts were rolled out to the entire Group – client-facing staff in particular – including mandatory certification programmes and corresponding refresher courses. Amid the movement towards international tax transparency, we maintained a constructive, proactive stance with our clients, informing them about developments and opportunities to solve potentially outstanding tax issues. The tax treatment of investment vehicles gained in importance in various markets and triggered projects focused on automation, allowing us to test some external solutions provided by FinTech start-ups.

Digitalisation continues to be the focus of various initiatives towards new and further improved tools and channels. The overarching aims are to constantly improve the client and user experience throughout all stages of the client journey, to reduce the time required to address future business needs and to further increase operational efficiency.

An example is the continued digitalisation of client documents in Switzerland. In this respect, our cooperation with Switzerland's *F10 FinTech Incubator and Accelerator Association* has proven beneficial. We are evaluating a number of FinTech solutions for possible integration into our value chain (see also above). Furthermore, a new global robotics competence centre established in Switzerland, Luxembourg and Asia provides a standard platform and the related methodology that allows for assessing and implementing robotics cases within weeks.

Our international sponsoring cooperation with FIA Formula E reached another high point with the *Julius Baer Zurich E-Prix 2018* at the beginning of June. This event, the first circuit motor race in Switzerland in more than 60 years, was also a huge opportunity to showcase Julius Baer's capabilities in our home market. By opening a window into the future beyond the obvious topic of mobility, the innovative campaign centred on the motto *How we invest today is how we live tomorrow*.

Julius Baer Group Ltd.

Board of Directors

Daniel J. Sauter, Chairman

Chief Executive Officer

Bernhard Hodler

Chief Financial Officer

Dieter A. Enkelmann

Chief Operating Officer

Nic Dreckmann

Chief Risk Officer

Oliver Bartholet

Chief Communications Officer

Larissa Alghisi Rubner

General Counsel

Christoph Hiestand

Executive Board

GLOBAL PRESENCE

Europe



Switzerland



Our locations in other parts of the world



- Location
- Booking centre
- GPS, a fully owned subsidiary
- Reliance Group, majority participation of 95% and fully consolidated subsidiary
- NSC Asesores, strategic minority participation of 40%
- Kairos Investment Management S.p.A., a fully owned subsidiary
Julius Baer is present in Milan with Julius Baer Fiduciaria S.p.A.

¹ Additional advisory locations in Bangalore, Chennai, Kolkata and New Delhi

OUR ACTIVITIES WITH CLIENTS

Switzerland

As the leading Swiss private banking group, we believe we are well positioned to progressively expand our share in our first home market. Its fragmentation and diversity still offer considerable growth potential.

With our focus on pure private banking, client centricity is at the core of how we address the particular requirements of ultra-high net worth individuals (UHNWI), high net worth individuals (HNWI) and intermediaries. Thanks to our 14 locations across the country as well as our suite of fast growing digital channels, we continued to benefit from our close client proximity.

Our offering is structured to take into account the specific preferences of our Switzerland-based clients, such as risk appetite, home bias and pension provisioning, but also considers aspects related to their specific profession, non-financial assets and succession dynamics. In this context, our broad and growing suite of wealth planning services continued to gain in importance, supporting our growth ambitions and at the same time fostering client retention. To address the particular needs of entrepreneurs, we established a dedicated set of financing solutions, also in cooperation with external partners.

With the introduction of the final toolset of *Julius Baer – Your Wealth* at the beginning of February 2018, we further improved our offering. *Your Wealth* is the Group's holistic advisory approach to serving clients through all stages of their lives. It enables Julius Baer to fully harness the Group's broad investment, financing and wealth structuring expertise for the benefit of our clients.

Net new money inflows markedly improved in the first half year. Higher asset levels in combination with increased mandate penetration contributed to rising asset-based income and total revenues. Overall, margins remained stable year on year.

Europe

Europe is an important region for our Group where we see plenty of growth opportunities. Our booking centre in Luxembourg, complementing those in Switzerland, Germany and Guernsey, serves as the European hub for Julius Baer. This setup allows us to establish a fully streamlined operating model supported by unified booking centre capabilities for private banking clients and intermediaries of our advisory locations in Luxembourg, Madrid, Amsterdam and Dublin, in line with the latest regulatory requirements. In a next step, we are looking to migrate accounts booked in Monaco and Nassau onto the Luxembourg platform as well.

In the first half of 2018, asset levels from European clients increased, driven by strong net new money inflows. While the introduction of MIFID II dampened client activity, margins held up well.

Germany is one of the most attractive wealth management markets in Europe. Despite being fragmented and mature, the German market continues to show sustainable growth rates. The strong reputation of the Julius Baer brand underlines the competitive market standing we have achieved through the successful expansion of our franchise in recent years. In the period under review, we continued to broaden our base of experienced relationship managers (RMs), for example by hiring additional teams in Munich and Frankfurt. A particular focus was on further developing our services for UHNWI clients. This initiative is complemented by a new, dedicated offering for family offices, in cooperation with an external provider.

Client proximity and local focus are essential differentiating factors for retaining existing clients and winning new ones. In the first half of 2018, we further extended our network of local offices by opening a new branch in Hanover. This increases our network to nine locations across the country.

Frankfurt-based Bank Julius Baer Germany Ltd.'s locally booked private client business showed robust momentum in the first half of 2018. Net new money inflows strongly improved during this period. On the back of higher asset levels and a rising share of asset-based income, total revenues increased.

Dutch clients are primarily served from Zurich and our local office in the **Netherlands**. We continued to benefit from the international capabilities our business model offers as well as from its client centricity.

The seeming dominance of a few large universal banks obscures the true business potential for clients seeking pure wealth management services in **Spain**. On the back of a further expanding RM base, our Madrid unit achieved strong net new money inflows.

We continued to gain market share in **Monaco** in the first half of 2018. The Bank now ranks among the top three wealth managers in the Principality. On the back of the continued expansion of our RM base, net new money inflows were again robust. The significantly higher asset base and sustained client activity resulted in rising revenues. We aim to further leverage the wealth management and booking centre capabilities of this important Group location, primarily for the benefit of our large and growing local client base but also for private clients and intermediaries from selected markets in Western and Eastern Europe, the Middle East and Latin America.

Italy is served from different Swiss locations. Local activities centre on specialised wealth and asset manager Kairos and on Julius Baer Fiduciaria S.p.A. in Milan, one of the largest fiduciary companies in the country. This combination of activities helped to increase the awareness of our brand among local clients. Italy's business potential as one of the largest European markets in terms of savings remains intact despite intense competition. Parallel to the economic recovery gaining traction, business momentum started to pick up, mostly unaffected by the heightened political uncertainty.

At the beginning of 2018, the Group increased its participation in Kairos from 80% to 100%. The competitive suite of specialised Kairos funds

continued to attract investor's interest, resulting in gratifying net new money inflows in the first semester 2018. The increase in asset volume managed by Kairos was attributable in part to the intensified cooperation with Julius Baer. Several funds were again recognised for their outstanding performance over prolonged periods, among them *Kairos International Sicav KEY* and *Italia*. In addition, *Kairos International Sicav PEGASUS* was named *Europe Best Performing Fund* in 2017 by *UCTIS Hedge Awards*.

Our business activities in the **United Kingdom** are complemented by our business with UK-related international clients served from different Group locations. The development of regional offices in Manchester, Leeds and Edinburgh in 2017 significantly increased the scope of the addressable market, both for RMs and clients. Clients based outside of London and the South East, which account for two thirds of the UK's wealth, show a higher propensity for wealth planning and discretionary solutions. On the back of a further strong increase of our RM base, both in London and in the regions, we achieved robust net new money inflows. Much of this was invested in discretionary mandates, which again showed outstanding performance. The share of asset-based income thus further increased.

Our business in the smaller yet dynamic wealth management market of **Ireland** is served from Dublin. Performance in the first six month of 2018 was good, both in terms of assets under management and revenues.

Russia, Central & Eastern Europe

This geographic area continues to be a key growth region for Julius Baer. Given persistent geopolitical, regulatory and economic uncertainties, however, the business environment during the first six months of the year was demanding. The size of our franchise, our market reach and our brand recognition continue to set us apart in the market. We aim to grow our market share, also via our expanding base of RMs. Revenues benefitted from higher asset levels and increased client activity. Some deleveraging and rising cash allocations, however, indicated clients' more cautious risk stance.

We view the longer-term potential for the region as intact. Among the Commonwealth of Independent States, our focus markets are Russia and Kazakhstan. In Central and Eastern Europe, we focus on serving clients in the Czech Republic, Hungary and Poland. In addition to our office in Moscow, we serve clients in this attractive region also from various Group locations in Europe, the Middle East and Asia.

Asia

Asia continues to feature many of the world's fastest growing countries for wealth creation. As a result, the region now harbours the largest number of HNWI's worldwide and outpaces all other regions in the growth of HNWI wealth. Julius Baer is one of the region's largest and most focused private banking providers, and therefore we call Asia the Group's second home market. This makes us the first address for clients and intermediaries in search of a trusted advisor and service provider and puts us in an excellent position to take advantage of the region's strong rise in investable assets.

Julius Baer serves this diverse region from a number of locations, including Singapore, Hong Kong and India. We are currently focusing on five key markets to achieve organic growth: mainland China, Hong Kong, Indonesia, Singapore and India. Other promising markets and client segments in the region include Thailand and the Philippines, Japan as well as the regional intermediaries business. As a testament to our strong growth in the region, the front office teams in Singapore relocated to new premises at the beginning of June and now occupy one of the largest prime grade-A office floors in Asia.

Besides fostering organic growth, we also seek other means of developing our business in the region. At the beginning of March, we announced the establishment of a joint venture with Siam Commercial Bank in Thailand, targeting the rising demand for international wealth management services from the growing group of wealthy Thai private clients.

CUSTOMISATION MEETS TECHNOLOGY: JULIUS BAER MARKETS TOOLBOX

It sounds like a client's dream: your specific investment idea cast into an individual product and issued just for you – in almost no time, across a whole universe of underlying assets and in denominations hardly available elsewhere. Yet this is the reality of *Markets Toolbox*, the web-based real-time trading platform of Julius Baer's Markets unit.

Markets Toolbox gives Julius Baer's relationship managers access to a broad range of existing Julius Baer structured products with equities, indices, exchange traded funds, foreign exchange (FX) and precious metals (PM) as their underlying. Besides tailoring structured products on the spot, it also allows relationship managers to price and execute FX and PM transactions as well as over-the-counter options on behalf of their clients with just a few mouse clicks.

Built upon cutting-edge technology, *Markets Toolbox* is a powerful solution featuring streaming prices, immediate execution and automated end-to-end processing of transactions. It is a key structural element to further improve efficiency and scalability of our flow business and strongly contributes to an excellent client experience. In addition, it serves as the main digital platform for structured products and FX across the Group and runs on a 24-hour basis to cover the needs of Julius Baer's clients across the globe. The platform currently counts more than 3,000 active users.

While we continue to invest in our base of experienced RMs, our hiring efforts have become more selective, accompanied by strict management centred on RM performance. Combined with some deleveraging in clients' portfolios, this tempered the inflow of net new money, which nevertheless remained at substantial levels. On the back of increased mandate penetration and strong client activity particularly at the beginning of the year, revenues and profitability improved year on year.

At the beginning of the year, Julius Baer was named *Best Private Bank – Philippines International* for the first time as well as *Best Private Bank – IAM Services* for the fifth time in the *Asian Private Banker Awards for Distinction 2017*.

In **Japan**, clients are served by our subsidiary Julius Baer Wealth Management Ltd. in Tokyo.

Julius Baer is one of the largest and best established foreign wealth managers in **India**. The domestic Indian market is covered from the five major cities of Mumbai, New Delhi, Kolkata, Chennai and Bangalore. In addition, Julius Baer serves a large and rising global base of non-resident Indians from different Group locations in Asia, the Middle East and Europe. This global India approach is a key differentiating factor of Julius Baer.

Business momentum remained strong in the first half of 2018. We successfully broadened our RM base both domestically and in the Group's dedicated desks. Our open product platform was further enhanced to include specialised, domestic-oriented external solutions. We also continued to strengthen our internal research capabilities and complemented them via cooperation agreements with two renowned external research houses.

Eastern Mediterranean, Middle East & Africa

Despite the challenging political environment, subdued economic expansion and ever-changing regulatory regimes, we were able to maintain positive business momentum across the Eastern Mediterranean region as well as our chosen markets in the Middle East and Africa. We serve this diverse region primarily from our main regional hub in Dubai, complemented by local offices in Istanbul, Beirut, Manama, Abu Dhabi and Cairo as well as from a growing number of Group locations in Europe and Asia. Coverage includes the Middle Eastern markets, the Levant, Turkey and Greece. We successfully broadened our base of experienced RMs in several teams in the first six months of the year. Net new money inflows remained at attractive levels but below potential, mirroring clients' propensity to reduce leverage in portfolios as well as the recent shifts in the USD exchange rate. Revenues, however, held up well.

Julius Baer ranks among the top foreign wealth managers in **Israel**. We serve this appealing but highly competitive market from a number of Group locations and locally from our Tel Aviv office. We achieved strong net new money inflows in the first half of 2018, contributing to higher assets under management. Despite clients' subdued risk appetite, revenues improved. We target Israel's significant wealth creation both domestically in a targeted fashion and via the global Israeli community.

Latin America

Political and economic difficulties as well as exchange rate movements continued to strongly influence the region's development in the first half of 2018, however with marked differences between individual countries. This prevented the region from realising its full potential for growth and wealth creation.

Serving Latin American private clients and intermediaries both locally and increasingly from other key Group locations, we were able to accommodate both the emerging trend of clients seeking local investment solutions via our domestic platforms or through cooperation agreements with external partners as well as the requirements for international asset diversification. Overall, net new money inflows were muted in the first six months of the year, though there was wide disparity between individual markets. Despite this, revenues and profitability held up well.

We intend to capture the potential of this promising region by expanding our presence either organically, by further broadening our base of experienced RMs, or by seeking opportunities to develop a strong domestic presence in selected markets. The Brazilian market is a prime example of the latter approach. Our takeover of the well-established Reliance Group in Brazil, announced in January this year, was closed at the beginning of June. This step substantially strengthens our existing local business managed under the GPS brand.

In the first half of 2018, GPS continued to benefit from its strong competitive standing as one of Brazil's largest independent asset managers. Net new money inflows remained robust and contributed to rising assets under management and revenues. The cooperation with NSC Asesores in Mexico was further deepened. The latter firm, in which Julius Baer holds a 40% participation, achieved strong net money inflows in the reporting period. At the same time, however, cautious clients and additional investments into the franchise weighed on profitability.

Intermediaries business

Our business with intermediaries, i.e. external asset managers (EAMs) and external financial advisors (EFAs), had a promising start to 2018. Business momentum accelerated in many markets as the year progressed, with a particularly high number of new EAM relationships materialising in the second quarter of the year. This development mirrored the findings of recent independent market surveys from around the globe: despite mounting regulatory and cost pressure, the EAM industry is looking to the future with confidence.

The successful completion of the technology and platform upgrade of Julius Baer's European hub in Luxembourg also represented an important milestone for our local intermediaries business. This hub will particularly benefit from the lean and efficient structures, the expanded service and product offering as well as the enhanced technology platform, which will be rolled out to intermediaries via the web-based interface *Baer®Online Intermediaries*. Now that the platform is fully operational, there is currently a clear focus on signing new intermediaries and opening accounts for their clients.

Technology is crucial in our service proposition to intermediaries. Providing holistic advice in this business means supporting the intermediaries along their entire value chain. Julius Baer therefore focuses on providing an attractive digital access and offering via its dedicated intermediary platforms. Of particular relevance are connectivity services, which allow intermediaries to connect their systems more efficiently with ours for automated end-to-end processing. This complements their own drive for higher efficiency via investments into more sophisticated IT solutions.

JULIUS BAER'S SCOPE OF INVESTMENT, ADVISORY AND EXECUTION COMPETENCE

The timely availability of investment views and recommendations as well as their skilful implementation in mandates and portfolios is ensured by our specialised units Investment Management (IM), Advisory Solutions (AS) and Markets, complemented by Global Custody.

Investment Management

IM is responsible for the disciplined and active management of client assets with the aim to achieve consistent risk-adjusted investment returns. Given the challenging political and economic environment, Multi-Asset-Class Mandates achieved a slight underperformance in the first semester 2018. CHF-based mandates were lagging somewhat due to adverse currency effects.

Over the past two years, IM has made significant progress in realigning its organisation in order to meet ever-evolving client needs. At a time when investors must have discipline and stamina as well as profound knowledge to manage risks, client demand to delegate investment decisions is growing. IM therefore places great emphasis on further developing its offering of discretionary investment solutions and enhancing its in-house managed fund solutions across regions and in close collaboration with the Group's client-facing organisation.

IM is committed to further supporting Julius Baer's organic growth by strengthening its investment competence and focusing on productivity and efficiency gains at the same time.

Advisory Solutions

The overarching mission of AS is to deliver **Julius Baer – Your Wealth**, our holistic client advisory approach, in a concerted manner across functions and in close cooperation with our front units.

The updated and expanded elements and tools of *Your Wealth*, rolled out for Switzerland-domiciled clients at the beginning of February 2018, facilitate the coordinated support of relationship managers by Julius Baer experts in the areas of wealth planning, wealth management and wealth financing. The result is a consistent client

experience matching clients' individual preferences. At the core of *Your Wealth* is the much enhanced Julius Baer Advisory Process, delivered via the new advisory service models.

Providing steady updates and fresh ideas to clients is an integral part of the Advisory Process. The most important views on risks and opportunities in financial markets are shared with clients according to their individual preferences, aided by the robo-assistant functionality of our *Integrated Advisory Platform*, a key technology in the implementation of the *Your Wealth* approach. After its successful implementation in Switzerland and the European locations booked in Luxembourg, we began rolling out the new Advisory Process for clients advised out of the UK. The UK roll-out of *Your Wealth* is in preparation and will start later this year.

Both our Advice Advanced and Advice Premium Mandates, our new service models aimed at clients seeking financial advice from our experienced and dedicated investment advisors and investment partners, saw a substantial increase in the number of accounts and related assets under management. In the first half of 2018, we implemented a stronger regional approach and structure, allowing our international locations to further improve and tailor their services. This network also facilitated the distribution of investment content covering themes such as 'Future Mobility', 'Think Yellow' (gender-lens investing) and 'Spotlight idea China'.

The new EU regulation MIFID II entered into force at the beginning of 2018. **Research** therefore redefined its processes for the use and compensation of primary research sourced externally. As a result, the access to expertise for our research analysts (for secondary research) is now more focused and fully transparent. In parallel, Julius Baer entered into a relationship with the independent research company Morningstar to offer a broad equity universe of more than 3,000 stocks globally across all sectors and regions. Julius Baer analysts in Hong Kong, Singapore and Switzerland will continue to cover the core universe of those 500+ stocks clients own or should own in their view.



INVESTMENT RESEARCH: FIRST HALF 2018 IN REVIEW

The first half of 2018 was characterised by a good economy, bad politics and mediocre market performance. The new notion for investors was that the worst risk for markets has become the markets themselves.

Growth: solid

The global economy was on cruising speed and turned in a solid performance in the first half of 2018. In terms of economic output, China grew at above 6%, the US by almost 3% and Europe at around 2% versus the previous year. This left global growth just shy of 4%, which is by far better than any growth rate of the past five years. At the same time, inflation was tame if not absent at around 3%. While the less volatile aggregates of inflation measures (ex food and energy) remained very subdued, the commodity part, in particular energy prices, started to rise. Yet there was no material feed-through of the commodity prices into the rest of the economy. So all in all, economists perceived the state of the world economy as ‘goldilocks’ – not too hot, not too cold.

Politics: messy

The contrast to the political arena could therefore not be starker: misguided policies all the way that made headlines a challenge for global financial markets. In particular, trade wars, geopolitical clashes and impeachment risks spurred uncertainties, aggravated by the hot phase of the forthcoming US mid-term elections. At the same time, Italian election woes reignited euro break-up fears. And last but not least, the Brexit project did not seem to go anywhere near a solution.

Performance: mixed

Given the strongly diverging signals from economic fundamentals versus political clamour, the performance of financial markets was mixed at best. Developed equity markets were marginally up, emerging markets more or less flat and US government bonds, emerging market bonds and long-dated corporate bonds even down. This was mirrored in the sector performance of stock markets where so-called bond proxies tanked and cyclical names soared. Bond proxies or stable earners like consumer staples, telecom services and utilities stocks used to be a panacea against falling yields for decades. Now as rates rose, stocks benefiting from rising growth prospects, such as information technology, consumer discretionary and energy stocks, fared way better than bond proxies. In commodity markets, energy stood, while gold trod water.

Risks: a new kid on the block

While the previous years were mostly about external shocks, the risk landscape changed at the outset of 2018 with a new kid on the block: market-intrinsic risks. Of course there have been flash crashes and major market-internal setbacks in the past, but with the flash crash in February this year, this caught up with investors’ perception of market risks. A 1987 type of setback seemed more likely than ever given the forces that made markets turn into self-defeating mode. The trouble there is that the probable trigger for such unpredictable moves lies very much in the dark as far as algorithmic trading and its consequences for market setbacks are concerned. For the time being, investors are aware of these risks without being able to properly model them.

The global **Wealth Planning** unit further enhanced its presence and capabilities and showcased them at many client events. When refining our business model, we strongly focus on proximity to our clients and engineer solutions which help the clients to meet their personal objectives in the most efficient way. This includes value-adding support services, enabling clients to meet the demands of local authorities. We continued to enhance our global network of external wealth planning specialists. The 700 providers added will complement our internal know-how, also with niche products. The enhancement of our digital platform helps us to manage our comprehensive offering efficiently and build strong intelligence across the globe, for the benefit of our clients.

Advisory Solutions Asia serves our second home market. In the first half of 2018, assets under management for both Wealth Planning and Advisory Mandates recorded strong growth year on year. We continue to seek out opportunities to broaden our Asian funds offering landscape by launching new private equity funds. The closer collaboration fostered in Asia between AS and IM has allowed clients to benefit from the best of discretionary and advisory solutions, catered to their individual needs. Our Market Outlook Series serves as an important platform to articulate our high conviction investment ideas to clients. Alpha Conferences give us the opportunity to share our key investment strategies and to connect our clients with the best-in-class fund managers. Complementing our flagship publication *Wealth Report: Asia*, in May 2018 we launched a special feature on luxury wine, a key component of the Julius Baer Lifestyle Index.

Markets

The Markets unit caters to the Group's private banking clients and serves direct and institutional client segments with trade execution, product structuring and advisory services across all asset classes. Our efficient transaction and risk management infrastructure, combined with comprehensive market access via a large counterparty network, ensures the high quality level of our execution and trading activities. Between the centres in Zurich and Singapore, we offer 24-hour availability for sophisticated clients. The access to our experts for relationship managers and direct clients ensures comprehensive support in all execution, trading and structuring-related matters.

Complementing the *Julius Baer open product platform*, Markets plays an important role as manufacturer of structured products issued by Julius Baer.

The *Markets Toolbox*, a real-time platform for structured products, currencies and precious metals, is a key enabler to achieve a high level of customer experience and service efficiency (see page 15). Continued investments in the *Markets Toolbox* and the structured product offering have further supported the remarkable growth of this important asset class.

Global Custody

As a leading dedicated provider of custodian services and solutions in Switzerland, this unit enjoys an excellent reputation as a best-in-class global custodian in its well-defined areas of specialised expertise.

In response to the changing business environment and requirements of different target groups, an enhanced service offering has been rolled out to institutional clients, investment funds, UHNWIs and family offices. The business covers the full range of country-specific expertise and client-oriented solutions comprising a wide variety of products and services, including custody, asset and depository services as well as transaction banking and access to a wealth of other value-adding bank capabilities such as analytics and reporting.

OUR EMPLOYEES

The Group's employee base grew by 351 or 5.6% in the first six months of the year, to 6,643 FTEs (full-time equivalents) at the end of June 2018.

Expanding our base of experienced relationship managers (RMs) remains an important element of our strategy to achieve sustainable, profitable growth. We were able to further increase the total number of experienced RMs by 79 individuals (net) to 1,475 RMs in the first half of 2018, including 13 RMs from newly acquired Reliance Group. The residual net increase of 66 RMs is well in line with our intention to hire about 80 RMs annually (net) and reflects a seasonal tilt in hiring in favour of the first half of the year.

Julius Baer is present in more than 50 locations worldwide and employs people from well over 100 different nations. This variety of unique backgrounds, skill sets, experiences and capabilities broadens our perspective when addressing today's business challenges. Yet, from a human resources point of view, diversity does not stop here. In order to cover the topic comprehensively and to achieve a lasting impact on our employee population over time, several diversity initiatives have been integrated into the Group's comprehensive transformation programme, whose goal is to make Julius Baer fit for the future.

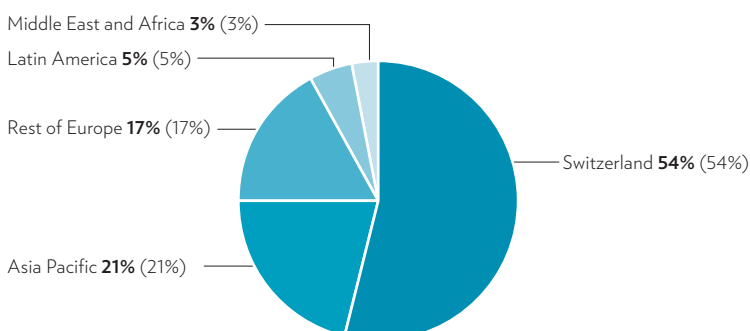
These initiatives comprise seven offerings that aim to further increase Julius Baer's attractiveness as the employer of choice in wealth management and cover gender, age and work culture, amongst other aspects. The initial set of pilot programmes was launched in the first half of 2018, addressing topics such as unconscious bias training to develop a work culture that embraces diversity, MyBrand training to improve the unique selling proposition of engaged employees and reverse mentoring to close the generation gap.

In this context, gender distribution continues to be of particular importance at Julius Baer. To further increase the share of women in our workforce (41.4% at 30 June 2018, of which 26.5% in senior ranks, up from 17.6% in 2009), we have established an initial dedicated networking platform for senior women executives in Switzerland, spurring knowledge exchange and interactive dialogue. And encouraged by the success of the first *Senior Women Mentoring Programme*, we have just launched a second edition, comprising 35 mentorship pairs within an enlarged geographic scope.

Our efforts to position Julius Baer as the employer of choice also for the next generation of employees have been recognised by graduates in Switzerland, as reflected in a recent study by *Universum* on the *Most Attractive Employers*. Julius Baer was ranked third among Swiss private banks. In addition, Julius Baer received the *Top Climber Award* for the highest improvement in overall ranking since the study's 2017 edition.

Julius Baer employees (FTE) by geography as at 30 June 2018

(30 June 2017)



OUR COMMITMENT

At Julius Baer, we believe that our responsibility as a company encompasses all facets of sustainability: economic, social and environmental. This means fostering successful relationships with our clients for many generations to come, prudently managing our company for the long term to generate sustainable value for our shareholders, ensuring professional development of our employees and looking beyond daily business to be an active member of society in all our endeavours.

Based on Julius Baer's core values of *Care*, *Passion* and *Excellence*, the daily activities of our company are governed by a set of guiding principles and professional standards for business conduct:

- We observe the laws and regulations of countries we operate in and even go beyond what is required, be it in our business activities, relations with our employees or engagement in the local communities.
- We keep the interests of our clients at the centre of our business activities, ensuring excellent service and performance to meet their needs.
- We are the financial services employer of choice for top talent, treating each other with respect, and provide an environment conducive to professional growth and empowerment.
- We promote transparency in all interactions with our diverse stakeholder groups.
- We respect human rights in all our endeavours and take measures to minimise the ecological footprint of Julius Baer.

These principles form the core of Julius Baer's coordinated and holistic management framework for sustainability issues. Details of our various activities, including qualitative developments and key quantitative indicators, can be found in the comprehensive *Corporate Sustainability Report*, which is available at www.juliusbaer.com/cosreport

As part of our overall Corporate Sustainability framework, special emphasis rests on our engagement in the local communities in which we operate:

- The *Julius Baer Foundation* is the formal charitable arm of the Julius Baer Group. In cooperation with partner organisations around the world, it focuses on the three core areas of *Vocational Training* for youths, *Recycling PLUS* projects for the environment and initiatives aiming to diminish *Wealth Inequality*. More information is available at www.juliusbaer.com/foundation
- *Julius Baer Cares* encompasses bottom-up community engagement driven by employees in a number of Group locations. In parallel to the efforts of the Foundation, their individual activities share the same focus of *Caring for others* and *Caring for the environment* in their local communities.
- The *Julius Baer Art Collection* specialises in works by contemporary Swiss artists as well as by artists living in Switzerland (www.juliusbaer.com/artcollection). Julius Baer's approach to art acquisition promotes the preservation of visual art in Switzerland. Today, the collection encompasses over 5,000 works.
- A wide spectrum of cultural and other activities is supported through corporate sponsorship (www.juliusbaer.com/sponsoring).

In our home market of Switzerland, a dedicated framework actively encourages staff to assume roles in political bodies in the militia system of politics or in social areas alongside their regular work.



JULIUS BAER FOUNDATION SUPPORTS THE EDUCATION OF COMMUNITY PARAMEDICS IN BANGLADESH

Poverty and the lack of basic services, particularly regarding health care, often go hand in hand. To break this vicious cycle in rural Bangladesh, the Julius Baer Foundation supports a multiyear project led by partner organisation *Swisscontact*, motivating young adults to become community paramedics.

The project's aims are twofold: the first of these is to provide some 180,000 people in the remoter parts of the country with access to first-line medical assistance. The community paramedics will bring relief by treating both frequent and relatively uncomplicated diseases and by providing support during pregnancies and births.

Of equal importance is the project's second aim, increasing the incomes of those who graduate from the two-year medical training course. Graduates are encouraged to seek employment at local clinics. Alternatively, they are given support in becoming independent professionals, as in the case of 24-year-old Marzia: 'I never really thought that I could do both, i.e. look after my family and at the same time make such a respectable living.'

The success of the project strongly depends on training quality and the close relationship with the communities. Six locally rooted training institutes are currently educating 480 young adults. Regular exchange with civil society organisations ensures that people living in the project districts raise their awareness for health topics such as nutrition and hygiene. This in turn strengthens the trust in the new health professionals, so they are seen as an effective alternative or supplement to traditional healers.

The Julius Baer Foundation focuses its activities on the three core areas of *Vocational Training*, *Recycling PLUS* and *Wealth Inequality*. More information about their scope, the full range of projects currently supported and how to donate is available at www.juliusbaer.com/foundation

IMPORTANT DATES

Publication of Interim Management Statement: 20 November 2018

Publication of 2018 annual results: 4 February 2019

Annual General Meeting: 10 April 2019

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This brief report also appears in German. The English version is prevailing.

The Half-Year Report 2018 of Julius Baer Group Ltd. is available at www.juliusbaer.com.



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

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

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The Julius Baer Group is present in more than 50 locations worldwide,
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Julius Bär

HALF-YEAR REPORT 2018

JULIUS BAER GROUP LTD.



HALF-YEAR REPORT 2018 JULIUS BAER GROUP LTD.

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

CONSOLIDATED INCOME STATEMENT

	Note	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Interest and dividend income		739.6	651.9	543.4	13.5
Interest expense		186.1	85.6	121.9	117.4
Net interest and dividend income	1	553.5	566.3	421.4	-2.3
Commission and fee income		1,140.0	1,034.8	1,137.3	10.2
Commission expense		124.5	113.0	128.5	10.2
Net commission and fee income	2	1,015.5	921.8	1,008.7	10.2
Net trading income	3	206.3	90.0	213.6	129.1
Net impairment losses/(recoveries) on financial assets ¹		-0.4	-	-	-
Other ordinary results		13.2	13.7	16.6	-3.7
Operating income		1,788.8	1,591.8	1,660.4	12.4
Personnel expenses	4	847.0	764.3	791.4	10.8
General expenses	5	320.3	311.4	338.2	2.8
Depreciation of property and equipment		18.6	19.7	22.6	-5.8
Amortisation of customer relationships		36.4	36.3	36.4	0.3
Amortisation and impairment of other intangible assets		23.9	21.2	24.2	12.8
Operating expenses		1,246.2	1,153.0	1,212.8	8.1
Profit before taxes		542.6	438.9	447.6	23.6
Income taxes		98.8	82.0	88.5	20.4
Net profit		443.8	356.8	359.1	24.4
Attributable to:					
Shareholders of Julius Baer Group Ltd.		443.8	353.2	351.6	25.7
Non-controlling interests		-	3.7	7.5	-100.0
		443.8	356.8	359.1	24.4
Share information					
Basic earnings per share (EPS)		2.04	1.63	1.62	25.0
Diluted earnings per share (EPS)		2.03	1.63	1.62	24.9

¹ New due to transition to IFRS 9 (see section Impact of IFRS 9, transition disclosures). Previously recognised in general expenses (see Note 5).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m
Net profit recognised in the income statement	443.8	356.8	359.1
Other comprehensive income (net of taxes):			
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-67.8	37.6	-34.3
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	2.6	2.9	3.5
Net impairment losses on debt instruments measured at FVOCI ¹	0.1	-	-
Translation differences	-29.9	-10.0	40.0
Items that will not be reclassified to the income statement			
Net gains/(losses) on equity instruments designated at FVOCI ¹	5.6	-	-
Remeasurement of defined benefit obligation	48.3	37.1	-34.3
Other comprehensive income	-41.1	67.6	-25.1
Total comprehensive income	402.7	424.5	333.9
Attributable to:			
Shareholders of Julius Baer Group Ltd.	402.7	420.7	325.8
Non-controlling interests	-	3.8	8.1
	402.7	424.5	333.9

¹ New due to transition to IFRS 9

CONSOLIDATED BALANCE SHEET

	Note	30.06.2018 CHF m	31.12.2017 CHF m	30.06.2017 CHF m
Assets				
Cash		13,175.4	10,862.9	12,085.3
Due from banks		11,863.8	8,308.9	6,855.1
Loans		46,661.6	46,623.7	40,733.4
Trading assets		9,411.0	12,751.8	10,287.4
Derivative financial instruments		2,143.6	1,962.7	2,035.0
Financial assets designated at fair value		290.8	277.3	255.0
Financial assets measured at fair value through other comprehensive income (FVOCI)	6	13,044.1	12,246.5	16,335.5
Investments in associates		28.7	28.2	29.4
Property and equipment		353.5	356.6	363.8
Goodwill and other intangible assets		2,935.5	2,872.4	2,846.1
Accrued income and prepaid expenses		387.3	354.3	337.2
Deferred tax assets		17.6	28.8	26.9
Other assets		3,227.1	1,243.5	960.8
Total assets		103,540.2	97,917.6	93,150.8

	Note	30.06.2018 CHF m	31.12.2017 CHF m	30.06.2017 CHF m
Liabilities and equity				
Due to banks		8,219.5	7,209.5	6,089.5
Due to customers		70,236.7	67,636.8	65,763.3
Trading liabilities		920.5	135.8	195.3
Derivative financial instruments		1,917.5	2,059.2	2,223.4
Financial liabilities designated at fair value		13,824.8	11,836.7	11,201.7
Debt issued	8	1,508.6	1,777.0	1,253.6
Accrued expenses and deferred income		574.3	728.2	487.1
Current tax liabilities		139.8	215.9	109.8
Deferred tax liabilities		72.3	59.9	87.2
Provisions	9	29.0	44.9	23.0
Other liabilities		308.5	359.6	289.4
Total liabilities		97,751.5	92,063.6	87,723.3
Share capital		4.5	4.5	4.5
Retained earnings		6,349.2	6,306.0	5,906.6
Other components of equity		-265.1	-209.9	-184.1
Treasury shares		-299.9	-276.1	-320.9
Equity attributable to shareholders of Julius Baer Group Ltd.		5,788.7	5,824.5	5,406.1
Non-controlling interests		-	29.5	21.4
Total equity		5,788.7	5,854.0	5,427.5
Total liabilities and equity		103,540.2	97,917.6	93,150.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF m	Retained earnings ¹ CHF m	OCI related to equity instruments at FVOCI CHF m	OCI related to debt instruments at FVOCI CHF m
At 1 January 2017	4.5	5,840.4	50.6	-
Net profit	-	353.2	-	-
Items that may be reclassified to the income statement	-	-	40.5	-
Items that will not be reclassified to the income statement	-	-	-	-
Total other comprehensive income	-	-	40.5	-
Total comprehensive income	-	353.2	40.5	-
Dividends	-	-268.6 ²	-	-
Dividend income on own shares	-	7.0	-	-
Share-based payments expensed	-	44.5	-	-
Share-based payments vested	-	-69.8	-	-
Changes in derivatives on own shares	-	1.1	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	-1.2	-	-
At 30 June 2017	4.5	5,906.6	91.2	-
At 1 July 2017	4.5	5,906.6	91.2	-
Net profit	-	351.6	-	-
Items that may be reclassified to the income statement	-	-	-30.8	-
Items that will not be reclassified to the income statement	-	-	-	-
Total other comprehensive income	-	-	-30.8	-
Total comprehensive income	-	351.6	-30.8	-
Share-based payments expensed	-	38.0	-	-
Share-based payments vested	-	-11.4	-	-
Changes in derivatives on own shares	-	6.6	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	14.6	-	-
At 31 December 2017	4.5	6,306.0	60.3	-
At 1 January 2018, before the adoption of IFRS 9	4.5	6,306.0	60.3	-
Effect of adoption of IFRS 9	-	19.1 ³	1.5 ³	-17.9
At 1 January 2018, after the adoption of IFRS 9	4.5	6,325.1	61.9	-17.9
Net profit	-	443.8	-	-
Items that may be reclassified to the income statement	-	-	-	-65.3
Items that will not be reclassified to the income statement	-	-	5.6	-
Total other comprehensive income	-	-	5.6	-65.3
Total comprehensive income	-	443.8	5.6	-65.3
Changes in non-controlling interests	-	-85.6	-	-
Dividends	-	-313.3 ⁴	-	-
Dividend income on own shares	-	6.7	-	-
Share-based payments expensed	-	45.1	-	-
Share-based payments vested	-	-75.9	-	-
Changes in derivatives on own shares	-	-4.8	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	8.0	-	-
At 30 June 2018	4.5	6,349.2	67.5	-83.2

¹ Retained earnings include the capital reserves of Bank Julius Baer & Co. Ltd. and the statutory capital reserve/retained earnings reserves of Julius Baer Group Ltd.

² Dividend payment per share CHF 1.20

³ Includes effects from a) reduction in allowance for credit losses (net of tax), and b) reclass from equity instruments from available-for-sale to fair value through profit or loss (FVTPL)

⁴ Dividend payment per share CHF 1.40

Other components of equity (net of taxes)

OCI related to ECL changes on debt instruments at FVOCI 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
-	-202.4	-99.8	-263.1	5,330.2	23.6	5,353.9
-	-	-	-	353.2	3.7	356.8
-	-	-10.1	-	30.5	0.1	30.6
-	37.0	-	-	37.0	0.0	37.1
-	37.0	-10.1	-	67.5	0.1	67.6
-	37.0	-10.1	-	420.7	3.8	424.5
-	-	-	-	-268.6	-6.0	-274.6
-	-	-	-	7.0	-	7.0
-	-	-	-	44.5	-	44.5
-	-	-	69.8	-	-	-
-	-	-	4.7	5.7	-	5.7
-	-	-	-219.0	-219.0	-	-219.0
-	-	-	86.7	85.4	-	85.4
-	-165.4	-109.9	-320.9	5,406.1	21.4	5,427.5
-	-165.4	-109.9	-320.9	5,406.1	21.4	5,427.5
-	-	-	-	351.6	7.5	359.1
-	-	39.4	-	8.6	0.6	9.2
-	-34.4	-	-	-34.4	0.0	-34.3
-	-34.4	39.4	-	-25.8	0.6	-25.1
-	-34.4	39.4	-	325.8	8.1	333.9
-	-	-	-	38.0	-	38.0
-	-	-	11.4	-	-	-
-	-	-	28.3	34.9	-	34.9
-	-	-	-83.6	-83.6	-	-83.6
-	-	-	88.7	103.3	-	103.3
-	-199.8	-70.4	-276.1	5,824.5	29.5	5,854.0
-	-199.8	-70.4	-276.1	5,824.5	29.5	5,854.0
1.7	-	-	-	4.4	-	4.4
1.7	-199.8	-70.4	-276.1	5,828.9	29.5	5,858.4
-	-	-	-	443.8	-	443.8
0.1	-	-29.4	-	-94.5	-0.5	-95.0
-	48.3	-	-	54.0	-0.0	53.9
0.1	48.3	-29.4	-	-40.6	-0.5	-41.1
0.1	48.3	-29.4	-	403.2	-0.5	402.7
-	-	-	-	-85.6	-29.0	-114.6
-	-	-	-	-313.3	-	-313.3
-	-	-	-	6.7	-	6.7
-	-	-	-	45.1	-	45.1
-	-	-	75.9	-	-	-
-	-	-	-22.9	-27.7	-	-27.7
-	-	-	-256.3	-256.3	-	-256.3
-	-	-	179.6	187.7	-	187.7
1.8	-151.4	-99.8	-299.9	5,788.7	0.0	5,788.7

CONSOLIDATED STATEMENT OF CASH FLOWS

	H1 2018 CHF m	H1 2017 CHF m
Net profit	443.8	356.8
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	18.6	19.7
– Amortisation and impairment of other intangible assets	60.4	57.5
– Allowance for credit losses	-0.1	4.3
– Income from investment in associates	-0.5	-
– Deferred tax expense/(benefit)	16.9	-7.8
– Net loss/(gain) from investing activities	34.5	33.0
– Other non-cash income and expenses	45.1	44.5
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	942.5	-3,768.7
– Trading portfolios and derivative financial instruments	2,112.2	-1,996.4
– Net loans/due to customers	1,974.7	-4,048.5
– Issuance and repayment of financial liabilities designated at fair value	2,583.1	2,754.6
– Accrued income, prepaid expenses and other assets	-325.8	-635.4
– Accrued expenses, deferred income, other liabilities and provisions	-188.4	-119.7
Adjustment for income tax expenses	81.9	89.9
Income taxes paid	-158.2 ¹	-103.4
Cash flow from operating activities	7,640.7	-7,319.7
Dividend of associates	0.5	-
Purchase of property and equipment and intangible assets	-89.2	-78.5
Disposal of property and equipment and intangible assets	0.2	0.0
Net (investment in)/divestment of financial assets measured at fair value through other comprehensive income	-567.6	-1,484.4 ²
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	-31.7	-3.8
Deferred payment of acquisition of subsidiaries and associates	-14.8	-9.7
Cash flow from investing activities	-702.6	-1,576.4
Net money market instruments issued/(repaid)	-13.4	30.1
Net movements in treasury shares and own equity derivative activity	-89.6	-120.8
Dividend payments	-313.3	-268.6
Repayment of perpetual tier 1 subordinated bond	-250.0	-
Changes in non-controlling interests	-114.6	-
Dividend payment to non-controlling interests	-	-6.0
Cash flow from financing activities	-780.9	-365.2
Net (decrease)/increase in cash and cash equivalents	6,157.1	-9,261.4

¹ The Swiss bank subsidiary has received the final assessments for a number of tax periods. Therefore, it was able to close the ongoing assessment of the tax deductibility with regard to certain elements of its settlement in the US case (referred to in the annual report 2017). The closing of the assessment resulted in a net amount of additional taxes paid of CHF 29 million; however, this amount was fully absorbed by the favourable treatment of other tax issues in the assessed tax periods.

	30.06.2018 CHF m	30.06.2017 CHF m
Cash and cash equivalents at the beginning of the period	19,619.9 ²	28,270.9
Cash flow from operating activities	7,640.7	-7,319.7
Cash flow from investing activities	-702.6	-1,576.4
Cash flow from financing activities	-780.9	-365.2
Effects of exchange rate changes on cash and cash equivalents	-103.7	481.7
Cash and cash equivalents at the end of the period	25,673.4	19,491.2

	30.06.2018 CHF m	30.06.2017 CHF m
Cash and cash equivalents are structured as follows:		
Cash	13,175.4	12,085.3
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	877.8	835.4 ²
Due from banks (original maturity of less than three months)	11,620.1	6,570.5
Total	25,673.4	19,491.2

² Money market instruments included in this position have been reclassified due to a modified interpretation of the definition of cash and cash equivalents.

	H1 2018 CHF m	H1 2017 CHF m
Additional information		
Interest received	567.9	462.6
Interest paid	-176.1	-99.4
Dividends on equities received (including associates)	166.4	188.7

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 2018 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 2017, with the exception of the following new standards which have been applied as of 1 January 2018:

IFRS 9 – FINANCIAL INSTRUMENTS

Refer to section Impact of IFRS 9 for details.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The new standard, including the clarifications published in 2016, introduces the core principle to recognise revenue to depict the transfer of services to customers in amounts that reflect the consideration (that is, payment) to which the Group expects to be entitled in exchange for those services.

The standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point of time or over time.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised:

- identify the contract(s) with a customer (step 1);
- identify the performance obligations in the contract (step 2);
- determine the transaction price (step 3);
- allocate the transaction price to the performance obligations in the contract (step 4);
- recognise revenue when (or as) the Group satisfies a performance obligation (step 5).

The new standard also provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. In addition, enhanced disclosures about revenue are required.

The impact of the new standard on the Group's financial statements is not material.

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 2018. There were no significant events to report until this date.

	Exchange rates as at			Average exchange rates		
	30.06.2018	30.06.2017	31.12.2017	H1 2018	H1 2017	2017
USD/CHF	0.9930	0.9577	0.9745	0.9660	0.9850	0.9795
EUR/CHF	1.1594	1.0923	1.1702	1.1650	1.0780	1.1160
GBP/CHF	1.3110	1.2439	1.3182	1.3250	1.2530	1.2750

IMPACT OF IFRS 9

IFRS 9 Financial Instruments has been adopted as of 1 January 2018 and resulted in changes to the

Group's accounting policies, which are outlined in the following sections.

RECOGNITION AND MEASUREMENT

All financial instruments are initially measured at fair value; for financial instruments not at fair value through profit or loss, eligible transaction costs are included.

The new standard uses two criteria to determine how financial assets should be classified and subsequently measured:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

A business model refers to how an entity manages its financial assets in order to achieve a particular business objective and to generate cash flows:

- by collecting contractual cash flows, i.e. cash flows stem primarily from interest payments and repayment of the principal;
- by selling the financial assets, i.e. cash flows stem primarily from buying and selling the financial asset; or
- by a combination of the two models above.

The additional criterion for determining the classification of a financial asset is whether the contractual cash flows are solely payments of principal and interest (SPPI criterion). Interest under this model mainly comprises returns for the time value of money and credit risk. Interest is accounted for under the effective interest method.

Based on the analysis of the business model and the nature of the contractual cash flows, a financial asset is allocated at initial recognition to one of the three principal classification categories and subsequently measured at either:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

Amortised cost

A debt instrument is measured at amortised cost if the following conditions are fulfilled:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- it meets the solely payments of principal and interest criterion.

The Group originates Lombard and mortgage loans related to its business with Private Banking clients. Such loans are held to maturity and to collect the contractual interests during the loan term. In addition, they fulfil the SPPI criterion. The Group's loans are therefore measured at amortised cost.

The Group holds balances with other banks, which are accounted for at amortised cost if the above conditions are fulfilled.

Fair value through other comprehensive income (FVOCI)

A debt instrument is measured at fair value through other comprehensive income if it meets the following conditions:

- it is held within a business model in which assets are managed both in order to collect contractual cash flows and for sale; and
- it meets the solely payments of principal and interest criterion.

The Group acquires debt instruments (bonds, money market instruments) to collect the contractual cash flows and/or for sale. The Group's debt instruments in this portfolio are therefore measured at fair value through other comprehensive income if in addition the SPPI criterion is fulfilled as well.

Fair value through profit or loss (FVTPL)

All financial instruments which do not meet the SPPI criterion and/or are not held in a business model 'held to collect' or 'held to collect or for sale' are measured at fair value through profit or loss.

The Group applies this measurement principle to its trading portfolio and its derivatives.

In addition, at initial recognition, an entity has the option to irrevocably designate financial instruments as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities, or recognise the gains or losses on them, on different bases.

The Group applies this fair value option to certain financial assets related to its issued structured notes.

Equity instruments

Equity instruments are generally accounted for at fair value through profit or loss. However, at initial recognition, an entity may make an irrevocable election, on an instrument-by-instrument basis, to present in other comprehensive income (OCI) changes in the fair value of the equity instrument that is not held for trading.

The Group applies the OCI option to its investments in service providers which are necessary to run the Group's daily business. All other equity investments, including the equities held for trading purposes, are measured at FVTPL.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for instruments that are held for trading (including derivatives) which are recognised at FVTPL.

The new standard retains the fair value option for financial liabilities, but requires that the amount of change in fair value attributable to changes in the own credit risk of the liability be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement. If this approach creates or enlarges an accounting mismatch, the whole change in fair value may be recognised in the income statement.

The Group applies the fair value option for its structured products, with recognition of changes in fair value attributable to the own credit risk in other comprehensive income.

EXPECTED CREDIT LOSSES (ECL)

General ECL model

IFRS 9 requires an entity to recognise expected credit losses at initial recognition of any financial instrument in scope of IFRS 9 impairment and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments. It is therefore no longer necessary for a trigger event to have occurred before credit losses are recognised in the income statement.

In general, the expected credit loss model uses a dual measurement approach:

- if the credit risk of a debt instrument has not increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to 12-month expected credit losses ('stage 1' ECL);
- if the credit risk of a debt instrument has increased significantly since its initial recognition, the debt instrument will attract an allowance equal to lifetime expected credit losses ('stage 2' ECL) or the debt instrument is credit-impaired ('stage 3' ECL).

At initial recognition, the Group classifies all financial assets in stage 1, as it does not acquire or originate credit-impaired debt instruments.

Significant increase

If a significant increase in credit risk has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination. This implies that for financial assets with initially lower default probabilities a relatively higher deterioration in credit quality is needed to trigger a significant increase than for those assets with originally higher probabilities of default. The Group generally originates loans and balances due from banks in its internal rating classes R1–R4, which reflect balances with low to medium credit risk. The

same applies to the investment grade debt instruments held for investment purposes, which are also classified as R1–R4. Therefore, the Group determined that moves within these rating classes do not qualify for an increased credit risk, whereas a move from R4 to R5 generally triggers such a credit risk increase. Hence, under this approach, moves from R4 to a higher risk class (R5–R6) generally trigger a move from stage 1 ECL to stage 2 ECL. For example an asset moving from R1 to R2 would not trigger a significant increase in credit risk, whereas an asset moving from R1 to R5 would.

In addition, and to supplement this quantitative criterion, qualitative criteria based on other available internal or external data are applied. These qualitative criteria are specific to the respective financial asset types (Lombard loans, mortgages, due from banks, debt instruments). In any case, if payments are 30 days past due, this is the latest point to move the financial asset to stage 2 and lifetime expected credit losses are applied.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the financial asset is transferred back into the 12-month expected credit losses category (stage 1).

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. 90 days past due of any outstanding payment results automatically in a stage 3 classification.

Measurement of ECL

An entity should measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, i.e. based on probability of default;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Generally, ECL calculations are based on four components:

- Probability of default (PD),
- Exposure at default (EAD),
- Loss given default (LGD) and
- Discount rate (IR).

These four components are used in the following basic formula: $ECL = PD \times EAD \times LGD \times IR$.

The Group has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements for stage 1 ECL and stage 2 ECL. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD), taking into account the respective effective interest rates. These models have been tailored to the Group's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the treasury portfolio as outlined below.

For the credit-impaired financial assets in stage 3, the loss allowances are not measured based on a model, but determined individually according to the specific facts and circumstances. Balances in R7 are past due, but the exposure is still covered by collateral, and loss allowances are only established for past-due interest payments. For balances in rating class R8, loss allowances are established if it is more likely than not that an impairment loss will arise. The credit risk in rating classes R9 and R10 are very high, and loss allowances are established for balances in these rating classes.

Wherever the Group uses scenarios in the ECL calculation process, three different scenarios (a baseline, an upside and a downside scenario) are applied, including an expected probability of the respective scenario. These scenarios and their respective probabilities reflect the view of the Group's economic research on key economic forecasts. The Group determined the forecast world gross domestic product (GDP) as the most important economic input factor for the expected

credit losses on its financial asset portfolios, as the portfolios are either fully collateralised (Lombard loans, mortgages) or consists of investment grade debt instruments. Additional factors are used per portfolio as outlined below.

Lombard loans

For Lombard loans, the input factors are determined as follows:

Probability of Default: For Lombard loans, PD factors are derived from the Group-internal 'margin call process' in Lombard lending, resulting in a 'PD determination tree'. This process reflects internal procedures to avoid loan losses and is based on

- the probability that the credit position gets into a significant shortfall within one year;
- the probability that the credit position becomes unsecured within 10 days; and
- the liquidation process to cover the exposure,

taking into consideration their respective probabilities. This margin call process is simulated for each rating class (R1–R6) and for stage 1 and stage 2 separately. The resulting PDs are then applied uniformly across all counterparties and related Lombard loans in the respective rating class.

Exposure at Default: For Lombard loans, the EAD equals the higher of a) the current exposure; and b) the lower of the lending value or the limit. The Group therefore assumes the highest possible risk (i.e. the highest outstanding) in determining the EAD, including any unused irrevocable loan commitments. Consequently, even if no cash is drawn under the limit, an ECL is calculated (if there is a lending value available).

Loss Given Default: For Lombard loans the LGD's are formula-based, including the market value of the collateral. Scenario calculations on the market value of the collateral are performed, resulting in different LGD's per scenario. Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. The scenarios and their probabilities reflect the view of the Group's economic research.

Mortgages

For mortgages, the input factors are determined as follows:

Probability of Default: For mortgages, the PD factor is specifically determined for each counterparty and the related property based on the following input criteria:

- economic area of the counterparty domicile;
- counterparty domicile and property location (country) is the same;
- sufficient assets / collateral within the Group to pay interest / amortisation;
- counterparty self-used versus rented out real estate; and
- stage 1 or stage 2.

For each of these criteria, fixed parameters are determined (based on experience) which then add up to the mortgage counterparty-specific PD factors. These criteria have been selected as it is assumed that they influence directly the default behavior of the individual behind the mortgages.

Exposure at Default: For mortgages, the carrying value (exposure) equals the EAD.

Loss Given Default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (Loan-to-Value ratio; LtV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. The scenarios and their probabilities reflect the view of the Group's economic research. However, instead of applying a fixed percentage for the negative scenario to all real estate uniformly, the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate specific criteria:

- property location (country/region);
- property size as a function of the property market value;
- property type (e.g. residential, office, commercial); and

- holiday home regions.

For each of these criteria, fixed parameters (based on experience) are determined which then add up to the mortgage-specific negative scenario. These criteria are selected as the resulting different characteristics of the real estate market generally respond differently to market fluctuations and hence the achievable collateral liquidation value. The total simulated market value is then compared with the exposure to determine the LGD.

Due from banks

For due from bank positions, the input factors are determined as follows:

Probability of Default: For amounts due from banks, publicly available PDs per rating class are applied, using the same PDs for stage 1 and stage 2, as the outstanding balances have a term of maximum 12 months. PDs for an expected life shorter than one year are derived from the available 1-year PDs by linear reduction. The ratings and the related PDs are shifted by one notch of the internal rating up and down, using publicly available data sources for the respective PDs. The three scenarios are weighted based on the generally applied probabilities as used in the Group's economic research view.

The Group uses Point-in-time PDs for the ECL calculation for due from banks positions.

Exposure at Default: For amounts due from banks, the EAD equals either the nominal value (money market issues, time accounts), or the carrying value (current and transactional accounts).

Loss Given Default: For amounts due from banks, an average LGD per rating class is applied. This factor is derived from publicly available data sources.

Treasury portfolio

For the treasury portfolio (debt instruments measured at FVOCI), the input factors are determined as follows:

Probability of Default: For financial instruments in the treasury portfolio (debt securities, including money market instruments), publicly available PDs

per rating class are applied, separately for stage 1 (1 year PD or shorter) and stage 2 (respective PD according to expected life). These ratings and the related PDs are shifted by two notches up and down, using publicly available data sources for the respective PDs. The three scenarios are then weighted based on the generally applied probabilities as used in the Group's economic research view.

PDs for an expected life shorter than 1 year are derived from the available 1-year PDs by linear reduction.

The Group uses Point-in-time PDs for the ECL calculation for debt instruments.

Exposure at Default: For debt instruments, the EAD equals the amortised cost value plus discounted outstanding interest payments.

Loss given Default: For the debt instruments, an average LGD per rating class is applied. These factors are derived from publicly available data sources.

Recognition of the loss allowance and write-offs

The impairment loss recognised in the income statement is the amount required to adjust the loss allowances from the previous reporting date to the current reporting date due to the periodic detailed ECL calculation.

In the balance sheet, the loss allowance related to debt instruments measured at amortised cost is deducted directly from the asset. For debt instruments measured at FVOCI, the loss allowance is recognised in other comprehensive income (equity) and therefore does not reduce the carrying amount of the asset in the balance sheet. This ensures that the carrying amount of these assets is always measured at the fair value.

The gross carrying amount of a financial asset is reduced when there is no reasonable expectation of recovery of the amount, i.e. the amount outstanding is deemed uncollectible or forgiven. The time of each write-off is individually determined on a case-by-case basis once the Credit Department decides that there is no reasonable expectation of recovery. For collateralised loans, only after foreclosure sale of the pledged assets a write-off takes place for any remaining uncovered balance.

HEDGE ACCOUNTING

The new standard puts in place a model that introduces significant improvements principally by aligning the accounting for hedges more closely with the underlying risk management purposes. To that effect, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Hedge qualification will be based on

qualitative, forward-looking hedge effectiveness assessments, rather than on bright lines. There are also enhanced disclosure requirements about hedge accounting and risk management activities.

However, the new standard does not include accounting for macro hedges yet.

TRANSITION

As permitted by the transition provisions of the new standard, the Group has elected not to restate prior periods in its 2018 financial statements. Therefore, the accounting policies as outlined in the Annual Report 2017 apply to the comparative periods. Previous period amounts have therefore not been adjusted.

The following summarises the transition impact on the Group's financial statements as of 1 January 2018:

Recognition and measurement

Based on the analyses of the two classification criteria 'contractual cash flow characteristics' and 'business model', the Group determined that the debt instruments reported at amortised cost under IAS 39 generally fulfil the criteria and therefore are measured at amortised cost on an ongoing basis. The same applies to the debt instruments reported as available-for-sale and therefore measured at fair value through OCI under IAS 39, which are measured at fair value through OCI under the new standard as well.

The equity instruments measured at fair value through OCI under IAS 39 are classified as at fair value through profit or loss under the new standard, apart from the equity instruments relating to service companies which remain in this category. The fair value gains and losses related to the transferred equities which were previously recognised in OCI are reclassified to retained earnings as of 1 January 2018.

In summary, there are no significant changes to the measurement basis arising from adopting the new classification and measurement model.

Expected credit losses

The total loss allowance on Lombard loans, mortgages and amounts due from banks to be recognised under IFRS 9 (stage 1 and stage 2 ECL)

is comparable to the previously recognised collective allowance for credit losses on these positions. The difference between the previously recognised collective allowance for credit losses on Lombard loans, mortgages and amounts due from banks and the corresponding new expected credit losses under IFRS 9 has been recognised in equity (retained earnings) at transition date.

The Group did not change its approach for the calculation of specific loss allowances. Therefore, the previously recognised specific allowance for credit losses for Lombard loans and mortgages equalled the new allowance for credit-impaired financial assets under IFRS 9 (stage 3 ECL) at transition date.

Under the previous accounting standard, the Group did not recognise any allowance for its treasury portfolio (debt investments available-for-sale) in 2017. Therefore, the new loss allowance to be recorded under IFRS 9 (stage 1 and stage 2) has been recognised in equity (retained earnings) at transition date.

Financial liabilities

The Group continues to apply its previous measurement approach, including the use of the fair value option. No material changes arose.

Hedge accounting

The Group has analysed its limited number of existing microhedges that are designated in effective hedging relationships and has determined that the microhedge relationships also qualify for hedge accounting under IFRS 9. However, the Group continues to apply IAS 39 (except for the new disclosures under IFRS 9) until the IASB issues a final hedge accounting standard including micro and macrohedging.

Opening balances

The following table presents the reclassification and opening balance reconciliation for the Group's financial instruments from IAS 39 to IFRS 9 as of 1 January 2018:

	IAS 39 measurement category	IFRS 9 measurement category
Assets		
Cash	Amortised cost	Amortised cost
Due from banks	Amortised cost	Amortised cost
Loans	Amortised cost	Amortised cost
Trading assets ¹	FVTPL	FVTPL
Derivative financial instruments	FVTPL	FVTPL
Financial assets designated at fair value	FVTPL	FVTPL
Financial assets measured at FVOCI (IAS 39: Financial investments available-for-sale)	FVOCI (AFS debt instruments)	FVOCI
Financial assets measured at FVOCI (IAS 39: Financial investments available-for-sale) ²	FVOCI (AFS equity instruments)	FVOCI
Financial assets measured at FVOCI (IAS 39: Financial investments available-for-sale)	FVOCI (AFS equity instruments)	FVTPL
Accrued income	Amortised cost	Amortised cost
Other assets	FVTPL	FVTPL
Total financial assets		
Liabilities		
Due to banks	Amortised cost	Amortised cost
Due to customers	Amortised cost	Amortised cost
Trading liabilities	FVTPL	FVTPL
Derivative financial instruments	FVTPL	FVTPL
Financial liabilities designated at fair value	FVTPL	FVTPL
Debt issued	Amortised cost	Amortised cost
Accrued expenses	Amortised cost	Amortised cost
Other liabilities	FVTPL	FVTPL
Total financial liabilities		

¹ Physical precious metals in the amount of CHF 1,495.9 million have been reclassified to other assets (non financial assets).

² Financial assets measured at fair value through other comprehensive income – equity instruments in the amount of CHF 51.1 million have been reclassified from FVOCI to FVTPL.

IAS 39 carrying amount at 31.12.2017 CHF m	IFRS 9 reclassification to/from			Carrying amount post reclassification CHF m	IFRS 9 remeasurement including ECL CHF m	IFRS 9 carrying amount at 01.01.2018 CHF m
	Fair value through profit and loss (FVTPL) CHF m	Fair value through OCI (FVOCI) CHF m	Amortised cost CHF m			
10,862.9	-	-	-	10,862.9	-	10,862.9
8,308.9	-	-	-	8,308.9	1.5	8,310.3
46,623.7	-	-	-	46,623.7	2.3	46,626.0
12,751.8	-1,495.9	-	-	11,255.9	-	11,255.9
1,962.7	-	-	-	1,962.7	-	1,962.7
277.3	-	-	-	277.3	-	277.3
12,059.7	-	-	-	12,059.7	-1.7	12,057.9
186.8	-	-51.1	-	135.7	-	135.7
-	51.1	-	-	51.1	-	51.1
311.7	-	-	-	311.7	-	311.7
1,243.5	-	-	-	1,243.5	-	1,243.5
94,589.0	-1,444.8	-51.1	-	93,093.1	2.0	93,095.1
7,209.5	-	-	-	7,209.5	-	7,209.5
67,636.8	-	-	-	67,636.8	-	67,636.8
135.8	-	-	-	135.8	-	135.8
2,059.2	-	-	-	2,059.2	-	2,059.2
11,836.7	-	-	-	11,836.7	-	11,836.7
1,777.0	-	-	-	1,777.0	-	1,777.0
192.7	-	-	-	192.7	-	192.7
32.8	-	-	-	32.8	-	32.8
90,880.6	-	-	-	90,880.6	-	90,880.6

Loss allowance impact

The following table presents the loss allowance reconciliation for the Group's financial instruments from IAS 39 to IFRS 9 as of 1 January 2018¹:

		IAS 39, at 31 December 2017	
		Allowance for credit losses	
	Carrying amount CHF m	Collective CHF m	Specific CHF m
Financial assets at amortised cost			
Due from banks	8,308.9	1.6	-
Lombard loans	36,749.4	7.6	6.0
Mortgages	9,874.3	7.1	11.4
Total	54,932.6	16.3	17.4
Financial assets at FVOCI			
Debt instruments at FVOCI	12,059.7	-	-
Financial assets at amortised cost and FVOCI	66,992.2	16.3	17.4

¹ For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

IFRS 9, at 1 January 2018				IFRS 9, at 30 June 2018			
Carrying amount CHF m	Loss allowance			Carrying amount CHF m	Loss allowance		
	Stage 1 CHF m	Stage 2 CHF m	Stage 3 CHF m		Stage 1 CHF m	Stage 2 CHF m	Stage 3 CHF m
8,310.3	0.2	-	-	11,863.8	0.4	-	-
36,749.6	7.3	0.1	6.0	36,840.9	7.3	0.2	9.4
9,876.4	4.0	1.0	11.4	9,820.8	2.9	0.9	8.5
54,936.3	11.4	1.1	17.4	58,525.4	10.6	1.2	17.9
12,059.7	1.4	0.3	-	12,900.6	1.6	0.2	-
66,996.0	12.9	1.4	17.4	71,426.0	12.2	1.4	17.9

Credit quality analysis

The following table presents a credit quality analysis regarding the Group's financial instruments¹:

					30.06.2018
	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	Total CHF m
Due from banks, at amortised cost					
R1 – R4: Low to medium risk		11,400.5	-	-	11,400.5
R5 – R6: Increased risk		463.7	-	-	463.7
R7 – R10: Impaired		-	-	-	-
Total		11,864.2	-	-	11,864.2
Loss allowance		-0.4	-	-	-0.4
Carrying amount		11,863.8	-	-	11,863.8
Lombard loans, at amortised cost					
R1 – R4: Low to medium risk		35,561.8	167.8	3.0	35,732.6
R5 – R6: Increased risk		1,092.8	18.1	-	1,111.0
R7 – R10: Impaired		-	-	14.2	14.2
Total		36,654.6	185.9	17.2	36,857.8
Loss allowance		-7.3	-0.2	-9.4	-16.9
Carrying amount		36,647.3	185.7	7.8	36,840.9
Mortgages, at amortised cost					
R1 – R4: Low to medium risk		9,111.0	499.7	-	9,610.7
R5 – R6: Increased risk		160.0	32.4	-	192.5
R7 – R10: Impaired		-	-	30.0	30.0
Total		9,271.0	532.1	30.0	9,833.1
Loss allowance		-2.9	-0.9	-8.5	-12.3
Carrying amount		9,268.1	531.2	21.4	9,820.8
Debt instruments, at FVOCI					
R1 – R4: Low to medium risk	Aaa – Baa3	12,883.7	-	-	12,883.7
R5 – R6: Increased risk	Ba1 – B3	-	16.9	-	16.9
R7 – R10: Impaired	Caa1 – C	-	-	-	-
Total		12,883.7	16.9	-	12,900.6
Loss allowance		-1.6	-0.2	-	-1.8

¹ For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

01.01.2018

	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	Total CHF m
Due from banks, at amortised cost					
R1 – R4: Low to medium risk		8,154.0	-	-	8,154.0
R5 – R6: Increased risk		156.5	-	-	156.5
R7 – R10: Impaired		-	-	-	-
Total		8,310.5	-	-	8,310.5
Loss allowance		-0.2	-	-	-0.2
Carrying amount		8,310.3	-	-	8,310.3
Lombard loans, at amortised cost					
R1 – R4: Low to medium risk		35,714.8	41.3	-	35,756.1
R5 – R6: Increased risk		931.9	54.2	-	986.1
R7 – R10: Impaired		-	-	20.8	20.8
Total		36,646.7	95.5	20.8	36,763.0
Loss allowance		-7.3	-0.1	-6.0	-13.4
Carrying amount		36,639.4	95.4	14.8	36,749.6
Mortgages, at amortised cost					
R1 – R4: Low to medium risk		9,272.3	418.5	-	9,690.8
R5 – R6: Increased risk		140.1	18.5	1.7	160.3
R7 – R10: Impaired		-	-	41.6	41.6
Total		9,412.5	437.0	43.3	9,892.8
Loss allowance		-4.0	-1.0	-11.4	-16.4
Carrying amount		9,408.5	436.0	31.9	9,876.4
Debt instruments, at FVOCI					
R1 – R4: Low to medium risk	Aaa – Baa3	12,042.8	-	-	12,042.8
R5 – R6: Increased risk	Ba1 – B3	-	16.8	-	16.8
R7 – R10: Impaired	Caa1 – C	-	-	-	-
Total		12,042.8	16.8	-	12,059.7
Loss allowance		-1.4	-0.3	-	-1.7

¹ For the measurement of the loss allowance, loan commitments are included in the EAD of the loan balances.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1 NET INTEREST AND DIVIDEND INCOME

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Interest income on amounts due from banks	25.5	22.6	21.5	12.6
Interest income on loans	433.9	301.6	367.7	43.8
Interest income on debt instruments at FVOCI	107.0	129.0	118.2	-17.0
Total interest income using the effective interest method	566.4	453.2	507.4	25.0
Dividend income on equity instruments at FVOCI	- ¹	7.6	0.0	-100.0
Interest income on trading portfolios	14.3	9.9	21.8	43.5
Dividend income on trading portfolios	158.9	181.2	14.2	-12.3
Total interest and dividend income	739.6	651.9	543.4	13.5
Interest expense on amounts due to banks	12.9	8.8	9.9	47.1
Interest expense on amounts due to customers	123.3	32.8	67.8	275.8
Interest expense on debt issued	34.6	31.3	36.4	10.7
Interest expense on financial assets ²	15.3	12.7	7.8	19.8
Total interest expense using the effective interest method	186.1	85.6	121.9	117.4
Total	553.5	566.3	421.4	-2.3

¹ Due to transition to IFRS 9, dividend income on equity instruments at FVOCI is included in other ordinary results.

² Interest expense on financial assets is related to negative effective interests on the respective financial instruments.

2 NET COMMISSION AND FEE INCOME

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Advisory and asset management fees	736.2	663.9	758.8	10.9
Brokerage commissions and income from securities underwriting	358.1	332.8	330.1	7.6
Commission income from credit-related activities	3.5	3.1	3.0	12.8
Commission and fee income on other services	42.1	35.1	45.4	20.1
Total commission and fee income	1,140.0	1,034.8	1,137.3	10.2
Commission expense	124.5	113.0	128.5	10.2
Total	1,015.5	921.8	1,008.7	10.2

3 NET TRADING INCOME

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Debt instruments	22.4	38.1	36.9	-41.1
Equity instruments	-53.3	-155.4	-3.6	-
Foreign exchange	237.1	207.3	180.3	14.4
Total	206.3	90.0	213.6	129.1

4 PERSONNEL EXPENSES

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Salaries and bonuses	655.2	592.3	631.6	10.6
Contributions to staff pension plans (defined benefits)	39.7	35.4	38.6	12.2
Contributions to staff pension plans (defined contributions)	22.1	19.8	12.7	11.5
Other social security contributions	60.6	51.7	52.5	17.1
Share-based payments	45.1	44.5	38.0	1.4
Other personnel expenses	24.3	20.6	18.0	18.3
Total	847.0	764.3	791.4	10.8

5 GENERAL EXPENSES

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Occupancy expense	47.6	47.5	48.8	0.3
IT and other equipment expense	37.4	36.9	38.9	1.6
Information, communication and advertising expense	101.6	90.2	92.6	12.7
Service expense, fees and taxes	127.4	121.0	132.0	5.3
Provisions and losses	2.2 ¹	7.9	22.0	-72.0
Other general expenses	4.0	8.0	4.0	-50.6
Total	320.3	311.4	338.2	2.8

¹ Previously called valuation allowances, provisions and losses. Due to IFRS 9 valuation allowances are included in net impairment losses/(recoveries) on financial assets as of 1 January 2018.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

6 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	30.06.2018 <i>CHF m</i>	30.06.2017 <i>CHF m</i>	31.12.2017 <i>CHF m</i>	Change <i>to 31.12.2017 in %</i>
Government and agency bonds	3,111.3	4,056.5 ¹	2,848.3 ¹	9.2
Financial institution bonds	6,286.6	7,514.2 ¹	5,768.6 ¹	9.0
Corporate bonds	3,496.9	4,566.9 ¹	3,436.7	1.8
Other bonds	5.9	13.4	6.2	-5.1
Debt instruments	12,900.6	16,151.0	12,059.7	7.0
<i>of which quoted</i>	9,535.4	13,389.4 ¹	10,350.4 ¹	-7.9
<i>of which unquoted</i>	3,365.2	2,761.6 ¹	1,709.3 ¹	96.9
Equity instruments	143.5	184.5	186.8	-23.2
<i>of which quoted</i>	5.6	35.0	33.4	-83.1
<i>of which unquoted</i>	137.9	149.5	153.4	-10.1
Total	13,044.1	16,335.5	12,246.5	6.5

¹ With the application of IFRS 9 as of 1 January 2018, the previously separately disclosed money market instruments have been included in debt instruments.

7 FAIR VALUE

Level 1

For trading assets as well as for certain financial assets measured at fair value through other comprehensive income 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.

Trading assets at FVTPL and financial assets at FVOCI: The Group holds certain equity instruments, which are required for the operation of the Group and are reported as financial assets measured at fair value through other comprehensive income, 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 2018, dividends related to these investments in the amount of CHF 7.0 million (2017: CHF 6.7 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:

	30.06.2018			
	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	2,196.4	126.4	-	2,322.8
Trading – equity instruments FVTPL	5,140.6	1,933.0	14.7	7,088.2
Total trading assets	7,337.0	2,059.4	14.7	9,411.0
Foreign exchange derivatives	9.6	1,131.0	-	1,140.5
Interest rate derivatives	2.9	122.9	-	125.8
Precious metal derivatives	3.1	178.0	-	181.1
Equity/indices derivatives	15.2	678.0	-	693.2
Credit derivatives	-	2.6	-	2.6
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	31.1	2,112.5	-	2,143.6
Financial assets designated at fair value	12.4	103.5	174.9	290.8
Debt instruments at FVOCI	9,864.3	3,036.4	-	12,900.6
Equity instruments at FVOCI	5.6	0.3	137.6	143.5
Financial assets measured at FVOCI	9,869.9	3,036.7	137.6	13,044.1
Total assets	17,250.4	7,312.1	327.1	24,889.6
Short positions – debt instruments	12.2	3.8	-	16.0
Short positions – equity instruments	857.4	47.2	-	904.6
Total trading liabilities	869.5	51.0	-	920.5
Foreign exchange derivatives	9.2	875.1	-	884.3
Interest rate derivatives	0.8	145.4	-	146.2
Precious metal derivatives	0.1	47.6	-	47.7
Equity/indices derivatives	11.5	817.8	-	829.3
Credit derivatives	-	6.9	-	6.9
Other derivatives	3.0	-	-	3.0
Total derivative financial instruments	24.6	1,892.9	-	1,917.5
Financial liabilities designated at fair value	-	13,538.9	286.0	13,824.8
Total liabilities	894.1	15,482.7	286.0	16,662.8

31.12.2017

	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	1,918.2	352.5	-	2,270.7
Trading – equity instruments FVTPL	6,991.4	1,993.8	-	8,985.2
Total trading assets	8,909.6	2,346.3	-	11,255.9
Foreign exchange derivatives	5.0	896.3	-	901.3
Interest rate derivatives	1.1	122.8	-	123.9
Precious metal derivatives	1.2	174.1	-	175.4
Equity/indices derivatives	11.1	747.6	-	758.7
Credit derivatives	-	2.6	-	2.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	19.2	1,943.5	-	1,962.7
Financial assets designated at fair value	14.0	108.9	154.4	277.3
Financial investments available-for-sale – money market instruments	249.8	1,941.3	-	2,191.1
Debt instruments at FVOCI	8,908.9	959.7	-	9,868.6
Equity instruments at FVOCI	33.4	7.8	145.6	186.8
Financial assets measured at FVOCI	9,192.1	2,908.8	145.6	12,246.5
Total assets	18,134.8	7,307.6	300.0	25,742.4
Short positions – debt instruments	9.4	-	-	9.4
Short positions – equity instruments	82.4	44.0	-	126.5
Total trading liabilities	91.8	44.0	-	135.8
Foreign exchange derivatives	5.0	788.3	-	793.3
Interest rate derivatives	1.5	145.3	-	146.8
Precious metal derivatives	0.2	55.6	-	55.9
Equity/indices derivatives	11.6	1,039.7	-	1,051.4
Credit derivatives	-	6.6	-	6.6
Other derivatives	5.3	-	-	5.3
Total derivative financial instruments	23.7	2,035.5	-	2,059.2
Financial liabilities designated at fair value	-	11,557.6	279.1	11,836.7
Total liabilities	115.5	13,637.1	279.1	14,031.7

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	Carrying value CHF m	30.06.2018 Fair value CHF m	Carrying value CHF m	31.12.2017 Fair value CHF m
Financial assets measured at amortised cost				
Cash	13,175.4	13,175.4	10,862.9	10,862.9
Due from banks	11,863.8	11,867.8	8,308.9	8,313.9
Loans	46,661.6	47,106.7	46,623.7	47,035.5
Accrued income	320.3	320.3	311.7	311.7
Total	72,021.2	72,470.3	66,107.2	66,524.0
Financial assets measured at FVTPL				
Trading assets	9,411.0	9,411.0	11,255.9	11,255.9
Derivative financial instruments	2,143.6	2,143.6	1,962.7	1,962.7
Financial assets designated at fair value	290.8	290.8	277.3	277.3
Total	11,845.4	11,845.4	13,495.9	13,495.9
Financial assets measured at FVOCI				
Financial assets measured at fair value through other comprehensive income	13,044.1	13,044.1	12,246.5	12,246.5
Total	13,044.1	13,044.1	12,246.5	12,246.5
Total financial assets	96,910.7	97,359.9	91,849.6	92,266.4

Financial liabilities

	Carrying value CHF m	30.06.2018 Fair value CHF m	Carrying value CHF m	31.12.2017 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	8,219.5	8,219.6	7,209.5	7,209.6
Due to customers	70,236.7	70,253.2	67,636.8	67,640.3
Debt issued	1,508.6	1,525.9	1,777.0	1,839.2
Accrued expenses	202.4	202.4	192.7	192.7
Total	80,167.1	80,201.1	76,816.0	76,881.8
Financial liabilities measured at FVTPL				
Trading liabilities	920.5	920.5	135.8	135.8
Derivative financial instruments	1,917.5	1,917.5	2,059.2	2,059.2
Financial liabilities designated at fair value	13,824.8	13,824.8	11,836.7	11,836.7
Other financial liabilities	54.4 ¹	54.4	32.8 ²	32.8
Total	16,717.2	16,717.2	14,064.5	14,064.5
Total financial liabilities	96,884.3	96,918.4	90,880.6	90,946.3

¹ Relates to the deferred purchase price of GPS Investimentos Financeiros e Participações S.A., Reliance Capital Participações and Wergen & Partner Vermögensverwaltungs AG.

² Relates to the deferred purchase price of Fransad Gestion SA, GPS Investimentos Financeiros e Participações S.A. and Wergen & Partner Vermögensverwaltungs AG.

8 DEBT ISSUED

	30.06.2018 CHF m	31.12.2017 CHF m
Money market instruments	108.7	122.1
Bonds	1,399.9	1,654.9
Total	1,508.6	1,777.0

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	30.06.2018 Total CHF m	31.12.2017 Total CHF m
Julius Baer Group Ltd.						
2012 ¹	5.375	Perpetual tier 1 subordinated bond	CHF	250.0	-	246.2
Julius Baer Group Ltd.						
2014 ²	4.25	Perpetual tier 1 subordinated bond	CHF	350.0	346.3	347.8
Julius Baer Group Ltd.						
2015 ³	5.90	Perpetual tier 1 subordinated bond	SGD	450.0	329.8	334.8
Julius Baer Group Ltd.						
2016 ⁴	5.75	Perpetual tier 1 subordinated bond	SGD	325.0	232.3	236.4
Julius Baer Group Ltd.						
2017 ⁵	4.75	Perpetual tier 1 subordinated bond	USD	300.0	293.2	290.1
Julius Baer Group Ltd.						
2017 ⁶	0.375	Domestic senior unsecured bond	CHF	200.0	198.3	199.6
Total					1,399.9	1,654.9

¹ Own bonds of CHF 3.7 million were offset with bonds outstanding in 2017.

The effective interest rate amounts to 5.59%.

The bond was paid back on the first possible redemption date (19 March 2018).

² Own bonds of CHF 1.9 million are offset with bonds outstanding (2017: none).

The effective interest rate amounts to 4.41%.

³ No own bonds are offset with bonds outstanding (2017: none).

The effective interest rate amounts to 6.128%.

⁴ No own bonds are offset with bonds outstanding (2017: none).

The effective interest rate amounts to 5.951%.

⁵ No own bonds are offset with bonds outstanding (2017: none).

The effective interest rate amounts to 4.91%.

⁶ No own bonds are offset with bonds outstanding (2017: none).

The effective interest rate amounts to 0.32361%.

9 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, the disgorgement of profit and censures on companies and employees. In certain markets, authorities, such as regulatory authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local laws and regulations. Also, from time to time, the Group is and may be confronted with information and clarification requests from authorities as well as with enforcement procedures with respect to certain topics. As a matter of principle, the Group cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own interests.

The risks described below may not be the only risks to which the Group is exposed. The additional risks not presently known or risks and proceedings currently deemed immaterial may also impair the Group's future business, results of operations, financial condition and prospects. The realisation of one or more of these risks may individually or together with other circumstances 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 2018. 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 (the 'Fairfield Liquidators'), having acted 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 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 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 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, 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 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. Most of the aforementioned proceedings are in preliminary procedural stages. 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 ruling.

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

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 as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and filed a payment order ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank has been served with a claim from said corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank has been initiated in the plaintiff's country of domicile in the European Union. The verdict dated 25 September 2017 of the court of first instance rejecting its jurisdiction has been reversed by a verdict dated 1 March 2018 of the court of second instance confirming jurisdiction of the first instance court. The Bank has appealed such decision of the second instance to the court of last instance.

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') initiated legal proceedings in Zurich against

Bank Julius Baer & Co. Ltd., claiming approximately CHF 97 million plus accrued interests since 1994. BvS claims to be the German authority responsible for managing the assets of the former German Democratic Republic ('GDR'). BvS claims that the former Bank Cantrade Ltd., which the Bank acquired through its acquisition of Bank Ehinger & Armand von Ernst AG from UBS AG in 2005, allowed unauthorised withdrawals between 1990 and 1992 from the account of a foreign GDR trade company. The Zurich District Court has dismissed the claim on 9 December 2016. The Zurich Court of Appeal has confirmed such verdict on 23 April 2018. BvS has appealed such verdict to the Swiss Federal Supreme Court. In addition, the claim has been notified by the Bank vis-à-vis the seller under the 2005 transaction agreement with regard to representations and warranties granted in respect of the acquired entities.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions has been initiated against Bank Julius Baer & Co. Ltd. in June 2014 and been 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 maximal fine possible accordingly was reimbursed to the Bank but deposited again as in July 2017 a new investigatory procedure with respect to the same matter has been initiated against the Bank potentially being brought to the court by the prosecutor. 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 formalised by 51 out of the 62 claimants, claiming a total amount of CHF 11.7 million plus accrued interest. Since October 2016, the Bank was served with two other claims by additional 16 claimants, claiming a total amount of CHF 4.5 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 former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of approximately CHF 91.3 million (plus accrued interest). In December 2017, the Bank has received again a payment order in various currencies in the total amount of approximately CHF 153 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, that were former clients of Bank of China (Suisse) SA 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 was claimed. In March 2017, the claimant reduced the totally 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 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.

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 have, in addition to the corruption and bribery allegations, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. The Bank is supporting the inquiries and cooperating with the authorities in the investigations on this matter.

CAPITAL RATIOS

	30.06.2018 <i>Basel III fully-applied¹</i> CHF m	30.06.2017 <i>Basel III phase-in¹</i> CHF m	31.12.2017 <i>Basel III phase-in¹</i> CHF m
Risk-weighted positions			
Credit risk	13,540.9	14,072.5	13,627.9
Non-counterparty-related risk	353.5	442.2	445.9
Market risk	451.1	1,253.1	561.1
Operational risk	5,125.4	4,796.4	4,941.1
Total	19,471.0	20,564.2	19,576.0
Eligible capital			
CET1 capital ²	2,676.6	3,060.3	3,260.8
Tier 1 capital ²	3,878.2	3,720.0	4,235.1
<i>of which hybrid tier 1 capital instruments³</i>	1,201.6	1,144.7	1,455.3
Tier 2 capital	56.7	80.4	63.4
Total capital	3,934.9	3,800.4	4,298.5
CET1 capital ratio	13.7%	14.9%	16.7%
Tier 1 capital ratio	19.9%	18.1%	21.6%
Total capital ratio	20.2%	18.5%	22.0%

¹ The Basel III effects, but also the effects of IAS 19 revised relating to pension liabilities, is phased in as at 30 June 2017 and 31 December 2017 for the calculation of the eligible capital.

² During the phase-in period the amount of intangibles which has to be deducted directly from CET1 increased proportionally over time and the remaining amount of intangibles which is allowed to be deducted from additional tier 1 capital decreased respectively.

³ The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. in 2012 (repaid in March 2018), 2014, 2015, 2016 and 2017 (issued in September 2017).

Further details regarding tier 1 capital instruments can be found in the Regulatory Disclosures section of www.juliusbaer.com. Also refer to Note 8 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 2018. 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 2018).

ASSETS UNDER MANAGEMENT

	30.06.2018 CHF m	30.06.2017 CHF m	31.12.2017 CHF m
Assets with discretionary mandate	64,368	57,294	62,781
Other assets under management	328,612	292,462	318,941
Assets in collective investment schemes managed by the Group ¹	6,911	4,949	6,700
Total assets under management (including double counting)	399,891	354,705	388,422
<i>of which double counting</i>	10,600	7,133	9,963
	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m
Change through net new money	9,896	10,249	11,908
Change through market and currency impacts	-2,833	7,966	27,946
Change through acquisition	4,502 ²	395 ³	-
Change through divestment	-47 ⁴	-66 ⁴	-31 ⁴
Change through other effects	-49 ⁵	-	-6,106 ⁶
Client assets	467,438	416,480	457,134

¹ Collective investment schemes are related to GPS Investimentos Financeiros e Participações S.A., São Paulo, and to Kairos Investment Management SpA, Milan.

² In June 2018, the Group acquired Reliance Capital Participações (Reliance Group), São Paulo.

³ In February 2017, the Group acquired Wergen & Partner Vermögensverwaltungs AG, Zurich.

⁴ Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries.

⁵ Assets under management were affected by the Group's decision to discontinue its offering to certain clients in selected jurisdictions.

⁶ Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland and continental Europe.

METHOD OF CALCULATION

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

ACQUISITIONS

Reliance Capital Participações (Reliance Group), São Paulo (2018)

On 4 June 2018, the Group acquired 95% of the São Paulo-based Reliance Group (Reliance). Reliance is one of the largest independent wealth managers in Brazil, with client assets mainly in advisory mandates. This acquisition significantly strengthens Julius Baer's strategic position in Brazil, where the Group is already present with the wholly owned GPS Investimentos (GPS), the country's largest independent wealth manager. The purchase price of total CHF 71.4 million has been and will be paid in cash in several tranches over a maximum of three years since the acquisition date, the timing of the payments being dependent on certain conditions and the tranches being contingent on the future growth rate of the business. The purchase price is and will be fully funded by existing excess capital of the Group.

As part of the purchase agreement, the Group received the right (but not the obligation) to purchase the remaining 5% of Reliance through a call option at a contractually agreed fixed amount. In case the Group does not exercise the call option until a specific date, the sellers have the right (but not the obligation) to sell the remaining 5% to the Group at the same contractually agreed fixed amount. Therefore, for accounting purposes, the Group acquired already 100% of Reliance; hence, the above-mentioned purchase price of CHF 71.4 million includes the exercise price (the fixed amount) of the option.

For the six months ended 30 June 2018, Reliance recorded CHF 9.4 million operating income and CHF 3.4 million net profit. Since its acquisition on 4 June 2018, the entity has contributed CHF 1.6 million operating income and CHF 0.6 million net profit to the Group.

The assets and liabilities of Reliance have been provisionally recorded as follows:

	Fair value CHF m
Purchase price	
in cash	33.8
contingent deferred purchase price (liabilities)	37.6
Total	71.4
Due from banks	2.1
Loans ¹	3.1
All other assets	0.4
Assets acquired	5.6
Deferred tax liabilities	4.7
All other liabilities	2.1
Liabilities assumed	6.9
Goodwill and other intangible assets	
Goodwill	42.0
Customer relationships	30.6
Total	72.7

¹ At the acquisition date, the gross contractual amount of loans acquired was CHF 3.1 million.

Siam Commercial Bank (2018)

In March 2018, the Group signed an agreement with Siam Commercial Bank (SCB) that intends to establish a strategic joint venture focusing on bringing the most relevant and impactful advice and solutions to the growing Thai private banking market and its increasingly sophisticated clients.

The joint venture will seamlessly combine SCB's strong brand credibility and wealth management expertise with Julius Baer's full suite of international wealth management capabilities and advisory services. The cooperation will immediately complement SCB's existing private banking capabilities whilst opening access for the Group to the fast-growing Thai wealth management market. The joint venture will operate via domestic and international companies in Thailand and Singapore, respectively, and will provide a unique and holistic global wealth management proposition tailored to the needs of its Thai client base. At inception, the Group will hold 40% in the joint venture, with the option to increase to 49% over time. The joint venture is expected to take up its operations in the second half of 2018.

Kairos (2018/2016)

On 8 January 2018, the Group announced the purchase of the outstanding 20% shares in the Milan-based company Kairos Investment Management S.p.A., following its initial purchase of 19.9% in 2013 and the additional 60.1% interest in 2016.

Kairos is specialised in wealth and asset management, including investment solutions and advice and fits into the Group's growth strategy. Kairos continues to operate under its brand.

The difference between the amount of the former non-controlling interest (NCI) recognised on the balance sheet and the fair value of the consideration paid is recognised directly in equity (retained earnings).

Wergen & Partner Vermögensverwaltungs AG, Zurich (2017)

In February 2017, the Group acquired the Zurich-based Wergen & Partner Vermögensverwaltungs AG.

The purchase price, including the deferred portions due in February 2019 and February 2021 of CHF 13.5 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 Wergen & Partner Vermögensverwaltungs AG were recorded as follows (unchanged since 2017):

	Fair value CHF m
Purchase price	
in cash	5.5
deferred purchase price (liabilities)	8.0
Total	13.5
Assets acquired	
All other assets	2.1
Assets acquired	2.1
Liabilities assumed	
All other liabilities	0.7
Liabilities assumed	0.7
Goodwill and other intangible assets	
Goodwill	4.7
Customer relationships	7.4
Total	12.1

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