Julius Bär

2021

HALF-YEAR REPORT

Julius Baer Group Ltd.

HALF-YEAR REPORT 2021
JULIUS BAER GROUP LTD.

This Half-Year Report appears only in English.

CONSOLIDATED INCOME STATEMENT

	Note	**H1 2021** *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	Change *to H1 2020 in %*
Interest income on financial instruments measured at amortised cost or FVOCI		**367.7**	468.7	356.5	-21.5
Interest expense on financial instruments measured at amortised cost		**59.3**	135.3	68.2	-56.1
Net interest income	1	**308.4**	333.4	288.3	-7.5
Commission and fee income		**1,292.1**	1,148.2	1,101.9	12.5
Commission expense		**137.4**	115.4	119.7	19.0
Net commission and fee income	2	**1,154.7**	1,032.8	982.3	11.8
Net income from financial instruments measured at FVTPL	3	**502.5**	515.2	428.2	-2.5
Net credit losses/(recoveries) on financial assets		**1.0**	48.5	-13.0	-
Other ordinary results		**28.4**	18.0	20.5	58.1
Operating income		**1,992.9**	1,850.8	1,732.3	7.7
Personnel expenses	4	**849.1**	853.9	741.7	-0.6
General expenses	5	**318.0**	306.1	404.6	3.9
Depreciation of property and equipment		**49.0**	49.4	51.1	-0.8
Amortisation and impairment of customer relationships		**28.9**	29.3	40.8	-1.3
Amortisation and impairment of intangible assets		**41.0**	35.0	225.4	17.3
Operating expenses		**1,286.1**	1,273.6	1,463.6	1.0
Profit before taxes		**706.9**	577.2	268.7	22.5
Income taxes		**100.9**	86.2	61.1	17.0
Net profit		**606.0**	491.0	207.7	23.4

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	Change *to H1 2020 in %*
Attributable to:				
Shareholders of Julius Baer Group Ltd.	**605.8**	490.9	207.1	23.4
Non-controlling interests	**0.2**	0.0	0.6	-
	606.0	491.0	207.7	23.4

	H1 2021 *CHF*	H1 2020 *CHF*	H2 2020 *CHF*	Change *to H1 2020 in %*
Share information				
Basic earnings per share (EPS)	**2.81**	2.28	0.96	23.2
Diluted earnings per share (EPS)	**2.81**	2.27	0.96	23.6
Weighted average number of shares outstanding	**215,578,789**	215,226,886	215,016,327	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*
Net profit recognised in the income statement	**606.0**	491.0	207.7
Other comprehensive income (net of taxes):			
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	**-26.4**	56.6	49.1
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	**-9.6**	-2.4	-12.6
Effective portion of changes in fair value of hedging instruments designated as cash flow hedges	**-1.7**	-	-
Translation differences	**74.6**	-111.9	-53.7
Realised (gains)/losses on translation differences reclassified to the income statement	**-**	0.0	2.5
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	**48.1**	-4.7	-6.9
Gains/(losses) from own credit risk on financial liabilities designated at fair value	**0.9**	-4.6	0.7
Remeasurement of defined benefit obligation	**59.2**	-43.9	64.9
Other comprehensive income	**145.2**	-110.9	44.0
Total comprehensive income	**751.2**	380.1	251.7
Attributable to:			
Shareholders of Julius Baer Group Ltd.	**751.0**	380.1	251.1
Non-controlling interests	**0.2**	-0.1	0.6
	751.2	380.1	251.7

CONSOLIDATED BALANCE SHEET

	Note	**30.06.2021** *CHF m*	31.12.2020 *CHF m*	30.06.2020 *CHF m*
Assets				
Cash		**16,603.7**	14,544.4	14,763.8
Due from banks		**5,019.0**	7,349.9	7,955.9
Loans		**51,021.9**	47,207.6	46,495.8
Financial assets measured at FVTPL		**13,753.2**	13,429.8	10,444.1
Derivative financial instruments		**2,117.3**	2,562.3	2,092.6
Financial assets designated at fair value		**306.5**	269.6	303.5
Financial assets measured at FVOCI	6	**13,994.2**	13,796.4	14,771.3
Investments in associates		**30.6**	21.2	22.1
Property and equipment		**548.7**	580.5	576.0
Goodwill and other intangible assets		**2,664.2**	2,637.4	2,825.7
Accrued income and prepaid expenses		**413.6**	363.7	394.8
Deferred tax assets		**20.8**	20.1	16.1
Other assets		**7,084.6**	6,354.1	6,697.7
Total assets		**113,578.3**	109,137.0	107,359.3

	Note	**30.06.2021** *CHF m*	31.12.2020 *CHF m*	30.06.2020 *CHF m*
Liabilities and equity				
Due to banks		**5,010.0**	5,087.9	4,588.7
Due to customers		**80,063.9**	77,784.5	76,487.5
Financial liabilities measured at FVTPL		**1,042.6**	896.5	827.4
Derivative financial instruments		**1,921.6**	2,554.6	2,489.1
Financial liabilities designated at fair value		**14,835.9**	13,154.8	13,473.3
Debt issued	7	**2,388.8**	1,478.2	1,461.7
Accrued expenses and deferred income		**591.2**	688.0	577.9
Current tax liabilities		**247.7**	209.8	157.7
Deferred tax liabilities		**93.0**	74.5	60.1
Provisions	8	**69.5**	115.9	189.8
Other liabilities		**588.6**	658.1	756.3
Total liabilities		**106,852.6**	102,702.8	101,069.5
Share capital		**4.5**	4.5	4.5
Retained earnings		**7,208.7**	6,931.9	6,791.7
Other components of equity		**-20.2**	-106.1	-85.3
Treasury shares		**-475.7**	-404.7	-430.8
Equity attributable to shareholders of Julius Baer Group Ltd.		**6,717.3**	6,425.6	6,280.1
Non-controlling interests		**8.3**	8.6	9.7
Total equity		**6,725.6**	6,434.1	6,289.8
Total liabilities and equity		**113,578.3**	109,137.0	107,359.3

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 2020	4.5	6,557.4	132.0	33.5
Net profit	-	490.9	-	-
Items that may be reclassified to the income statement	-	-	-	54.2
Items that will not be reclassified to the income statement	-	-43.9	-4.7	-
Total other comprehensive income	-	-43.9	-4.7	54.2
Total comprehensive income	-	447.0	-4.7	54.2
Changes in non-controlling interests	-	-1.1	-	-
Dividends	-	-165.9[2]	-	-
Dividend income on own shares	-	4.2	-	-
Share-based payments expensed	-	34.4	-	-
Share-based payments vested	-	-48.0	-	-
Changes in derivatives on own shares	-	3.9	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	-40.1	-	-
At 30 June 2020	4.5	6,791.7	127.3	87.7
At 1 July 2020	4.5	6,791.7	127.3	87.7
Net profit	-	207.1	-	-
Items that may be reclassified to the income statement	-	-	-	36.5
Items that will not be reclassified to the income statement	-	64.9	-6.9	-
Total other comprehensive income	-	64.9	-6.9	36.5
Total comprehensive income	-	271.9	-6.9	36.5
Changes in non-controlling interests	-	-0.5	-	-
Dividends	-	-165.9[2]	-	-
Dividend income on own shares	-	4.3	-	-
Share-based payments expensed	-	37.3	-	-
Share-based payments vested	-	-4.7	-	-
Changes in derivatives on own shares	-	-39.0	-	-
Acquisitions of own shares	-	-	-	-
Disposals of own shares	-	36.8	-	-
At 31 December 2020	4.5	6,931.9	120.4	124.2
At 1 January 2021	**4.5**	**6,931.9**	**120.4**	**124.2**
Net profit	**-**	**605.8**	**-**	**-**
Items that may be reclassified to the income statement	**-**	**-**	**-**	**-36.1**
Items that will not be reclassified to the income statement	**-**	**59.2**	**48.1**	**-**
Total other comprehensive income	**-**	**59.2**	**48.1**	**-36.1**
Total comprehensive income	**-**	**665.1**	**48.1**	**-36.1**
Changes in non-controlling interests	**-**	**-0.1**	**-**	**-**
Dividends	**-**	**-385.8**[2]	**-**	**-**
Dividend income on own shares	**-**	**6.7**	**-**	**-**
Share-based payments expensed	**-**	**52.4**	**-**	**-**
Share-based payments vested	**-**	**-65.7**	**-**	**-**
Changes in derivatives on own shares	**-**	**-16.1**	**-**	**-**
Acquisitions of own shares	**-**	**-**	**-**	**-**
Disposals of and other movements in own shares	**-**	**20.3**	**-**	**-**
At 30 June 2021	**4.5**	**7,208.7**	**168.5**	**88.2**

[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 0.75 (H1 2020) / dividend payment per share CHF 0.75 (H2 2020) / dividend payment per share CHF 1.75 (2021)

Other components of equity (net of taxes)						
Cash flow hedges *CHF m*	Own credit risk on financial liabilities designated at FV *CHF m*	Translation differences *CHF m*	Treasury shares *CHF m*	Equity attributable to shareholders of Julius Baer Group Ltd. *CHF m*	Non-controlling interests *CHF m*	**Total equity** *CHF m*
-	0.0	-183.9	-363.2	6,180.2	9.2	6,189.4
-	-	-	-	490.9	0.0	491.0
-	-	-111.8	-	-57.6	-0.1	-57.7
-	-4.6	-	-	-53.2	-	-53.2
-	-4.6	-111.8	-	-110.8	-0.1	-110.9
-	-4.6	-111.8	-	380.1	-0.1	380.1
-	-	-	-	-1.1	1.1	-
-	-	-	-	-165.9	-0.5	-166.4
-	-	-	-	4.2	-	4.2
-	-	-	-	34.4	-	34.4
-	-	-	48.0	-	-	-
-	-	-	-9.9	-6.0	-	-6.0
-	-	-	-305.9	-305.9	-	-305.9
-	-	-	200.2	160.1	-	160.1
-	-4.6	-295.7	-430.8	6,280.1	9.7	6,289.8
-	-4.6	-295.7	-430.8	6,280.1	9.7	6,289.8
-	-	-	-	207.1	0.6	207.7
-	-	-51.2	-	-14.6	0.0	-14.6
-	0.7	-	-	58.7	-	58.7
-	0.7	-51.2	-	44.0	0.0	44.0
-	0.7	-51.2	-	251.1	0.6	251.7
-	-	-	-	-0.5	0.5	-
-	-	-	-	-165.9	-2.2	-168.2
-	-	-	-	4.3	-	4.3
-	-	-	-	37.3	-	37.3
-	-	-	4.7	-	-	-
-	-	-	52.3	13.3	-	13.3
-	-	-	-62.6	-62.6	-	-62.6
-	-	-	31.7	68.5	-	68.5
-	-3.9	-346.9	-404.7	6,425.6	8.6	6,434.1
-	**-3.9**	**-346.9**	**-404.7**	**6,425.6**	**8.6**	**6,434.1**
-	**-**	**-**	**-**	**605.8**	**0.2**	**606.0**
-1.7	**-**	**74.6**	**-**	**36.8**	**0.0**	**36.9**
-	**0.9**	**-**	**-**	**108.3**	**-**	**108.3**
-1.7	**0.9**	**74.6**	**-**	**145.1**	**0.0**	**145.2**
-1.7	**0.9**	**74.6**	**-**	**751.0**	**0.2**	**751.2**
-	**-**	**-**	**-**	**-0.1**	**0.1**	**-**
-	**-**	**-**	**-**	**-385.8**	**-0.6**	**-386.3**
-	**-**	**-**	**-**	**6.7**	**-**	**6.7**
-	**-**	**-**	**-**	**52.4**	**-**	**52.4**
-	**-**	**-**	**65.7**	**-**	**-**	**-**
-	**-**	**-**	**12.8**	**-3.3**	**-**	**-3.3**
-	**-**	**-**	**-290.5**	**-290.5**	**-**	**-290.5**
-	**-**	**-**	**141.0**	**161.3**	**-**	**161.3**
-1.7	**-3.0**	**-272.3**	**-475.7**	**6,717.3**	**8.3**	**6,725.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

	H1 2021 *CHF m*	H1 2020 *CHF m*
Net profit	**606.0**	491.0
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
– Depreciation of property and equipment	**49.0**	49.4
– Amortisation and impairment of intangible assets	**69.9**	64.2
– Change in loss allowance	**1.0**	48.5
– Deferred tax expense/(benefit)	**-5.0**	2.2
– Net loss/(gain) from investing activities	**-1.7**	4.6
– Other non-cash income and expenses	**52.4**	34.4
Net increase/decrease in operating assets and liabilities:		
– Net due from/to banks	**-35.1**	287.5
– Net financial assets measured at FVTPL and derivative financial instruments	**-367.1**	3,452.2
– Net loans/due to customers	**-1,539.3**	5,459.9
– Issuance and repayment of financial liabilities designated at fair value	**1,645.0**	193.7
– Accrued income, prepaid expenses and other assets	**-780.4**	-3,060.9
– Accrued expenses, deferred income, other liabilities and provisions	**-93.1**	-134.3
Adjustment for income tax expenses	**105.9**	84.1
Income taxes paid	**-68.9**	-129.9
Cash flow from operating activities	**-361.3**	6,846.6
Purchase of property and equipment and intangible assets	**-94.8**	-87.3
Disposal of property and equipment and intangible assets	**0.1**	0.5
Net (investment in)/divestment of financial assets measured at FVOCI	**-48.8**	-2,061.5
Acquisition of subsidiaries and businesses, net of cash and cash equivalents acquired	**-**	0.3
Deferred payment of acquisition of subsidiaries and associates	**-35.1**	-13.1
Cash flow from investing activities	**-178.5**	-2,161.3
Net movements in treasury shares and own equity derivative activity	**-125.8**	-147.6
Dividend payments	**-385.8**	-165.9
Changes in debt issued	**880.3**	-406.7
Dividend payment to non-controlling interests	**-0.6**	-0.5
Cash flow from financing activities	**368.2**	-720.7
Net (decrease)/increase in cash and cash equivalents	**-171.6**	3,964.6

	30.06.2021 CHF m	30.06.2020 CHF m
Cash and cash equivalents at the beginning of the period (01.01.)	**23,062.8**	18,566.0
Cash flow from operating activities	**-361.3**	6,846.6
Cash flow from investing activities	**-178.5**	-2,161.3
Cash flow from financing activities	**368.2**	-720.7
Effects of exchange rate changes on cash and cash equivalents	**-164.1**	119.9
Cash and cash equivalents at the end of the period	**22,727.2**	22,650.5

	30.06.2021 CHF m	30.06.2020 CHF m
Cash and cash equivalents are structured as follows:		
Cash	**16,603.7**	14,763.8
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	**1,218.9**	1,170.7
Due from banks (original maturity of less than three months)	**4,904.5**	6,716.0
Total	**22,727.2**	22,650.5

	H1 2021 CHF m	H1 2020 CHF m
Additional information		
Interest received	**327.5**	516.9
Interest paid	**-28.5**	-257.0
Dividends on equities received (including associates)	**181.5**	205.3

	30.06.2021 CHF m	30.06.2020 CHF m
Leases		
Cash payments – leases	**-32.9**	-26.7
Cash payments – interest paid	**-2.6**	-3.0
Short-term lease payments	**-1.4**	-2.5
Total	**-36.9**	-32.2

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 2021 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 2020, with the exception of the below amendments which have been applied as of 1 January 2021. All these amendments had no material impact on the Group's financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)

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

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

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

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

IFRS 9 Financial Instruments: Adoption of hedge accounting requirements

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

Application and transition effect

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE

The Audit Committee of the Board of Directors, together with representatives of the Group Executive Board, approved the half-year condensed consolidated financial statements at its meeting on 20 July 2021. There are no events to report that had an influence on the balance sheet or income statement up to that date.

The following exchange rates are used for the major currencies:

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	Change *to H1 2020 in %*
Interest income on amounts due from banks	**1.5**	10.7	1.4	-86.0
Interest income on loans	**289.9**	370.1	281.4	-21.7
Interest income on debt instruments at FVOCI	**56.6**	74.7	59.7	-24.2
Negative interest received on financial liabilities	**19.7**	13.2	14.1	49.6
Interest income on financial instruments measured at amortised cost or FVOCI	**367.7**	468.7	356.5	-21.5
Interest expense on amounts due to banks	**3.2**	10.5	2.8	-69.1
Interest expense on amounts due to customers	**4.5**	66.7	6.9	-93.3
Interest expense on debt issued	**26.8**	32.1	28.1	-16.4
Negative interest paid on financial assets	**22.1**	22.8	27.7	-2.9
Interest expense on lease liabilities	**2.6**	3.1	2.6	-16.0
Interest expense on financial instruments measured at amortised cost	**59.3**	135.3	68.2	-56.1
Total	**308.4**	333.4	288.3	-7.5

NOTE 2 NET COMMISSION AND FEE INCOME

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	Change *to H1 2020 in %*
Advisory and management fees	**783.9**	661.4	689.5	18.5
Brokerage commissions and income from securities underwriting	**469.9**	439.6	376.4	6.9
Commission and fee income on other services	**38.3**	47.1	36.0	-18.8
Total commission and fee income	**1,292.1**	1,148.2	1,101.9	12.5
Commission expense	**137.4**	115.4	119.7	19.0
Total	**1,154.7**	1,032.8	982.3	11.8

NOTE 3 NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FVTPL

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	Change *to H1 2020 in %*
Net gains/(losses) from debt instruments and foreign exchange	**291.0**	222.8	312.1	30.6
Net gains/(losses) from equity instruments	**211.5**	292.5	116.2	-27.7
Total	**502.5**	515.2	428.2	-2.5

NOTE 4 PERSONNEL EXPENSES

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	Change *to H1 2020 in %*
Salaries and bonuses	**670.0**	686.7	579.3	-2.4
Contributions to staff pension plans (defined benefits)	**35.7**	40.2	46.0	-11.2
Contributions to staff pension plans (defined contributions)	**18.0**	18.8	18.0	-4.4
Other social security contributions	**58.4**	56.0	44.7	4.4
Share-based payments	**52.4**	34.4	37.3	52.6
Other personnel expenses	**14.6**	17.8	16.4	-18.0
Total	**849.1**	853.9	741.7	-0.6

NOTE 5 GENERAL EXPENSES

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*	Change *to H1 2020 in %*
Occupancy expense	**13.4**	15.7	17.6	-14.5
IT and other equipment expense	**43.7**	41.2	46.2	5.9
Information, communication and advertising expense	**76.4**	77.2	75.7	-1.0
Service expense, fees and taxes	**148.7**	162.8	174.0	-8.7
Provisions and losses	**31.2**	4.1	88.5	651.1
Other general expenses	**4.7**	5.0	2.6	-6.8
Total	**318.0**	306.1	404.6	3.9

NOTE 6 FINANCIAL ASSETS MEASURED AT FVOCI

	30.06.2021 *CHF m*	31.12.2020 *CHF m*
Government and agency bonds	**4,665.9**	4,301.0
Financial institution bonds	**5,235.5**	5,356.9
Corporate bonds	**3,731.5**	3,864.7
Debt instruments at FVOCI	**13,632.9**	13,522.6
of which quoted	***9,518.2***	*9,045.6*
of which unquoted	***4,114.7***	*4,477.0*
Equity instruments at FVOCI	**361.3**	273.7
of which unquoted	***361.3***	*273.7*
Total	**13,994.2**	13,796.4

NOTE 7 DEBT ISSUED

	30.06.2021 *CHF m*	31.12.2020 *CHF m*
Money market instruments	**208.4**	135.5
Bonds	**2,180.4**	1,342.7
Total	**2,388.8**	1,478.2

Bonds

Issuer/Year of issue	Stated interest rate %		Currency	Notional amount m	**30.06.2021** Carrying value[1] *CHF m*	31.12.2020 Carrying value[1] *CHF m*
Julius Baer Group Ltd.						
2016[2]	5.750	Perpetual tier 1 subordinated bond	SGD	325.0	**226.1**	221.7
Julius Baer Group Ltd.						
2017[3]	4.750	Perpetual tier 1 subordinated bond	USD	300.0	**283.2**	265.5
Julius Baer Group Ltd.						
2017[4]	0.375	Domestic senior unsecured bond	CHF	200.0	**202.6**	203.9
Julius Baer Group Ltd.						
2019[5]	2.375	Perpetual tier 1 subordinated bond	CHF	350.0	**348.3**	348.5
Julius Baer Group Ltd.						
2020[6]	4.875	Perpetual tier 1 subordinated bond	USD	350.0	**312.9**	303.2
Bank Julius Baer & Co. Ltd.						
2021[7]	0.125	Domestic senior unsecured bond	CHF	260.0	**260.2**	-
Bank Julius Baer & Co. Ltd.						
2021[8]	0.000	Senior unsecured bond	EUR	500.0	**547.1**	-
Total					**2,180.4**	1,342.7

[1] The Group applies fair value hedge accounting for certain bonds based on specific interest rate swaps. The changes in the fair value that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the bond.
[2] The effective interest rate amounts to 5.951%.
[3] The effective interest rate amounts to 4.91%.
[4] The effective interest rate amounts to 0.32361%.
[5] The effective interest rate amounts to 2.487%.
[6] The effective interest rate amounts to 5.242%.
[7] The effective interest rate amounts to 0.103%.
[8] The effective interest rate amounts to 0.06%.

Changes in debt issued

	30.06.2021 CHF m	31.12.2020 CHF m
Balance on 01.01.	**1,342.7**	1,747.3
Changes from financing cash flows:		
– Proceeds from issuance of new bonds	**807.5**	315.5
– Repayment of bonds	**-**	-655.1
Total changes from financing cash flows	**807.5**	-339.6
Changes related to amortisation of premiums/discounts	**0.7**	2.0
Changes related to foreign exchange	**32.4**	-72.7
Changes related to offsetting own bonds	**6.8**	0.8
Changes related to hedge accounting	**-9.7**	5.0
Total	**2,180.4**	1,342.7

NOTE 8 PROVISIONS

Introduction

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

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

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

Legal proceedings/contingent liabilities

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

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

In rare cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is disclosed as a contingent liability as of 30 June 2021. The contingent liabilities may result in a materially adverse effect on the Group or for other reasons may be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), the latter having served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and, in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. A decision on the merits of the appeal is expected late 2021 the earliest. Whilst such appeal is pending, the Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. Such decision has been appealed.

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

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

EUR 335 million plus accrued interest at a rate of 5% per annum since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate-trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions/money laundering was initiated against Bank Julius Baer & Co. Ltd. in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter, scheduled to be trialed in court in mid-December 2021. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

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

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

Bank Julius Baer & Co. Ltd. has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focused on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations against third parties, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. FINMA's related enforcement procedure against Bank Julius Baer & Co. Ltd. and Julius Baer Group Ltd. was closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities. In the meantime, FINMA also lifted an acquisition ban at the end of March 2021 initially imposed with the closing of the enforcement procedure in February 2020. Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer is contesting the claim and seizure request whilst taking appropriate measures to defend its interests.

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

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

Bank Julius Baer & Co. Ltd. is confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ('OFAC') sanctions. The procedure relates to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank is defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020; however, the claimant has appealed this decision to the Swiss Federal Supreme Court. In addition, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank has addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations. A resolution in the latter legacy matter is expected to be reached in 2021.

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

NOTE 9A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	30.06.2021 Carrying value CHF m	30.06.2021 Fair value CHF m	31.12.2020 Carrying value CHF m	31.12.2020 Fair value CHF m
Financial assets at amortised cost				
Cash	**16,603.7**	**16,603.7**	14,544.4	14,544.4
Due from banks	**5,019.0**	**5,020.1**	7,349.9	7,351.3
Loans	**51,021.9**	**51,457.5**	47,207.6	47,702.9
Accrued income/other assets	**402.8**	**402.8**	360.8	360.8
Total	**73,047.3**	**73,484.0**	69,462.7	69,959.4
Financial assets at FVTPL				
Financial assets measured at FVTPL	**13,753.2**	**13,753.2**	13,429.8	13,429.8
Derivative financial instruments	**2,117.3**	**2,117.3**	2,562.3	2,562.3
Financial assets designated at fair value	**306.5**	**306.5**	269.6	269.6
Total	**16,177.1**	**16,177.1**	16,261.6	16,261.6
Financial assets at FVOCI				
Financial assets measured at FVOCI	**13,994.2**	**13,994.2**	13,796.4	13,796.4
Total	**13,994.2**	**13,994.2**	13,796.4	13,796.4
Total financial assets	**103,218.6**	**103,655.3**	99,520.7	100,017.4

Financial liabilities

	30.06.2021 Carrying value CHF m	30.06.2021 Fair value CHF m	31.12.2020 Carrying value CHF m	31.12.2020 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**5,010.0**	**5,010.1**	5,087.9	5,088.0
Due to customers	**80,063.9**	**80,066.8**	77,784.5	77,788.7
Debt issued	**2,388.8**	**2,433.2**	1,478.2	1,503.1
Accrued expenses/other liabilities	**243.8**	**243.8**	202.9	202.9
Total	**87,706.5**	**87,754.0**	84,553.6	84,582.8
Financial liabilities at FVTPL				
Financial liabilities measured at FVTPL	**1,042.6**	**1,042.6**	896.5	896.5
Derivative financial instruments	**1,921.6**	**1,921.6**	2,554.6	2,554.6
Financial liabilities designated at fair value	**14,835.9**	**14,835.9**	13,154.8	13,154.8
Deferred payments related to acquisitions	**0.1**	**0.1**	18.8	18.8
Total	**17,800.2**	**17,800.2**	16,624.7	16,624.7
Total financial liabilities	**105,506.7**	**105,554.1**	101,178.3	101,207.5

NOTE 9B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

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

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

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

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

Financial assets measured at FVTPL and *financial assets measured at FVOCI:* The Group holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Group holds shares in service providers such as SIX Swiss Exchange, Euroclear and SWIFT, which are required for the operation of the Group and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2021, dividends related to these investments in the amount of CHF 11.9 million (2020: CHF 1.8 million) have been recognised in the income statement.

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

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

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

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

				30.06.2021
	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	Valuation technique non-market-observable inputs Level 3 *CHF m*	**Total** *CHF m*
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,612.9	680.9	305.7	3,599.5
Trading – equity instruments at FVTPL	7,873.5	2,138.1	55.4	10,067.0
Other securities mandatorily measured at FVTPL	2.6	61.2	23.0	86.7
Total financial assets measured at FVTPL	**10,489.0**	**2,880.2**	**384.1**	**13,753.2**
Foreign exchange derivatives	3.3	1,012.1	-	1,015.5
Interest rate derivatives	0.7	133.1	-	133.8
Precious metal derivatives	2.9	126.7	-	129.6
Equity/indices derivatives	24.0	798.7	-	822.7
Credit derivatives	-	13.8	-	13.8
Other derivatives	2.0	-	-	2.0
Total derivative financial instruments	**32.8**	**2,084.5**	**-**	**2,117.3**
Financial assets designated at fair value	**16.7**	**81.2**	**208.7**	**306.5**
Debt instruments at FVOCI	10,485.9	3,147.0	-	13,632.9
Equity instruments at FVOCI	-	1.4	359.8	361.3
Total financial assets measured at FVOCI	**10,485.9**	**3,148.4**	**359.8**	**13,994.2**
Total assets	**21,024.4**	**8,194.3**	**952.6**	**30,171.3**
Short positions – debt instruments at FVTPL	181.4	40.9	-	222.2
Short positions – equity instruments at FVTPL	777.2	43.1	-	820.4
Total financial liabilities measured at FVTPL	**958.6**	**84.0**	**-**	**1,042.6**
Foreign exchange derivatives	1.6	659.5	-	661.1
Interest rate derivatives	0.1	161.9	-	162.0
Precious metal derivatives	2.5	136.7	-	139.2
Equity/indices derivatives	7.6	882.9	-	890.5
Credit derivatives	-	61.6	-	61.6
Other derivatives	7.0	-	-	7.0
Total derivative financial instruments	**18.9**	**1,902.7**	**-**	**1,921.6**
Financial liabilities designated at fair value	**-**	**14,523.1**	**312.7**	**14,835.9**
Deferred payments related to acquisitions	**-**	**-**	**0.1**	**0.1**
Total liabilities	**977.5**	**16,509.8**	**312.9**	**17,800.2**

	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	Valuation technique non-market-observable inputs Level 3 CHF m	31.12.2020 Total CHF m
Financial assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,856.8	298.8	232.9	3,388.5
Trading – equity instruments at FVTPL	8,167.6	1,746.7	50.4	9,964.7
Other securities mandatorily measured at FVTPL	2.6	51.5	22.5	76.5
Total financial assets measured at FVTPL	11,027.0	2,097.1	305.7	13,429.8
Foreign exchange derivatives	0.1	1,032.9	-	1,032.9
Interest rate derivatives	1.2	162.1	-	163.2
Precious metal derivatives	0.2	169.7	-	170.0
Equity/indices derivatives	28.4	1,156.3	-	1,184.7
Credit derivatives	-	11.3	-	11.3
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	30.1	2,532.2	-	2,562.3
Financial assets designated at fair value	8.5	64.7	196.3	269.6
Debt instruments at FVOCI	10,394.6	3,128.1	-	13,522.6
Equity instruments at FVOCI	-	1.4	272.3	273.7
Total financial assets measured at FVOCI	10,394.6	3,129.4	272.3	13,796.4
Total assets	21,460.2	7,823.5	774.4	30,058.0
Short positions – debt instruments at FVTPL	217.0	22.5	-	239.5
Short positions – equity instruments at FVTPL	626.3	30.7	-	657.0
Total financial liabilities measured at FVTPL	843.3	53.2	-	896.5
Foreign exchange derivatives	4.8	1,305.0	-	1,309.8
Interest rate derivatives	0.1	189.2	-	189.3
Precious metal derivatives	1.7	232.7	-	234.4
Equity/indices derivatives	5.7	778.0	-	783.6
Credit derivatives	-	36.6	-	36.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	13.1	2,541.5	-	2,554.6
Financial liabilities designated at fair value	-	12,889.8	265.0	13,154.8
Deferred payments related to acquisitions	-	-	18.8	18.8
Total liabilities	856.4	15,484.6	283.8	16,624.7

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

NOTE 10 CREDIT QUALITY ANALYSIS

The following table provides an analysis of the Group's exposure to credit risk by credit quality and expected credit loss stage; it is based on the Group's internal credit systems.

Exposure to credit risk by credit quality

	Moody's rating	12-month ECL (Stage 1) *CHF m*	Lifetime ECL not credit-impaired (Stage 2) *CHF m*	Lifetime ECL credit-impaired (Stage 3) *CHF m*	**30.06.2021** **Total** *CHF m*
Due from banks, at amortised cost					
R1–R4: Low to medium risk		4,611.8	-	-	**4,611.8**
R5–R6: Increased risk		407.2	-	-	**407.2**
R7–R10: Impaired		-	-	-	**-**
Total		5,019.0	-	-	**5,019.0**
Loss allowance		-0.0	-	-	-0.0
Carrying amount		**5,019.0**	**-**	**-**	**5,019.0**
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		40,796.1	47.5	-	**40,843.6**
R5–R6: Increased risk		1,442.8	238.6	-	**1,681.4**
R7–R10: Impaired		-	-	112.3	**112.3**
Total		42,239.0	286.1	112.3	**42,637.4**
Loss allowance		-3.1	-0.1	-81.8	-85.0
Carrying amount		**42,235.9**	**286.0**	**30.6**	**42,552.4**
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,024.2	341.3	-	**8,365.5**
R5–R6: Increased risk		-	44.9	-	**44.9**
R7–R10: Impaired		-	-	63.6	**63.6**
Total		8,024.2	386.2	63.6	**8,474.0**
Loss allowance		-1.4	-0.3	-2.8	-4.5
Carrying amount		**8,022.8**	**385.9**	**60.8**	**8,469.5**
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,632.9	-	-	**13,632.9**
R5–R6: Increased risk	Ba1 – B3	-	-	-	**-**
R7–R10: Impaired	Caa1 – C	-	-	-	**-**
Carrying amount		**13,632.9**	**-**	**-**	**13,632.9**
Loss allowance		-1.5	-	-	-1.5

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	31.12.2020 Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,876.7	-	-	6,876.7
R5–R6: Increased risk		473.2	-	-	473.2
R7–R10: Impaired		-	-	-	-
Total		7,349.9	-	-	7,349.9
Loss allowance		-0.1	-	-	-0.1
Carrying amount		7,349.9	-	-	7,349.9
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		36,382.9	30.5	-	36,413.4
R5–R6: Increased risk		1,761.5	213.5	-	1,975.0
R7–R10: Impaired		-	-	97.0	97.0
Total		38,144.4	244.0	97.0	38,485.3
Loss allowance		-1.6	-0.3	-75.2	-77.1
Carrying amount		38,142.8	243.7	21.8	38,408.3
Mortgages, at amortised cost					
R1–R4: Low to medium risk		8,361.8	335.7	-	8,697.6
R5–R6: Increased risk		16.2	31.1	-	47.4
R7–R10: Impaired		-	-	59.2	59.2
Total		8,378.1	366.9	59.2	8,804.1
Loss allowance		-1.8	-0.3	-2.7	-4.8
Carrying amount		8,376.3	366.6	56.5	8,799.3
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,522.6	-	-	13,522.6
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		13,522.6	-	-	13,522.6
Loss allowance		-1.8	-	-	-1.8

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the ongoing challenging economic environment and the related uncertainty. As a consequence, the growth assumption (based on the gross domestic products) used in the baseline scenario has been increased again for half-year reporting 2021; this after the Group had lowered it for the half-year reporting 2020 to an assumed negative forecast for the following periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, and in line with external guidance, the models used for the ECL calculation have not been modified due to the pandemic.

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

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

NOTE 11 ASSETS UNDER MANAGEMENT

	30.06.2021 *CHF m*	30.06.2020 *CHF m*	31.12.2020 *CHF m*
Assets with discretionary mandate	**79,306**	62,772	68,493
Other assets under management	**404,790**	337,699	363,611
Assets in collective investment schemes managed by the Group[1]	**1,778**	1,372	1,568
Total assets under management (including double counting)	**485,874**	401,843	433,672
of which double counting	**17,027**	*11,039*	*15,596*

	H1 2021 *CHF m*	H1 2020 *CHF m*	H2 2020 *CHF m*
Change through net new money	**9,877**	4,956	10,104
Change through market and currency impacts	**42,522**	-28,664	23,352
Change through divestment[2]	**-197**	-509	-1,617
Change through other effects[3]	**-**	-	-10
Client assets	**564,650**	468,046	505,496

[1] Collective investment schemes are related to Julius Baer Family Office Brasil Gestão de Patrimônio Ltda., São Paulo, and to Kairos Investment Management S.p.A., Milan.

[2] Assets under management were affected by the Group's decision to discontinue its offering to clients from a number of selected countries and completion of sale of Julius Baer Bank (Bahamas) Limited (2020).

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

Method of calculation

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

NOTE 12 ACQUISITIONS AND DISPOSALS

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

In the second half of 2020, the transaction with Ansbacher to acquire Julius Baer Bank (Bahamas) Ltd. was closed. The transaction price was based on the assets under management; no material gain or loss resulted from the transaction.

Kairos
In October 2020, the Group announced that a select number of key managers of Kairos acquired a minority interest in Kairos, with Julius Baer retaining a majority of the legal ownership in Kairos. The transaction has been executed on 1 December 2020. At the same time, the managers entered into put contracts to redeem their shares under certain conditions. According to the relevant IFRS accounting rules, and contrary to the legal view, the managers' shares do not qualify for treatment of non-controlling interests due to the put option structure. Therefore, the Group continues to fully consolidate Kairos without attributing equity or net profit to non-controlling interests. The anticipated costs for the exercise of the put option are recognised as personnel expense up to the assumed exercise date of the put option.

In January 2021, the CEO and another key manager of Kairos acquired minority interests in Kairos. Similar to the transaction in November 2020, the managers entered into put contracts to redeem their shares under certain conditions. In line with the relevant IFRS accounting rules, and contrary to the legal view, the managers' shares do not qualify for treatment of non-controlling interests due to the put option structure. Therefore, the Group continues to fully consolidate Kairos without attributing equity or net profit to non-controlling interests. Contrary to the transaction in November 2020, there are no additional costs to be recognised in the Group's financial statement.

CAPITAL RATIOS

	30.06.2021 *Basel III* *CHF m*	30.06.2020 *Basel III* *CHF m*	31.12.2020 *Basel III* *CHF m*
Risk-weighted positions			
Credit risk	**13,928.6**	14,194.2	13,755.5
Non-counterparty-related risk	**548.7**	576.0	580.5
Market risk	**1,188.9**	902.6	1,116.7
Operational risk	**5,791.7**	5,612.1	5,668.0
Total	**21,457.9**	21,284.9	21,120.7
Eligible capital			
CET1 capital	**3,583.1**	2,950.1	3,157.5
Tier 1 capital	**4,753.6**	4,118.6	4,296.3
of which hybrid tier 1 capital instruments[1]	***1,170.5***	*1,168.5*	*1,138.8*
Tier 2 capital	**136.2**	131.6	133.5
Total capital	**4,889.8**	4,250.2	4,429.7
CET1 capital ratio	**16.7%**	13.9%	14.9%
Tier 1 capital ratio	**22.2%**	19.3%	20.3%
Total capital ratio	**22.8%**	20.0%	21.0%

[1] The hybrid tier 1 instruments are tier 1 bonds issued by Julius Baer Group Ltd. (see Note 7 Debt issued).

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

A separate Basel III pillar 3 report, which shows a full reconciliation between all components of the Group's eligible regulatory capital and its reported IFRS balance sheet as at 30 June 2021, will be available from the end of August 2021 in the Regulatory Disclosures section of www.juliusbaer.com. The disclosure in the Basel III pillar 3 report is in accordance with the FINMA regulations governing the disclosure obligations regarding capital adequacy and liquidity.

ABBREVIATIONS USED IN THE GROUP'S FINANCIAL STATEMENTS

CET1	common equity tier 1
CFH	cash flow hedge
ECL	expected credit loss
EPS	earnings per share
FINMA	Swiss Financial Market Supervisory Authority
FVH	fair value hedge
FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss
IAS	International Accounting Standards (part of IFRS)
IBOR	interbank offered rate
IFRS	International Financial Reporting Standards
NIH	net investment hedge
OCI	other comprehensive income
OTC	over-the-counter derivatives
R1–R10	risk classes in the Group's internal rating system
SARON	Swiss Average Rate Overnight
SOFR	Secured Overnight Financing Rate
SWIFT	Society for Worldwide Interbank Financial Telecommunication

CORPORATE CONTACTS

Group Communications
Larissa Alghisi Rubner
Chief Communications Officer
Telephone +41 (0) 58 888 5777

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

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

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JULIUS BAER GROUP LTD.

Head Office
Bahnhofstrasse 36
P.O. Box
8010 Zurich
Switzerland
Telephone +41 (0) 58 888 1111
Fax +41 (0) 58 888 5517
www.juliusbaer.com

The Julius Baer Group
is present in more
than 60 locations worldwide,
including Zurich (Head Office),
Dubai, Frankfurt, Geneva,
Hong Kong, London, Luxembourg,
Mexico City, Milan, Monaco,
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São Paulo, Singapore and Tokyo.

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