



Julius Bär

BUSINESS REVIEW 2015

JULIUS BAER GROUP

PRE-PRINT AS AT 1 FEBRUARY 2016

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Front cover:

Little big Switzerland: from a vantage point high above Amden in the Canton of St. Gallen, the highest visible peak is the Muertschenstock in the adjoining Canton of Glarus. Completely hidden in the valley deep below is Lake Walen, one of the country's biggest lakes. It also feeds into Lake Zurich via the Linth River. In Switzerland, points may look as if they are almost close enough to touch, but it often takes a considerable journey to reach them. That is why Julius Baer maintains branches in both Zurich and St. Gallen, as well as at 11 additional locations in all regions of the country.

KEY FIGURES JULIUS BAER GROUP¹

	2015 CHF m	2014 CHF m	Change in %
Consolidated income statement			
Operating income	2,694.4	2,546.7	5.8
Adjusted operating expenses	2,385.4	1,840.3	29.6
Profit before taxes	309.0	706.4	-56.3
Adjusted net profit	279.2	585.8	-52.3
excluding US provision ²	701.5	585.8	19.7
Adjusted EPS (CHF)	1.28	2.68	-52.4
excluding US provision ²	3.21	2.68	19.7
Cost/income ratio ³	67.2%	69.9%	-
Pre-tax margin (basis points)	10.7	25.9	-
	31.12.2015	31.12.2014	Change in %
Client assets (CHF bn)			
Assets under management	299.7	290.6	3.1
Average assets under management	288.0	272.2	5.8
Net new money	12.1	12.7	-
Assets under custody	85.8	105.8	-18.9
Total client assets	385.5	396.4	-2.7
Consolidated balance sheet (CHF m)			
Total assets	84,115.5	82,233.8	2.3
Total equity	4,942.0	5,337.8	-7.4
BIS total capital ratio	19.4%	23.4%	-
BIS CET1 capital ratio	18.3%	22.0%	-
Return on equity (ROE) ⁴	8.3%	16.3%	-
Personnel			
Number of employees (FTE)	5,364	5,247	2.2
<i>of whom in Switzerland</i>	3,064	3,076	-0.4
<i>of whom abroad</i>	2,300	2,171	6.0
Capital structure			
Number of registered shares	223,809,448	223,809,448	-
Weighted average number of shares outstanding	218,613,533	218,451,680	-
Share capital (CHF m)	4.5	4.5	-
Book value per share outstanding (CHF)	23.0	24.6	-6.4
Market capitalisation (CHF m)	10,891	10,253	6.2
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa2	A1	
Listing			
Zurich, Switzerland	SIX Swiss Exchange under the securities number 10 248 496 Member of the Swiss Market Index SMI		

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

² Excluding the CHF 422.3 million impact on net profit of the USD 547.25 million provision for the settlement amount stemming from the final approval of the settlement with respect to a resolution regarding Julius Baer's legacy US cross-border business by the US Department of Justice. The resolution is subject to court process.

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

⁴ Adjusted net profit/average shareholders' equity less goodwill

FOREWORD

Dear Reader

Financial market developments in 2015 were dominated by declining monetary policy efficacy and growing cyclical divergence between emerging and developed economies. While overall investment performance was satisfactory, many asset classes took severe turns during the year. This contributed to pronounced seasonality in business momentum, with strong client activity in the first months of the year giving way to a more risk-averse stance in the second half. Following the unexpected move of the Swiss National Bank to abandon the Swiss franc's cap against the euro in mid-January 2015, we introduced a comprehensive set of measures to protect our Group's profitability against the negative effects of the strong Swiss franc in February 2015. In January 2016, the US Department of Justice gave Julius Baer its final approval of the settlement with respect to a resolution regarding its legacy US cross-border business, including the settlement amount totalling USD 547.25 million, for which we have set aside a corresponding provision. The resolution is subject to court process. As a consequence, the adjusted net profit¹ amounted to CHF 279 million for 2015. Excluding the US provision, the underlying net profit² was CHF 701 million, up 20% from 2014. At the end of 2015, our Group managed assets of CHF 300 billion, a record high.

**‘Assets under management reached a record high
of CHF 300 billion in 2015.’**

Following the formal closing of the acquisition of Merrill Lynch's International Wealth Management (IWM) business outside the US at the end of January 2015, the transfer of IWM's India business in September 2015 marked the final step of this landmark transaction. The potential for structural changes in the wealth management industry remains high, driven by margin pressure and thus the need for scale. We have every intention of taking advantage of the ongoing industry consolidation if and when opportunities arise, provided they meet our stringent strategic, cultural and financial criteria. 2015 saw us complete the acquisitions of Leumi Private Bank AG and Fransad Gestion SA in Switzerland, take a 40% strategic investment in NSC Asesores, the largest independent wealth manager in Mexico, and announce the increase of our stake in Italy-based Kairos from 19.9% to 80% and the acquisition of Commerzbank International SA Luxembourg, the latter two transactions expected to be completed in 2016. By continuously investing in our existing business, we adapt not only to shifting patterns in clients' investment behaviour but also to trends such as the swift spread and rising acceptance of digitalisation. Important initiatives launched in 2015 include the renewal of our core banking platforms globally, the overhaul of our online channels and the introduction of *Julius Baer – Your Wealth* as part of our substantially enhanced advisory process (see page 15).

¹ Cf. footnote 1 to the table on the previous page

² Cf. footnote 1 and 2 to the table on the previous page

Julius Baer remains well capitalised, even taking into account the impact of the aforementioned provision and the final IWM payment to Bank of America. With the aim to further optimise the Group's capital structure, Julius Baer successfully issued SGD 450 million of innovative additional tier 1 securities in November 2015, predominantly to Asian-based investors, underlining our strong commitment to Julius Baer's second home market. The new securities are fully Basel III-compliant. Some of the proceeds were used at the beginning of December 2015 to redeem 'old-style' preference securities issued in 2005. At the end of 2015, the Group's BIS total capital ratio stood at 19.4% and the BIS CET1 capital ratio at 18.3%, well above the floors as well as the required regulatory levels. The Board of Directors intends to propose to the Annual General Meeting on 13 April 2016 an increased dividend of CHF 1.10 per share. The total proposed dividend payout amounts to CHF 246 million, up from CHF 224 million in 2015.

Thanks to our strong position in most of our chosen markets, our focused and highly differentiated business model, our excellent standing with clients and, last but not least, our highly skilled and motivated employees, we are confident that Julius Baer will successfully master the challenges ahead and be able to exploit the many growth opportunities the international wealth management industry has to offer.

We would like to take this opportunity to express our sincerest thanks to our clients for their esteemed loyalty, to our employees for their unwavering commitment and to our shareholders and bond investors for their continued support.



Daniel J. Sauter
Chairman

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



Boris F.J. Collardi
Chief Executive Officer

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

FINANCIAL PERFORMANCE IN 2015

Assets under management ended the period at CHF 300 billion, an increase of 3%, despite the significant negative currency impact. While the financial result was impacted by the US provision, Julius Baer's operating performance improved strongly, resulting in underlying net profit¹ increasing by 20%. With a BIS total capital ratio of 19.4%, the Group remains solidly capitalised.



Dieter A. Enkelmann, Chief Financial Officer

Assets under management (AuM) increased by 3%, or CHF 9 billion, to CHF 300 billion. This included CHF 60 billion of AuM attributable to clients and relationship managers of the former Merrill Lynch International Wealth Management (IWM) business outside the US. The growth in AuM was the result of net new money of CHF 12 billion (4.2%) and a net positive acquisition impact of CHF 8 billion, partly offset by a negative currency impact of CHF 10 billion and negative market performance of CHF 1 billion. Net new money was driven by net inflows from all regions, with strong contributions from Asia, the Middle East, Israel and the domestic businesses in Monaco, Germany and Switzerland, as well as by a clear improvement in the contribution from the cross-border European business (particularly from the UK) despite the impact of the tax regularisations of legacy assets from clients domiciled in France and Italy. Following the departure of one large custody client at the start of 2015 and the negative currency impact, *assets under custody* came to CHF 86 billion.

Operating income grew to CHF 2,694 million, a rise of 6%, in line with the growth in monthly average AuM (to CHF 288 billion). As a result, the gross margin for the Group remained at 94 bps. *Net commission and fee income* contributed CHF 1,522 million, an increase of just CHF 4 million on the previous year, partly due to a 2% decline in brokerage commissions as a consequence of lower client risk appetite in the second half of the year. The analysis of net commission and fee income is impacted by the fact that in 2014 this line item still included revenues on IWM AuM that were reported but not yet booked on Julius Baer's platforms – as of 2015 these line items have been allocated to the applicable different operating income line items. *Net interest and dividend income* rose by 10% to CHF 711 million, driven by dividend income on trading portfolios, up from CHF 72 million to CHF 139 million. Excluding the latter item, underlying net interest and dividend income declined by 1% to CHF 572 million as the benefits of higher interest income from loans, increased treasury income and lower interest expense on deposits were offset by the impact of lower interest rates on trading portfolio holdings, negative interest on central bank deposits and an increase in hybrid debt issued. *Net trading income* rose by 33% to CHF 436 million. Including the aforementioned higher trading portfolios-related dividend income, underlying net trading income went up by 44% to CHF 575 million, supported by elevated foreign-exchange volatility and volumes in the first half of 2015, especially immediately following the Swiss National Bank's (SNB) decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. *Other ordinary*

¹ Cf. footnote 1 and 3 to the table on the next page

CONSOLIDATED INCOME STATEMENT¹

	2015 CHF m	2014 CHF m	Change %
Net interest and dividend income	711.5	647.7	9.9
Net commission and fee income	1,522.4	1,518.1	0.3
Net trading income	435.8	327.5	33.1
Other ordinary results	24.7	53.4	-53.7
Operating income	2,694.4	2,546.7	5.8
Personnel expenses	1,207.0	1,182.0	2.1
General expenses ²	1,083.0	572.8	89.1
Depreciation and amortisation	95.4	85.5	11.6
Adjusted operating expenses	2,385.4	1,840.3	29.6
Profit before taxes	309.0	706.4	-56.3
Income taxes	29.8	120.6	-75.3
Adjusted net profit	279.2	585.8	-52.3
excluding US provision ³	701.5	585.8	19.7
Attributable to:			
Shareholders of Julius Baer Group Ltd.	277.3	584.0	-52.5
Non-controlling interests	1.9	1.8	-
Adjusted EPS (CHF)	1.28	2.68	-52.4
excluding US provision ³	3.21	2.68	19.7
Key performance ratios			
Cost/income ratio ⁴	67.2%	69.9%	-
Gross margin (basis points)	93.6	93.5	-
Pre-tax margin (basis points)	10.7	25.9	-
Tax rate	9.7%	17.1%	-

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

² Including valuation allowances, provisions and losses.

³ Excluding the CHF 422.3 million impact on net profit of the USD 547.25 million provision for the settlement amount stemming from the final approval of the settlement with respect to a resolution regarding Julius Baer's legacy US cross-border business by the US Department of Justice. The resolution is subject to court process.

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

results, which among other items includes brand licensing income, income from associates, rental income and net gains/losses from the disposal of financial investments from the available-for-sale (AFS) portfolio, declined by CHF 29 million to CHF 25 million. This decrease came partly on the back of a CHF 14 million lower result related to AFS financial investments. In 2014, other ordinary results still included income related to Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. for the period prior to its first-time consolidation at the end of April 2014 following the increase in ownership from 30% to 80%.

Adjusted operating expenses went up to CHF 2,385 million, an increase of 30%, mainly as a consequence of the US provision of CHF 521 million. Excluding the US provision, the underlying operating expenses increased by 1% to CHF 1,864 million, well below the 6% increase in operating income. At 5,364 full-time equivalents (FTEs), of which 1,217 RMs, the total number of employees increased by 2%, or 117 FTEs (179 of which joined from Leumi Private Bank AG, IWM India and Fransad Gestion SA). The development of the monthly average number of employees relevant for the adjusted operating expense calculation was essentially flat, at 5,375. This flat development partly reflects the additional cost measures announced at the start of 2015 following the aforementioned SNB decision. *Adjusted*

personnel expenses grew by 2% to CHF 1,207 million, mainly impacted by slight increases in performance-based variable compensation, share-based payments and contributions to staff pension plans. *Adjusted general expenses* rose by 89% to CHF 1,083 million. This included a net charge of CHF 575 million for valuation allowances, provisions and losses, of which CHF 521 million for the US provision. Excluding the US provision, the underlying general expenses decreased by 2% to CHF 562 million, reflecting IWM-related synergies as well as the aforementioned additional cost measures and also helped by a CHF 7 million decrease in valuation allowances, (non-US provision related) provisions and losses (to CHF 53 million).

As a result, the adjusted *cost/income ratio*¹ improved from 70% to 67%, well inside the 65-70% range that the Group had set as a target to be reached from 2015 onwards.

Including the US provision, *adjusted profit before taxes* fell by 56% to CHF 309 million. The related income taxes declined to CHF 30 million, representing a tax rate of 9.7%. *Adjusted net profit*² decreased by 52% to CHF 279 million, and *adjusted earnings per share* by 52% to CHF 1.28.

Excluding the US provision, underlying profit before taxes grew by 17% to CHF 830 million and the underlying pre-tax margin from 26 bps to 29 bps, close to the 30-35 bps medium-term target range. The related income taxes increased to CHF 129 million, representing a tax rate of 15.5%. As a result, the underlying net profit³ – reflecting the underlying operating performance which allows a meaningful comparison of underlying results over time – improved by 20% to CHF 701 million, and the underlying earnings per share by 20% to CHF 3.21.

Breakdown of assets under management by currency

	31.12.2015	31.12.2014
USD	46%	43%
EUR	21%	22%
CHF	12%	13%
GBP	4%	5%
HKD	3%	2%
INR	2%	0%
SGD	2%	2%
JPY	1%	1%
Other	9%	12%

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

² Cf. footnote 1 to the table on page 5

³ Cf. footnote 1 and 3 to the table on page 5

ASSETS UNDER MANAGEMENT

	31.12.2015 CHF bn	31.12.2014 CHF bn	Change %
Client assets			
Assets under management	299.7	290.6	3.1
<i>Change through net new money</i>	12.1	12.7	-
<i>Change through market and currency impacts</i>	-10.4	17.2	-
<i>Change through acquisition</i>	8.0	6.3	-
<i>Change through divestment</i>	-0.6	-	-
Assets under custody	85.8	105.8	-18.9
Total client assets	385.5	396.4	-2.7
Average assets under management	288.0	272.2	5.8

As in previous years, in the analysis and discussion of the results in the Business Review, adjusted operating expenses exclude integration and restructuring expenses (CHF 46 million, down from CHF 113 million in 2014) as well as the amortisation of intangible assets related to acquisitions (CHF 124 million, slightly up from CHF 123 million in 2014). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements 2015, net profit decreased by 67% to CHF 123 million as the aforementioned strong improvement in underlying operating performance was more than offset by the US provision. After considering non-controlling interests, the IFRS net profit attributable to shareholders of Julius Baer decreased by 67% to CHF 121 million and EPS declined to CHF 0.55, down 67% from the CHF 1.68 achieved in 2014.

Balance sheet and capital developments

Total assets increased by CHF 1.9 billion, or 2%, to CHF 84.1 billion. Client deposits rose by CHF 3.0 billion, or 5%, to CHF 64.8 billion, and the loan book by CHF 2.7 billion, or 8%, to CHF 36.4 billion (comprising CHF 27.9 billion of Lombard loans and CHF 8.6 billion of mortgages). As a result, the loan-deposit ratio increased from 0.54 to 0.56. Over the same period, partly impacted by the US provision, total equity declined by CHF 0.4 billion to CHF 4.9 billion.

In November 2015, Julius Baer successfully placed SGD 450 million (CHF 315 million at the year-end exchange rate and net of capitalised issue costs) of perpetual non-cumulative additional tier 1 (AT1) securities with mainly Asian-based private and institutional investors. The securities carry a coupon of 5.90% and include an optional redemption call on 18 November 2020 or on 18 November of each year thereafter. This placement was followed in December 2015 by the redemption of all of the then outstanding non-cumulative guaranteed perpetual preferred securities (CHF 225 million).

At the end of 2015, total capital amounted to CHF 3.7 billion, of which CHF 3.5 billion CET1 capital. With risk-weighted assets at CHF 19.3 billion, this resulted in a *BIS total capital ratio* of 19.4% and a *BIS CET1 capital ratio* of 18.3%, well above the Group's floors of 15% and 11% respectively.

Updated capital and dividend framework

Following the final approval of the settlement regarding Julius Baer's legacy US cross-border business by the US Department of Justice (pending a court hearing on the resolution) and the completion of the integration of IWM, the Group has updated its capital and dividend framework.

Under the current regulatory capital requirements, Julius Baer at all times needs to have a (phase-in) BIS total capital of at least 12%, a (phase-in) BIS tier 1 ratio of at least 9.6% and a (phase-in) BIS CET1 capital ratio of 7.8%. The SNB temporary counter-cyclical buffer for Swiss mortgages must be added to these requirements, which presently adds 0.2 percentage points to the aforementioned minimum levels for Julius Baer. By taking into account the minimum regulatory requirements and the interests of its clients, AT1 investors and shareholders, the Group deems that its previous floor of 15% for the (phase-in) BIS total capital ratio remains appropriate. At the same time, the Group introduces a new floor for the (phase-in) BIS CET1 capital ratio of 11%.

While at all times considering the capital floors, Julius Baer has decided to introduce a sustainable and more predictable dividend policy, under which the ordinary pay-out ratio will increase towards 40% of adjusted net profit. Unless justified by significant events, on a per-share basis the ordinary dividend should normally be at least equal to the previous year's ordinary dividend. In its dividend proposals, the Board of Directors will always bear in mind the business and market outlook as well as any significant near-term investment requirements and opportunities. From time to time, the Board of Directors will assess the Group's capital situation and may, if justified, consider special dividends or share buybacks.

Breakdown of assets under management by asset mix

	31.12.2015	31.12.2014
Equities	27%	26%
Investment funds	23%	24%
Client deposits	21%	21%
Bonds/convertibles	19%	19%
Structured products	5%	5%
Money market instruments	4%	4%
Other	1%	1%

IWM update

The asset transfer process of the IWM transaction ended on the pre-agreed long-stop date at the end of January 2015, exactly two years after the principal closing of the transaction. The separate transfer of the IWM business in India, with AuM of CHF 6 billion, took place in September 2015.

Following the addition of the India business and taking into account the final acquisition adjustments, IWM AuM stood at CHF 60 billion based on market values at the end of 2015. Based on the asset values at the applicable transfer dates, a total of almost CHF 59 billion of client assets has been transferred. The Group has thereby met the transaction transfer target of at least CHF 57 billion.

The extrapolated gross margin on the IWM AuM advanced to 88 bps (2014: 86 bps), above the 2015 target of 85 basis points that was set when the acquisition was announced in 2012.

In relation to IWM, a further CHF 57 million of transaction, restructuring and integration costs incurred were partly offset by a pre-agreed contribution in the first half of 2015 of CHF 28 million from Bank of America Merrill Lynch to the acquisition-related incentive payments. The resulting net CHF 29 million of transaction, restructuring and integration costs in the first half of 2015 takes the total booked since the start of the transaction to CHF 381 million. The estimate for total transaction, restructuring and integration costs has been reduced from CHF 435 million to approximately CHF 420 million.

Updated operating targets

Having evaluated the Group's recent operating performance, its medium-term investments in growth and quality, as well as the current outlook for the business and market environment, Julius Baer has decided to reset its medium-term target range for the adjusted cost/income ratio (as always excluding valuation allowances, provisions and losses) from 65-70% to 64-68%, and to continue to target an adjusted pre-tax profit margin of at least 30 bps and a net new money range of 4-6%. In setting these targets, the Group has assumed the current level of the Swiss franc against the key currencies.

CONSOLIDATED BALANCE SHEET

	31.12.2015 CHF m	31.12.2014 CHF m	Change %
Assets			
Due from banks	6,901.1	8,922.6	-22.7
Loans to customers ¹	36,380.9	33,669.1	8.1
Trading assets	8,984.0	7,424.2	21.0
Financial investments available-for-sale	16,572.5	14,597.3	13.5
Goodwill and other intangible assets	2,316.4	2,363.9	-2.0
Other assets	12,960.6	15,256.7	-15.0
Total assets	84,115.5	82,233.8	2.3
Liabilities and equity			
Due to banks	4,672.0	5,190.2	-10.0
Deposits from customers	64,781.4	61,820.5	4.8
Financial liabilities designated at fair value	4,263.1	4,399.3	-3.1
Other liabilities	5,457.1	5,486.0	-0.5
Total liabilities	79,173.5	76,896.0	3.0
Equity attributable to shareholders of Julius Baer Group Ltd.	4,935.6	5,328.7	-7.4
Non-controlling interests	6.4	9.1	-
Total equity	4,942.0	5,337.8	-7.4
Total liabilities and equity	84,115.5	82,233.8	2.3
Key performance ratios			
Loan-to-deposit ratio	0.56	0.54	-
Book value per registered share outstanding (CHF) ²	23.0	24.6	-6.4
Return on equity (ROE) ³	8.3%	16.3%	-
BIS statistics			
Risk-weighted assets	19,294.8	16,977.7	13.6
BIS tier 1 capital	3,534.2	3,739.6	-5.5
BIS total capital ratio	19.4%	23.4%	-
BIS CET1 capital ratio	18.3%	22.0%	-

¹ Mostly Lombard lending and mortgages to clients

² Based on shareholders' equity

³ Adjusted net profit/average shareholders' equity less goodwill

BUSINESS DEVELOPMENT IN 2015

The growing cyclical divergence between emerging and developed economies led to heightened volatility of most asset classes in 2015. Together with the continued low interest rate environment, this provided ample opportunities to demonstrate the Group's breadth of expert advice and investment capabilities. In parallel, we continued to invest into our differentiated service offering.

The successful transfer of Merrill Lynch's International Wealth Management business¹ in India in September 2015 marked the final step of this landmark transaction that has shaped Julius Baer into the international reference in private banking.

Julius Baer launched the project to renew its core banking platforms globally. Its aim is to deliver an improved client experience, better operating efficiency and greater flexibility through the harmonisation of processing platforms. Following a staggered approach, the project has been launched in Asia and is planned to be implemented in other regions after its anticipated completion in Asia in 2017. The renewal process is managed within the normal operating and financial planning of the Group. The stand-alone European booking platform that will be acquired with Commerzbank International SA Luxembourg in 2016 runs on the same system as Julius Baer's target platform. It will provide us with more flexibility for our European businesses and strengthen the implementation of our global banking platform project.

Overall, the growing international trend towards enhanced client advice suitability is triggering substantial investments in IT tools to support the adapted advisory processes. The substantially enhanced Julius Baer Advisory Process with our new *Julius Baer – Your Wealth* service offering is in the midst of being rolled out globally and aims at providing suitable, consistent and harmonised state-of-the-art advice to our clients across all geographic regions. This will ensure a consistently high-quality client experience as well as compliance with local rules and regulations.

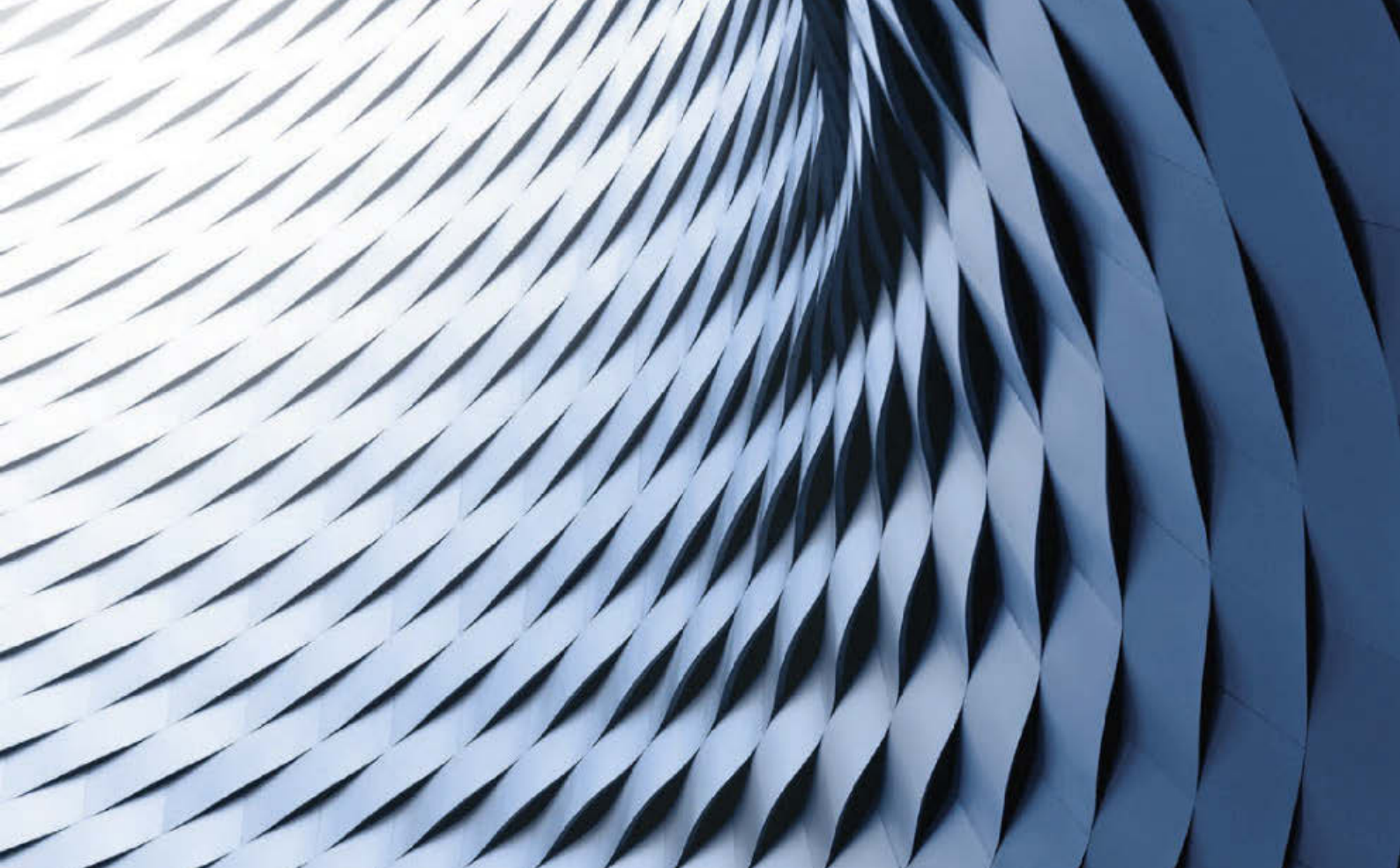
The Group continued to align its compliance, risk management and key business processes with growing international trends and rising standards. The introduction of qualifying tax crimes as a predicate offence for money laundering in various countries led to adapted measures to further strengthen the Group's anti-money laundering prevention. The related, comprehensive compliance training continued for the entire Group, particularly for client-facing staff, including mandatory certification programmes and corresponding refresher courses. The global trend towards formalised internal control mechanisms continued to accelerate. While this also added to administrative costs, our focused business model allowed for effective implementation.

The revised Markets in Financial Instruments Directive (MiFID II) in the EU and similar draft legislation in Switzerland (Federal Financial Services Act), likely to enter into force in 2018, will have a profound impact on how financial services and instruments may be offered. Based on the defined implementation scope, the analysis and design phase is currently in progress.

Following its introduction for individual accounts in mid-2014, the US tax legislation FATCA went live for legal entity accounts on 1 January 2015. All relevant Julius Baer entities are FATCA-registered. Back office and front employees have been trained to cope with the new requirements.

The legal basis for the automatic exchange of information in tax matters (AEI) between Switzerland and partner states was submitted to parliament at the beginning of June 2015. Switzerland and the EU

¹ Outside the US



signed an AEI agreement on 27 May 2015. The OECD's global AEI standard has been included in full in the new agreement. The first sets of data should be exchanged from 2018, thus replacing the bilateral savings tax agreement which has been in force since 2005. Once AEI is in use, regularisation of the past with neighbouring countries and key EU member states may be considered largely complete. The requirements for the implementation of AEI's underlying Common Reporting Standards have been defined, drawing on experience from and realising synergies with FATCA as well as strategic initiatives covering all of the Group's booking centres.

Amid the movement towards international tax transparency, we maintained a constructive, proactive stance vis-à-vis our clients, informing them about developments and opportunities to solve potentially outstanding tax issues. In January 2016, the US Department of Justice gave Julius Baer its final approval of the settlement with respect to a resolution regarding its legacy US cross-border business, including the settlement amount totalling

USD 547.25 million, for which we have set aside a corresponding provision. The resolution is subject to court process.

We continued our cooperation with our strategic partners Bank of America Merrill Lynch, Bank of China, Macquarie and Bank Leumi. These partnerships allow us to offer advice and services to high net worth individuals, business owners and family offices in areas of financing, corporate finance and investment solutions that go beyond traditional wealth management.

Firmly positioning the Group as a visionary leader in international private banking, the new advertising campaign *Visionary Thinking* was launched globally in mid-May 2015. It complements our successful partnership with FIA Formula E, which was extended in 2015 until 2019. And recognised for the seventh consecutive year at the Global Private Banking Awards by the renowned *Financial Times* publications *PWM Professional Wealth Management* and *The Banker*, Julius Baer was lauded as the *Best Private Bank for Growth Strategy* in 2015.

GLOBAL PRESENCE

Europe



Switzerland



Our locations in other parts of the world



- Head Office
 - Location
 - Booking centre
 - Julius Baer Wealth Management AG (Erlenbach/Zurich), strategic participation of 60% (formerly TFM Asset Management AG)
 - GPS, strategic participation of 80%
 - NSC Asesores, strategic minority participation of 40%
 - Kairos Julius Baer SIM SpA, strategic minority participation of 19.9% in its holding company (planned increase to 80% in 2016)
- Julius Baer is present in Milan with Julius Baer Fiduciaria S.r.l.

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

OUR BUSINESS ACTIVITIES

Switzerland

Our home market in the centre of Europe is a geographically and culturally highly diverse region. Despite being considered a mature and competitive wealth management market, Switzerland offers unexploited growth potential. Thanks to our comprehensive network of offices in all distinct parts of the country, our strong brand name, our specialised offering and expanding base of qualified relationship managers (RMs), net new money inflows held up well in 2015 while profitability was largely maintained despite the market-induced cyclicity in revenues.

The market Switzerland, in addition to the Group's Global Custody business, came under the new leadership of Barend Fruithof on 1 October 2015. He succeeded Giovanni M.S. Flury, who became a member of the Group's Executive Board on 1 January 2016. The existing growth momentum will be further accelerated in 2016 by introducing specially tailored offerings for each of our three segments: ultra-high net worth individuals (UHNWI), HNWI and custody clients. Newly introduced in Switzerland in autumn 2015, the advisory and service offering *Julius Baer – Your Wealth* (see page 15) will play a central role in achieving our ambitious targets. The UHNWI segment will be organised in a separate unit, enabling us to address the complex requirements of these clients even better. To the same end, the custody business will be repositioned to become an integral part of our offering for UHNWI clients and Family Offices.

Complemented by tailored regional and segment-specific marketing initiatives, these measures ultimately aim to significantly increase Julius Baer's market share in our home market of Switzerland. As a consequence, the senior management team has been further strengthened and also realigned geographically. The primary focus remains on the major economic centres, served and led from the respective locations in Zurich, Basle, Geneva, Lausanne and Ticino. The market strategy of all other locations (including Berne and Lucerne) is now coordinated under a uniform leadership.

Following the great success of our Edelweiss Mandates, tailored to the requirements of domestic investors, we successfully introduced the Edelweiss Fund at the beginning of February 2015. Julius Baer in Basle celebrated its 15th anniversary on 3 April 2015. At the beginning of December 2015, Julius Baer received the accolade as *Bank of the Year in Switzerland* from the renowned *Financial Times* publication *The Banker*.

Europe

Thanks to its large wealth concentration and multifaceted cultural proximity to Switzerland, Europe remains an important pillar in the overall private banking strategy of Julius Baer. With the regulatory environment continuing to undergo substantial changes, regularisation remained an important topic. Julius Baer continued to encourage clients to actively address potential tax issues of the past, a process that again negatively impacted net new money development in some jurisdictions in 2015, against overall positive net new money inflows in Europe.

Germany continues to be one of the most attractive wealth management destinations in Europe and an important market for Julius Baer, both locally as well as served from Switzerland. Against a backdrop of ongoing industry consolidation, our domestic German business's clear focus on private banking, its strong reputation and solid financial foundation continued to be well appreciated by existing and new clients. Our network of eight locations across the country and the steadily growing base of experienced RMs make this fragmented and mature market very accessible and allow for excellent client proximity and service. This contributed to the gratifying net new money inflows and the profitable development of the domestic private banking business in 2015.

The booking platform of Bank Julius Bär Europe AG in Frankfurt not only serves the local private banking business and its comprehensive offering but also is the custody platform for Julius Baer clients advised out of other EU locations. The platform's functionality was upgraded to meet the changing

regulatory environment and further expanded to meet the rising business volumes and required execution capabilities.

We continued to strengthen the Julius Baer brand in Germany through a variety of sponsoring activities and related client events in the areas of art, classical music and high-calibre sports. Identifying the best wealth managers in German-speaking Europe, the leading independent German financial publisher *Fuchsbriefe* named Julius Baer No. 1 of the Swiss private banks in its yearly mystery testing, *Tops 2016*.

In the attractive Benelux region, our current locations in the Netherlands and Luxembourg serve a broad client base with a strong international orientation as well as family offices. The business activities have been successfully streamlined, resulting in a stabilising asset base, improved profitability and solid foundation for future growth. Added to this, we are targeting selected Nordic markets. The acquisition of Commerzbank International SA Luxembourg, announced in December 2015, will add considerable scale to our local franchise. With its stable base of European clients and own booking centre, the fully licensed bank will allow us to significantly leverage our capabilities in this region and beyond.

In Southern Europe, our office in Madrid has made tangible progress in positioning Julius Baer as a specialised wealth manager with a differentiated offering for sophisticated clients. The strong presence in the media and the well-received marketing events helped to attract a healthy flow of net new money.

Julius Baer Monaco came under new leadership at the beginning of 2015. We were able to significantly accelerate last year's strong business momentum and attract record-high net new money inflows, thus significantly increasing our market share. Our successful relocation from four different buildings into two exclusive premises has further enhanced our visibility and the client experience in this important location and booking centre of the Group.

In Italy, our wealth management activities are focused on our partnership with Kairos Julius Baer SIM SpA. Julius Baer's stake in its holding company is planned to be increased from 19.9% currently to 80% in the course of 2016, followed by a partial local stock market listing as announced in mid-November 2015. With this step, we are capitalising on the strong development of the partnership. It will add to the current growth momentum, thus further strengthening our position in the Italian wealth management market.

In London, both the operational structure and the range of products and services have been reviewed and streamlined, which showed in healthy net new money inflows and improved profitability. The aim is to further develop a UK-centric offering that capitalises on Julius Baer's key strengths as a highly dedicated wealth manager and thus to capture the huge potential of this market. Our successful marketing cooperation with the British Museum was extended, complemented by a series of dinner events for existing and prospective clients centring on our Next Generation investment philosophy.

The growing wealth management market in Ireland is served from our office in Dublin. It is run as a branch of Julius Baer International Limited based in London.

Russia, Central & Eastern Europe

This large and fragmented region continued to be affected by geopolitical, regulatory and economic issues, which had a marked influence on client behaviour and the overall business outlook. Asset protection remained a priority among clients, associated with rising cash holdings, some deleveraging and a strong shift towards advisory and discretionary solutions. All in all, this weighed on profitability and depressed net new money inflows, which nevertheless remained clearly in positive territory.

The longer-term outlook for the region, however, remains intact. The growing reputation of Julius Baer as the leading Swiss private bank and employer of choice helped us improve our market standing and seize growth opportunities. Complementing our office in Moscow, our rapidly growing base of

specialised RMs serves this attractive region from our Singapore, London, Luxembourg, Monaco, Geneva, Zurich and Vienna locations as well as now also from Hong Kong. The geographic coverage of the region will be further expanded by adding RMs and teams, supported by dedicated investment offerings, specific client events and sponsoring activities centred on art and music.

Asia

Asia continues to feature many of the world's fastest growing countries with regard to financial wealth and number of HNWIs. Their wealth is expected to triple in the remainder of the decade, led by China on an absolute basis and India in relative terms as revealed by *Julius Baer Wealth Report: Asia* published at the end of October 2015 for the fifth time.

Julius Baer serves this large and diverse region from several locations, including the two booking centres in Singapore and Hong Kong, making it our second home market. Since 1 January 2016, the Asia Pacific region has been headed by Jimmy Lee Kong Eng. He took over from Dr Thomas R. Meier, who returned to Switzerland to serve the Group as Head of Corporate Sustainability.

We continued to broaden our offering to better meet the evolving demands of the local client base. In acknowledgement of our open product approach to investing and our proactive advisory stance, Julius Baer was presented with the *Most Effective Investment Service Offering* award at the *Private Banker International's Global Wealth Awards 2015*. Following a very busy first half of 2015, the currency and stock market jitters in the region saw clients moving more to the sidelines in the second semester, resulting in slowing business momentum and revenue growth. Net new money inflows, however, remained very healthy.

Our activities in Asia were supported by a series of events featuring our client centricity and investment excellence as well as by a number of high-calibre sponsoring activities in sports, art and classical music. In recognition of our achievements and dedicated client focus, Julius Baer received two accolades at the *WealthBriefingAsia Awards 2015*. The Bank was named winner in the category *Pure*

JULIUS BAER – YOUR WEALTH

Your investment needs are as individual as you are, which is why our solutions start with you. At Julius Baer, we take a 360-degree approach to managing your wealth, providing you with comprehensive, personalised services. *Julius Baer – Your Wealth* is our promise to fully understand your objectives – financial, business and personal – and to provide you with the right solutions for all of your investment needs.

The *Your Wealth* enhanced service offering builds upon our historic dedication to service excellence. Our relationship managers and experts are there for you as and when you need them, be it once a week for regular portfolio updates or simply as a sounding board for your own investment ideas.

No matter what your requirements, we have a solution for you based on extensive research, significant experience and our open product and service platform covering an ever expanding investment universe.

Our experienced specialists will help you holistically manage your wealth for the long term. As your aspirations develop, you can trust that we will be there at every stage to provide you with targeted advice in line with your chosen investment strategy as well as your interests and personal objectives.

Julius Baer – Your Wealth was launched in Switzerland in September 2015 and will be rolled out globally from 2016 to 2018.

Play Private Bank in both Hong Kong and Singapore. In addition, Julius Baer was named *Best Boutique Private Bank in Asia* for the sixth consecutive time by *The Asset*.

We are currently focusing on five key markets to achieve organic growth: Mainland China, Hong Kong, Indonesia, Singapore and India. Dedicated initiatives are underway to increase penetration in all of these attractive markets by broadening our RM base, leveraging our Asian investment capabilities and intensifying the collaboration with our dedicated partners in the region. In the past year, the latter resulted in steadily rising transaction volumes in areas such as financing, IPOs and loan structuring. At the end of 2015, we announced a 5% participation in NYSE-listed Jupai Holdings Ltd., a leading third-party wealth management service provider in China. The transaction will allow Julius Baer to gain valuable insight into one of the most successful players in Chinese onshore wealth management.

We also see opportunistic growth potential in other Asian markets such as Malaysia, the Philippines and Thailand. Our Japan-focused business centres on our majority stake in TFM Asset Management AG, which was renamed Julius Baer Wealth Management AG at the end of 2015 with rebranding to follow in 2016. We continued to invest in our business with Japanese clients, both internationally and locally via our Tokyo office, which resulted in improved profitability. The presentation of the second *Julius Baer Wealth Report: Japan* at the Swiss Embassy in Tokyo was well received by guests and some of Japan's most influential business publications.

The integration of IWM's business in India was successfully concluded at the end of September 2015. The domestic Indian market is served from five locations, making Julius Baer one of the largest and best established foreign wealth managers. We intend to capture India's huge wealth creation potential by growing our base of experienced RMs, broadening the range of available services and increasing our focus on advisory excellence. In the global non-resident Indian (NRI) markets, we further

expanded our base of RMs in several locations. These efforts resulted in gratifying net new money development in 2015.

Eastern Mediterranean, Middle East & Africa

This geographic area continues to be a key growth region for Julius Baer. Despite a challenging political environment in some of these markets and the general negative impact of declining oil prices, we were able to maintain the overall business momentum. On the back of our accelerating market penetration, we achieved excellent net new money inflows while largely maintaining sound profitability.

We have continued to broaden our coverage of the region, particularly by increasing the number of RMs in our regional hub in Dubai. In order to gain flexibility in tailoring our offering to the local investment requirements, we have established local capabilities of our Investment Solutions Group. In addition, we have introduced a local equity fund established in collaboration with a domestic partner.

A few markets on the African continent offer attractive growth opportunities for Julius Baer, allowing us to leverage our global investment expertise and service commitment. Established business owners with a strong international background as well as the emerging class of local entrepreneurs seeking international diversification of their asset base are the two client groups we are specifically addressing, with a prevailing focus on wealth preservation.

Israel

In a major step to significantly increase Julius Baer's penetration of this attractive market, we successfully transferred the client relationships and assets of Leumi Private Bank AG in Switzerland to the Julius Baer platform at the end of March 2015. This significantly strengthened our coverage of the Israeli market and firmly established Julius Baer as one of the top foreign private banks for Israeli clients. In parallel, the strategic cooperation programme with Bank Leumi gained momentum and produced first solid net new money inflows.

The flow of new business remained very healthy throughout the year, further adding to the enlarged base of assets under management and producing solid results. We continue to target Israel's significant growth prospects both domestically and in the global Israeli community by offering state-of-the-art wealth management solutions and providing access to our Group's global market intelligence.

Latin America

Leveraging our footprint in six countries now and benefiting from the steadily rising profile of the Julius Baer brand locally, we aim to further grow our business activities across Latin America. Following an encouraging first half of 2015, business momentum in this region slowed somewhat, reflecting the difficult economic and market conditions. However, the development varied considerably between the individual countries, which allowed us to achieve positive net new money inflows on the whole.

Despite the difficulties in Brazil, most of the region continues to offer significant growth potential, with solid wealth creation expected to be driven by further economic expansion. Our offices in Panama and Uruguay were brought under new leadership to further support the growth of business conducted out of these locations as well as to reinforce the realignment in Uruguay, which was transformed from a bank into a financial advisory office.

We are assessing opportunities to develop a strong domestic presence in selected markets, following the model successfully implemented with our 80% stake in GPS, the largest independent wealth manager in Brazil. GPS has shown very strong growth in the years since our involvement began, although the challenging market conditions since 2014 have slowed this momentum. While revenues held up well, they were impacted by adverse currency translation effects when measured in Swiss francs. The acquisition of a 40% minority participation in NSC Asesores, S.A. de C.V. (NSC), the leading financial advisory firm in Mexico, was successfully completed in early November 2015. This stake gives us access to one of the largest and most promising domestic wealth management markets in Latin America.

We continued to invest in brand recognition via joint initiatives with GPS and NSC as well as through a number of sport events. At the beginning of the year, we held our tenth annual Julius Baer conference in the seaside resort of Punta del Este in Uruguay, and this event was highly lauded by the over 900 guests who attended.

Independent Asset Managers and Independent Financial Advisers

As part of our business activities with intermediaries, the business with independent asset managers (IAMs) represents a core activity of Julius Baer. Leveraging on our existing strong Swiss market presence, we continued to expand our business activities in Asia and Latin America and entered other selected markets such as Monaco, the United Kingdom, South Africa and the Middle East. As a result, we successfully continued our growth path across all our markets and booking centres.

The acquisition of Geneva-based Fransad Gestion SA was announced in November 2015. This complements Julius Baer's existing independent wealth management business, Zurich-based WMPartners Wealth Management Ltd., and allows us to leverage both firms' key strengths and leading expertise across these two locations.

Given the growing regulation, our geographic coverage was streamlined to reduce complexity and ensure optimal client support. Hence, dedicated teams will cover specific markets based on the domicile of the intermediary and the client, thus maximising market expertise and delivering a consistent client experience. Additionally, in view of the rising demand for institutionalised advisory services, we addressed the particular needs of Independent Financial Advisers via a dedicated operational framework.

In order to better serve our professional partners and clients by ensuring a consistent and timely flow of market research and investment ideas, we continued to develop and implement our global sales management strategy. And given the importance of the IT offering and tool-supported processes in this particular business area, we significantly improved our online tools in Switzerland in 2015.

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

Providing expert advice on virtually all aspects of international investment activity is a core competence of Julius Baer. The timely availability of investment views and recommendations as well as their skilful implementation in mandates and portfolios across all investment categories and markets is assured by our specialised units Investment Solutions Group, Markets and Investor Services.

Investment Solutions Group

Investment Solutions Group (ISG) is Julius Baer's investment and service competence unit, providing client-centric services and products from its major hubs in Zurich and Singapore as well as from its key private banking locations in Europe, Middle East, Asia and Latin America. In order to further emphasise our commitment to clients' investment performance, a new Investment Management (IM) unit was created at the beginning of 2016. As a centre of investment and portfolio management (PM) expertise, IM complements the existing ISG unit and is headed by Yves Henri Bonzon, who joined Julius Baer on 1 February 2016.

Our relationship managers and thus ultimately our clients have access to a dedicated Products & Services Portal that reflects our singular, consistent house view on the financial markets and investment opportunities. This universe currently encompasses some 40,000 instruments across several asset classes and ensures full compliance with tax and distribution rules. Underlying our disciplined approach and high commitment to excellence, ISG has completed the accreditation of its individual sub-units according to ISO 9001, the standard for a certified management system.

Our Research unit further extended the equity coverage from 340 to 725 stocks by year-end 2015. In parallel, the fixed income universe was expanded to 250 issuers actively covered. Marketing material was made available for a total of some 11,200 fixed income securities. The expansion of our research coverage will continue in the coming months, making Julius Baer one of the leading independent buy-side research houses in Switzerland. On the products and distribution side, Research launched a new external state-of-the-art platform for e-banking clients and intermediaries.

As a signatory of UN-supported Principles for Responsible Investment (PRI) since September 2014, we introduced environmental, social and governance (ESG) metrics as additional investment criteria into our decision-making and ownership practices. Our activities will be reported under the annual PRI reporting framework by April 2016. To promote awareness and transparency of ESG dimensions to our clients, we included MSCI ESG Ratings and the MSCI ESG Impact Monitor for equities and fixed income in our research reports and marketing materials. Our Fund Solutions team integrated Morningstar's fund ESG score in its fund due diligence process, mirrored in the newly introduced Julius Baer Responsible Investment Fund Rating.

The whole of 2015 was marked by deflationary shocks, heavy currency fluctuations and question marks on global growth, all accompanied by geopolitical turmoil. At the same time, Chinese assets went on a roller coaster ride. Our Research unit was kept busy putting events and news in context and providing relationship managers and clients with expert guidance. In addition, several studies were published on trends in various industries with suggestions as to how investors can benefit from them, covering such themes as *global education*, *China healthcare demand* as well as *cyber security*.

Investment Solutions & Advisory acts as a holistic, client-centric business partner and unbiased point of entry into ISG for all the Group's relationship managers. The unit provides them with a continuous and proactive flow of state-of-the-art investment recommendations and advice as well as active support during the entire lifecycle of advisory mandates. Following the introduction of *Julius Baer – Your Wealth* (see page 15), Swiss clients were the first to enjoy the numerous benefits of the newly launched advisory mandates *Advice Basic* (advice for self-directed investors), *Advice Premium* (personal advice and systematic monitoring) and *Advice Advanced* (dedicated investment advisor and tailor-made investment strategy).

Current trends and hot topics such as *Exploring the disruptive powers of digital technology* have been identified within our *Next Generation* investment framework and presented in various formats like Next Generation Summits and the Group's corporate magazine *Vision*. Additionally, the number of Alpha Conferences, a platform that grants relationship managers direct access to best-in-class fund managers from our open product and service platform, grew from two in the year of inception to six successful conferences held in Dubai, Geneva, Zurich, London, Tel Aviv and Nassau, with clients participating for the first time. In order to introduce Africa as a promising investment landscape, a long-term initiative aimed at preparing investment content has been launched.

PM represents a core function at Julius Baer as it is the unit in charge of implementing the Group's sophisticated investment approach in client portfolios. The emphasis is on active, responsible and systematic management of client assets as well as on enhancement of the offering via specific mandate solutions and portfolio funds. This has allowed PM to continue catering to the complex needs of our clients and to support the Group's growth momentum.

The Fund Solutions unit continued to grow and further strengthened the fund selection-related processes. The recommended funds were subjected to additional in-depth research and analysis in order to assess investment risks and opportunities in terms of ESG governance. A Julius Baer Responsible Investment Fund Rating is now available for each recommendation. The Premium Solutions offering was further enhanced through a diversified range of industry-leading hedge funds as well as newly launched private equity initiatives. Customised hedge fund and private market portfolios were also added to complete our compelling alternative investments platform. The entire fund offering is based on our open, managed product platform approach and stands for unbiased analysis as well as access to the best investment houses and products.

The aim of our Wealth & Tax Planning (WTP) unit is to provide clients with high-quality advice and services and to turn clients' complex, multilayered

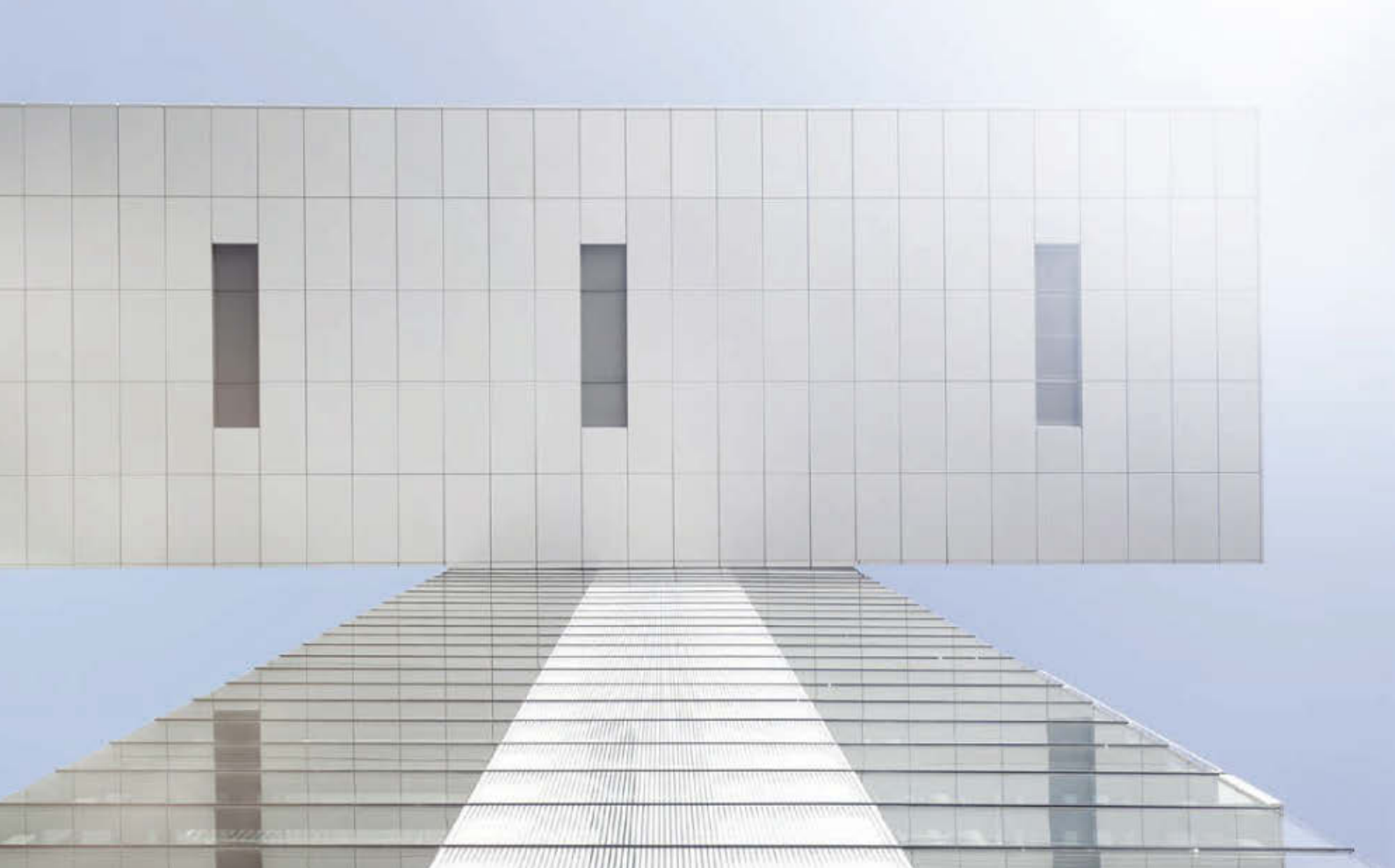
investment objectives into practical, sustainable solutions. WTP expanded its global presence by adding India as the final location from the IWM integration. WTP was commended as *Outstanding Wealth Planning and Trust Provider* at the Private Banker International's Global Wealth Awards 2015. Higher demand for our consulting as well as retirement and succession planning services were met with a further increase in the local service offerings, resulting in a rising share in assets under management for WTP solutions and advisory mandates. All of the Group's Trust Companies have for the first time executed the FATCA reporting for the various jurisdictions, thus acting as blueprint for its fiduciary structures.

ISG Asia successfully implemented a strategic reorganisation with the aim of further improving the product and service offering as well as consistently delivering an outstanding client experience. By combining the units Markets Asia Pacific and ISG Asia, the new *Markets ISG Asia* unit allows for a highly consistent offering while increasing the organisation's efficiency and client centricity. Business activity was particularly strong in the investment advisory and PM areas. The introduction of an exclusive range of investment funds met with significant interest from clients. The demand for WTP services and solutions continued to be healthy and is expected to accelerate further as a result of the inclusion of India as an additional market.

Markets

The Markets unit caters to the Group's private banking clients and serves certain direct client segments with trade execution, product structuring and advisory services across all asset classes. Markets manages the Group's open architecture in structured products and the issuing activities of Julius Baer. It – together with ISG – is the central unit for the distribution of financial solutions. *Julius Baer Market Link*, an Internet-based mobile real-time platform for trading-oriented clients, is also provided by Markets.

The decision by the Swiss National Bank to abandon the Swiss franc cap against the euro triggered unprecedented currency (FX) moves on 15 January 2015 and the following days. This, in combination



with generally higher FX volatility, contributed to substantially higher client trading volumes in currencies in early 2015. Similarly, more volatile equity markets created opportunities in structured products despite the market setbacks in Switzerland in January and in Asia during Q3 and also in Q4. The continued expansion of our offering benefiting Julius Baer's clients, including the launch of the *Markets Toolbox* for Independent Asset Managers in the second half of the year, was well received. The Asian share of transaction activities continued its remarkable rise over the past 12 months. 2016 will see a further increase in the client base of the Markets Toolbox and Market Link platform, and see us reap the full benefits of our technology investments, such as the go-live of a new FX risk management system in November 2015.

Investor Services

As a distinct business unit within the Group's market of Switzerland and thus of strategic relevance to Julius Baer, Investor Services is a leading dedicated provider of global custody solutions in Switzerland, Guernsey and Singapore. Our strategy is to offer best-in-class, bespoke services and to achieve superior growth in a highly competitive market by capitalising on Julius Baer's standing as a dedicated, independent and international wealth manager

with extensive custodian and depositary bank capabilities. Assets under custody amounted to CHF 86 billion at the end of December 2015.

Investor Services is well on track with its growth strategy despite adverse market conditions (negative interest rate environment) and enjoys an excellent reputation in selected markets, serving institutional and collective investors such as pension funds, foundations, insurance companies, investment managers and advisors as well as fund managers and administrators. A particular focus will be put on tailored custody services for family offices and UHNWI clients with institutional requirements going forward. Our aim is to be among the leading providers of global custody services in Europe and Asia. This ambition rests on our offering of country-specific expertise and client-oriented solutions comprising a broad range of professional services including custody, depositary offerings and a wealth of other value adding bank services.

OUR EMPLOYEES

The total number of employees (full-time equivalents or FTE) amounted to 5,364 at the end of December 2015. The increase by 117 or 2.2% compared to year-end 2014 also includes our new colleagues who joined from Leumi Private Bank AG in Geneva and Zurich in mid-March 2015 and from Merrill Lynch's International Wealth Management (IWM) business in India in September 2015. The total number of relationship managers increased from 1,155 FTEs to 1,217 FTEs in the course of the year.

The final IWM transfers again shifted the overall distribution of the Group's staff by location in favour of growth markets in 2015. While our home market of Switzerland still accommodates well over half of the employee population (57%, down from 59% in 2014), the Asia-Pacific region rose to 23% (20%), followed by the rest of Europe with 12% (13%), Latin America 6% (6%) and Middle East and Africa 2% (2%).

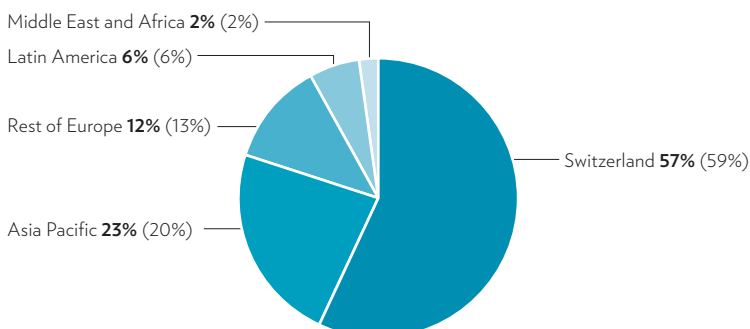
In order to mitigate the impact on the Group's profitability of the strong appreciation of the Swiss franc since mid-January 2015, Julius Baer launched an ongoing efficiency programme in early February 2015. Parallel to lowering general expenses, growth in personnel costs was tempered by a combination of controlled hiring and resource reallocation as well as the elimination of approximately 200 positions. The latter has been achieved through natural attrition and staff reductions. Given the Group's large cost base in Swiss francs, the programme was focused

particularly on Switzerland. By promoting work time flexibility, including permanent workload reduction or early retirement, redundancies have been minimised. Honouring our responsibility as an employer of choice, special care continues to be paid to mitigate hardship cases. The dedicated programme launched for that purpose aims at ensuring re-employability and has been very effective so far. It was partly funded by a voluntary salary reduction by senior management effective until the end of 2015, as part of the cost reduction efforts.

In order to further improve the Human Resources (HR) function's contribution to the implementation of Julius Baer's strategy, HR was brought under new leadership on 1 August 2015. To the same end, the Julius Baer Academy, our Group's dedicated education centre, established a state-of-the-art strategic Talent Management Centre of Expertise. It aims at fostering successful employees through an attractive learning curriculum that will enable them to take their careers one step further. In order to nurture talent for the Group's next generation of relationship managers and team leaders, the Academy's graduate programme was broadened to include the UK, Singapore and Hong Kong. On the back of the Group's substantially broadened advisory process and to comply with regulatory demands in various jurisdictions for relationship managers to be certified as a precondition for serving clients, the Academy introduced a global, structured training curriculum for relationship managers.

Julius Baer employees (FTE) by geography as at 31 December 2015

(31 December 2014)



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 citizen of society in all of our endeavours.

Corporate Sustainability at Julius Baer

Building on Julius Baer's various past sustainability activities, we initiated a coordinated and holistic management framework for sustainability issues in the final quarter of 2014 and have made significant progress over the past year in integrating the topic into the running of our company.

We have defined a set of guiding principles which govern the daily activities of Julius Baer and set the minimum professional standards for ethical business conduct – summarised in the *Our Professional Standards* document¹.

As a key step towards advancing the sustainability topic within our business, we have also continued to incorporate environmental, social and governance considerations into our investment selection process, whose progress will be documented through dedicated reporting (see page 18f.).

To ensure that external suppliers who provide Julius Baer with products and services match the stringent social and environmental criteria we apply to ourselves, we have launched a dedicated evaluation programme. This initiative is currently ongoing.

Through various channels and specialists, Julius Baer maintains an active dialogue with our diverse stakeholder groups – clients, employees, shareholders, regulators, the media, suppliers, NGOs and the communities we are active in. We thus take part in numerous industry associations and stay abreast of the topics affecting the financial industry as well as

the areas where we can have an impact. Going forward, we intend to deepen this interaction (e.g. through employee-engagement surveys) to identify potential areas of improvement.

As a complement to the framework introduced in 2014 for the political engagement of employees in Switzerland, Julius Baer is in the final phase of setting up a comprehensive global volunteering concept. The goal is to create a sustainable positive impact in the communities we serve through a broad range of knowledge and skill sharing projects.

While Julius Baer does not operate any industrial facilities, we as a company still create a considerable ecological footprint. Therefore, 2015 saw us define an environmental efficiency management approach, put in place a set of goals (2015–2020) and begin work on the individual measures. One such action was to initiate the progressive switch of our main Swiss locations to the use of 100% renewable energy by 2018.

In a milestone move, the Julius Baer Group committed to being carbon neutral as of 2015 through the purchase of CO₂ compensation certificates. South Pole Group was selected as the provider, and the two projects we support fulfil the stringent criteria of the Gold Carbon Standard. In addition, we are compensating for selected key international events as well as for the production of all of our key publications.

¹ www.juliusbaer.com/ourprofessionalstandards



JULIUS BAER SUPPORTS LEARNING AND SCHOOL INTEGRATION IN THE CANTON OF ZURICH

Overcoming obstacles in school is particularly hard for children with a migration background. Complicated by differing cultural and language circumstances, these pupils are mostly deprived of educational support at home. This is where Future Kids – a project newly supported by Julius Baer since 2015 – makes a difference at three schools in the City and the Canton of Zurich, Switzerland.

Complementing the remedial education offered at public schools, teachers select pupils to participate in the Future Kids' mentoring programme. The aim is not only to help the children successfully complete homework but also to provide them with sustainable learning strategies, thus fostering better scholastic achievement in the longer term. University students become trusted sparring partners of the youngsters for up to two years and in turn benefit from an intercultural teaching experience that is highly relevant in today's world. These mentors record the sessions in detailed learning journals.

On the occasion of the Julius Baer Foundation's 50th anniversary in 2015, it financed an impact study of the programme based on these journals, conducted by the Zurich University of Teacher Education. By analysing numerous interviews, the study revealed a broad array of qualitative factors which confirm that the programme's impact reaches far beyond matters of learning, i.e. it raises the level of awareness among the individual families about their children's need for support and helps the pupils to build self-confidence and improve their self-esteem.

Future Kids is a programme of Zurich-based AÖZ, an independent public non-profit organisation of the City of Zurich specialised in providing a broad array of social, educational and integration services for migrants.

In order to also contribute internally to CO₂ reduction, we introduced climate-friendly menus at our biggest staff canteen in Zurich-Altstetten, Switzerland, in mid-May 2015. We plan to extend this programme to further staff restaurants during the first half of 2016.

The first comprehensive Corporate Sustainability Report of the Julius Baer Group, containing details on the above activities, will be published before the end of March 2016.

Community engagement

Present in more than 50 locations around the world, Julius Baer places strong emphasis on engaging in a variety of ways in the local communities in which we operate:

- The Julius Baer Foundation serves as the formal charitable arm of the Julius Baer Group
- Julius Baer Cares encompasses bottom-up community engagement organisations set up and driven by employees in a number of Group locations
- The Julius Baer Art Collection specialises in works by contemporary Swiss artists as well as by artists living in Switzerland (www.juliusbaer.com/artcollection)
- A wide spectrum of cultural activities is supported through sponsoring channels (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 alongside their regular work.

We also explore and promote research and dialogue on topics that affect the future of humanity as a whole – through our Next Generation platform as well as through our partnership with the think tank W.I.R.E.

Julius Baer Foundation

Back in 1965, Bank Julius Baer was the first Swiss bank to establish a charitable foundation. 2015 was thus a special year, marking the 125-year anniversary of the Bank as well as the 50th anniversary of the Julius Baer Foundation.

Over the last four years, the Foundation has focused its engagement on helping children and young adults, inspiring projects in Switzerland and around the world. More information is available at www.juliusbaer.com/foundation.

The Foundation selects promising projects managed by organisations with an excellent track record and a good reputation. Support from the Foundation is designed to make a lasting impact on projects, to help them become financially self-sufficient and to improve their ability to attract other partners over time.

‘The projects we support aim to have a positive, long-term impact on as many children and young adults as possible.’

Through the Foundation, we assist various projects in Europe, Asia, Africa and Latin America:

In Switzerland, the Foundation mainly supports projects focused on the integration of children and young adults from immigrant families and on pupils with learning difficulties, e.g. by nurturing their respect for different cultures through the teaching of ballroom dancing, by providing complementary coaching at primary schools and by helping young people entering their professional life.

In Europe, the Foundation sustains projects focused on vocational education. In order to become responsible and independent adults, youngsters in the European part of Russia and in Kosovo who have difficult backgrounds are introduced to professions offering better job opportunities. In response to the refugee crisis, the Foundation has decided to engage in providing transit accommodation facilities for unaccompanied minor refugees in order to prevent violence during their transit phase and facilitate their stay in Greece.

In Asia, various projects are supported in favour of children and young adults, such as building boarding houses and primary schools in Laos and Myanmar, supporting orphanages in China and Nepal, constructing water collection systems in remote villages in Bali and engaging in vocational education centres in Indonesia and Cambodia. Following the powerful earthquake in Nepal at the end of April 2015, the Foundation made a substantial donation in favour of children and motivated the Bank's employees worldwide to participate by matching their private donations.

In Africa, the Foundation sustains projects in education, mainly by building schools, learning centres and libraries in Tanzania, Ethiopia and South Africa.

In Latin America, the Foundation aids an orphanage in Bolivia. In Nicaragua, various economic initiatives are supported to give young people new prospects for the future, making it possible for them to remain in their rural regions.

At the beginning of 2015, the Foundation entered a strategic partnership with Switzerland-based philanthropic impact investor *elea Foundation for Ethics in Globalization*, getting involved in two projects of their portfolio – one in Madagascar, providing reliable access to renewable energy in rural areas, and one in India, offering access to basic products and services by creating a rural distribution network. Our support will be broadened with two additional projects in 2016.

In autumn 2015, the Foundation again contributed the Public Award for the animated short film festival *Fantoche* and endowed the first *VISARTE Kunst am Bau Award* for the newly established contest for commissioned art in Switzerland.

Cultural activities add value to society at large far beyond their immediate purpose, as shown by the study *Culture as an economic factor* conducted by *BAK Basel* on behalf of the Foundation on the occasion of its 50th anniversary. It found that cultural institutions in the Zurich region generated

a business volume well in excess of half a billion Swiss francs in 2013, directly, and indirectly via suppliers, visitors and tourists.

Also on the occasion of the Foundation's jubilee, an impact study was financed for one of the supported projects in Switzerland (see page 23). In addition, the Foundation Board decided to match all fundraising activities organised by the *Julius Baer Cares* units.

Julius Baer Cares

In parallel to the efforts of the Foundation, Julius Baer has a vibrant community engagement movement emanating from its employees in Hong Kong, Singapore, Switzerland, Uruguay, Panama, UK & Ireland as well as Guernsey. Proudly carrying the name *Julius Baer Cares*, the individual organisations are run on a purely volunteer basis by employees. Their individual activities share the same focus of *Caring for others* and *Caring for the environment* in their local communities.

Examples of some of the initiatives conducted throughout the year include:

- Business clothes collection in Hong Kong in support of the *Suits for Success* charity drive for underprivileged youths as they enter summer internship programmes.
- Fundraising campaign by our Hong Kong office to support Mongolia-based *Desert Rose Shelter for Girls*, which aims to help girls who have run away from home.
- Classical musical instrument collection in Switzerland for the benefit of *Superar Suisse*, which promotes music, singing and dance to children and youngsters.
- One-day seminar led by Zurich-based employees for students of the *SEMO programme* (Semester of Motivation) on prevention of indebtedness and responsible use of social media.
- Fundraising and volunteering support in Uruguay and Panama for two local educational centres, *Providencia* and *Casa Esperanza*, respectively.

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 based around the world. Our client relationships are built on partnership, continuity and mutual trust. The renowned brand Julius Baer is synonymous with best-in-class investment and wealth planning solutions based on a truly open, managed 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 based primarily on four cornerstones:

- We passionately live **pure** private banking – for our clients locally and worldwide
- We are **independent** – remaining true to our Swiss family heritage
- We give **objective** advice – leveraging our expertise via our unique open product platform
- We are **entrepreneurial** and innovative – setting the pace in the industry

These cornerstones are complemented by prudent financial and risk management, resulting in a very strong capital base and comparatively low risk

profile. We aim at achieving sustainable and industry-leading profitable growth, thus remaining competitive and highly attractive for our clients, for the relationship managers (RMs) taking care of them, for all other employees and for our Swiss and international shareholder base.

Our strategic priorities are centred on capturing the strong wealth creation dynamics of growth markets and on further penetrating the high wealth concentration of our core European markets. In addition to fostering organic growth, broadening our base of highly qualified RMs and cooperating with strong partners, Julius Baer is also open to opportunistic acquisitions provided they offer a convincing strategic and cultural fit and are value-enhancing.

Julius Baer Group Ltd.

Board of Directors
Daniel J. Sauter, Chairman

Chief Executive Officer
Boris F.J. Collardi

Chief Financial Officer	Chief Operating Officer	Chief Risk Officer	Chief Communications Officer	General Counsel	Business Representative
Dieter A. Enkelmann	Gregory F. Gatesman	Bernhard Hodler	Jan A. Bielinski	Christoph Hiestand	Giovanni M.S. Flury

Executive Board¹

¹ As at 1 January 2016

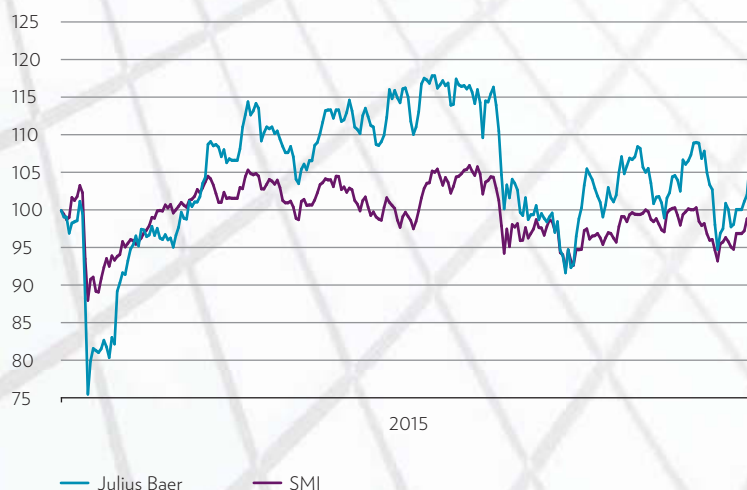
JULIUS BAER ON THE STOCK EXCHANGE

The Julius Baer Group, headquartered in Zurich, ranks among the largest publicly listed financial service providers in Switzerland. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank with origins dating back to 1890, is the Group's largest company and main operating entity. It is complemented by a number of specialised companies essential to providing our international clientele with a full array of state-of-the-art wealth management services.

Julius Baer Group Ltd.'s shares are listed on the SIX Swiss Exchange. They are a member of the Swiss Market Index (SMI), which comprises the 20 largest and most liquid blue chip companies traded on the SIX Swiss Exchange. At the end of 2015, the market capitalisation of the Group's shares was CHF 10.9 billion.

The international rating agency Moody's assigns a solid Aa2 long-term deposit rating and the highest possible short-term deposit rating of Prime-1 to Bank Julius Baer & Co. Ltd.

Performance of Julius Baer registered share (indexed)



IMPORTANT DATES

Publication of Annual Report 2015: 21 March 2016
Annual General Meeting: 13 April 2016
Publication of Interim Management Statement: 19 May 2016
Publication of 2016 half-year results: 25 July 2016

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

Once published, the Annual Report 2015 of Julius Baer Group Ltd. containing the audited IFRS financial accounts of the Julius Baer Group for the year 2015 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 for the environment. Therefore this publication was printed on FSC-certified paper.

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



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Monaco, Montevideo, Moscow,
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01.02.2016 Publ. No. PU00062EN
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