

Julius Bär

BUSINESS REVIEW FIRST HALF 2017

JULIUS BAER GROUP

Pre-print as at 24 July 2017

OUR MISSION

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

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

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

We are **independent** – remaining true to our Swiss family heritage

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

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

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

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

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

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IMPORTANT DATES AND CORPORATE CONTACTS

Front cover:

Lake Gries in the Canton of Valais is one of the highest reservoirs in Switzerland. Completed in 1966, the dam wall is 60 metres high and its crest is 2,387.5 metres above sea level, only about 100 metres lower than the nearby Nufenen Pass. Today, Lake Gries feeds six power plants, directly and indirectly at various levels, before the water reaches Lake Maggiore near Brissago in the neighbouring Canton of Ticino. Switzerland is considered the watershed of Europe. With the aid of dam reservoirs and hydropower plants, this wealth of water has also been used for decades to produce electricity, covering about 15% of the country's total domestic energy consumption.

KEY FIGURES JULIUS BAER GROUP¹

	H1 2017 CHF m	H1 2016 CHF m	H2 2016 CHF m	Change to H1 2016 in %
Consolidated income statement				
Operating income	1,591.8	1,424.6	1,427.8	11.7
Adjusted operating expenses	1,098.1	939.6	1,065.2	16.9
Profit before taxes	493.7	485.0	362.6	1.8
Adjusted net profit for the Group	403.6	402.0	303.6	0.4
Cost/income ratio ²	69.1%	64.7%	73.0%	-
Pre-tax margin (basis points)	28.4	32.2	22.3	-
	30.06.2017	30.06.2016	31.12.2016	Change to 31.12.2016 in %
Assets under management (CHF bn)				
Assets under management	354.7	311.4	336.2	5.5
Net new money (in period)	10.2	5.5	6.4	-
Consolidated balance sheet (CHF m)				
Total assets	93,150.8	87,750.7	96,207.2	-3.2
Total equity	5,427.5	5,171.5	5,353.9	1.4
BIS total capital ratio	18.5%	17.3%	17.5%	-
BIS CET1 capital ratio	14.9%	15.9%	16.4%	-
Personnel (FTE)				
Number of employees	6,205	5,856	6,026	3.0
Number of relationship managers	1,381	1,284	1,383	-0.1
Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Market capitalisation (CHF m)	11,291	8,686	10,123	11.5
Moody's rating Bank Julius Baer & Co. Ltd.				
Long-term deposit rating	Aa2	Aa2	Aa2	-
Short-term deposit rating	Prime-1	Prime-1	Prime-1	-

¹ Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments. Including these items, the IFRS net profit for the first half of 2017 amounted to CHF 357 million (H1 2016 CHF 362 million, H2 2016 CHF 260 million).

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

FOREWORD

Dear Reader

Despite the numerous scheduled and surprise political events that continued to dominate the general news flow in the first six months of this year, solid and improving economic fundamentals contributed to robust financial market performance overall. As a result, investor sentiment gradually improved, leading to a pickup in client activity, which in turn benefitted our Group's margin development. Assets under management increased by 6% to CHF 355 billion by mid-year 2017, primarily driven by the positive market development and accelerating net new money inflows. The net new money growth confirms the tangible success of last year's hiring of a substantial number of senior relationship managers. As envisaged at the time, this is now starting to benefit our Group's productivity as measured by the cost/income ratio.

**'We expect our Group's productivity gains
to be sustainable.'**

The Group's operating environment is changing rapidly. Technology is the determining factor to keep pace, but more importantly it is a key enabler for us to further enhance the wealth management experience of our clientele. Digital platforms have become the standard approach to reduce complexity, to adapt to today's progressively mobile lifestyle and to ensure compliance with ever-increasing regulatory standards. But beyond that, the trend to digitisation has broad implications for the way we work, as an organisation but also on an individual level. It affects how we interact and how we ultimately meet the rapidly evolving demands and expectations of our stakeholders, most importantly those of our clients.

All this makes forward-looking stewardship and decisive action an imperative – and we are fortunate to be able to move from a position of strength. In order to ensure industry leadership, we are working on different fronts across the Group on deepening client relationships, enhancing the quality of our revenue base, increasing efficiency and being the destination for industry talent. All these efforts form a programme that will set the pace in the coming years. We are already making tangible progress, validating the inherent strength of our organisation and its proven ability to meet far-reaching goals.

The strong standing of Julius Baer in our chosen markets is backed by a solid capital position. At the end of June 2017, the Group's BIS total capital ratio stood at 18.5% and its BIS CET1 capital ratio at 14.9%, above the Group's own floors of 15% and 11%, respectively, and significantly higher than the regulatory minimums of 12.2% and 8%, respectively. On a Basel III fully-applied basis, the capital ratios improved by well over a percentage point from the levels reached at the end of 2016. This underlines the capital-generative nature of our activities while the implied capital buffer provides us with ample room to steer and develop our business.

Our work reflects our determination to maintain Julius Baer's strategic direction and our successful track record of long-term sustainable value creation. Our client-centric business model focused on pure private banking remains at the core of our strategy. While technology undeniably provides us with the essential means to reach our ambitious goals, it will never be a substitute for what private banking stands for at Julius Baer: direct and personalised client interaction based on mutual trust and understanding. We thank all our stakeholders for their support on our continuous journey.



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 FIRST HALF 2017

Since the end of 2016, assets under management grew by 6% to CHF 355 billion, supported by a strong improvement in net new money. Excluding the positive impacts of the Kairos fair value adjustment and the Swiss pension fund plan amendment from the results in the first half of 2016, the year-on-year improvement in adjusted profit before tax¹ was 29%. This reflects the incremental revenue benefits from last year's relationship manager hiring as well as an improved market environment.



Dieter A. Enkelmann, Chief Financial Officer

Assets under management (AuM) ended the first six months at CHF 355 billion, an increase of CHF 19 billion, or 6%, since the end of 2016. The growth in AuM was the result of market performance of CHF 16.8 billion, net new money of CHF 10.2 billion (6.1% annualised) and a net positive acquisition impact of CHF 0.3 billion, partly offset by a negative currency impact of CHF 8.9 billion, mainly due to the 6% fall in the USD/CHF exchange rate.

The net new money pace accelerated to 6.1% (annualised), exceeding the Group's medium-term target range (4–6%). Net new money was helped particularly by strong net inflows from clients domiciled in Asia, the Middle East and Monaco, as well as a substantial recovery in net inflows in Latin America. The relationship managers (RMs) hired in 2016 contributed significantly to the inflows.

Operating income rose to CHF 1,592 million. The 12% increase was lower than the 16% growth in monthly average AuM (to CHF 348 billion), which led to a decline in the gross margin by 3 basis points (bps) to 92 bps. However, in H1 2016 operating income included a positive fair value adjustment of CHF 39 million (or 2.6 bps in gross margin terms) resulting from the acquisition of an additional 60.1% stake in Kairos. Excluding this impact, the rise in operating income was 15% year on year, and the gross margin was largely unchanged.

‘The net new money pace accelerated to 6.1% on an annualised basis in the first half of 2017, exceeding the Group's medium-term target range of 4–6%.’

Net commission and fee income grew by 25% to CHF 922 million. The significant increase was driven by a further improvement in asset-based fee income (partly following the higher relative share of advisory mandates and a full six-month contribution from Kairos, which was consolidated as of 1 April 2016), as well as by strong growth in client transaction commissions.

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

CONSOLIDATED INCOME STATEMENT¹

	H1 2017 CHF m	H1 2016 CHF m	H2 2016 CHF m	Change to H1 2016 in %
Net interest and dividend income	566.3	510.0	367.1	11.0
Net commission and fee income	921.8	739.3	825.7	24.7
Net trading income	90.0	117.6	214.9	-23.4
Other ordinary results	13.7	57.7	20.2	-76.3
Operating income	1,591.8	1,424.6	1,427.8	11.7
Personnel expenses	761.5	623.1	694.9	22.2
General expenses ²	294.4	285.1	327.2	3.2
Depreciation and amortisation	42.2	31.4	43.1	34.4
Adjusted operating expenses	1,098.1	939.6	1,065.2	16.9
Profit before taxes	493.7	485.0	362.6	1.8
Income taxes	90.2	83.0	59.1	8.6
Adjusted net profit for the Group	403.6	402.0	303.6	0.4
Attributable to:				
Shareholders of Julius Baer Group Ltd.	399.1	400.7	300.7	-0.4
Non-controlling interests	4.5	1.2	2.9	269.9
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	1.84	1.84	1.38	-0.2
Key performance ratios				
Cost/income ratio ³	69.1%	64.7%	73.0%	-
Gross margin (basis points)	91.6	94.7	87.7	-
Pre-tax margin (basis points)	28.4	32.2	22.3	-
Tax rate	18.3%	17.1%	16.3%	-

¹ Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments. Including these items, the IFRS net profit for the first half of 2017 amounted to CHF 357 million (H1 2016 CHF 362 million, H2 2016 CHF 260 million).

² Including valuation allowances, provisions and losses.

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

Net interest and dividend income rose by 11% to CHF 566 million. It included dividend income on trading portfolios of CHF 181 million, up 1%. Excluding this item, underlying net interest and dividend income went up by 17% to CHF 385 million. This growth was driven mainly by an increase in loan volumes as well as higher credit spreads.

Net trading income fell by 23% to CHF 90 million. Including the aforementioned trading portfolios-related dividend income, underlying net trading income decreased by 9% to CHF 271 million. This decline follows a decrease in overall FX volatility and volumes compared to H1 2016, when trading income benefited from elevated FX activity following the result of the Brexit referendum in the UK.

Other ordinary results (which among other items includes income from associates, rental income and net gains/losses from the disposal of financial investments from the available-for-sale portfolio), fell by CHF 44 million to CHF 14 million. The decline is largely attributable to the positive fair value adjustment of CHF 39 million related to the Kairos acquisition recorded in H1 2016. It is also attributable to the termination of the brand licensing agreement with GAM earlier this year.

Breakdown of assets under management by currency

	30.06.2017	30.06.2016	31.12.2016
USD	45%	44%	45%
EUR	22%	23%	22%
CHF	11%	11%	11%
GBP	4%	4%	4%
HKD	3%	2%	3%
SGD	2%	2%	2%
RUB	1%	1%	1%
CAD	1%	1%	1%
Other	11%	12%	11%

Adjusted operating expenses increased by 17% to CHF 1,098 million. However, in H1 2016 operating expenses included a benefit of CHF 63 million resulting from an amendment of the Swiss pension plan. Excluding this impact, the year-on-year increase in operating expenses was 10%.

‘The cost/income ratio improved significantly in the first half of 2017 compared to the second half of last year, reflecting the incremental revenue benefits from last year’s relationship manager hiring as well as an improved market environment.’

At 6,205 full-time equivalents (FTEs), personnel rose by 6%, or 349 FTEs, in the twelve months since 30 June 2016. The number of RMs grew by 8% from 1,284 to 1,381 FTEs over the same period. The average number of employees increased by 8% year on year to 6,154.

Adjusted *personnel expenses* grew to CHF 762 million, a rise of 22%. Excluding the pension fund-related benefit of CHF 63 million in H1 2016, the increase in adjusted personnel expenses was 11%.

Adjusted *general expenses* went up by 3% to CHF 294 million, as the impact of the ongoing investments in the core banking platform and the higher staff levels was partly offset by a CHF 20 million decline in valuation allowances, provisions and losses.

ASSETS UNDER MANAGEMENT

	30.06.2017 CHF bn	30.06.2016 CHF bn	31.12.2016 CHF bn	Change to 31.12.2016 in %
Assets under management	354.7	311.4	336.2	5.5
<i>Change through net new money</i>	10.2	5.5	6.4	-
<i>Change through market and currency impacts</i>	8.0	-2.4	15.8	-
<i>Change through acquisition</i>	0.4	8.6	2.6	-
<i>Change through divestment</i>	-0.1	-0.0	-0.0	-
Average assets under management (in period)	347.7	300.8	325.5	6.8

As a result, the adjusted *cost/income ratio*¹ was 69.1%, compared with 64.7% in H1 2016 (or 71.0% excluding the Kairos- and pension fund-related items). Compared to the 73.0% reported in H2 2016, the cost/income ratio improved significantly, reflecting the incremental revenue benefits from last year's RM hiring as well as an improved market environment.

Adjusted *profit before taxes* increased by 2% year on year to CHF 494 million. Excluding the Kairos- and pension fund-related items (together CHF 101 million) in H1 2016, the rise in adjusted profit before taxes was 29%. The adjusted pre-tax margin was 28.4 bps. The related income taxes were CHF 90 million, representing a tax rate of 18%, up from 17% in H1 2016.

*Adjusted net profit for the Group*² improved from CHF 402 million to CHF 404 million. After considering non-controlling interests of CHF 4 million, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. declined by CHF 2 million to CHF 399 million, and adjusted EPS attributable to shareholders of Julius Baer Group Ltd. remained at CHF 1.84.

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 20 million, versus CHF 11 million in H1 2016) as well as the amortisation of intangible assets related to acquisitions (CHF 35 million, versus CHF 34 million in H1 2016). Including these items, as presented in the IFRS results in the Group's Consolidated Financial Statements for the first half of 2017, net profit declined by 1% to CHF 357 million, as H1 2016 had benefited from the aforementioned Kairos- and pension fund-related items. After considering non-controlling interests of CHF 4 million, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. decreased by 2% to CHF 353 million, and EPS by 2% to CHF 1.63.

Excluding the Kairos- and pension fund-related items (together CHF 88 million net of taxes) from H1 2016 operating income and expenses, adjusted net profit for the Group rose 28% and IFRS net profit attributable to shareholders 29%.

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

² Cf. footnote 1 to the table on page 5

‘Our Group’s capital position remained very healthy, with capital ratios well above the Group’s own floors and significantly in excess of the regulatory minimums.’

At 30 June 2017, on a Basel III phase-in basis, total capital amounted to CHF 3.8 billion (Basel III fully applied: CHF 3.7 billion), of which CHF 3.1 billion CET1 capital (fully applied: CHF 2.5 billion). With risk-weighted assets at CHF 20.6 billion, this resulted in a phase-in *BIS total capital ratio* of 18.5% (fully applied: 17.9%) and a phase-in *BIS CET1 capital ratio* of 14.9% (fully applied: 11.9%). At these levels, the total capital ratio and the CET1 ratio are well above the Group’s own floors of 15% and 11%, respectively, and significantly in excess of the regulatory minimums of 12.2% and 8%, respectively.

Balance sheet and capital developments

Since the end of 2016, *total assets* decreased by CHF 3 billion, or 3%, to CHF 93 billion. Client deposits declined by CHF 2 billion, or 3%, to CHF 66 billion, while the total loan book grew by CHF 2 billion, or 6%, to CHF 41 billion (comprising CHF 31 billion of Lombard loans and CHF 10 billion of mortgages). As a result, the loan-deposit ratio rose to 0.62 (end of 2016: 0.57). In the same period, total equity attributable to shareholders of Julius Baer Group Ltd. increased by CHF 0.1 billion to CHF 5.4 billion.

Breakdown of assets under management by asset mix

	30.06.2017	30.06.2016	31.12.2016
Equities	27%	26%	27%
Investment funds	25%	24%	24%
Bonds/convertibles	19%	20%	19%
Client deposits	19%	20%	20% ¹
Structured products	6%	5%	5%
Money market instruments	3%	3%	3% ¹
Other	1%	2%	2%

¹ Reversal of a restatement

CONSOLIDATED BALANCE SHEET

	30.06.2017 CHF m	30.06.2016 CHF m	31.12.2016 CHF m	Change to 31.12.2016 in %
Assets				
Due from banks	6,855.1	8,180.1	11,389.8	-39.8
Loans to customers ¹	40,733.4	36,723.3	38,419.0	6.0
Trading assets	10,287.4	7,309.3	7,660.7	34.3
Financial investments available-for-sale	16,335.5	17,396.8	18,266.6	-10.6
Goodwill and other intangible assets	2,846.1	2,783.8	2,834.3	0.4
Other assets	16,093.4	15,357.4	17,636.9	-8.8
Total assets	93,150.8	87,750.7	96,207.2	-3.2
Liabilities and equity				
Due to banks	6,089.5	6,916.9	10,076.8	-39.6
Deposits from customers	65,763.3	64,578.4	67,495.2	-2.6
Financial liabilities designated at fair value	11,201.7	6,166.7	8,444.4	32.7
Other liabilities	4,668.8	4,917.2	4,836.9	-3.5
Total liabilities	87,723.3	82,579.2	90,853.4	-3.4
Equity attributable to shareholders of Julius Baer Group Ltd.	5,406.1	5,134.0	5,330.2	1.4
Non-controlling interests	21.4	37.6	23.6	-9.3
Total equity	5,427.5	5,171.5	5,353.9	1.4
Total liabilities and equity	93,150.8	87,750.7	96,207.2	-3.2
Key performance ratios				
Loan-to-deposit ratio	0.62	0.57	0.57	-
Book value per share outstanding (CHF) ²	25.6	24.1	25.0	2.4
Return on tangible equity (ROTE) annualised ³	31.6%	32.3%	24.8%	-
BIS statistics				
Risk-weighted assets	20,564.2	20,407.0	21,001.8	-2.1
BIS total capital	3,800.4	3,523.9	3,667.2	3.6
BIS total capital ratio	18.5%	17.3%	17.5%	-
BIS CET1 capital ratio	14.9%	15.9%	16.4%	-

¹ Mostly Lombard lending and mortgages to clients

² Based on shareholders' equity

³ Adjusted net profit attributable to shareholders/(half-yearly) average shareholders' equity less goodwill and other intangible assets

BUSINESS DEVELOPMENT IN FIRST HALF 2017

Positive economic momentum spread across the globe and helped the financial markets perform favourably overall. The continued political noise was largely ignored. All this gave us ample opportunity to put the fundamental developments into perspective for our clients in support of their individual investment stance. With a view toward longer-term challenges and opportunities, we are working on different paths to equip our Group for the world of tomorrow and ensure industry leadership.

Our strategy is built around three principles: delivering a best-in-class wealth management experience to our clients, being the most admired and respected firm in our sector and pursuing sustainable profitability. These principles are also guiding multiple efforts throughout our Group, designed to ensure industry leadership in the world of tomorrow (see page 15). Technology runs like a thread through most of our ongoing projects, given it is an important enabler to increase efficiency, improve client experience and reduce complexity.

One of the key initiatives is the multiyear project to upgrade Julius Baer's core banking platforms. Its objective is to deliver an improved client experience, better operating efficiency and greater flexibility through harmonised processing platforms. In a staggered approach, the project, which is based on the Temenos T24 core banking software, is currently implemented initially in the two Asian booking centres of Singapore and Hong Kong, thus laying the operational and technical foundation for the Group's continued growth in the region. The roll-out in these two locations is expected to be completed in the second half of 2017. The next major step of the project will centre on Bank Julius Baer Luxembourg S.A., which already runs on the same system as Julius Baer's target platform. Once integrated into the global IT environment of the Group, the Luxembourg platform will be leveraged to streamline our operating model and booking centre capabilities in Europe (excluding Switzerland).

Through the implementation of new technologies, we are also progressing in our efforts to improve workplace and process efficiency as well as our digital services available to clients. A number of core banking services have been bundled into global competence centres to improve their relevance and availability for clients. Following the relaunch of our e-Banking platform last year, the Julius Baer Mobile Banking App was launched in February 2017, providing enhanced functionality and advancing our efforts towards paperless processes. This was complemented by the newly designed Research App (see page 18).

Julius Baer – Your Wealth is our promise to systematically derive the appropriate financial solutions for each client based on their unique situation, encompassing Wealth Planning, Wealth Management and Wealth Financing (see page 18), including the much enhanced holistic Julius Baer Advisory Process. The related roll-out of the new advisory service models has been largely finalised in Switzerland and initiated on our Luxembourg booking platform, with other locations and booking centres to follow. This will ensure a consistent client experience as well as compliance with local rules and regulations, including the forthcoming revised Markets in Financial Instruments Directive (MiFID II) and similar legislation in Switzerland (Federal Financial Services Act or FiDLEG) primarily focusing on customer protection.

In order to make use of economies of scale and scope across the Group, we have established a global regulatory reporting competence centre. The reporting obligations from major international regulatory frameworks such as QI, FATCA or Automatic Exchange of Information (AEI) have now been centralised in one unit. Once implemented on the Group's systems for the planned launch at the beginning of next year, MiFID II and FiDLEG reporting will also be included.

All booking centres of the Group are ready to meet the requirements of the OECD-driven AEI regime for tax purposes and the underlying Common Reporting Standard. The data collected for 2017 is to be exchanged with Switzerland's initial group of 38 partner states in 2018. Amid the movement towards international tax transparency, we maintained a constructive, proactive stance with our clients, informing them about developments and opportunities to solve potentially outstanding tax issues.

To meet the increasing demands from international standards, we are pushing forward with the Group-wide alignment of our compliance, risk management and key business processes. Related compliance training efforts were rolled out to the entire Group, with a particular focus on client-facing staff, including mandatory certification programmes and corresponding refresher courses.

As part of our drive to remain up to speed with innovation in our industry, we are supporting three FinTech start-ups in their effort to run a pilot project as part of our cooperation with Switzerland's *F10 FinTech Incubator and Accelerator Association*.

Our commitment to pioneer new sustainable technologies is also expressed by our sponsorship engagement as the Global Partner of the electric street racing series FIA Formula E Championship, which we extended at the beginning of May 2017 until the end of the 2020/21 season. In February 2017, Julius Baer's partnership with Formula E was named the *Best Sponsorship of the Year* at the *Swiss Sponsorship Awards*.

At the beginning of July 2017, Julius Baer was recognised as the *World's Best Bank for Wealth Management 2017*. This important distinction from the *Euromoney Awards for Excellence* mirrors the strong position Julius Baer has achieved around the globe through successful implementation of its growth strategy over the past decade, driven by its business model focused on pure private banking and its client-centric service excellence.

Julius Baer Group Ltd.

Board of Directors

Daniel J. Sauter, Chairman

Chief Executive Officer

Boris F.J. Collardi

Chief Financial Officer

Dieter A. Enkelmann

Chief Operating Officer

Nic Dreckmann

Chief Risk Officer

Bernhard Hodler

Chief Communications Officer

Larissa Alghisi Rubner

General Counsel

Christoph Hiestand

Executive Board¹

¹ As at 1 July 2017

GLOBAL PRESENCE

Europe



Switzerland



Our locations in other parts of the world



- Location
- Booking centre
- GPS, a fully owned subsidiary
- NSC Asesores, strategic minority participation of 40%
- Kairos Julius Baer SIM SpA, strategic participation of 80% in its holding company
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

Although Switzerland is considered a mature wealth management market, its fragmentation and diversity still offer considerable growth potential. As the leading Swiss private banking group, we believe we are perfectly positioned to progressively expand our share in our home market.

During the first half of 2017, we continued to implement the newly defined market strategy, further aligning our offering with the specific preferences of our Switzerland-based clients, covering such areas as risk stance, home bias and pension provisioning. This is complemented by exceptional client proximity, ensured by 14 locations across the country. *Julius Baer – Your Wealth*, the Group's strategic approach to service clients in a holistic way during all stages of their life, represents a cornerstone of our value proposition. After having introduced parts of it over the past two years, we will launch a pilot project encompassing the full scope of *Your Wealth* in the second half of the year, with the complete roll-out for our Swiss clients expected to come in 2018. We have now fully implemented the new set of advisory service models, a change that has been well received. They allow our clients to choose the scope of advisory services and the intensity of personal interaction with their advisor and other experts at the bank according to their individual needs and service level requirements.

Following the integration of the Intermediaries Switzerland business, we continued to align our processes and management structure with our targeted client segments of ultra-high net worth individuals (UHNWI), high net worth individuals (HNWI) and intermediaries. In addition, we further broadened our base of experienced relationship managers (RMs) across all locations and client segments.

On the back of the favourable financial market performance, assets under management increased in the first six months of 2017. At the same time, net new money inflows remained muted, as did clients' risk appetite. Trading frequency started to pick up, however, resulting in rising transaction-based income.

Together with higher asset-based income, overall revenues improved year on year. Nevertheless, maintaining margins remained challenging.

Europe

Europe is an important core market for our Group. Our additional booking centre in Luxembourg, added as part of our acquisition of Commerzbank International S.A. Luxembourg in 2016, plays a decisive role in the future structure of our European business activities. It also offers significant opportunities to broaden and streamline our offering for clients from the Group's European advisory locations in Madrid, Amsterdam, Luxembourg and Dublin. Parallel to integrating Luxembourg's booking platform into the Group's global IT environment, the transfer of assets from clients of these locations to the new Luxembourg booking centre has been initiated. It will be structured along the new advisory service models and in line with the forthcoming regulatory requirements.

Germany continues to be one of the most attractive wealth management markets in Europe, important for Julius Baer both locally through Bank Julius Bär Europe AG in Frankfurt as well as served from Switzerland. Despite being considered fragmented and mature, the domestic German market continues to show sustainable growth rates. Against a backdrop of ongoing industry consolidation, our local business's clear focus on pure private banking, its strong reputation and its solid financial foundation remained highly valued by existing and new clients. We further broadened our base of experienced RMs, thus leveraging the excellent client proximity and service offered through our network of eight locations across the country. As an alternative booking centre to geographically diversify their wealth, Switzerland continues to be an attractive destination for Germany-based clients.

Bank Julius Bär Europe AG's locally booked private client business showed strong momentum in the first six months of the year. Increasing client activity resulted in markedly higher transaction volumes, particularly in currencies. Together with higher asset levels, this resulted in further improved profitability.

The businesses acquired in **Luxembourg** last year added considerable scale to our local franchise and provided Julius Baer with its first Luxembourg-based booking centre. We aim to take advantage of the much broadened set of business opportunities this presents for Julius Baer's focused and client-centric business model, with its international scope, which has proved to be a key differentiating factor both for private banking clients and external asset managers in the region. The negative interest rate environment and the reluctance towards markets further increased clients' propensity to favour private equity and real estate investments. With assets under management trending higher, margins held up well. Our local activities are complemented by growing dedicated teams in Zurich, leveraging our market expertise with the sustained attractiveness of Switzerland as an alternate booking centre, also for selected Nordic markets, particularly Sweden and Denmark.

For **Spain**, we introduced an integrated market management approach that enables us to cover clients not only locally in Madrid but also from Luxembourg and Switzerland.

On the back of last year's expansion of our RM base, our activities in **Monaco** maintained strong business momentum and again recorded robust net new money inflows. The significantly higher asset base and increased client activity resulted in rising revenues. We aim to leverage the wealth management and booking centre capabilities of this important Group location, primarily for the benefit of our growing local client base but also for clients from selected markets in Eastern Europe, the Middle East and Latin America.

We serve the large and mature wealth management market of **Italy** from different Swiss locations and via the specialised wealth and asset manager Kairos, in which the Group holds an 80% participation. The impact of Italy's voluntary disclosure programme 2016/17 rapidly tailed off towards the middle of the year, with business momentum starting to normalise. On the back of further improved cost efficiency, profitability held up well. The move to tax transparency helped Julius Baer Fiduciaria S.r.l. in Milan

to significantly increase the assets they administer, making it one of the largest fiduciary companies in the country. All major Kairos investment funds performed strongly in the first six months of the year. As a result, the company and its funds won a number of prestigious accolades, including the *Pan-European Hedge Fund 2017* award by *Extel*. The asset volume managed by Kairos also significantly increased thanks to the intensified cooperation with Julius Baer as well as the launch of several new funds.

Both our local business in the **United Kingdom** and our business with UK-related international clients served from different Group locations showed good momentum in the first half of 2017. Despite persistent political uncertainty, client activity continually increased. The important discretionary portfolio management function achieved outstanding performance, also relative to peers. On the back of higher assets under management and strict cost management, profitability further improved.

Julius Baer enjoys an excellent reputation, with clients and key talents alike, as an international wealth manager with a dedicated UK offering and impeccable brand. Following the selective reinforcement of teams serving UK clients from international locations, we intend to further broaden our local base of experienced RMs. Parallel to strengthening a number of management functions, we have streamlined our organisational setup, thus further strengthening operational efficiency. The smaller yet dynamic Irish wealth management market, with its comparatively high wealth concentration in the HNWI segment, is served from our office in Dublin.

Russia, Central & Eastern Europe

For the first time in many years, the economic outlook for a number of the most important countries of the region is positive. This affirmative appraisal is one of many findings of the inaugural *Julius Baer Wealth Report: Russia*, covering Russia, Kazakhstan and Azerbaijan and published at the end of June 2017.

Given continued geopolitical, regulatory and economic uncertainties, however, the business environment remained demanding overall. On the back of our further expanding base of RMs, we achieved gratifying net new money inflows. Revenues benefitted from higher asset levels and clients' more active investment stance in their drive to adjust the structure of their financial wealth to changing regulations, thus supporting margins.

We view the longer-term potential for the region as intact. Complementing our office in Moscow, we serve this attractive region with a growing number of RMs from our Singapore, London, Luxembourg, Monaco, Geneva, Zurich, Vienna and Hong Kong locations as well as newly from Dubai.

Asia Pacific

We expect Asia to continue to lead the world in new wealth creation over the coming decade despite a slowdown in economic expansion as these economies mature, a trend impacting China in particular.

Julius Baer is one of the region's largest and most focused private banking providers. This makes us the first address for clients and intermediaries in search of a trusted advisor and puts us in an excellent position to take advantage of the region's growth in investable assets. Also benefitting from last year's expansion of our base of experienced RMs, we achieved very strong net new money inflows. Client activity picked up considerably, resulting in higher transaction-based revenues. Combined with improved asset-based income and efficient cost management, profitability further improved.

Julius Baer serves this diverse region from a number of locations, including Singapore, Hong Kong and India, making Asia the Group's second home market. We are currently focusing on five key markets to achieve organic growth: mainland China, Hong Kong, Indonesia, Singapore and India. Our recently established Emerging Asia subregion developed well, particularly in the Philippines and Thailand.

SHAPING OUR FUTURE

A successful long-term strategy is only as good as its implementation. To secure Julius Baer's leadership position in our industry, we are taking action to deepen client relationships, enhance the quality of our revenue base, increase efficiency and productivity and be the destination for industry talent. Specifically, we are working on the following elements:

- Enhancing the Group's market focus and regionalisation while realigning the organisation to the evolving market-specific client needs.
- Strengthening the client-centric management structure and the client knowledge framework, encompassing all existing and anticipated future regulatory requirements.
- Enhancing Julius Baer's holistic *Your Wealth* offering through the further and wider roll-out of Julius Baer's advisory model and the strengthening of Julius Baer's investment management (discretionary mandates) capabilities.
- Increasing the productivity and efficiency through investing in the Group's technology platform and processes and strengthening the emphasis on its target clients.
- Further establishing Julius Baer as the global leader in private banking and building on the Group's attractive employee value proposition.

These efforts from a dedicated Group-wide programme that will set the pace in the coming years.

Following the strengthening of the regional Investment Management team under the new leadership of a local Chief Investment Officer in autumn last year, we further deepened our discretionary mandate capabilities, which was well received by clients. While we continue to invest in our base of experienced RMs, our hiring efforts have become more selective, accompanied by strict management of low performers. We also sharpened our targeted client segments and realigned the client-facing organisation, including redefined leadership standards.

At the beginning of the year, we were named *Best Private Bank – Pure Play* in the *Asian Private Banker Awards for Distinction 2016*. Having already received this honour in 2014, this is the second time that Julius Baer has won the accolade. The judging panel of *Asian Private Banker*, a leading trade publication based in Hong Kong, highlighted the Bank's pure private banking positioning, its strategy as well as its execution.

Julius Baer Wealth Management Ltd., with its branch in *Japan*, focuses on offering comprehensive services and solutions to Japanese clients. Business momentum accelerated in the first half of the year. Our efforts to expand the share of wallet of our existing client base resulted in healthy net new money inflows, further supported by successful cooperation with local partner banks.

Julius Baer is one of the largest and best established foreign wealth managers in **India**, covering the domestic Indian market from the five major cities of Mumbai, New Delhi, Kolkata, Chennai and Bangalore. In addition, we serve a large and rising global base of non-resident Indians from different Group locations in Asia, the Middle East and Europe. This global India strategy creates a true value proposition to further gain market share and realise synergies.

In reflection of our Indian clients' global presence, we continued to selectively broaden our RM base in Dubai, Zurich and Singapore and established a dedicated desk in Hong Kong. As a consequence,

last year's strong business momentum further accelerated in the first half of 2017, producing record-high net new money inflows. The risk appetite of clients remained high, driving revenue development and resulting in significantly improved margins.

Eastern Mediterranean, Middle East & Africa

Despite the challenging political environment, subdued economic expansion and ever-changing regulatory regimes, we were able to maintain good business momentum across the Eastern Mediterranean region as well as the markets we serve in the Middle East and Africa. On the back of an expanding base of experienced RMs and clients' growing risk appetite, we achieved strong net new money inflows while improving profitability.

We serve the region primarily from our hub in Dubai and local offices in Beirut, Manama and Abu Dhabi as well as from a growing number of Group locations in Europe and Asia. With the United Arab Emirates and Saudi Arabia as our focus markets, coverage includes the Middle Eastern markets, the Levant, Turkey and Greece.

In May 2017, Julius Baer's Abu Dhabi representative office was recognised as the *Best Private Banking Group 2017* by the *UAE Business Awards*, which are presented by the quarterly financial publication *MEA Markets*.

Julius Baer ranks among the top foreign wealth managers in **Israel**. We serve this appealing yet highly competitive market from a number of Group locations and locally from our Tel Aviv office. After a slow start to the year, net new money inflows accelerated significantly. Despite clients' subdued risk appetite, revenues improved while productivity remained high. We continue to target Israel's significant wealth creation potential both domestically in selected sectors of high wealth creation and in the global Israeli community, benefitting from our reputation as a focused Swiss wealth manager with a broad international setup.

Latin America

While political topics continued to dominate the news headlines, the local wealth management industry in Latin America remained on the path of profound transformation. The strong and ongoing trend to tax compliance has massively increased the potential pool of assets seeking professional management.

Thanks to our comprehensive range of investment products and services, we were able to accommodate both the emerging trend of clients seeking local investment solutions via our domestic platforms as well as clients favouring international asset diversification. As a result of these developments, net asset flows started to reverse their declining trend in the first half of 2017 and began to improve in a volatile yet overall positive manner. This contributed to rising assets under management and supported profitability.

We intend to capture the potential of this promising region by expanding our presence either organically or by seeking opportunities to develop a strong domestic presence in selected markets. Dedicated RM teams serve Latin American private clients and intermediaries both locally and from other key Group locations. In parallel, we continued to monitor the competitive landscape for options to enter selected additional markets.

In its first year as a fully owned member of our Group, GPS in Brazil launched a comprehensive investment programme targeting efficiency as well as process optimisation. The cooperation with other Group locations and functions was further deepened, allowing for synergies and broadening the product offering. Popular among clients were specific Brazil- and Latin-America-orientated actively managed certificates, leveraging the strong know-how of GPS and of the cooperation partner NSC Asesores in Mexico. The latter firm, in which Julius Baer holds a 40% participation, showed very favourable performance in the first six months of the year. The roll-out of the new advisory service models has started and is expected to have a positive impact on client activity.

Intermediaries business

The growth momentum of the business with intermediaries, i.e. external asset managers (EAMs) and external financial advisors (EFAs), slowed somewhat in the first six months of the year. Despite this, we were able to further expand our business, particularly across Europe and Switzerland. We benefitted from inflows from Switzerland-based EAMs who focus on end clients domiciled in Europe and the emerging markets. Particularly strong inflows came from sophisticated institutional EAMs serving end clients in the upper HNW and UHNW segments. On 23 June 2017, Julius Baer announced its decision to integrate WMPartners, its subsidiary focused on external asset managers. The insourcing of the unit's expertise will enable us to meet the growing client demand for multicustody solutions.

We continued to see lively interest from a growing number of intermediaries to start a business cooperation and sign up new accounts with Julius Baer. This is a clear testimony to our service quality, highlighting our ability to leverage the Group's good market position to attract new partners. We aim to focus on a comparatively small number of key intermediaries who have the potential and ambition to grow and develop their business hand in hand with Julius Baer.

Keeping pace with the growing expectations for state-of-the-art, cutting-edge technology is both a necessity and distinguishing factor in this particular segment, fostering efficient collaboration and contributing to client retention. As a result of direct client feedback, we have substantially modernised our technology offering. For example, we have expanded our online solution *Baer®Online Intermediaries* to include new functionalities and features. We have also launched the new *FIX Connectivity Channel*, which allows intermediaries to deliver orders (ISIN-based securities) directly to Julius Baer from their internal systems.

In the period under review, we made immense progress with the development of the new franchise for intermediaries in Luxembourg, which is an important and integral part of Julius Baer's European strategy.

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

Providing expert advice on virtually all aspects of 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 multiple asset classes and markets is assured by our specialised units Investment Management (IM), Advisory Solutions (AS) and Markets, complemented by Investor Services.

Investment Management

IM is responsible for the disciplined, active management of client assets with the aim to achieve consistently solid risk-adjusted investment performance. In the first six months of the year, all major asset classes recorded positive returns. Consequently, all *Multi-Asset Class Mandates* achieved a clearly positive performance. USD- and GBP-based mandates generally performed better, driven by the weaker trend of the respective currencies.

Under the leadership of the Chief Investment Officer, IM has made significant progress in realigning its organisation in order to meet ever-evolving client needs as a result of the changing market environment and regulatory requirements. At a time when investors must have discipline and stamina as well as a profound knowledge of managing risks, client demand to delegate investment decisions is growing. IM is therefore paying great attention to aligning and further developing its offering of both discretionary investment solutions and in-house managed fund solutions, in close collaboration with the Group's client-facing organisation.

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

Advisory Solutions

AS focuses on providing a comprehensive range of transparent and independent investment advisory and wealth planning services to the Julius Baer front units and their clients.

The **Research & Investment Solutions** unit has significantly broadened its communication channels with the launch of its *Investment Insights App* for Apple and Android devices in May 2017. The app is available in various jurisdictions and allows clients to access investment content on the go after a one-time registration with a personal voucher.

In order to facilitate client access to our *Next Generation* thematic research, we began bundling the related activities within an overarching investment structure in May 2017. Depending on their respective jurisdictions, clients may closely follow the broad investment topics on future technologies and financial markets.

The first half of 2017 was characterised by more politically driven markets overall. With elections in the Netherlands and France, Europe took some comfort in less extreme outcomes than many had feared. At the same time, Brexit became more tangible with the United Kingdom triggering Article 50 of the *Treaty on European Union* and then calling for new elections. But there was also more than enough to keep up with outside Europe, be it the first 100 days of the Trump administration, the management of the business cycle in China or the tensions around North Korea. All of the above were commented and put into investment context by Research & Investment Solutions' analysts and strategists.

The **Operations & Development** unit successfully completed the roll-out of the much enhanced Julius Baer Advisory Process in Switzerland, encompassing the new advisory service models Advice Basic, Advice Premium and Advice Advanced. The same models are in the midst of being introduced to our Luxembourg booking platform, with other locations and booking centres to follow. These service models aim at providing suitable, consistent and fully compliant state-of-the-art advice to our clients across all geographic regions.

The full scope of *Julius Baer – Your Wealth*, our strategic approach to serve our clients in a holistic way, will be initiated in Switzerland through a pilot project in the second half of 2017 and subsequently

be rolled out in 2018. *Your Wealth* will enable relationship managers (RMs) to accompany clients along their life journey and to help clients achieve what truly matters to them by providing appropriate solutions across Wealth Planning, Wealth Management and Wealth Financing.

Distribution ensures that the Group's combined advisory competence reaches RMs and ultimately clients in a most effective, timely manner and with maximum relevance. In this spirit, the first half of 2017 saw the launch of *Spotlight Ideas* like 'Yields on the Rise', 'Asset Allocation Matters' and 'Next Generation'. Our dedicated in-house investment partners, who are the first point of contact for our RMs when it comes to investments, helped the latter to translate these campaign ideas into tangible investment solutions for our clients. In addition, we strengthened our dedicated product platform with offerings of private equity, thematic actively managed certificates (AMC) as well as in-house funds like those of the Group's subsidiary *Kairos*. We also continued to foster the relationship with our external core partners through events, for example with *BlackRock* in Zurich.

Featuring the broadest service offering of the recently introduced new advisory models, the Advice Advanced Mandate was particularly popular among clients with its highly personalised financial advice from our experienced and dedicated investment advisors. This resulted in a substantial increase in the number of accounts for this mandate and related assets under management.

At each of life's twists and turns, Julius Baer's **Wealth Planning** unit helps its clients to plan for tomorrow by taking action today. Providing the best possible service to our clients requires high-calibre expertise locally and globally. We have strengthened our local presence by establishing a new wealth planning office in India. We have also expanded our team in the UK to better serve the domestic market.

Our in-house knowledge at locations around the world is complemented by our global network of external specialists. To maximise value from this network, we have launched a sophisticated

intelligence platform with an extensive range of wealth planning specialists, products and services worldwide. Such strategic initiatives enable us to keep pace with the market, but optimising our clients' day-to-day experience with us is just as important. We are therefore further enhancing our advisory process, which enables us to provide in-depth, holistic advice to our clients. As the market environment shifts rapidly, we are witnessing a growing need for comprehensive advice at every stage of our clients' lives and, as a result, we continue to see strong business inflow across the globe.

Advisory Solutions Asia serves our second home market and the specific needs of Asia-based clients. The first half of 2017 brought an outstanding phase of growth, with particularly encouraging developments in Advisory Mandates, which reached new record levels of assets under management. The Funds business continued to attract strong attention, supported by the popular Alpha Conference, at which over 320 RMs and clients met some of the best-in-class external fund managers featured on the *Julius Baer open product platform*. In addition, we expanded our offering in the Private Equity Premium area and successfully launched another Fixed Income Fixed Maturity Plan TCAM, the regional version of an AMC.

Advisory Solutions Asia established the new Investment Publishing unit which aims to manage and develop the investment publication suite for the production of a wide range of Asia-focused investment content. In a continuous effort to harmonise the global offering, preparations for the introduction of the much broadened scope of our *Your Wealth* initiative have begun, starting with the new advisory service models.

Markets

The Markets unit caters to the Group's private banking clients and serves direct and institutional client segments with trade execution, product structuring and advisory services across all asset classes.



Markets manages the *Julius Baer open product platform* in structured products and its issuing activities. Together with Advisory Solutions, it is the central unit for the distribution of financial solutions. The platforms include *Markets Toolbox*, a real-time platform for currency and structured products for RMs and External Asset Managers (EAMs), as well as *Market Link*, an Internet-based mobile real-time trading platform.

Low volatilities in the global financial markets triggered a growing risk appetite among investors in the first half of 2017. This trend gained momentum after the first round of the French presidential elections and contributed to a strong volume increase in structured products across all categories. Interest rate products particularly contributed to the robust nominal growth of structured products issued by Julius Baer in the reporting period, as reflected in the corresponding item in the Group's balance sheet.

Continued investments in the *Markets Toolbox*, which acts as the main digital distribution platform for structured products, supported the strong growth in these important investment instruments. The *Markets Toolbox* counts more than 5,000 users, including EAMs and third-party banks.

Investor Services

This unit is a leading dedicated provider of custody solutions, operating out of Switzerland. Our goal is to achieve superior growth in a highly competitive market by offering best-in-class, customised services to institutional investors such as pension funds, insurance companies, foundations, collective investment schemes and family offices as well as private clients with institutional requirements.

Investor Services aims to be among the leading providers of custody services in Switzerland. This ambition rests on our offering of country-specific expertise and client-oriented solutions comprising a broad range of products and services, including custody, asset and depository services as well as access to a wealth of other value-adding bank capabilities such as analytics and reporting.

OUR EMPLOYEES

The Group's employee base grew to 6,205 FTEs (full-time equivalents) at the end of June 2017, an increase of 179 or 3% compared with year-end 2016. In the first six months of 2017, the Group was successful in attracting additional senior relationship managers (RMs), but following a further performance-based review, the net number of RMs decreased by 2 to 1,381 since the end of 2016.

Private banking is a people's business, making our employees the Group's most important asset. Our Human Resources function (HR) thus plays a vital part in shaping our future (see page 15). HR's mandate is to further develop our employee value proposition rooted in an inspiring, distinct Julius Baer culture based on strong leadership principles, with the ultimate goal of further increasing Julius Baer's attractiveness as an employer of choice as well as facilitating the change management process throughout the Group.

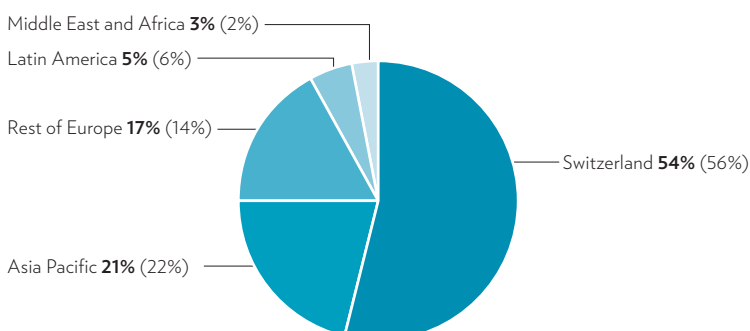
In this context, talent management plays a key role. The challenge is to maintain a detailed overview of the Group's available talent pool – the intellectual and on-the-job qualifications of individuals, along with their aspirations to further develop in an existing or new role. With the aid of refined analytical tools, we have implemented a Group-wide identification process that will lay the foundation for running the newly established competency framework and talent staffing model on a global scale.

After a period of strong organic and external growth, the overall distribution of the Group's staff has shifted considerably away from established markets. While our home market of Switzerland still accommodated over half of the employee population (54%, down from 79% at the end of 2009) at the end of June 2017, the share of staff based in growth markets significantly increased to 29% from 14% over the same period, with our second home market of Asia almost doubling to 21% from 11%.

Julius Baer recognises the importance of diversity and its beneficial contribution to the company's culture and business performance. Our rapid international expansion in recent years has brought a significant increase in the ethnic diversity of our employees. In parallel, the gender balance has gradually improved, with women accounting for about 40% of our total workforce today, a typical ratio in the financial industry. Though the share of women with a rank of Director or above has also increased significantly, from 20% at the end of 2009 to 31% at mid-year 2017, it still seems to be comparatively harder for women to move up the ranks. To counter this, we broadened our internal mentoring framework at the start of 2017 through a programme targeting highly motivated female executives. The first batch comprises 53 participants. A series of coaching meetings spread over an entire year with a high-level dedicated mentor helps them hone skills, self-management abilities and leadership qualities and should result in improved career prospects.

Julius Baer employees (FTE) by geography as at 30 June 2017

(30 June 2016)



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 our endeavours.

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

- We not only observe the laws and regulations of countries we operate in but also go beyond what is required, be it in our business activities, relations with our employees or engagement in the local communities.
- We keep the interests of our clients at the centre of our business activities, ensuring excellent service and performance to meet their needs.
- We are the financial services provider of choice for top talent, treating each other with respect, and provide an environment conducive to professional growth and empowerment.
- We promote transparency in all activities of the Group with our diverse stakeholder groups.
- We respect human rights in all our endeavours and implement measures to minimise the ecological footprint of Julius Baer.

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

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

- The *Julius Baer Foundation* serves as the formal charitable arm of the Julius Baer Group. Over the last couple of years, the Foundation has focused its engagement on helping children and young adults, inspiring and supporting projects in Switzerland and around the world. More information is available at www.juliusbaer.com/foundation
- *Julius Baer Cares* encompasses bottom-up community engagement organisations set up and driven by employees in a number of Group locations. In parallel to the efforts of the Foundation, their individual activities share the same focus of *Caring for others* and *Caring for the environment* in their local communities.
- The *Julius Baer Art Collection* specialises in works by contemporary Swiss artists as well as by artists living in Switzerland (www.juliusbaer.com/artcollection). Julius Baer's approach to art acquisition promotes the preservation of visual art in Switzerland. Today, the collection encompasses over 5,000 works.
- A wide spectrum of cultural and other activities is supported through corporate sponsorship (www.juliusbaer.com/sponsoring).

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



JULIUS BAER SUPPORTS YOUNG PEOPLE WHO SEEK TO ESTABLISH AN INDEPENDENT, RESPONSIBLE LIFE

Located in the Canton of Zurich, Switzerland, the Albisbrunn Foundation was founded in 1924. The aim of Albisbrunn is the same today as it was in those early days – to teach vulnerable young people how to look after themselves, interact meaningfully in society and master the skills needed to earn a living. By offering a residential learning environment overseen by qualified social workers, Albisbrunn helps young people overcome their difficulties and establish an independent, responsible life.

The Julius Baer Foundation started to support Albisbrunn in 2016 for a period of three years. The donations provided will be used primarily in two ways: firstly to help renovate the five group houses and secondly to support the vocational development of the residents.

The group houses were built in the 1970s and are in need of modernisation. Just as the pedagogical methods of Albisbrunn have developed in line with modern practices, the houses need to be brought up to current standards.

Living in communal houses in small groups, the young residents of Albisbrunn learn how to shop, clean, cook and work as a team. They are also able to continue their studies or learn a vocation in small groups in areas as diverse as metalworking, mechanical engineering, printing, advertising technology and carpentry – or in food preparation, like Gabriele shown in the photo: ‘Cooking means deciding for myself what I want to make – this freedom has always appealed to me.’

The Julius Baer Foundation has carefully evaluated Albisbrunn’s approach and governance principles and considers it worthy of assistance:
www.albisbrunn.ch

IMPORTANT DATES

Publication of Interim Management Statement: 20 November 2017

Publication of 2017 annual results: 31 January 2018

Annual General Meeting: 11 April 2018

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

The Half-year Report 2017 of Julius Baer Group Ltd. is available at www.juliusbaer.com.



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

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

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