



Julius Bär

BUSINESS REVIEW FIRST HALF 2016

JULIUS BAER GROUP

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Front cover:

Wengen shares many characteristics of a typical Swiss alpine village.

Located on a mountain shoulder high above the Lauterbrunnen Valley, in the shadow of the range formed by the Eiger, the Mönch and the Jungfrau, it is accessible only by rack railway. But this has not prevented tourism from greatly influencing Wengen's development. In summer, the village is populated by three times the number of year-round residents. In winter, with many attractions including the classic downhill ski race at the Lauberhorn, this ratio increases eightfold. While the growth has led to some urban sprawl, Wengen has preserved its charm and appeal.

KEY FIGURES JULIUS BAER GROUP¹

	H1 2016 CHF m	H1 2015 CHF m	H2 2015 CHF m	Change to H1 2015 in %
Consolidated income statement				
Operating income	1,424.6	1,408.0	1,286.4	1.2
Adjusted operating expenses	939.6	1,279.7	1,105.6	-26.6
Profit before taxes	485.0	128.2	180.8	278.3
Adjusted net profit for the Group	402.0	108.8	170.4	269.5
excluding US provision ²	402.0	384.0	317.5	4.7
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	1.84	0.49	0.78	274.1
excluding US provision ²	1.84	1.75	1.45	5.3
Cost/income ratio ³	64.7%	64.7%	69.9%	-
Pre-tax margin (basis points)	32.2	9.0	12.4	-
	30.06.2016	30.06.2015	31.12.2015	Change to 31.12.2015 in %
Client assets (CHF bn)				
Assets under management	311.4	284.0	299.7	3.9
Average assets under management (in period)	300.8	283.9	292.0	3.0
Net new money (in period)	5.5	6.5	5.6	-
Assets under custody	86.0	84.6	85.8	0.2
Total client assets	397.4	368.6	385.5	3.1
Consolidated balance sheet (CHF m)				
Total assets	87,750.7	80,149.2	84,115.5	4.3
Total equity	5,171.5	4,879.5	4,942.0	4.6
BIS total capital ratio	17.3%	20.3%	19.4%	-
BIS CET1 capital ratio	15.9%	19.1%	18.3%	-
Return on equity (ROE) annualised ⁴	25.1%	6.3%	10.5%	-
Personnel				
Number of employees (FTE)	5,856	5,378	5,364	9.2
of whom in Switzerland	3,301	3,162	3,064	7.7
of whom abroad	2,555	2,216	2,300	11.1
Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Weighted average number of shares outstanding	217,349,612	218,697,020	218,613,533	-
Share capital (CHF m)	4.5	4.5	4.5	-0.5
Book value per share outstanding (CHF)	24.1	22.7	23.0	4.8
Market capitalisation (CHF m)	8,686	11,739	10,891	-20.2
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa2	Aa2	Aa2	-

Listing

Zurich, Switzerland SIX Swiss Exchange, under the securities number 10 248 496.
Member of the Swiss Market Index SMI.

Ticker symbols

Bloomberg BAER.VX
Reuters BAER.VX

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

² Excluding the net profit impact of CHF 275.2 million provisioned in H1 2015 and of CHF 147.1 million provisioned in H2 2015 of the total USD 547.25 million settlement amount in connection with the final settlement with the US Department of Justice reached on 5 February 2016 concerning Julius Baer's legacy US cross-border business.

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

⁴ Adjusted net profit/average shareholders' equity less goodwill

FOREWORD

Dear Reader

The first six months of the year saw a succession of severe market swings, reflecting economic growth concerns as well as geopolitical tensions. At the same time, the vote in the United Kingdom to leave the EU will remain an influential factor well beyond the short-term market turmoil it created. In this environment, it was not surprising that the very strong transaction and trading volumes of the first half of last year were not repeated in the first six months of 2016. On 5 February 2016, we were able to announce the final settlement with the US Department of Justice in connection with the Group's legacy US cross-border business. After a decade of strong organic and external growth and with this settlement behind us, we have initiated the next phase of growth and transformation of our Group. On 19 July 2016, we announced an alignment of our organisation. The altered responsibilities for various markets within the new regional structure as well as the adjustments within the products and corporate functions areas will not only benefit our clients but also lead to efficiency gains.

**‘We have initiated the next phase of growth
and transformation of our Group.’**

Our aim is to capture the growth dynamics of the international wealth management industry in all aspects, from the wealth creation driven by the rise of the middle class in growth markets to the increased sophistication in wealth and estate planning in mature markets. Leveraging our broad international presence and business model solely focused on pure private banking, we significantly accelerated the hiring of experienced relationship managers across the Group. As a result, we have welcomed 47 additional colleagues (net) to our organisation year to date, more than the net total hirings in all of 2015. This major recruitment success and the outlook for additional hiring in the near term considerably strengthen the Group's potential for sustainable organic asset growth in the medium and long term.

In parallel, we continued on our path to profoundly transform our Group. The aim is to align the value-adding potential of our offering, our operational setup and the way we interact with our clients with the rapidly expanding set of technological possibilities, evolving client demands as well as business necessities. With *Julius Baer – Your Wealth*, we are in the midst of introducing a much enhanced holistic advisory process tailored to clients' individual needs. A new Investment Management unit has been set up to develop and manage best-in-class discretionary mandate solutions, emphasising and further strengthening our commitment to achieving consistently solid investment performance. Far beyond a mere replacement, the new core banking platform currently being

developed will update our Group further for the digital age. The ultimate goal of this multiyear project is to streamline and harmonise processes globally towards a seamless client experience.

In the first half of 2016, we also continued to strengthen our geographic presence. On 1 March 2016, Julius Baer increased its ownership of Brazilian subsidiary GPS from 80% to 100%. The acquisition of an additional 60.1% stake in Kairos was completed on 1 April 2016, bringing the Group's total ownership to 80%. Also effective 1 April 2016, the Group's interest in its Japan-focused subsidiary Julius Baer Wealth Management AG was increased from 60% to 100%. Furthermore, the acquisition of Commerzbank International S.A. Luxembourg announced last year was successfully closed at the beginning of July 2016.

Julius Baer remains well capitalised, even taking into account the impact of the aforementioned investments. At the end of June 2016, the Group's BIS total capital ratio stood at 17.3% and the BIS CET1 capital ratio at 15.9%, well above the Group's own floors of 15% and 11%, respectively, and significantly above the regulatory minimums of 12.2% and 8%, respectively.

We are convinced that wealth management will remain a growth industry. It offers enormous potential for companies such as Julius Baer that have the vision and capabilities to turn opportunities into business prospects – for the benefit of our clients, our employees and our shareholders, whose support we highly appreciate.



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 2016

Assets under management ended the period at a record CHF 311 billion, an increase of 4% since the end of 2015. However, as the strong transaction and trading environment of a year ago was not repeated, the gross margin declined to 95 basis points. In the development of adjusted expenses¹, the impact of the increased investments in growth was balanced by a positive impact resulting from a pension fund plan amendment. As a result, and when excluding the US provision² from the first-half results in 2015, adjusted net profit for the Group¹ grew by 5% year-on-year.



Dieter A. Enkelmann, Chief Financial Officer

These inflows were partly offset by slow momentum in Latin America, by some client deleveraging in Asia, as well as by the tail end of the regularisation of legacy assets in France and Italy.

Assets under custody were unchanged at CHF 86 billion.

‘After a slow start to the year, net new money inflows accelerated towards the end of the period.’

Assets under management (AuM) grew by 4%, or CHF 12 billion, to CHF 311 billion. The increase in AuM was the result of a net positive acquisition impact of CHF 8.6 billion following the first-time consolidation of Kairos Investment Management SpA (Kairos), net new money of CHF 5.5 billion (3.7% annualised) and positive market performance of CHF 1.6 billion, partly offset by a negative currency impact of CHF 4.0 billion.

After a slow start to the year, net inflows accelerated towards the end of the period, resulting in an (annualised) net new money pace of 3.7%, close to the Group's 4-6% annual target. Net new money was supported by continued inflows from Asia, the Middle East and Central & Eastern Europe, from the local businesses in Switzerland, Germany and Italy as well as from the cross-border European business.

Operating income rose to CHF 1,425 million, an increase of 1%, below the 6% growth in monthly average AuM (to CHF 301 billion). This increase was helped by a positive fair value adjustment of CHF 39 million resulting from the acquisition on 1 April 2016 of an additional 60.1% stake in Kairos. As a result, the gross margin for the Group declined from 99 basis points (bps) in the first half of 2015 to 95 bps. Of the total gross margin, 2.6 bps are due to the Kairos fair value adjustment. However, when excluding the latter positive impact, the gross margin nonetheless improved by 4 bps from the 88 bps achieved in the second half of 2015.

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

² Cf. footnote 3 to the table on the next page

CONSOLIDATED INCOME STATEMENT¹

	H1 2016 CHF m	H1 2015 CHF m	H2 2015 CHF m	Change to H1 2015 in %
Net interest and dividend income	510.0	384.2	327.2	32.8
Net commission and fee income	739.3	792.0	730.4	-6.7
Net trading income	117.6	217.0	218.8	-45.8
Other ordinary results	57.7	14.7	10.0	292.4
Operating income	1,424.6	1,408.0	1,286.4	1.2
Personnel expenses	623.1	630.3	576.7	-1.1
General expenses ²	285.1	604.0	479.0	-52.8
Depreciation and amortisation	31.4	45.4	50.0	-30.9
Adjusted operating expenses	939.6	1,279.7	1,105.6	-26.6
Profit before taxes	485.0	128.2	180.8	278.3
Income taxes	83.0	19.5	10.4	325.7
Adjusted net profit for the Group	402.0	108.8	170.4	269.5
excluding US provision ³	402.0	384.0	317.5	4.7
Attributable to:				
Shareholders of Julius Baer Group Ltd.	400.7	107.8	169.5	271.8
Non-controlling interests	1.2	1.0	0.9	18.6
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	1.84	0.49	0.78	274.1
excluding US provision ³	1.84	1.75	1.45	5.3
Key performance ratios				
Cost/income ratio ⁴	64.7%	64.7%	69.9%	-
Gross margin (basis points)	94.7	99.2	88.1	-
Pre-tax margin (basis points)	32.2	9.0	12.4	-
Tax rate	17.1%	15.2%	5.7%	-

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

² Including valuation adjustments, provisions and losses.

³ Excluding the net profit impact of CHF 275.2 million provisioned in H1 2015 and of CHF 147.1 million provisioned in H2 2015 of the total USD 547.25 million settlement amount in connection with the final settlement with the US Department of Justice reached on 5 February 2016 concerning Julius Baer's legacy US cross-border business.

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

Net commission and fee income contributed CHF 739 million, a decrease of 7%. The reduction was driven mainly by a decline in brokerage commissions, reflecting the lower transaction volumes following reduced client risk appetite compared to the same period a year ago.

‘The hiring-based increase of net 47 RMs in the first half of the year is already above the total net recruitment of 40 RMs in all of 2015.’

Net interest and dividend income rose by 33% to CHF 510 million, which included dividend income on trading portfolios, up from CHF 122 million to CHF 180 million. Excluding this item, underlying net interest and dividend income grew by 26% to CHF 330 million. This increase was driven by a 12% year-on-year growth in loans, higher credit spreads and an improvement in treasury income, which outweighed the negative impact from a rise in interest expense on deposits and debt issued as well as the net impact from negative interest rates.

Net trading income fell by 46% to CHF 118 million. Including the aforementioned increased trading portfolios-related dividend income, underlying net trading income decreased by 12% to CHF 298 million. This decrease is explained by the fact that in the first half of 2015 trading income had benefited extraordinarily from the elevated FX volatility and volumes following the Swiss National Bank’s decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. Compared to the second half of 2015, underlying net trading income improved by 26% thanks to an increase in FX volumes throughout most of H1 2016, particularly in June following the result of the Brexit referendum in the UK.

Other ordinary 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, grew by CHF 43 million to CHF 58 million. This increase is largely attributable to the aforementioned Kairos acquisition-related positive fair value adjustment of CHF 39 million.

Adjusted operating expenses fell to CHF 940 million, a decrease of 27%, mainly due to the fact that the first half of 2015 included the H1 2015 US provision of CHF 326 million. Excluding the H1 2015 US provision, the adjusted operating expenses declined by 1%.

Breakdown of assets under management by currency

	30.06.2016	30.06.2015	31.12.2015
USD	44%	45%	46%
EUR	23%	21%	21%
CHF	11%	13%	12%
GBP	4%	5%	4%
HKD	2%	3%	3%
INR	2%	0%	2%
SGD	2%	2%	2%
JPY	1%	0%	1%
Other	11%	11%	9%

ASSETS UNDER MANAGEMENT

	30.06.2016 CHF bn	30.06.2015 CHF bn	31.12.2015 CHF bn	Change to 31.12.2015 in %
Assets under management	311.4	284.0	299.7	3.9
<i>Change through net new money</i>	5.5	6.5	5.6	-
<i>Change through market and currency impacts</i>	-2.4	-15.4	5.0	-
<i>Change through acquisition</i>	8.6	2.5	5.5	-
<i>Change through divestment</i>	-0.0	-0.1	-0.4	-
Assets under custody	86.0	84.6	85.8	0.2
Total client assets	397.4	368.6	385.5	3.1
Average assets under management (in period)	300.8	283.9	292.0	3.0

At 5,856 full-time equivalents (FTEs), of which 1,284 RMs as well as 144 Kairos employees, the total number of employees at the end of June 2016 was up by 9%, or 478 FTEs, from the end of June 2015, whereas the average number of employees increased by 5% to 5,682. In the first six months of 2016, the Group added 67 new RMs on a net basis, of which 20 joined through the acquisition of Kairos. The hiring-based increase of 47 RMs in the first half of the year is already above the total net recruitment of 40 RMs in all of 2015. This growth, as well as the increase in other staff, follows the strategic decision to accelerate RM hirings and to invest in strengthening other key areas of the business, such as Investment Management and Investment Solutions. Adjusted *personnel expenses* declined to CHF 623 million, a decrease of 1%. This result was helped by a positive impact of CHF 63 million resulting from the pension fund plan amendment in Switzerland. Excluding this, adjusted personnel expenses grew by 9% to CHF 686 million.

Adjusted *general expenses* fell by 53% to CHF 285 million. Excluding the H1 2015 US provision, the adjusted general expenses increased by 3%, below the 6% increase in monthly average AuM. This relatively low increase was helped by a CHF 24 million decrease in valuation allowances, (non-US related) provisions and losses to CHF 18 million.

The adjusted *cost/income ratio*¹ remained at 64.7% (H1 2015: 64.7%; H2 2015: 69.9%). Without the positive pension fund-related impact, the adjusted *cost/income ratio*¹ increased to 69.1%, following the gross margin decline to 95 bps and the Group's accelerated investments in growth this year.

Adjusted *profit before taxes* increased by 278% to CHF 485 million. Excluding the H1 2015 US provision in the first half of 2015, adjusted profit before taxes went up by 7%. The related income taxes were CHF 83 million, representing a tax rate of 17%. Adjusted *net profit for the Group*² improved by 270% from CHF 109 million to CHF 402 million, and adjusted *earnings per share* (EPS) for the Group by 272% from CHF 0.50 to CHF 1.85. Excluding the H1 2015 US provision, adjusted net profit for the Group and adjusted EPS grew by 5%. After considering non-controlling interests, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. rose from CHF 108 million to CHF 401 million, and adjusted EPS from CHF 0.49 to CHF 1.84.

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

² Cf. footnote 1 to the table on page 5

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 11 million, compared to CHF 10 million in the first half of 2015) as well as the amortisation of intangible assets related to acquisitions (CHF 34 million, down from CHF 65 million in the first half of 2015). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements for the first half of 2016, net profit increased by 812% to CHF 362 million, as the first half of 2015 was strongly impacted by the H1 2015 US provision. After considering non-controlling interests, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. grew by 828% to CHF 362 million, and EPS by 834% to CHF 1.66.

Balance sheet and capital developments

Since the end of 2015, *total assets* increased by CHF 3.6 billion, or 4%, to CHF 87.8 billion. Client deposits declined very slightly, by CHF 0.2 billion, to CHF 64.6 billion, while the total loan book grew by CHF 0.3 billion, or 1%, to CHF 36.7 billion (comprising CHF 28.0 billion of Lombard loans and CHF 8.8 billion of mortgages). As a result, the loan-deposit ratio rose to 0.57 (end of 2015: 0.56). In the same period, which included the acquisition of an additional 60.1% stake in Kairos for EUR 276 million (CHF 302 million), total equity attributable to shareholders of Julius Baer Group Ltd. increased by CHF 0.2 billion to CHF 5.1 billion.

‘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 2016, on a phase-in basis, total capital amounted to CHF 3.5 billion, of which CHF 3.3 billion CET1 capital. With risk-weighted assets at CHF 20.4 billion, this resulted in a phase-in *BIS total capital ratio* of 17.3% and a phase-in *BIS CET1 capital ratio* of 15.9%, well above the Group’s target ratios of 15% and 11%, respectively, and significantly in excess of the regulatory minimums of 12.2% and 8%, respectively.

Breakdown of assets under management by asset mix

	30.06.2016	30.06.2015	31.12.2015
Equities	26%	27%	27%
Investment funds	24%	24%	23%
Bonds/convertibles	20%	19%	19%
Client deposits	20%	21%	21%
Structured products	5%	5%	5%
Money market instruments	3%	3%	4%
Other	2%	1%	1%

CONSOLIDATED BALANCE SHEET

	30.06.2016 CHF m	30.06.2015 CHF m	31.12.2015 CHF m	Change to 31.12.2015 in %
Assets				
Due from banks	8,180.1	8,018.3	6,901.1	18.5
Loans to customers ¹	36,723.3	32,761.0	36,380.9	0.9
Trading assets	7,309.3	7,690.8	8,984.0	-18.6
Financial investments available-for-sale	17,396.8	14,764.7	16,572.5	5.0
Goodwill and other intangible assets	2,783.8	2,283.8	2,316.4	20.2
Other assets	15,357.4	14,630.6	12,960.6	18.5
Total assets	87,750.7	80,149.2	84,115.5	4.3
Liabilities and equity				
Due to banks	6,916.9	5,227.6	4,672.0	48.0
Deposits from customers	64,578.4	60,199.4	64,781.4	-0.3
Financial liabilities designated at fair value	6,166.7	4,594.1	4,263.1	44.7
Other liabilities	4,917.2	5,248.6	5,457.1	-9.9
Total liabilities	82,579.2	75,269.7	79,173.5	4.3
Equity attributable to shareholders of Julius Baer Group Ltd.	5,134.0	4,872.4	4,935.6	4.0
Non-controlling interests	37.6	7.2	6.4	486.8
Total equity	5,171.5	4,879.5	4,942.0	4.6
Total liabilities and equity	87,750.7	80,149.2	84,115.5	4.3
Key performance ratios				
Loan-to-deposit ratio	0.57	0.54	0.56	-
Book value per share outstanding (CHF) ²	24.1	22.7	23.0	4.8
Return on equity (ROE) annualised ³	25.1%	6.3%	10.5%	-
BIS statistics				
Risk-weighted assets	20,407.0	18,096.7	19,294.8	5.8
Eligible tier 1 capital	3,251.0	3,456.7	3,534.2	-8.0
BIS total capital ratio	17.3%	20.3%	19.4%	-
BIS CET1 capital ratio	15.9%	19.1%	18.3%	-

¹ Mostly Lombard lending and mortgages to clients² Based on shareholders' equity³ Adjusted net profit/average shareholders' equity less goodwill

BUSINESS DEVELOPMENT IN FIRST HALF 2016

Financial markets continued to be impacted by rapidly altering macroeconomic, geopolitical and monetary prospects in the first six months of 2016. The related uncertainty was thoroughly put into clear perspective at the individual client level thanks to our constantly expanding holistic advisory capabilities and offering. Leveraging our broad international presence, we initiated the next phase of growth and transformation of our Group.

In the first half of 2016, we continued to strengthen our geographic presence through further investments in Italy, Brazil and Japan. Furthermore, the acquisition of Commerzbank International S.A. Luxembourg announced last year was successfully closed at the beginning of July 2016 and the company renamed Bank Julius Baer Luxembourg S.A.

The multiyear project to upgrade Julius Baer's core banking platforms globally continued to progress on schedule. Its objective is to deliver an improved client experience, better operating efficiency and greater flexibility through the harmonisation of processing platforms. In a staggered approach, the project was launched in Asia at the beginning of 2015. It is expected to be implemented in the two booking centres of Singapore and Hong Kong in the first half of 2017 after which the other regions will follow. Bank Julius Baer Luxembourg S.A. runs on the same system as Julius Baer's target platform. The related IT expertise will add relevant experience to the implementation of our global banking platform project. In addition, it will provide us with more flexibility for our European businesses. As part of the initiative to use technology to improve our client offer, a first set of front-oriented deliverables has already been implemented, for example in our relaunched e-banking platform.

Overall, the growing international trend towards enhanced client advice suitability is triggering substantial investments in IT tools to support the adapted advisory processes. The much enhanced holistic Julius Baer Advisory Process with our new *Julius Baer – Your Wealth* service offering is in the midst of being rolled out globally. It aims to provide 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, including the forthcoming MiFID II and FiDLEG legislations (see below). As a first step, we have introduced new advisory service models, further improving the quality of our advisory services.

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, including further investments in formalised internal control mechanisms. The related, comprehensive compliance training continued for the entire Group, with a particular focus on client-facing staff, including mandatory certification programmes and corresponding refresher courses.

The revised Markets in Financial Instruments Directive (MiFID II) in the EU and similar draft legislation in Switzerland (Federal Financial Services Act or FiDLEG), 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.

The Federal Council initiated the consultation on the Ordinance on the International Automatic Exchange of Information in Tax Matters (AEI) containing the implementing provisions on 18 May 2016. The AEI agreements with the EU and Australia received final parliamentary approval



at the end of May 2016. The AEI is expected to be introduced in 2017 so that the first exchange of data with selected partner states can take place from 2018. 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 implementation of AEI's underlying Common Reporting Standards have been defined and are in the process of being applied in the Group's IT systems.

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. On 5 February 2016, we were able to announce the final settlement with the US Department of Justice in connection with the Group's legacy US cross-border business, including the settlement amount totalling USD 547.25 million, for which we had set aside a corresponding provision in 2015.

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 financing, corporate finance and investment solutions that go beyond traditional wealth management.

Leveraging the Group's exclusive position as Global Partner of the FIA Formula E Championship, Julius Baer and German carmaker BMW Group established an international brand cooperation at the beginning of 2016. The aim is to secure mutual benefit through shared branding and access to new clients.

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

Our home market in the centre of Europe is a geographically and culturally diverse region. Despite being considered a mature wealth management market, Switzerland offers unexploited growth potential. Leveraging our strong brand, our specialised offering and our comprehensive network of offices across the country, our goal is to achieve sustainable growth and significantly expand our market share. Our strategic hiring initiative across all locations and client segments is a key element of our strategy for achieving this goal. On the back of our expanding team of qualified relationship managers (RMs), we continued to attract net new money in H1 2016. Against a background of volatile markets and rather cautious clients, overall revenues held up well but remained below the level of H1 2015, as the latter was strongly influenced by the extraordinary events in the forex markets early in that year.

Our activities in Switzerland, including Investor Services (custodian business), were reorganised effective 1 January 2016 to focus on three key client segments: ultra-high net worth individuals (UHNWI), high net worth individuals (HNWI) and custody clients. The UHNWI client segment came under new leadership at the beginning of February 2016 and was further strengthened by an additional team of experienced RMs. This enables us to address the complex requirements of these clients in a more targeted way through an increasingly tailor-made offering. Investor Services has been newly positioned as an integral component of our service offering for UHNWI clients and family offices, making us a leading custody provider for these client groups. In servicing our HNWI clients, the implementation of our much enhanced holistic advisory process *Julius Baer – Your Wealth* plays an important role. As a first step, we are in the midst of introducing the new advisory service models, which allow our clients to choose advisory services based on their individual needs and service level requirements.

In order to leverage our strong regional presence, the management structure has been streamlined and geographically realigned, encouraging a closer relationship with clients and better understanding of their needs, while maximising the impact of our regional marketing initiatives. The primary focus

remains on the major economic centres, served and led from Zurich, Basle, Geneva, Lausanne and Lugano. At the same time, we continue to invest in all other locations to seize opportunities and strengthen our Swiss presence.

Europe

Thanks to its large wealth concentration and multifaceted cultural proximity to Switzerland, Europe remains an important pillar of Julius Baer's private banking strategy. The trend to regularisation of legacy assets is well advanced in Europe and nearing completion at Julius Baer. It nevertheless negatively impacted net new money development in some jurisdictions in the first half of 2016 despite overall positive net new money inflows in Europe.

Germany continues to be one of the most attractive wealth management markets in Europe, important 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 pure private banking, its strong reputation and solid financial foundation remained highly valued 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 easily accessible for excellent client proximity and service. As an alternative booking centre to geographically diversify assets, Switzerland has remained an attractive destination for Germany-based clients, supported by ever closer cooperation between Julius Baer Zurich and Frankfurt.

While market volatility weighed on the overall momentum of Bank Julius Bär Europe AG's domestic private client business, revenues and net new money inflows held up well. In contrast, in its role of also serving as the custody platform for Julius Baer clients advised out of other EU locations, the booking platform saw its contribution suffer from lower client transaction volumes.

We continued to strengthen the Julius Baer brand in Germany through a variety of sponsorship activities and client events in the areas of art, classical music and high-calibre sports. Informal gatherings to discuss Julius Baer's investment view on prescient topics continued to be extremely popular among

existing and prospective clients. In recognition of our exceptional brand management, Julius Baer received the *German Brand Award 2016* in the category *Industry Excellence in Branding – Corporate and Financial Services* from the *German Brand Institute*.

In the Benelux region, our businesses in the **Netherlands** and **Luxembourg** serve a broad and internationally oriented client base that seeks the benefits of a partner solely focused on pure private banking. On the back of the growing local awareness of our brand, we continued to broaden our cooperation with family offices, intermediaries and trusts. Business momentum held up well, contributing to positive net flows of new assets, while the negative interest rate environment, lower transaction volumes and investments in additional RMs weighed on profitability. In close cooperation with teams in Zurich, Julius Baer also targets selected Nordic markets. The acquisition of Commerzbank International S.A. Luxembourg (since renamed Bank Julius Baer Luxembourg S.A.) was successfully completed at the beginning of July 2016. It adds considerable scale to our local franchise and provides Julius Baer's first Luxembourg-based booking centre, thereby presenting the Group with further strategic flexibility to service the requirements of our European clients.

In Southern Europe, our office in **Spain** continued to leverage the growing reputation of our brand and to position Julius Baer as a specialised wealth manager with a differentiated offering for sophisticated clients. Despite uncertainty in both the financial markets and political landscape in Spain, we managed to maintain growth and profitability at sustainable levels. The increased scope of our marketing events was well received by clients.

Our activities in **Monaco** largely succeeded in maintaining last year's strong business momentum and again recorded pleasing net new money inflows. 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 and the Middle East. We therefore continued to invest in enhancing client proximity and expanding our team of qualified RMs.

In **Italy**, Julius Baer's stake in Kairos Investment Management SpA (Kairos) was increased by 60.1% to 80% effective 1 April 2016. Kairos is the Group's exclusive gateway to the attractive Italian domestic wealth management market. The company, which will continue to operate under the Kairos brand, has experienced significant growth since Julius Baer acquired its initial stake in 2013. The main focus now is on realising business synergies to underpin current growth momentum.

Our **London** business came under new leadership at the beginning of the year. In parallel, the management structure was realigned to further strengthen client focus, involving a number of senior appointments. Business momentum remained attractive, particularly among international clients, resulting in satisfying net new money inflows. Profitability was impaired by clients' reticence to respond to markets in general and to the uncertainty of the UK to leave the EU in particular. The aim is to further develop a UK-centric offering that capitalises on Julius Baer's key strengths as a highly dedicated wealth manager 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. This had a marked influence on client behaviour and continued to weigh on business momentum. Asset protection remained a priority among clients, associated with rising cash holdings, ongoing deleveraging and a strong shift towards discretionary and particularly advisory solutions.

The longer-term potential for the region, however, remains intact. The growing reputation of Julius Baer as the leading Swiss private banking group and employer of choice helped us improve our

market standing and seize growth opportunities. Complementing our office in Moscow, we serve 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 was further expanded by entering new markets such as Romania and Bulgaria as well as by adding RMs and teams, supported by market-specific investment offerings, dedicated client events and sponsorship of cultural events in art and music.

Asia Pacific

Asia continues to feature many of the world's fastest growing countries for wealth creation and number of HNWIs. Growth concerns in the first few months of 2016 increased financial market volatility yet highlighted the merits of the ongoing structural changes in the region. This transformation is particularly pronounced in China which is moving towards a more domestically driven and therefore stable economic base in the long term. Against this background, client activity remained subdued, which, together with some client deleveraging, held back revenue and net new money compared with H1 2015.

Under the new leadership of Jimmy Lee since 1 January 2016, the business is being reorganised in order to be even better positioned for the next phase of growth. Julius Baer serves this large and diverse region from a number of locations, including Singapore, Hong Kong and India, making Asia the Group's second home market (see separate text). Amid consolidation in local industry, our aim is to capture the region's growth potential. We will achieve this by leveraging our strong market standing among the top private banks in Asia to become the first address for clients in search of a trusted advisor with a comprehensive offering that is highly adaptable to individual requirements. Our increased hiring efforts across Asia resulted in a significant number of experienced new market heads and RM teams joining Julius Baer, with a considerable further number confirmed to join in H2 2016 as well.

JULIUS BAER IN ASIA: 10 YEARS AND A SECOND HOME MARKET

In January 2006, our Singapore office numbered a mere 26 people. Facing mature European markets and expecting above-average wealth creation in Asia, Julius Baer was set to embark on massive expansion of its regional Asian business activities.

The result after 10 years is impressive. Thanks to strong organic growth and successful acquisitions, Asia's share of our more than CHF 300 billion of Group-wide assets under management today are growing towards a quarter, mainly managed in the booking centres of Singapore and Hong Kong. Our staff numbers have taken a similar trajectory. Almost 1,300 people now work in the region, representing 22% of the Group's workforce. Within a decade, Julius Baer has become one of the region's major private banking service providers, making Asia the Group's second home market after Switzerland. Julius Baer has long since established itself as an admired and valued brand in the region and has been recognised through many prestigious awards in recent years.

As in other markets targeted by the Group, Julius Baer is eyeing further growth in Asia, primarily by hiring additional qualified relationship managers and teams. As a result, we were able to welcome a significant number of additional colleagues also to our Asian franchise in the first half of 2016.

Our activities in Asia were supported by a series of events showcasing our client focus and investment excellence as well as through high-profile sponsorship in sports, art and classical music. In recognition of our achievements and dedicated client focus, Julius Baer received two accolades at the *Wealth-BriefingAsia Awards 2016*. The Bank was named winner in the category *Pure Play Private Bank* in both Hong Kong and Singapore. In addition, Julius Baer was given the award for *Best Private Bank – Fund Advisory Services* for 2015 by *Asian Private Banker*.

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 order to capture the potential of other Asian markets such as the Philippines, Thailand and mainland Southeast Asia, we have established dedicated management and market responsibilities for this newly established Emerging Asia subregion.

Following the investment to increase the stake in our Japan-focused subsidiary to 100% in spring 2016, the local business entered a new phase with the official launch of the rebranded Julius Baer Wealth Management Ltd. in Tokyo at the beginning of June 2016. Japan is home to over 50% of the region's HNWI's. Operating out of new premises, Julius Baer is well positioned to benefit from the paradigm shift of Japanese assets seeking higher yields and diversification through investment in non-yen assets.

Julius Baer is one of the largest and best established foreign wealth managers in India, covering the domestic Indian market from five locations. In addition, we serve a large and growing global base of non-resident Indians from different Group locations in Asia, the Middle East and Europe. Our strong focus on advisory excellence and our expanding range of available services resulted in gratifying net new money development in the first half of 2016.

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 drag of lower oil prices on economic growth, we were able to maintain the overall business momentum. On the back of our accelerating market penetration, we achieved healthy net new money inflows while largely maintaining profitability.

Our business activities in the Middle East were realigned to optimise geographic coverage and foster efficiency. We aim to capture the region's attractive growth potential by increasing our base of senior RMs. Our Sharia-compliant offering was further broadened by the introduction of a commodity-related financial product.

Selected markets in the Eastern Mediterranean and on the African continent offer attractive growth opportunities for Julius Baer, allowing us to leverage our global investment expertise and service commitment. On the back of our much enlarged team of experienced RMs, net new money inflows accelerated while profitability held up well. Overall, clients' focus on wealth preservation remained strong, particularly among established business owners.

As a result of the rapid growth in **Israel** in recent years, Julius Baer is firmly established as one of the top foreign private banks for Israeli clients. Israel's economic resilience, wealth creation potential and high ratio of HNWI make it an attractive yet highly competitive market. While the difficult financial market trend and the foreseeable end of the domestic regularisation programme by year-end 2016 put a cap on asset development, profitability improved further.

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. The strategic cooperation programme with Bank Leumi, offering significant referral opportunities for Julius Baer, generated solid net new money inflows.

Latin America

Leveraging our footprint in six countries and benefiting from the continuous increase in brand recognition at the local level, we aim to further grow our business activities across Latin America. Business momentum in the region was hampered by the changing conditions in financial markets and the political uncertainties in several countries in the region as well as ongoing or expected voluntary disclosure programmes.

Nevertheless, most of the region continues to offer significant growth potential, with solid wealth creation expected to be driven by further economic expansion. We intend to capture this potential by expanding our presence either organically or by seeking opportunities to develop a strong domestic presence in selected markets. The Group's gradual entry into the Brazilian market has become a model for how Julius Baer can gain access to other promising markets in a controlled and timely manner. On 1 March 2016, Julius Baer increased its ownership of Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS) from 80% to 100%. Since acquiring our first stake in 2011, the company has, in local currency terms, tripled in size and maintained its position as the largest independent wealth manager in Brazil. Cooperation with other Group locations and functions was further enhanced, with one of the results being the first jointly developed and distributed fixed income product. In light of the challenging market and political conditions, GPS's revenue and net new money development remained steady.

Julius Baer's cooperation with leading Mexican financial advisory firm NSC Asesores, S.A. de C.V. (NSC), in which we hold a 40% minority participation, was strengthened. The establishment of a harmonised business model offering, client activity and associated revenue potential are expected to gain momentum.

We continued to invest in brand recognition via joint initiatives with GPS and NSC as well as through sponsorship of a number of sport events. At the beginning of the year, we held our 11th annual Julius Baer conference in Punta del Este/Uruguay, a highly acclaimed gathering with more than 900 guests in attendance.

Intermediaries business

As a core activity of Bank Julius Baer, the global business with intermediaries, i.e. external asset managers (EAMs) and external financial advisors, maintained its excellent growth momentum in the first six months of 2016. Leveraging our strong Swiss market presence, we continued to expand our footprint in Asia, Latin America, Europe, the Middle East and Africa.

Last year's organisational alignments along the domiciles of the intermediary and the end client, aimed at maximising the client experience, significantly contributed to the growth of business booked in Switzerland. In addition, we benefited from the trend among EAMs to actively reduce the number of custodian banks and to concentrate on fewer and higher-quality providers with a sustainable business model. The integration of Geneva-based Fransad Gestion SA, acquired in November 2015, proceeded according to plan.

Our local activities in Hong Kong and Singapore also enjoyed impressive growth. The recognition of Julius Baer's high-quality services provided to Asian EAMs is best reflected in the award for *Best Private Bank – External Asset Manager Choice* for 2015 by *Asian Private Banker*, the fourth such award in five years.

In Europe, the dedicated team established just two years ago for intermediaries in Monaco continued to successfully develop our business. The strong growth achieved in the first half of 2016 reinforced our position as one of the top five custodian banks as well as a preferred and trusted partner for the most important intermediaries in the principality.

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 multiple asset classes and markets is assured by our specialised units Investment Management, Investment Solutions Group and Markets, complemented by Investor Services.

The Investment Management (IM) unit was created at the beginning of 2016 with the aim to further strengthen our commitment to achieving consistently solid investment performance for clients. It complements our Investment Solutions Group (ISG), with IM focusing on developing and managing best-in-class discretionary mandate solutions, while ISG provides a wide range of investment-related advisory services. IM is led by Yves Henri Bonzon, who joined Julius Baer on 1 February 2016 and was also appointed co-CIO. He became sole CIO in May 2016 following the departure of Burkhard Varnholt, whose responsibilities as Head ISG have been assumed ad interim by Yves Robert-Charrue.

Investment Management

IM aims to deliver attractive risk-adjusted returns for our clients by managing their money in a highly dedicated and sophisticated way. As such, IM represents a core function at Julius Baer as it is the unit in charge of implementing the Group's distinctive investment approach in client portfolios. The emphasis is on active, responsible and disciplined management of client assets as well as on enhancement of the offering via specific mandate solutions and portfolio funds. This has allowed IM to continue catering to the complex needs of our clients and to support the Group's growth momentum.

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.

With *Julius Baer – Your Wealth*, we are in the midst of introducing a much enhanced holistic advisory process tailored to clients' individual needs. Encompassing our core competences of *Wealth Planning*, *Wealth Management* and *Wealth Financing*, it allows us to systematically devise the appropriate financial solutions for each client based on their unique situation. As a first step, we have introduced new advisory service models, further improving the quality of our advisory services. Clients with a *Your Wealth* service model are additionally supported by our state-of-the-art *Investment Insights App* for iPad, launched in April 2016.

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 practices. The first PRI report was submitted in March 2016. Besides including MSCI ESG Ratings and MSCI ESG Controversies for equities and fixed income in our research reports and marketing materials, we are focusing on active education of our RM teams and dedicated client communication to further promote our responsible investment approach.

Via their RMs, 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 50,000 instruments across several asset classes and ensures full compliance with tax and distribution rules.

Our **Research** unit further extended the equity coverage from 725 to 900 stocks by mid-2016. In parallel, the active coverage of the fixed income universe was expanded to more than 250 issuers. Marketing material is now available for a total of 13,000 fixed income securities. The expansion of our research coverage will largely be concluded by the end of 2016, making Julius Baer one of the leading independent buy-side research houses in Switzerland.

The first half of 2016 was marked by an abrupt breakdown of commodity and emerging market-related assets and their subsequent recovery. Concerns of a possible recession in China were reduced by major fiscal and monetary stimulus by Chinese authorities, only to be replaced by uncertainty about the UK remaining in the EU. This all gave our Research specialists ample opportunities to provide RMs and clients with expert guidance.

The **Fund Solutions** unit continued to expand the global fund offering. The recommended fund universe was complemented by the launch of the first fund portfolio solution. The growing interest in Exchange Traded Funds was met with an extended coverage and service offering. The Premium Solutions offering was further enhanced through a diversified range of industry-leading hedge funds as well as newly launched private equity initiatives.

Investment Solutions & Advisory acts as a holistic, client-centric business partner and unbiased point of entry into ISG and IM for all the Group's RMs. The unit provides them with a continuous and proactive flow of investment recommendations and publications as well as with support during the entire lifecycle of advisory mandates. Following the introduction of *Julius Baer – Your Wealth*, clients booked in Switzerland currently are the first to enjoy the numerous benefits of the new advisory mandates *Advice Basic*, *Advice Premium* and *Advice Advanced*.

The unit continued to substantially contribute to the Group's various event formats around the globe. Our specialists provided insights and expert views on topics such as *The Future of Healthcare*, *Arising Asia* and *E-Mobility*. The Alpha Conferences organised in various international locations remained very popular. They give RMs and clients the opportunity to exchange views with selected fund managers from Julius Baer's open product platform.

Our **Wealth Planning** unit helps clients navigate financial challenges over the different stages of life. By addressing complex individual goals with sustainable wealth planning concepts, we enable our clients to plan ahead and improve the performance

of their wealth. The record increase in the volume of average assets advised per Wealth Planner demonstrates the growing demand for their support. As a consequence, we continued to strengthen our global workforce in key markets such as Hong Kong, the UK, continental Europe and Latin America. In Switzerland, newly developed offerings such as our second pillar vested benefit and supplementary pension products (in conjunction with mortgage loans from the pension foundation) cover a growing universe of client requests. Operating from four strategic centres, our international trust business continued to focus on complex client cases and made a strong contribution towards reaching the Bank's net new money targets.

In Asia, the combined **Markets ISG** unit met the growing expectations of an increasingly demanding clientele with high-quality services and bespoke products. In the first half of 2016, clients tended to de-risk their portfolios by favouring absolute return investment funds and related liquid investments, reducing correlation and net exposure to equity markets. Markets ISG supported clients with targeted private equity funds, actively managed certificates and tailored products that benefit from a negative interest rate environment and quantitative easing policies. Wealth planning solutions continued to be one of the key business drivers in Asia. In order to enhance the consistency of client advice, promote one-voice communication and foster efficiency, the unit's investment specialists were reorganised along regional responsibilities.

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 Group's open architecture in structured products and its issuing activities. Together with ISG, it is the central unit for the distribution of financial solutions. The *Markets Toolbox*, a real-time platform for currency (FX) and structured products for RMs and External Asset Managers, as well as *Market Link*, an Internet-based mobile real-time trading platform, are also provided by Markets.



Private client investment activity was held back by continued market uncertainty. In contrast to H1 2015, substantially lower FX volatility and range-bound key currencies resulted in lower client trading volumes. The sharp equity market correction at the beginning of the year has left investor sentiment at decade-low levels, despite the subsequent policy-induced rebound of key indices. Weaker flows into securities, FX and standard equity structured products were partially offset by the rising demand for tailor-made UHNWI solutions and FX structured products. Institutional solutions, especially Actively Managed Certificates for External Asset Managers, also recorded substantial growth. The introduction of the *Global Interest Rate Competence Centre* at the beginning of 2016 was well received by the Group's private clients, especially given the current negative interest rate environment.

Investor Services

Investor Services is a leading dedicated provider of global custody solutions in Switzerland, Guernsey and Singapore. Our goal is to achieve superior growth in a highly competitive market by offering best-in-class, bespoke services and 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 June 2016.

Investor Services is well on track with its growth strategy despite adverse market conditions and enjoys an excellent reputation in selected markets, serving institutional and collective investors such as pension funds, foundations, investment managers as well as fund managers and administrators. Emphasis will centre 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 5,856 at the end of June 2016. The increase by 492 or 9.2% compared with year-end 2015 also includes 144 new colleagues who joined from our 80%-owned subsidiary Kairos Investment Management SpA (Kairos), which was consolidated for the first time as at 1 April 2016.

Leveraging our broad international presence and business model solely focused on pure private banking, we initiated a new phase of growth by strongly accelerating the hiring of experienced relationship managers (RMs) across the Group. As a result, we have welcomed 47 additional colleagues (net) to our organisation year to date. The total number of RMs has substantially increased from 1,217 to 1,284 in the course of the year, including 20 RMs who joined from Kairos.

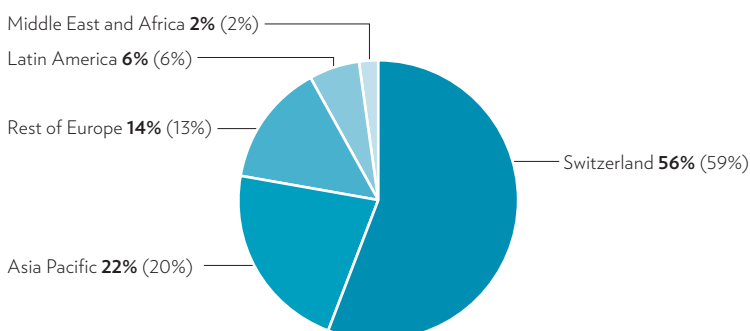
After a decade of strong organic and external growth, the overall distribution of the Group's staff has shifted considerably away from established markets. While our home market of Switzerland still accommodates over half of the employee population (56%, down from 79% at the end of 2009), the share of growth markets has significantly increased to 31% from 14% over the same period, with our second home market of Asia doubling to 22% from 11% (compared to less than 1% ten years ago).

Regulators and the wider public increasingly want to know about the competence level of advisors, and this competence is best certified by a neutral outside party. Julius Baer is committed to the highest competency standards in all markets in which it operates. Coordinated by the Julius Baer Academy, our Group's dedicated education centre, we therefore adapted the ISO-17024 standard of a Certified Wealth Management Advisor for all our RMs working from Switzerland, which account for roughly half the total RM population. To ensure that all new joiners will advise at this quality level and in the best tradition of Julius Baer, a three-day intensive *Julius Baer Advisory Camp* has been introduced to test the know-how, advisory capabilities and style of our new RMs. The training requirements for team heads as well as market heads also have been increased in line with the recently extended definition of their respective roles.

To ensure its long-term financial stability against the backdrop of rising life expectancy and low interest rates, the Julius Baer Pension Fund in Switzerland adapted its pension scheme effective 1 July 2016. The main changes are a decrease of the conversion rate and a one-year increase of the retirement age to 64 (regular: 65). Compensating measures include overall higher saving contributions by the employer and the employees as well as considerable financial contributions by the Pension Fund and Julius Baer to age groups closer to retirement.

Julius Baer employees (FTE) by geography as at 30 June 2016

(30 June 2015)



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.

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 destination Bank 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 Bank with our diverse stakeholder group.
- We respect human rights in all our endeavours as well as 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 four 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 alongside their regular work.



JULIUS BAER SUPPORTS THE FIGHT AGAINST POVERTY AND NEGLECT IN CAMBODIA

Living off waste dumps, lacking shelter and suffering from poor hygiene is the destiny of a multitude of destitute families living in slums in and around Phnom Penh. With a cluster of different projects, each leveraging the merits of the others, *Smiling Gecko Switzerland (SGS)* makes a difference to a growing number of families.

It all started in 2014 with the purchase of 220,000 square metres of farm land in the Kampong Chnang province in Northern Cambodia. Today, this *Agriculture Family Project (AFP)*, the first pillar of SGS's overall approach, consists of twelve independent farm businesses where families who previously lived in slums now produce purely organic crops that allow them to make a decent living from their own labour.

The second pillar is the *Village School Project*, which aims at assisting the local school in providing education that will ultimately go beyond kindergarten and primary school level. In a multiyear effort, the very poor infrastructure serving 900 school children, including some 50 of the AFP, is currently upgraded and

expanded. In parallel, the methods of teaching and the teachers' educational skills will be improved.

Sustainable Garment Production is the third and latest pillar. The textile factory built together with a reputable Swiss textile company provides vocational training, apprenticeships and job opportunities and thus a stable income for various textile-related as well as administrative professions, mostly benefitting young women with small children.

The *Farmhouse Smiling Gecko* guest house opened at the end of 2015 near the AFP. It not only accommodates a growing number of travellers but also offers local people the possibility to get a certified education in its restaurant operations, thus leading to career opportunities in various catering jobs.

The Julius Baer Foundation has carefully evaluated SGS, its approach and governance principles. It has supported the projects since 2015 and continues to consider them worthy of assistance: www.smilinggecko.ch

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 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 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 our unique 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 on further penetrating 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.

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 Board

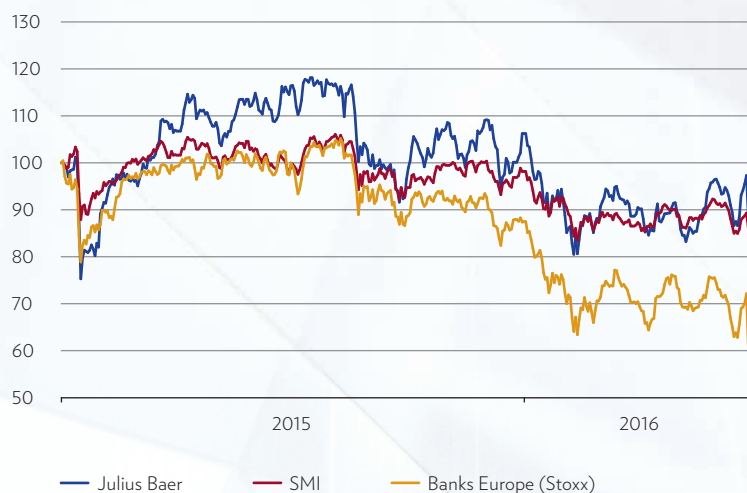
JULIUS BAER ON THE STOCK EXCHANGE

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 30 June 2016, the market capitalisation of the Group's shares was CHF 8.7 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 Interim Management Statement: 17 November 2016

Publication of 2016 annual results: 1 February 2017

Annual General Meeting: 12 April 2017

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

The Half-year Report 2016 of Julius Baer Group Ltd. is available at www.juliusbaer.com.



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