

Julius Bär

BUSINESS REVIEW 2016

JULIUS BAER GROUP



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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Front cover:

Situated in the west of the Canton of Valais in Switzerland, Lac d'Émosson is formed by a gravity arch dam spanning 555 metres. To prevent the dam from ending up half in France, the two countries agreed on a land swap to align the frontiers in 1963. The current dam, built between 1969 and 1973, replaced the initial water barrage that was completed in 1925, increasing the impoundment volume by almost sixfold. Hydrodynamic power is the single most important power source in Switzerland, covering more than 55% of the domestic electricity consumption and accounting for about 97% of all renewable energy produced in the country.

KEY FIGURES JULIUS BAER GROUP¹

	2016 CHF m	2015 CHF m	Change in %
Consolidated income statement			
Operating income	2,852.4	2,694.4	5.9
Adjusted operating expenses	2,004.8	2,385.4	-16.0
Profit before taxes	847.6	309.0	174.3
Adjusted net profit for the Group	705.5	279.2	152.7
excluding 2015 US provision ²	705.5	701.5	0.6
Cost/income ratio ³	68.9%	67.2%	-
Pre-tax margin (basis points)	27.1	10.7	-
	31.12.2016	31.12.2015	Change in %
Assets under management (CHF bn)			
Assets under management	336.2	299.7	12.2
Net new money	11.9	12.1	-
Consolidated balance sheet (CHF m)			
Total assets	96,207.2	84,115.5	14.4
Total equity	5,353.9	4,942.0	8.3
BIS total capital ratio	17.5%	19.4%	-
BIS CET1 capital ratio	16.4%	18.3%	-
Personnel (FTE)			
Number of employees	6,026	5,364	12.3
Number of relationship managers	1,383	1,217	13.6
Capital structure			
Number of shares	223,809,448	223,809,448	-
Market capitalisation (CHF m)	10,123	10,891	-7.0
Moody's rating Bank Julius Baer & Co. Ltd.			
Long-term deposit rating	Aa2	Aa2	
Short-term deposit rating	Prime-1	Prime-1	

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

² Excluding in 2015 the CHF 422.3 million impact on net profit of the USD 547.25 million settlement amount provisioned 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.

FOREWORD

Dear Reader

With improving growth prospects for the world economy, continuing supply of liquidity by central banks and a rising number of outright political shocks, investor focus shifted from deflation fear to political fear in 2016. These developments were met by volatile but relatively resilient financial markets and gave us ample opportunity to guide and advise our clients. Prevailing uncertainty kept client activity subdued, which continued to weigh on margins.

We took full advantage of the ongoing industry consolidation and competitive dynamics in 2016 by hiring a very substantial number of experienced relationship managers, particularly in Asia. This successful hiring highlights the benefits of our focused business model, high brand recognition and strong standing in our chosen markets. Our much enlarged relationship manager base has already made a noticeable contribution and is expected to further firmly contribute to our Group's growth prospects and support its future profitability. Continued net new money inflows, added investments into our European presence, i.e. in Italy (Kairos) and Luxembourg (Commerzbank International S.A. Luxembourg), as well as positive market performance contributed to record-high assets under management of CHF 336 billion at the end of 2016.

‘We took full advantage of the ongoing industry consolidation and competitive dynamics in 2016 by hiring a very substantial number of experienced relationship managers, particularly in Asia.’

The realignment of our organisation, announced in mid-July of 2016, was successfully implemented and resulted in well-defined regionalisation of our Group. All top management changes were staffed from within the organisation, underlining the Group's strong talent pool. The strengthening of our regional setup is a consistent step following the significant increase of our geographic footprint over the past ten years. Together with the ongoing investments in advisory services, investment management expertise and the Group's technology transformation, the stronger regional orientation will further support us in our aim to deliver a seamless client experience and at the same time allow for further efficiency gains.

Even after taking into account the impact of the aforementioned investments, Julius Baer remains well capitalised. 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. Already provisioned for in 2015, it had no impact on the financial result or capital ratios of 2016. In view of the forthcoming Basel III capital requirements, fully effective from the beginning of 2018, we continued to further strengthen Julius Baer Group's capital structure. All of the outstanding Basel III-non-compliant lower tier 2 subordinated unsecured bonds 2011–2021 were redeemed in December 2016. This redemption had been funded by the successful placement of the Group's second SGD-denominated, fully Basel III-compliant Additional Tier 1 securities in the amount of SGD 325 million. As a result, the Group's BIS total capital ratio at year end 2016 stood at 17.5% and the BIS CET1 capital ratio at 16.4%, well above both the Group's own defined and the required regulatory levels. The Board of Directors intends to propose to the Annual General Meeting on 12 April 2017 an increased dividend of CHF 1.20 per share. The total proposed dividend payout amounts to CHF 269 million, up from CHF 246 million in 2016, or 38% of the adjusted net profit¹ for 2016.

We are convinced that Julius Baer is very well positioned to benefit from a business environment favouring specialisation and a clear, well-executed strategy. Our client-centric business model solely focused on pure private banking and our innovative range of products and services make us the private banking provider of choice for existing and prospective clients, a rewarding place to work for ambitious employees and an attractive long-term investment for equity and bond investors. We thank all our stakeholders for their trust and continued support.



Daniel J. Sauter
Chairman



Boris F.J. Collardi
Chief Executive Officer

¹ Cf. footnote 1 to the table on page 5

FINANCIAL PERFORMANCE IN 2016

Assets under management grew by 12% to a record CHF 336 billion. Supported by a strong rise in net interest income, operating income increased by 6%. The gross margin declined by 2.5 to 91 basis points.

Excluding the 2015 US provision¹ from the 2015 results, adjusted operating expenses² went up by 8%, despite a positive impact from the Swiss pension fund plan amendment. This increase reflects our major investment in the recruitment of experienced relationship managers in 2016. Excluding the 2015 US provision from the 2015 results, adjusted net profit for the Group grew by 1% to CHF 706 million.



Dieter A. Enkelmann, Chief Financial Officer

Assets under management (AuM) grew by 12%, or CHF 36 billion, to CHF 336 billion. The increase in AuM was the result of market performance of CHF 12.7 billion, net new money of CHF 11.9 billion (4.0%), a net acquisition impact of CHF 11.2 billion following the first-time consolidation – as at 1 April 2016 – of 80%-owned Kairos Investment Management SpA (Kairos) and the acquisition – on 4 July 2016 – of Commerzbank International S.A. Luxembourg (CISAL), as well as a small positive currency impact of CHF 0.7 billion.

After a modest start, net new money gradually accelerated during the year, ultimately reaching 4.0%, at the lower bound of the Group's 4-6% annual target range. Net new money was strongly supported by inflows from clients domiciled in Asia, the Middle East and Western Europe (especially Monaco), which more than compensated for weakness in flows from Latin America and Central and Eastern Europe.

‘After a modest start, net new money gradually accelerated during the year.’

Operating income rose to CHF 2,852 million, an increase of 6%, compared to 9% growth in monthly average AuM (to CHF 313 billion). As a result, the gross margin for the Group declined by 2.5 basis points (bps) to 91 bps. A significant rise in net interest income together with increases in net commission and fee income and other ordinary results more than offset the decrease in net trading income.

Net commission and fee income went up by 3% to CHF 1,565 million. The increase in asset-based income was spurred by strong growth in advisory and management commissions which significantly outweighed a decline in investment fund fees. This more than compensated for the decrease in brokerage commissions driven by a year-on-year decline in client transaction volumes.

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

² Cf. footnote 1 to the table on the next page

CONSOLIDATED INCOME STATEMENT¹

	2016 CHF m	2015 CHF m	Change %
Net interest and dividend income	877.1	711.5	23.3
Net commission and fee income	1,564.9	1,522.4	2.8
Net trading income	332.5	435.8	-23.7
Other ordinary results	77.9	24.7	215.1
Operating income	2,852.4	2,694.4	5.9
Personnel expenses	1,318.0	1,207.0	9.2
General expenses ²	612.4	1,083.0	-43.5
Depreciation and amortisation	74.4	95.4	-21.9
Adjusted operating expenses	2,004.8	2,385.4	-16.0
Profit before taxes	847.6	309.0	174.3
Income taxes	142.1	29.8	376.2
Adjusted net profit for the Group	705.5	279.2	152.7
excluding 2015 US provision ³	705.5	701.5	0.6
Attributable to:			
Shareholders of Julius Baer Group Ltd.	701.5	277.3	153.0
Non-controlling interests	4.1	1.9	-
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	3.23	1.27	154.4
excluding 2015 US provision ³	3.23	3.20	0.8
Key performance ratios			
Cost/income ratio ⁴	68.9%	67.2%	-
Gross margin (basis points)	91.1	93.6	-
Pre-tax margin (basis points)	27.1	10.7	-
Tax rate	16.8%	9.7%	-

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

² Including valuation allowances, provisions and losses.

³ Excluding in 2015 the CHF 422.3 million impact on net profit of the USD 547.25 million settlement amount provisioned 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 interest and dividend income climbed by 23% to CHF 877 million. This included dividend income on trading portfolios, up by CHF 53 million to CHF 192 million. Excluding this item, underlying net interest and dividend income rose by 20% to CHF 685 million. This growth was driven by an increase in loans and lending margins as well as a further improvement in interest income on financial investments available-for-sale. These positive drivers significantly outweighed the modestly negative impact from a rise in interest expense on debt issued and a small increase in the net impact from negative Swiss and euro-area interest rates.

Net trading income declined by 24% to CHF 332 million. Including the aforementioned trading portfolios-related dividend income, underlying net trading income went down by 9% to CHF 524 million. This decrease is largely explained by the fact that in 2015 trading income had benefited strongly from the elevated FX volatility and volumes that resulted from the Swiss National Bank's decision in January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro.

Breakdown of assets under management by currency

	31.12.2016	31.12.2015
USD	45%	46%
EUR	22%	21%
CHF	11%	12%
GBP	4%	4%
HKD	3%	3%
SGD	2%	2%
RUB	1%	-
CAD	1%	1%
Other	11%	11%

‘The very significant recruitment-based net increase follows the strategic decision at the start of 2016 to capitalise on market conditions by hiring a large number of experienced private bankers.’

Other ordinary results, including such items as 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, rose by CHF 53 million to CHF 78 million. This increase was helped by a positive fair value adjustment of CHF 39 million in the first half of 2016, resulting from the acquisition on 1 April 2016 of an additional 60.1% stake in Kairos. In gross margin terms, the Kairos fair value adjustment contributed 1.2 bps.

Adjusted operating expenses fell to CHF 2,005 million, a decline of 16%, as the previous year's expenses included the 2015 US provision of CHF 521 million. Excluding the 2015 US provision, adjusted operating expenses rose by 8%.

Total staff went up to 6,026 full-time equivalents (FTEs), an increase of 662 FTEs, of which 295 FTEs at Kairos and CISAL. The monthly average number of employees grew by 9% to 5,867 FTEs, of which 5 percentage points linked to acquisitions. The number of relationship managers (RMs) grew to 1,383, a net increase of 166, of which 50 at Kairos and CISAL and 116 (net) through external recruitment. The very significant recruitment-based net increase follows the strategic decision at the start of 2016 to capitalise on market conditions by hiring a large number of experienced private bankers who are attracted by Julius Baer's pure private banking model.

ASSETS UNDER MANAGEMENT

	31.12.2016 CHF bn	31.12.2015 CHF bn	Change %
Assets under management	336.2	299.7	12.2
<i>Change through net new money</i>	11.9	12.1	-
<i>Change through market and currency impacts</i>	13.4	-10.4	-
<i>Change through acquisition</i>	11.3	8.0	-
<i>Change through divestment</i>	-0.1	-0.6	-
Average assets under management	313.1	288.0	8.7

Adjusted *personnel expenses* grew to CHF 1,318 million, an increase of 9%, in-line with the increase in monthly average AuM. The rise in adjusted personnel expenses was mitigated by a positive impact of CHF 63 million in the first half of the year, resulting from changes to the Swiss pension fund plan. Without this benefit, adjusted personnel expenses climbed to CHF 1,381 million, an increase of 14%, of which 4 percentage points attributable to acquisitions and the balance to a significant extent attributable to the major investments in RM recruitment and other key areas in 2016.

Adjusted *general expenses* fell by 43% to CHF 612 million, mainly due to the preceding year having been impacted by the 2015 US provision. Excluding the 2015 US provision, the year-on-year development of adjusted general expenses showed an increase of 9%, attributable largely to acquisitions, RM hiring as well as continued investments in technology. Valuation allowances, (non-2015 US provision-related) provisions and losses decreased by 24% to CHF 40 million.

As a result, the adjusted *cost/income ratio*¹ increased from 67.2% to 68.9%, in-line with the guidance provided throughout the year. Excluding the positive contributions from the aforementioned Kairos acquisition-related fair value adjustment and the changes to the Swiss pension fund plan, the adjusted cost/income ratio went up to 72.0%, clearly reflecting the combined impact of the year-on-year decline in the gross margin and the significant investment in RM recruitment in 2016.

Adjusted *profit before taxes* grew to CHF 848 million, an increase of 174%, or 2% excluding the 2015 US provision. The adjusted pre-tax margin was 27.1 bps, compared to 10.7 bps in the previous year including the 2015 US provision and 28.8 bps excluding it. The related income taxes went up to CHF 142 million, representing a tax rate of 16.8%.

Adjusted *net profit for the Group*² climbed to CHF 706 million, an increase of 153%, or 1% excluding the 2015 US provision. After considering non-controlling interests of CHF 4 million, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. rose by 153% from CHF 277 million to CHF 701 million, and *adjusted earnings per share* (EPS) attributable to shareholders of Julius Baer Group Ltd. by 154% from CHF 1.27 to CHF 3.23.

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 acquisition-related integration and restructuring expenses (CHF 29 million, down from CHF 46 million in 2015) as well as the amortisation of intangible assets related to acquisitions (CHF 66 million, down from CHF 124 million in 2015). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements 2016, net profit grew by 408% to CHF 622 million. After considering non-controlling interests of CHF 3 million, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. increased by 411% to CHF 619 million, and EPS rose by 414% from CHF 0.55 to CHF 2.85.

Balance sheet and capital developments

Total assets increased by CHF 12.1 billion, or 14%, to CHF 96.2 billion. Client deposits went up by CHF 2.7 billion, or 4%, to CHF 67.5 billion, and the loan book by CHF 2.0 billion, or 6%, to CHF 38.4 billion (comprising CHF 29.1 billion of Lombard loans and CHF 9.3 billion of mortgages). As a result, the loan-deposit ratio rose from 0.56 to 0.57. Total equity attributable to shareholders of Julius Baer Group Ltd. grew by CHF 0.4 billion to CHF 5.3 billion.

In November 2016, Julius Baer successfully placed SGD 325 million (CHF 221 million at the year-end exchange rate and net of capitalised issue costs) of perpetual non-cumulative additional tier 1 (AT1) securities with mainly Asia-based private and institutional investors. This placement was followed in December 2016 by the redemption of the lower tier 2 subordinated bonds (CHF 250 million).

‘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 the end of 2016, on a phase-in basis, total capital amounted to CHF 3.7 billion, of which CHF 3.4 billion CET1 capital. With risk-weighted assets at CHF 21.0 billion, this resulted in a phase-in *BIS total capital ratio* of 17.5% and a phase-in *BIS CET1 capital ratio* of 16.4%, well above the Group’s floors 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

	31.12.2016	31.12.2015
Equities	27%	27%
Investment funds	24%	23%
Bonds/convertibles	19%	19%
Client deposits	17%	21%
Money market instruments	6%	4%
Structured products	5%	5%
Other	2%	1%

CONSOLIDATED BALANCE SHEET

	31.12.2016 CHF m	31.12.2015 CHF m	Change %
Assets			
Due from banks	11,389.8	6,901.1	65.0
Loans to customers ¹	38,419.0	36,380.9	5.6
Trading assets	7,660.7	8,984.0	-14.7
Financial investments available-for-sale	18,266.6	16,572.5	10.2
Goodwill and other intangible assets	2,834.3	2,316.4	22.4
Other assets	17,636.9	12,960.6	36.1
Total assets	96,207.2	84,115.5	14.4
Liabilities and equity			
Due to banks	10,076.8	4,672.0	115.7
Deposits from customers	67,495.2	64,781.4	4.2
Financial liabilities designated at fair value	8,444.4	4,263.1	98.1
Other liabilities	4,836.9	5,457.1	-11.4
Total liabilities	90,853.4	79,173.5	14.8
Equity attributable to shareholders of Julius Baer Group Ltd.	5,330.2	4,935.6	8.0
Non-controlling interests	23.6	6.4	-
Total equity	5,353.9	4,942.0	8.3
Total liabilities and equity	96,207.2	84,115.5	14.4
Key performance ratios			
Loan-to-deposit ratio	0.57	0.56	-
Book value per share outstanding (CHF) ²	25.0	23.0	8.5
Return on tangible equity (ROTE) ³	28.2%	10.2%	-
BIS statistics			
Risk-weighted assets	21,001.8	19,294.8	8.8
BIS total capital	3,667.2	3,748.4	-2.2
BIS total capital ratio	17.5%	19.4%	-
BIS CET1 capital ratio	16.4%	18.3%	-

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 2016

Against the background of a still fragile world economy, increasing ineffectiveness of central bank policy and emergence of unprecedented political shocks, the financial markets developed in a volatile but overall fairly resilient way in 2016. This gave us ample opportunity to expertly guide our clients in these often uncharted territories. Leveraging our broad international presence, we initiated the next phase of growth and transformation of our Group.

In order to better align our organisational structure with the much enlarged geographic spread of our activities, we took a meaningful step towards enhanced regionalisation of Julius Baer in the second half of 2016. This resulted in a number of altered responsibilities for various markets within the new regional structure as well as adjustments within the corporate functions and product areas.

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

The multiyear project to upgrade Julius Baer's core banking platforms globally continued to progress. 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 is currently being implemented initially in the two booking centres of Singapore and Hong Kong, with an expected completion in these two locations by mid-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. The Luxembourg platform will be leveraged to streamline our European operating model and booking centre capabilities in the region.

As part of the initiative to improve workplace and process efficiency as well as clients' digital service experience, a first set of client-oriented deliverables has already been implemented, for example in our relaunched e-banking platform and the Julius Baer

Mobile App to be introduced in early 2017. In order to stay tuned to the fast evolving financial technology (FinTech) scene in Switzerland and abroad, Julius Baer became one of the first members of the *F10 FinTech Incubator and Accelerator Association* in autumn 2016.

In our constant pursuit of advisory excellence, we continued to make substantial investments in our processes and IT tools with the aim to provide our clients with tailored advice of the highest quality. The much enhanced holistic Julius Baer Advisory Process with our new *Julius Baer – Your Wealth* service models is in the midst of being rolled out, initially in Switzerland and subsequently on our Luxembourg booking platform, with other locations and booking centres to follow. 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).

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 for existing and new clients. 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 Swiss Federal Council approved the Ordinance on the International Automatic Exchange of Information in Tax Matters (AEI) containing the implementing provisions on 23 November 2016. Based on these legal foundations, the AEI between Switzerland and an initial group of 38 countries and territories, including the EU, will enter into force on 1 January 2017. The first exchange of data will take place from 2018. As a consequence, the regularisation of the past with neighbouring countries and key EU member states may be considered largely complete. As a result, the withholding tax agreements between Switzerland and the United Kingdom and Austria will be terminated on 1 January 2017. 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 across all booking centres.

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.

In October 2016, Julius Baer was presented with the *Outstanding Private Bank for Growth Strategy – M&A 2016* award from leading trade journal *Private Banker International*.

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

Jan A. Bielinski

General Counsel

Christoph Hiestand

Executive Board¹

¹ As at 1 January 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

Our home market in the centre of Europe is a geographically and culturally diverse region. Although Switzerland is considered a mature wealth management market, its highly fragmented structure offers 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.

As a result of the stronger regional orientation of the Group, which was implemented across markets in the second half of 2016, the Intermediaries Switzerland business became an integral part of our home market. In addition, in order to further encourage a closer relationship with clients and a better understanding of their needs, the market standing and impact of local offices was strengthened, including changes in regional management responsibilities.

This regional dimension is complemented by specialised offerings for the targeted client segments of ultra-high net worth individuals (UHNWI), high net worth individuals (HNWI) and intermediaries. A core element of our differentiating offering is the launch of the much enhanced holistic *Julius Baer – Your Wealth* advisory process. The related introduction of a comprehensive set of new advisory models is quite advanced and has been well received. They allow our clients to choose the scope of advisory services and the intensity of interaction to match their individual needs and service level requirements.

Our strategic hiring initiative across all locations and client segments is a key element of our strategy for achieving our growth ambitions. On the back of our expanding team of qualified relationship managers (RMs), we continued to attract net new money in 2016. Against a background of volatile markets and rather cautious client behaviour, overall revenues held up relatively well while maintaining margins remained challenging.

In acknowledgment of Julius Baer's successful development in its home market, we received the accolade as *Outstanding Private Bank/Boutique Bank Switzerland – Domestic player 2016* from the renowned publication *Private Banker International* at the beginning of December 2016.

Europe

Thanks to its large wealth concentration and multi-faceted 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 had only limited impact on the 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 through Bank Julius Bär Europe AG in Frankfurt 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. The excellent client proximity and service offered through our network of eight locations across the country strongly support Julius Baer in growing further into this fragmented and mature market. As an alternative booking centre to geographically diversify assets, Switzerland has remained an attractive destination for Germany-based clients.

While market volatility and the effects of negative interest rates weighed on the overall momentum of Bank Julius Bär Europe AG's domestic private client business, revenues and net new money inflows held up relatively well, with assets under management reaching a new record high. 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 depressed client transaction volumes.

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 **Luxembourg** and the **Netherlands** serve a broad and internationally oriented client base. On the back of the growing local awareness of our brand, we continued to broaden our cooperation with family offices, intermediaries and trusts. Market volatility, the negative interest rate environment and lower transaction volumes weighed on business momentum and profitability. 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. 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 added considerable scale to our local franchise and provides Julius Baer with its first Luxembourg-based booking centre. This will enable the Group to significantly broaden its product and service offering for European clients, thus further differentiating its market standing.

In Southern Europe, our office in **Spain** continued to maintain growth at sustainable levels.

Our activities in **Monaco** largely succeeded in maintaining last year's strong business momentum and again recorded robust 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, the Middle East and Latin America. Building on our position as one of the major local wealth managers, we continued to strengthen our team of qualified RMs.

In **Italy**, Julius Baer's stake in Kairos Investment Management SpA (Kairos) was increased from 19.9% 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 business in the **United Kingdom** came under new leadership at the beginning of the year. Business momentum remained attractive, particularly among international clients, resulting in satisfying net new money inflows. Despite clients' overall wait-and-see stance for most of the year, we were able to increase the gross margin. We continued to develop a UK-centric offering tailored to clearly defined client segments with a strong discretionary core, capitalising on Julius Baer's key strengths as a dedicated wealth manager. The Irish wealth management market is served from our office in Dublin.

Russia, Central & Eastern Europe

This large and fragmented region continued to be affected by geopolitical, regulatory and economic issues, weighing on business momentum. While client activity picked up in the second half of the year, asset protection remained a priority among clients. The introduction of market-specific investment offerings proved successful and supported margin development.

With a particular focus on Russia, Kazakhstan, Azerbaijan and the Ukraine, 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 and Vienna locations as well as increasingly from Hong Kong.

In recognition of our client proximity and service quality, Julius Baer was named *Foreign Private Bank of the Year 2016 Outside of Russia* at the *Spear's Russia Wealth Management Awards 2016*.

Asia Pacific

Asia continues to feature many of the world's fastest growing countries for wealth creation and number of HNWIs. Despite the growth concerns in the first few months of 2016, we still believe this region will lead the world in new wealth creation over the coming decade as also outlined in the sixth edition of the *Julius Baer Wealth Report: Asia*, published in October 2016.

An environment dominated by political events in general and the sharp drop of the Chinese markets at the beginning of 2016 in particular weighted on overall revenue development, with client activity only picking up markedly in the second half of the year. On the back of our successful hiring initiative and with client deleveraging subsiding, we achieved gratifying net new money inflows.

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. We are currently focusing on five key markets to achieve organic growth: mainland China, Hong Kong, Indonesia, Singapore and India. 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.

In order to be even better positioned for the next phase of growth, the business has been reorganised along a dedicated regional management structure. Amid consolidation in local industry, our aim is to capture the region's growth potential. We aim to achieve this by leveraging our strong market standing among the top private banks in Asia to become the first address for clients and intermediaries in search of a trusted advisor.

JULIUS BAER WEALTH PLANNING – NAVIGATING COMPLEXITY

Life is full of turning points. Whether our clients are considering retiring early, relocating, transferring their wealth to the next generation or setting up a business, Julius Baer Wealth Planning supports them at every stage of their journey through life.

There is no denying the widespread change and rapid pace of development in the world. Complexity has therefore become commonplace when planning one's wealth. Moreover, domestic and cross-border regulatory changes are creating new obligations and challenges for individuals, such as the Automatic Exchange of Information between many countries around the world, which commences in 2017. In such fast-moving times, having a specialist on board can help clients to navigate change quickly and plan for the future.

At Julius Baer, we recognise the different individual needs and circumstances of our clients. By taking a holistic view, we can gain a comprehensive understanding of each client's situation, helping us to anticipate the requirements of today and tomorrow.

Our unique approach combines our own expertise with the knowledge of carefully chosen third-party specialists. This results in competitive, innovative solutions that give our clients the peace of mind they need to enjoy the present while knowing the future is in good hands.

We further invested in our discretionary mandate capabilities by significantly expanding our Investment Management team, including a new regional Chief Investment Officer. 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 number confirmed to join in 2017 as well.

In recognition of our achievements and dedicated client focus, Julius Baer received two accolades at the *WealthBriefingAsia Awards 2016*. The Bank was named winner in the category *Pure Play Private Bank* in both Hong Kong and Singapore. In addition and for the second time after 2014, Julius Baer was named *Best Private Bank – Pure Play* by the trade publication *Asian Private Banker* in the *Awards for Distinction 2016*.

Our subsidiary in **Japan**, fully owned since spring 2016, entered a new phase with the official launch of the rebranded Julius Baer Wealth Management Ltd. at the beginning of June 2016. We continued to invest in our business with Japanese clients, both internationally and locally. The presentation of the third *Julius Baer Wealth Report: Japan* in Tokyo was well received by guests and some of Japan's most influential business publications.

Julius Baer is one of the largest and best established foreign wealth managers in **India**, covering the domestic Indian market from five locations. Against a backdrop of ongoing industry consolidation, we are in a strong position to further gain market share. Moreover, we serve a large and rising 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 showed in very strong business momentum in 2016, further accelerating net new money inflows.

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 subdued economic growth, we were able to maintain the overall business momentum at attractive levels. On the back of our accelerating market penetration, we achieved excellent net new money inflows while maintaining profitability.

We serve this attractive region primarily from our hub in Dubai and a number of local offices as well as from a growing number of the Group's locations in Europe and Asia. In order to optimise geographic coverage as well as foster efficiency and client focus, we realigned our businesses across markets. We continued to substantially increase our base of senior RMs, particularly for the Middle Eastern markets, the Levant, Turkey and Greece. In parallel, we further broadened our product and service offering by leveraging our global investment capabilities and by introducing specific solutions such as Sharia-compliant offerings.

Julius Baer ranks among the top foreign private banks in **Israel**. The country's economic resilience, wealth creation potential and high ratio of HNWI make it an attractive yet highly competitive market. Despite the difficult market environment and the foreseeable end of the domestic regularisation programme by year-end 2016, net asset inflows held up well while we managed to further improve profitability.

We continue to target Israel's significant growth prospects both domestically in selected sectors of high wealth creation and in the global Israeli community. The strategic cooperation programme with Bank Leumi, contributing to our reputation and brand recognition, offers significant referral opportunities for Julius Baer and contributed to net new money inflows.

Latin America

The political uncertainties in several countries in the region as well as ongoing or expected voluntary disclosure programmes continued to weigh on business momentum, in particular net asset flows. However, the transparency-induced shift of financial wealth back into the region will lead to profound change and substantial growth of the local wealth management industry. Together with the underlying economic and wealth creation potential in many countries, this will benefit integrated, client-centric providers such as Julius Baer with our bespoke investment solutions offered from selected domestic platforms.

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. In 2016, we significantly increased the number of RMs serving Latin American private clients and intermediaries both locally and from other key Group locations. In parallel, we are in the process of verifying options to enter selected additional markets. On 1 March 2016, Julius Baer increased its ownership of Brazilian subsidiary GPS from 80% to 100%. Cooperation between GPS and other Group locations and functions was further enhanced, with one of the results being the first jointly developed and distributed fixed income product. Despite challenging political conditions and ongoing regularisation in Brazil, business activity and profitability in local-currency terms held up well.

Julius Baer's activities in Mexico weathered the uncertainty and market volatility driven by the US election remarkably well. Our cooperation with leading Mexican financial advisory firm NSC Asesores (NSC), in which we hold a 40% participation, was further strengthened.

We continued to invest in brand recognition via joint initiatives with GPS and NSC as well as through sponsorship of a number of sports events across the region. 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

The global business with intermediaries, i.e. external asset managers (EAMs) and external financial advisors (EFAs), maintained its growth momentum during 2016 across all regions and booking centres. In Switzerland, 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. Our local activities in Hong Kong and Singapore also enjoyed impressive growth. In Europe, the dedicated team established just two years ago for intermediaries in Monaco continued to successfully develop its business activities. The strong growth achieved in 2016 reinforced our goal to establish Julius Baer as one of the leading providers as well as a preferred and trusted partner for the most sophisticated intermediaries globally.

As a consequence of Julius Baer's stronger regional focus, which was implemented in the second half of 2016, the Intermediaries business was integrated into the respective geographic regions according to the domiciles of the intermediaries and end clients. The separate, central management of the global intermediaries segment was mandated to ensure the right preconditions to further grow and successfully run our Intermediaries businesses globally.

The Bank's new setup in Luxembourg with its state-of-the-art booking platform offers strong potential to further strengthen the geographic reach of the Group's Intermediaries business. We continued to invest into the digitisation of our business processes in order to further improve client experience and efficient collaboration between intermediaries and Julius Baer.

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, Advisory Solutions and Markets, complemented by Investor Services.

The strategic roadmap of the former Investment Solutions Group was changed to fully focus on delivering the enhanced Julius Baer client experience *Julius Baer – Your Wealth* and was renamed Advisory Solutions (AS). It complements the new Investment Management (IM) unit set up at the beginning of 2016, which aims at further strengthening our commitment to achieving consistently solid investment performance for clients. Advisory Solutions, Investment Management and Markets, in close cooperation with the front-facing organisation, will jointly provide a competitive product and service offering to our sophisticated clients in all of our geographic regions.

Investment Management

IM aims to deliver attractive risk-adjusted returns for our clients. 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.

Advisory Solutions

AS focuses on providing excellent private banking services as well as a comprehensive range of transparent and independent investment advisory and wealth planning services for the Julius Baer front units and their clients.

Our newly formed **Research & Investment Solutions** unit combines all investment-related content of AS under one roof. With the main presence in Switzerland and through specialists in Asia, Research covers the markets on a global basis, with a regional angle. The organisation is aligned along asset classes such as fixed income, equities, traditional funds and macro & commodities. Its cross-asset entity covers topical research both from a long-term and an event-driven point of view, supplemented by technical analysis. Our *Next Generation* investment philosophy focuses on forward-looking structural changes and fundamental imbalances in the economy and society. By spotting megatrends such as demographic shifts, ecological balance and technological progress, we help our clients to make a difference in their portfolios by proposing outside-the-box and long-term investment ideas.

2016 was characterised by political landslide events, most notably the UK's decision to leave the European Union ('Brexit') and the US voting for full Republican leadership. This created an increased demand by clients and stakeholders for information and investment advice, both in the run-up to and after the events. At the same time, Research & Investment Solutions meaningfully enlarged its direct access channels via tools such as the *Investment Insights App*. It enables our relationship managers (RMs) and clients to gain access to a wealth of Julius Baer publications and podcasts anywhere and anytime, with just one simple click.

The newly formed unit **AS Operations & Development** operates the platform for advisory services provided to clients and RMs and is also responsible for managing and further developing advisory products and services. The newly introduced *Julius Baer – Your Wealth* advisory models have further enhanced the scope of our advisory services. The building of an integrated, fully MiFID-II compliant advisory platform will further enable the advisory model rollout in Europe. The newly formed *AS Advisory Committee* translates Julius Baer's proprietary research views into tangible investment ideas for advised clients.

Distribution places the client at the centre of all activities and is the holistic business partner and front-support unit for all RMs within the Julius Baer Advisory Process. Distribution continuously ensures that the Group's combined advisory competence reaches RMs and ultimately clients in a most effective, timely manner and with maximum relevance. The steady flow of investment topics and ideas is bundled along the requirements of the different advisory mandates, in close cooperation with the global client-facing organisation.

Our **Wealth Planning** unit helps clients to navigate life's financial challenges by taking a holistic advisory approach. We strive to understand clients' individual needs and develop tailored solutions to build a more secure future for those who wish to plan ahead (see page 15). Rising global demand for wealth planning services resulted in a record increase of volumes managed by our Wealth Planners. New country-specific products have been launched to meet evolving client needs, for example through our new insurance agency and advisory desk in Luxembourg. In China, the range of domestic-oriented products was broadened while our strengthened team in Hong Kong onboarded numerous large client trust cases, resulting in substantial asset inflows. To remain efficient, we have outsourced parts of our value chain, allowing us to focus on complex cases and maintain close relationships with our clients.

Advisory Solutions Asia serves our second home market Asia and the specific needs of Asian clients. We continued to increase our product platform capabilities, thus catering to the particular demands of Asian clients, especially in the areas of actively managed certificates, exclusive private equity investments and innovative money market-linked products. The sixth edition of the *Julius Baer Wealth Report: Asia*, our flagship publication for the region, expanded its coverage to include India onshore and dedicated Japan versions. The fourth annual flagship *Next Generation Summit: Asia* was held in Hong Kong for the first time, in conjunction with the Julius Baer-sponsored Formula E race.

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 (FX) and structured products for RMs and External Asset Managers (EAMs), as well as *Market Link*, an Internet-based mobile real-time trading platform.

The sharp equity market correction at the beginning of the year left investor sentiment and activities at decade-low levels despite the subsequent policy-induced rebound of key indices. The unexpected Brexit event in June triggered a significant increase in volatility on global financial markets for several weeks. The period from July into November was characterised by unusually low volumes and saw investors remaining on the sidelines. The unexpected outcome of the US elections finally brought another increase in volatility and pickup in client trading activity.

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. The broadening of our structured products offering to include a wider range of interest rate products generated a substantial volume increase. This was reflected in the strong growth of the corresponding item in Julius Baer's balance sheet.

The *Markets Toolbox* was rolled out to approximately 300 EAMs in 2016. This initiative considerably improved the efficiency ratio and gave this important client segment access to a modern and more convenient infrastructure to conduct business.



Investor Services

Investor Services is a leading dedicated provider of custody solutions in Switzerland, Guernsey and Singapore. Our goal is to achieve superior growth in a highly competitive market by offering best-in-class, customised services and by capitalising on Julius Baer's standing as an independent and international wealth manager with extensive custodian and depository bank capabilities.

Investor Services is well on track with its growth strategy despite adverse market conditions and enjoys an excellent reputation in selected markets and segments, serving institutional investors such as pension funds, insurance companies, foundations, collective investment schemes and family offices as well as UHNWI clients with institutional requirements. Our aim is to be among the leading providers of 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 products and offerings, 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 6,026 FTEs (full-time equivalents) at the end of December 2016. The increase of 662 or 12.3% compared with year-end 2015 includes a total of 295 new colleagues who joined from our 80%-owned subsidiary Kairos Investment Management SpA (Kairos), consolidated for the first time as at 1 April 2016, and from Commerzbank International S.A. Luxembourg (CISAL), acquired at the beginning of July 2016.

Leveraging our broad international presence and our 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, the total number of RMs substantially increased by 166 to 1,383 in the course of the year, including 50 RMs who joined through the acquisition of Kairos and CISAL and 116 (net) through recruitment. This hiring success confirms the attractiveness of our focused business model. In order to maintain Julius Baer's appeal as employer of choice also following the recently strengthened regional orientation, a number of measures have been initiated to foster team leadership capabilities particularly of the front organisation and overall development opportunities for staff.

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

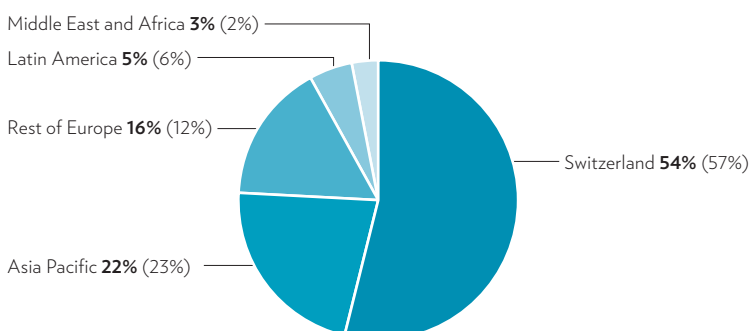
accommodated over half of the employee population (54%, down from 79% at the end of 2009) at the end of December 2016, the share of staff based in growth markets significantly increased to 30% from 14% over the same period, with our second home market of Asia doubling to 22% from 11%.

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 adopted 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 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 (versus standard age of 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 support age groups closer to retirement.

Julius Baer employees (FTE) by geography as at 31 December 2016

(31 December 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 groups.
- 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 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 alongside their regular work.



JULIUS BAER SUPPORTS THE CONSTRUCTION OF CAMPUS DORMITORIES IN JAKARTA

Support for self-support is the formula behind SITECO's campus for technical vocational education in Cikarang, in the midst of a huge industrial area of Greater Jakarta. Since 2012, the campus has provided vocational education in mechatronics and polymechanics in the best tradition of the successful dual educational model of Switzerland and other European countries. The training is split between 40% theory and 60% practical work in school-owned commercial production facilities (pictured above). Goods produced during practical training generate the income necessary for meeting the operational costs of the school.

Many companies in developing countries hesitate to hire apprentices or to invest in the education of young people based on the expectation that young professionals are prone to leave their employer after graduation. SITECO's concept of *bringing the factory to the college* therefore helps young adults to achieve their educational and professional goals.

Supported by the Julius Baer Foundation, the SITECO campus is currently being expanded with the construction of dormitories for 300 students. A separate women's wing is planned to accommodate the roughly 15% of female students. With one third of students specifically selected from families living in poverty, the affordability of the dormitories is an additional factor to be considered.

SITECO, the Association for Swiss International Technical Connection, was initiated in 2005 by a group of visionary industrialists and internationalists who believe in the effectiveness of vocational education as a driver of development and growth.

The Julius Baer Foundation has carefully evaluated SITECO, its approach and governance principles, and considers it worthy of assistance: www.siteco-edu.org

IMPORTANT DATES

Publication of Annual Report 2016: 20 March 2017
Annual General Meeting: 12 April 2017
Publication of Interim Management Statement: 22 May 2017
Publication of 2017 half-year results: 24 July 2017

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

Once published, the Annual Report 2016 of Julius Baer Group Ltd. containing the audited IFRS financial accounts of the Julius Baer Group for the year 2016 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.

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



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