

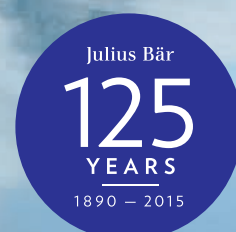


# Julius Bär

## BUSINESS REVIEW FIRST HALF 2015

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JULIUS BAER GROUP



## CONTENTS

**2**

FOREWORD

**4**

FINANCIAL PERFORMANCE IN FIRST HALF 2015

**10**

125 YEARS JULIUS BAER –  
‘SHARING VISIONS’

**12**

BUSINESS DEVELOPMENT IN FIRST HALF 2015

**26**

OUR COMMITMENT

**30**

OUR MISSION

**32**

IMPORTANT DATES AND CORPORATE CONTACTS



### Cover picture:

A gigantic landslide helped create Oeschinen Lake, situated at an average elevation of 1,578 metres (+/- 6 metres between seasons) in the Bernese Oberland. Ranking among the largest mountain lakes in Switzerland, it is faced to the south and east by a number of 3,000-metre peaks, which make it a popular destination for hiking in summer and for ice fishing in winter. Oeschinen Lake has been part of the Jungfrau-Aletsch-Bietschhorn UNESCO World Heritage Site since 2007.



## KEY FIGURES JULIUS BAER GROUP<sup>1</sup>

	H1 2015 CHF m	H1 2014 CHF m	H2 2014 CHF m	Change to H1 2014 in %
<b>Consolidated income statement</b>				
Operating income	1,408.0	1,235.7	1,311.0	13.9
Adjusted operating expenses	1,279.7	882.1	958.1	45.1
Profit before taxes	128.2	353.6	352.8	-63.7
Adjusted net profit	108.8	287.6	298.2	-62.2
excluding US provision <sup>2</sup>	384.0	287.6	298.2	33.5
Adjusted EPS for the half year (CHF)	0.50	1.32	1.37	-62.3
excluding US provision <sup>2</sup>	1.76	1.32	1.37	33.0
Cost/income ratio <sup>3</sup>	64.7%	70.8%	69.1%	-
Pre-tax margin (basis points)	9.0	27.1	24.9	-
	<b>30.06.2015</b>	30.06.2014	31.12.2014	Change to 31.12.2014 in %
<b>Client assets (CHF bn)</b>				
Assets under management	284.0	274.2	290.6	-2.3
Average assets under management (in period)	283.9	261.4	283.1	0.3
Net new money (in period)	6.5	7.5	5.2	-
Assets under custody	84.6	98.2	105.8	-20.0
Total client assets	368.6	372.4	396.4	-7.0
<b>Consolidated balance sheet (CHF m)</b>				
Total assets	80,149.2	73,785.1	82,233.8	-2.5
Total equity	4,879.5	5,217.2	5,337.8	-8.6
BIS total capital ratio	20.3%	23.9%	23.4%	-
BIS tier 1 capital ratio	19.1%	22.4%	22.0%	-
Return on equity (ROE) annualised <sup>4</sup>	6.3%	16.2%	16.6%	-
<b>Personnel</b>				
Number of employees (FTE)	5,378	5,557	5,247	2.5
<i>of whom in Switzerland</i>	3,162	3,228	3,076	2.8
<i>of whom abroad</i>	2,216	2,329	2,171	2.1
<b>Capital structure</b>				
Number of shares	223,809,448	223,809,448	223,809,448	-
Weighted average number of shares outstanding	218,697,020	217,807,073	218,451,680	-
Share capital (CHF m)	4.5	4.5	4.5	-
Book value per share outstanding (CHF)	22.7	24.1	24.6	-7.6
Market capitalisation (CHF m)	11,739	8,182	10,253	14.5
Moody's long-term obligations rating Bank Julius Baer & Co. Ltd.	Aa2	A1	A1	-
<b>Listing</b>				
Zurich, Switzerland	SIX Swiss Exchange, under the securities number 10 248 496. Member of the Swiss Market Index SMI.			
<b>Ticker symbols</b>				
Bloomberg	BAER.VX			
Reuters	BAER.VX			

<sup>1</sup> 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.

<sup>2</sup> Excluding the CHF 275 million net profit impact of the USD 350 million provision regarding the eventual, comprehensive and final settlement with US authorities concerning Julius Baer's legacy US cross-border business (announced on 23 June 2015).

<sup>3</sup> Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

<sup>4</sup> Adjusted net profit/average equity less goodwill

## FOREWORD

Dear Reader

The first half of 2015 saw a large number of central banks further ease monetary conditions. The Swiss National Bank in particular surprised markets by abandoning the cap on the Swiss franc against the euro, thus creating a new economic reality for the Swiss economy and also for Julius Baer. Increased client activity, favourable equity market performance and continued net new money inflows helped to counter the severe impact of the strong Swiss franc on the Group's assets under management and profitability, making our Group's operational performance more than satisfactory. The advanced cooperation as well as recent discussions with US authorities in connection with a potential settlement of Julius Baer's legacy US cross-border business allowed us to make a preliminary assessment of a probable and approximate amount required to reach a settlement and to take a provision of USD 350 million, to be charged to the 2015 half-year results. As a consequence, the adjusted net profit\* amounted to CHF 109 million for the period under review, instead of CHF 384 million when excluding the US provision. In order to contain the negative effects of the persistent strength of the Swiss franc on Julius Baer's profitability, we introduced a comprehensive efficiency programme in February 2015.

‘Despite the severe impact of the strong Swiss franc, our Group's operational performance was more than satisfactory.’

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Following the formal closing of the acquisition of Merrill Lynch's International Wealth Management (IWM) business outside the US at the end of January 2015 as well as the successful integration of 17 IWM locations, the remaining business in India is expected to be transferred in the second half of 2015. Julius Baer will continue on its well-established and successful path of profitable growth. The underlying strategy will be centred on a further broadening of our pool of senior relationship managers and be complemented by selective cooperation agreements and acquisitions. Switzerland remains an important market and booking centre for our Group, with the ongoing industry consolidation offering the potential for further external growth. The recently announced intention to acquire a minority stake in NSC Asesores, whose USD 2.8 billion of assets under management make it the largest independent wealth manager in Mexico, is part of our strategy to further increase our exposure to promising growth markets. Our Group's assets under management amounted to CHF 284 billion by mid-year 2015, including CHF 4.3 billion transferred from Leumi Private Bank AG. Total client assets, including assets under custody, amounted to CHF 369 billion at the end of June 2015.

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

Julius Baer remains well capitalised, even taking into account the above-mentioned provision, which temporarily lowered the Group's capital ratios. With a BIS total capital ratio of 20.3% and a BIS tier 1 capital ratio of 19.1% at the end of June 2015, we continue to exceed the Group's defined minimum as well as the required regulatory levels.

There is no denying that the world we live in faces unprecedented challenges and mega trends that have the potential to redefine our existence in myriad ways. For the past 125 years, Julius Baer has actively embraced change, taking advantage of the opportunities it offers. Our progressive attitude has made our company what it is today: the international reference in private banking. This farsighted, visionary thinking is firmly rooted in our corporate DNA and evident in the way we provide clients with forward-looking, innovative ideas and investment solutions. And it is also the focus of our recently launched global advertising campaign *Visionary Thinking* (see page 17).

We are proud of our rich history and strong heritage. It is a source of inspiration in our daily quest to meet and exceed our clients' demands and expectations. Our strong international standing and solid capital base make Julius Baer ideally positioned to benefit from the favourable growth dynamics of the global wealth management industry. Our confidence rests on the commitment and professionalism of our employees, the loyalty of our clients and the support of our shareholders, all of whom deserve our sincerest thanks.



**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 2015

**Assets under management ended the period at CHF 284 billion, a slight decrease of 2% since the end of 2014, despite the significant negative currency impact. Julius Baer's operating performance improved strongly, resulting in underlying net profit<sup>1</sup> increasing by 34%. With a BIS total capital ratio of 20.3%, the Group remains solidly capitalised.**



**Dieter A. Enkelmann, Chief Financial Officer**

*Assets under management* (AuM) declined by 2%, or CHF 7 billion, to CHF 284 billion. This included CHF 56 billion of AuM attributable to clients and relationship managers of the former Merrill Lynch International Wealth Management (IWM) business outside the US. The total AuM was the result of net new money of CHF 6.5 billion (4.5% annualised), a positive market performance of CHF 5.0 billion, a net positive acquisition impact of CHF 2.4 billion, and a negative currency impact of CHF 20.5 billion. Net new money was driven by continued net inflows from the growth markets and from the local businesses in Switzerland and Germany, while the inflows in the cross-border European business were partly offset by continued tax regularisations of legacy assets. Following the departure of one large custody client and a negative currency impact, *assets under custody* came to CHF 85 billion, down by 20%, or CHF 21 billion.

*Operating income* grew to CHF 1,408 million, an increase of 14%, well above the 9% growth in monthly average AuM (to CHF 284 billion). As a result, the gross margin for the Group went up to 99 bps (H1 2014: 95 bps; H2 2014: 93 bps). *Net commission and fee income* contributed CHF 792 million, up by 6%. The increase was driven mainly by higher discretionary and advisory mandate income as well as a rise in brokerage commissions, partly offset by the fact that in the comparable period last year this line item still included all revenues on IWM AuM that were reported but not yet booked on Julius Baer's platforms – these revenues have now all been allocated to the applicable different income line items. *Net interest and dividend income* rose by 11% to CHF 384 million, which included dividend income on trading portfolios, up from CHF 63 million to CHF 122 million. Excluding this item, underlying net interest and dividend income declined by 8% to CHF 262 million, due to the impact of lower interest rates on trading portfolio holdings. *Net trading income* rose by 89% to CHF 217 million. Including the aforementioned increased trading portfolios-related dividend income, underlying net trading income went up by 91% to CHF 339 million, supported by elevated foreign exchange (FX) volatility and volumes, especially immediately following the Swiss National Bank's (SNB) decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. *Other ordinary results*, which among other items includes brand licensing income, income from associates, rental income and net gains/losses from the disposal of financial

<sup>1</sup> Cf. footnotes 1 and 3 to the table on the next page

## CONSOLIDATED INCOME STATEMENT<sup>1</sup>

	H1 2015 CHF m	H1 2014 CHF m	H2 2014 CHF m	Change to H1 2014 in %
Net interest and dividend income	384.2	346.6	301.1	10.8
Net commission and fee income	792.0	745.7	772.3	6.2
Net trading income	217.0	115.1	212.4	88.5
Other ordinary results	14.7	28.2	25.1	-47.9
<b>Operating income</b>	<b>1,408.0</b>	1,235.7	1,311.0	13.9
Personnel expenses	630.3	591.8	590.2	6.5
General expenses <sup>2</sup>	604.0	251.1	321.7	140.5
Depreciation and amortisation	45.4	39.3	46.2	15.5
<b>Adjusted operating expenses</b>	<b>1,279.7</b>	882.1	958.1	45.1
<b>Profit before taxes</b>	<b>128.2</b>	353.6	352.8	-63.7
Income taxes	19.5	66.0	54.6	-70.5
<b>Adjusted net profit</b>	<b>108.8</b>	287.6	298.2	-62.2
excluding US provision <sup>3</sup>	384.0	287.6	298.2	33.5
Attributable to:				
Shareholders of Julius Baer Group Ltd.	107.8	287.0	297.0	-62.4
Non-controlling interests	1.0	0.6	1.2	70.2
Adjusted EPS for the half year (CHF)	0.50	1.32	1.37	-62.3
excluding US provision <sup>3</sup>	1.76	1.32	1.37	33.0
<b>Key performance ratios</b>				
Cost/income ratio <sup>4</sup>	64.7%	70.8%	69.1%	-
Gross margin (basis points)	99.2	94.6	92.6	-
Pre-tax margin (basis points)	9.0	27.1	24.9	-
Tax rate	15.2%	18.7%	15.5%	-

<sup>1</sup> 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.

<sup>2</sup> Including valuation adjustments, provisions and losses.

<sup>3</sup> Excluding the CHF 275 million net profit impact of the USD 350 million provision regarding the eventual, comprehensive and final settlement with US authorities concerning Julius Baer's legacy US cross-border business (announced on 23 June 2015).

<sup>4</sup> Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

investments from the available-for-sale (AFS) portfolio, declined by CHF 14 million to CHF 15 million. In the comparable period in 2014 this line item had included income related to Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS), prior to the first-time consolidation of GPS at the end of April 2014 following the increase in ownership from 30% to 80%. The increased contribution to other ordinary results from income from Kairos Investment Management SpA, Italy (19.9% investment), was balanced by an impairment of AFS portfolio investments.

*Adjusted operating expenses* went up to CHF 1,280 million, an increase of 45%, mainly as a consequence of the US provision of CHF 326 million. Excluding the US provision, the underlying operating expenses increased by 8% to CHF 954 million, significantly below the 14% increase in operating income. At 5,378 full-time equivalents (FTEs), of which 1,179 RMs as well as 34 employees who joined from Leumi, the total number of employees at the end of June 2015 was down by 3%, or 179 FTEs, from the end of June 2014, whereas the average number of employees was down 2% to 5,399. This net decrease is a reflection of the IWM transaction-related cost synergy realisation as well as the further cost measures announced in

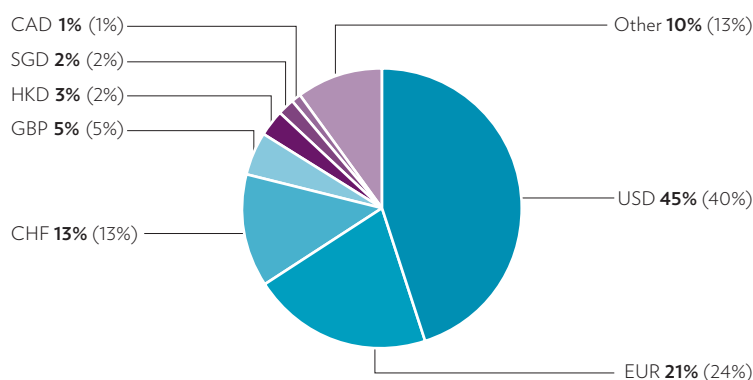
February 2015. Adjusted *personnel expenses* went up by 7% to CHF 630 million, as the strongly improved operating performance resulted in an increase in performance-based variable compensation accrual. Adjusted *general expenses* rose by 141% to CHF 604 million. This included a net charge of CHF 369 million for valuation allowances, provisions and losses (H1 2014: CHF 8 million; H2 2014: CHF 52 million), of which CHF 326 million for the US provision. Excluding the US provision, the underlying general expenses increased by 11% to CHF 278 million, on the back of a CHF 35 million increase in valuation allowances, (non-US related) provisions and losses (to CHF 43 million). Excluding the latter item, general expenses decreased by 3% to CHF 236 million.

As a result, the adjusted *cost/income ratio*<sup>1</sup> improved to 64.7% (H1 2014: 70.8%; H2 2014: 69.1%), just below the 65-70% range that the Group had set as a target to be reached from 2015 onwards.

Including the US provision, adjusted *profit before taxes* fell by 64% to CHF 128 million. The related income taxes declined to CHF 19 million, representing a tax rate of 15.2%. Adjusted *net profit*<sup>2</sup> decreased by 62% to CHF 109 million, and adjusted *earnings per share* by 62% to CHF 0.50.

### Breakdown of assets under management by currency as at 30 June 2015

(30 June 2014)



<sup>1</sup> Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

<sup>2</sup> Cf. footnote 1 to the table on page 5



## ASSETS UNDER MANAGEMENT

	30.06.2015 CHF bn	30.06.2014 CHF bn	31.12.2014 CHF bn to 31.12.2014 in %	Change
Assets under management	284.0	274.2	290.6	-2.3
<i>Change through net new money</i>	6.5	7.5	5.2	-
<i>Change through market and currency impacts</i>	-15.4	5.4	11.8	-
<i>Change through acquisition</i>	2.5	7.0	-0.7	-
Assets under custody	84.6	98.2	105.8	-20.0
Total client assets	368.6	372.4	396.4	-7.0
Average assets under management (in period)	283.9	261.4	283.1	0.3

Excluding the US provision, underlying profit before taxes grew by 28% to CHF 454 million and the underlying pre-tax margin to 32 bps. The related income taxes increased to CHF 70 million, representing a tax rate of 15.5%. The underlying net profit<sup>1</sup> – reflecting the underlying operating performance which allows a meaningful comparison of underlying results over time – thus grew by 34% to CHF 384 million and the underlying earnings per share by 33% to CHF 1.76.

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 10 million, down from CHF 60 million in the first half of 2014) as well as the amortisation of intangible assets related to acquisitions (CHF 65 million, up from CHF 58 million in the first half of 2014). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements for the first six months of 2015, net profit decreased by 78% to CHF 40 million, as the aforementioned strong improvement in underlying operating performance was more than offset by the US provision. On the same basis, EPS declined to CHF 0.18, down 78% from the CHF 0.82 achieved in the same period a year ago.

### Balance sheet and capital developments

Since the end of 2014, *total assets* decreased by CHF 2.1 billion, or 3%, to CHF 80.1 billion. This decline came on the back of the strong Swiss franc appreciation after the SNB's decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. The Swiss franc translation effect also impacted client deposits, which declined to CHF 60.2 billion, a decrease of CHF 1.6 billion, or 3%, as well as the total loan book, down by CHF 0.9 billion, or 3%, to CHF 32.8 billion (comprising CHF 24.7 billion of Lombard loans and CHF 8.1 billion of mortgages). As a result, the loan-deposit ratio was unchanged at 0.54. Over the same period, following the US provision, total equity shrunk by CHF 0.5 billion to CHF 4.9 billion.

At 30 June 2015, and following the US provision, total capital amounted to CHF 3.7 billion, of which CHF 3.5 billion tier 1 capital. With risk-weighted assets at CHF 18.1 billion, this resulted in a *BIS total capital ratio* of 20.3% and a *BIS tier 1 capital ratio* of 19.1%, well above the Group's target ratios of 15% and 12% respectively.

### IWM update

With the exception of the business in India, the asset transfer process of the IWM transaction ended on the pre-agreed long-stop date at the end of January 2015, exactly two years after the principal closing of the transaction. The transfer of the business in India is currently expected to take place in the third quarter 2015, and is presently projected to result in an AuM increase of over CHF 5 billion.

<sup>1</sup> Cf. footnotes 1 and 3 to the table on page 5

At the end of June 2015, based on asset values at the applicable transfer dates, AuM from the former IWM business stood at CHF 52 billion, compared to CHF 54 billion at the end of 2014, as on the long-stop date of the transaction in January not all of the AuM previously reported were transferred to the Julius Baer platforms. Based on market values at the end of June 2015, IWM AuM stood at CHF 56 billion (end 2014: CHF 60 billion).

The extrapolated gross margin on the IWM AuM advanced to 95 bps, well above the 2015 target of 85 bps.

In relation to IWM, a further CHF 28.3 million of transaction, restructuring and integration costs incurred in the first half of 2015 were largely offset by a contribution of approximately CHF 27.9 million from Bank of America Merrill Lynch to the acquisition-related incentive payments. The resulting net CHF 0.4 million of transaction, restructuring and integration costs in the first half of 2015 takes the total booked since the start of the transaction to CHF 354 million. The estimate for total transaction, restructuring and integration costs remains at approximately CHF 435 million.

Subsequent to an analysis of the Group's global positioning, it was decided to cease operations of the former IWM business in Paris (since renamed Julius Baer Investments SAS) and to transfer its activities to other entities of the Group in Europe.

#### 40% participation in leading Mexican financial advisory firm NSC Asesores

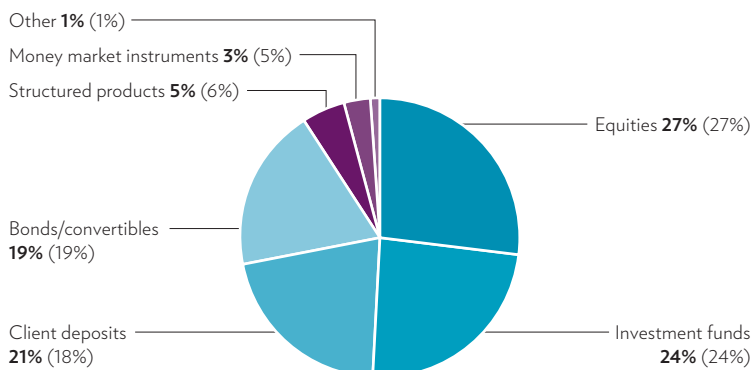
Julius Baer intends to acquire, for an undisclosed amount, 40% of NSC Asesores, S.A. de C.V. (NSC), the largest independent financial advisory firm in Mexico. NSC, which is based in Mexico City, manages assets of close to USD 3 billion and has enjoyed strong growth in the past years. The acquisition would mark Julius Baer's entry in the second largest wealth management market in Latin America.

NSC specialises in discretionary portfolio management and advisory services for high net worth individuals, based on independent and unbiased advice, which makes it a particularly good cultural fit. The company was founded in 1989 and is currently led by its 12 partners, of whom Claudio Núñez acts as CEO and Mariví Esteve as CFO & Head of Strategic Planning. It employs a total staff of 46.

The current management team will continue to run the business independently with the existing staff and pursue the same client-focused strategy. Julius Baer will be represented on the Board of Directors of NSC by two members. Both parties are confident that the future close cooperation will add further growth momentum to NSC's business development.

#### Breakdown of assets under management by asset mix as at 30 June 2015

(30 June 2014)



## CONSOLIDATED BALANCE SHEET

	<b>30.06.2015</b> CHF m	30.06.2014 CHF m	31.12.2014 CHF m	Change to 31.12.2014 in %
<b>Assets</b>				
Due from banks	8,018.3	8,230.1	8,922.6	-10.1
Loans to customers <sup>1</sup>	32,761.0	30,595.7	33,669.1	-2.7
Trading assets	7,690.8	6,751.5	7,424.2	3.6
Financial investments available-for-sale	14,764.7	14,594.2	14,597.3	1.1
Goodwill and other intangible assets	2,283.8	2,345.0	2,363.9	-3.4
Other assets	14,630.6	11,268.6	15,256.7	-4.1
<b>Total assets</b>	<b>80,149.2</b>	<b>73,785.1</b>	<b>82,233.8</b>	<b>-2.5</b>
<b>Liabilities and equity</b>				
Due to banks	5,227.6	5,112.8	5,190.2	0.7
Deposits from customers	60,199.4	54,709.9	61,820.5	-2.6
Financial liabilities designated at fair value	4,594.1	5,363.4	4,399.3	4.4
Other liabilities	5,248.6	3,381.9	5,486.0	-4.3
Total liabilities	75,269.7	68,568.0	76,896.0	-2.1
Equity attributable to shareholders of Julius Baer Group Ltd.	4,872.4	5,197.5	5,328.7	-8.6
Non-controlling interests	7.2	19.7	9.1	-20.9
Total equity	4,879.5	5,217.2	5,337.8	-8.6
<b>Total liabilities and equity</b>	<b>80,149.2</b>	<b>73,785.1</b>	<b>82,233.8</b>	<b>-2.5</b>
<b>Key performance ratios</b>				
Loan-to-deposit ratio	0.54	0.56	0.54	-
Leverage ratio <sup>2</sup>	30.9	25.7	27.7	-
Book value per share outstanding (CHF) <sup>3</sup>	22.7	24.1	24.6	-7.6
Return on equity (ROE) annualised <sup>4</sup>	6.3%	16.2%	16.6%	-
<b>BIS statistics</b>				
Risk-weighted assets	<b>18,096.7</b>	16,246.9	16,977.7	6.6
Eligible tier 1 capital	<b>3,456.7</b>	3,633.9	3,739.6	-7.6
BIS total capital ratio	<b>20.3%</b>	23.9%	23.4%	-
BIS tier 1 capital ratio	<b>19.1%</b>	22.4%	22.0%	-

<sup>1</sup> Mostly Lombard lending and mortgages to clients

<sup>2</sup> Total assets/tangible equity

<sup>3</sup> Based on total equity

<sup>4</sup> Adjusted net profit/average equity less goodwill

# 125 YEARS JULIUS BAER – ‘SHARING VISIONS’

**Looking back at the previous 125 years tells as much about our future as it does about our past. That is why the 125th anniversary of Julius Baer is not only about history, but about ‘Sharing Visions’ – the motto under which we aim to emphasise key elements of our corporate DNA that have shaped the way we act today and will drive us to make today’s visions a reality.**

To stay at the forefront of an industry for 125 years requires more than a fair idea of the path forward. For Julius Baer, it took a number of visionary decisions by courageous leaders to successfully transform the local family business into a public company and ultimately into the international reference in private banking.

## The early years

Recognising the importance of Zurich as a centre of international trade, Julius Baer, founder and namesake of the Group, opened shop on Zurich’s famous Bahnhofstrasse in the 1890s. What initially started as a small bureau de change rapidly

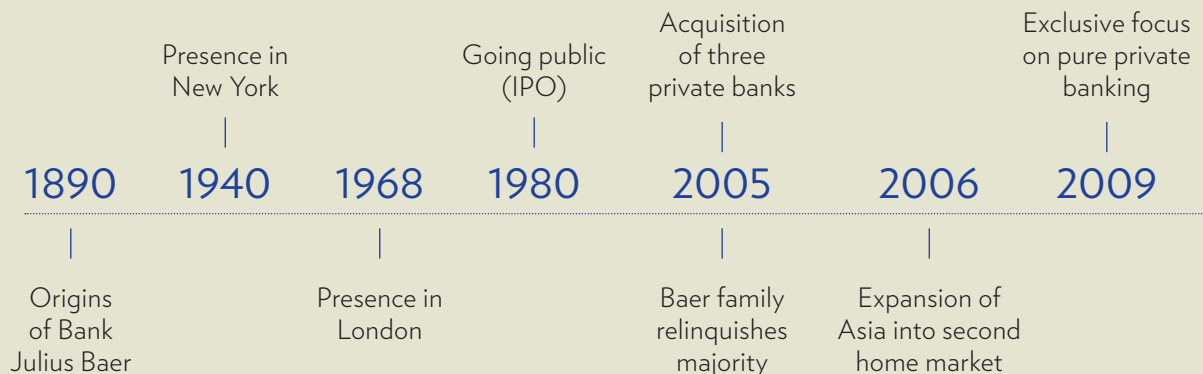
expanded into wealth management and securities and FX trading – business activities that still remain at the core of the Julius Baer Group today.

## Growing the business

Parallel to the strong economic growth and technological progress after World War II, the company – then a partnership comprising a rising number of Baer family members – began expanding internationally in 1940 and thus laid the first building blocks of today’s global business. The need to finance this rapid growth drove Julius Baer in 1980 to become the first Swiss private bank to go public.



Julius Baer  
(1857–1922)





### Gearing up

However, the majority of the voting rights from the initial public offering remained within the Baer family pool, thus ensuring full control of the Group going forward. This only changed at the beginning of 2005, with the introduction of the 'one share, one vote' principle. This new financial leeway was utilised in the same year for the acquisition of three private banks and a specialised asset manager, which together were even larger in size than Julius Baer itself. Exploiting this massively increased scale, Julius Baer started expanding rapidly into global growth markets, particularly Asia, and achieved strong growth momentum in the following years.

### Recalibration

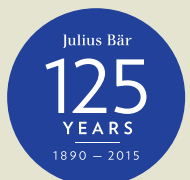
The 2008 credit crisis ushered in a fundamentally changing business environment. This led Julius Baer to take a rather unorthodox step. By separating the Group's asset management and private client businesses in October 2009, each individual business was provided with precious strategic flexibility in the early stage of this new cycle. The private banking business became the independent Julius Baer Group and began systematically broadening its international presence and specialised offering via acquisitions and a number of strategic cooperation agreements around the globe.

'If contact between people is based on trust and absolute integrity, then it is of benefit for both sides.'

*Julius Baer, founder*

### Quantum leap

In August 2012, Julius Baer initiated the next phase of its growth by acquiring Merrill Lynch's International Wealth Management (IWM) business outside the US. IWM provided a rare opportunity to substantially increase the Group's footprint in established markets, a number of new markets and in growth regions. This growth will enable the Group to further increase its leading position in a highly competitive industry, to provide clients with an unparalleled product and services offering and to tackle any future challenges from a position of strength – as the international reference in private banking.



\*Merrill Lynch's International Wealth Management business outside the US

# BUSINESS DEVELOPMENT IN FIRST HALF 2015

**Despite the severe impact of the strong Swiss franc, Julius Baer's business development was more than satisfactory in the first six months of 2015. Heightened volatility and the continued low interest rate environment sparked client activity and provided ample opportunities to demonstrate the Group's breadth of expert advice and investment capabilities.**

The integration of Merrill Lynch's International Wealth Management (IWM) business outside the US, which began in early February 2013, was formally closed at the end of January 2015. The IWM integration process has now achieved 17 of the 18 applicable local transaction closings, with only the Indian business still expected to follow in the second half of 2015.

Julius Baer has decided to proceed with renewing its IT platforms globally. The aim of the project is to deliver an improved client experience, better operating efficiency and greater flexibility through the harmonisation of processing platforms. Following a staggered approach, the project has been launched in Asia and will be subsequently implemented in other regions after its anticipated completion in Asia in 2017. Currently in its initiation phase, the renewal process is managed within the normal operating and financial planning of the Group.

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 enlarged Julius Baer Advisory Process is in the midst of being rolled out globally and aims at providing suitable, consistent and harmonised state-of-the-art advice to our clients across all geographic regions, thus ensuring a consistently high-quality client experience as well as compliance with local rules and regulations.

The Group continued to align its compliance, risk management and key business processes with growing international trends and rising standards. The expected introduction of qualifying tax crimes as a predicate offence for money laundering in

some countries led to adapted measures to further strengthen the Group's anti-money laundering prevention. The related, comprehensive compliance training continued for the entire growing Group, particularly for client-facing staff, including mandatory certification programmes and corresponding refresher courses. The global trend towards formalised internal control mechanisms continued to accelerate. While this also added to administrative costs, our focused business model allowed for effective implementation.

The revised Markets in Financial Instruments Directive (MiFID II) in the EU and similar draft legislation in Switzerland (Federal Financial Services Act), expected to be introduced in 2017 and 2018 respectively, will have a profound impact on how financial services and instruments may be offered. Based on the defined implementation scope, the identification and specification of required adjustments are currently taking place.

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

The legal basis for the automatic exchange of information in tax matters (AEI) between Switzerland and partner states was submitted to Parliament at the beginning of June 2015. Switzerland and the EU signed an AEI agreement on 27 May 2015. The OECD's global AEI standard has been included in full in the new agreement. The first sets of data should be exchanged from 2018, thus replacing the bilateral savings tax agreement which de facto has



been in force since 2005. The implications of the AEI on Julius Baer's processes and applications are now being analysed in order to assess possible solutions, an implementation approach, a timeline, potential synergies with FATCA as well as other strategic initiatives covering all of the Group's booking centres.

Amid the movement towards international tax transparency, we maintained a constructive, proactive stance vis-à-vis our clients, informing them about developments and opportunities to solve potentially outstanding tax issues. We also continued our advanced cooperation with US authorities, thus laying the foundation for settlement of this historical tax issue. These settlement discussions have sufficiently advanced to enable Julius Baer to make a preliminary assessment of a probable and approximate amount required to reach a settlement and to take a provision, announced at the end of June 2015, to be charged to the 2015 half-year results.

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

Firmly positioning the Group as a visionary leader in international private banking and complementing our Formula E partnership, the new advertising campaign *Visionary Thinking* was launched globally in mid-May 2015 (see page 17).

# GLOBAL PRESENCE

## Europe



## Switzerland



## Our locations in other parts of the world



- Head Office
  - Location
  - Booking centre
  - TFM Asset Management AG, strategic participation of 60%
  - GPS, strategic participation of 80%
  - NSC Asesores, strategic minority participation of 40%
  - Kairos Julius Baer SIM SpA, strategic minority participation of 19.9% in its holding company
- Julius Baer is present in Milan with Julius Baer Fiduciaria S.r.l.



## OUR BUSINESS ACTIVITIES

### Switzerland

Our home market in the centre of Europe is a geographically and culturally highly diverse region. Despite being considered a mature wealth management market, Switzerland offers unexploited growth potential. Thanks to our comprehensive network of offices in all distinct parts of the country, our strong brand name and our specialised offering, we are well positioned to further increase our market share while maintaining our profitability in this competitive market. As a result of our efforts, revenues and net new money inflows improved significantly in the first half of 2015. The market Switzerland, in addition to the Group's Global Custody business, will come under the new leadership of Barend Fruithof as at 1 October 2015, succeeding Giovanni M.S. Flury who will become Member of Group's Executive Board as at 1 January 2016.

The core of our strategy is a dedicated Swiss product offering complemented by tailored regional and segment-specific marketing initiatives. Leveraging our increased visibility as the Swiss private bank of choice, we continued to bolster the quality of our relationship manager base and further strengthened our senior management team, namely for the Greater Zurich Area and Central Switzerland. In the region of Eastern Switzerland and Lake Constance, we kept on consolidating our activities in St. Gallen, which now serves as the region's major location and primary hub. Julius Baer in Basle celebrated its 15th anniversary on 3 April 2015.

**'We are well positioned to further increase our market share in Switzerland.'**

We continued to increase our market penetration by deploying our Group's core investment and service capabilities for clearly defined groups of prospective clients. These include high net worth individuals (HNWIs) and entrepreneurs who require tailored

wealth management solutions with a strong international focus, as well as high-potential clients who are in their initial phase of wealth building. Other targeted segments share common features such as profession or lifestyle.

A study<sup>1</sup> commissioned by Julius Baer on the wealth management of foundations in French-speaking Switzerland provided valuable insight for the first time on the inner workings of foundations. It gained widespread attention in this market valued at over CHF 70 billion for the entire country.

Following the great success of our Edelweiss Mandates, tailored to the requirements of domestic investors, we successfully introduced the Edelweiss Fund at the beginning of February 2015. In mid-March 2015, the client relationships, assets and respective teams of Leumi Private Bank AG in Geneva and Zurich were transferred to the Julius Baer banking platform.

### Europe

Thanks to its large wealth concentration and multi-faceted cultural proximity to Switzerland, Europe remains an important pillar in the overall private banking strategy of Julius Baer. With the regulatory environment continuing to undergo substantial changes, regularisation remained an important topic among European clients. Julius Baer continued to encourage clients to actively address potential tax issues of the past and expects almost all European clients to be tax compliant by the end of 2015.

Germany continues to be one of the most attractive wealth management destinations in Europe and an important market for Julius Baer, both locally as well as served from Switzerland. The domestic German business was further strengthened by a number of additional relationship managers. Business momentum remained high in the first six months of 2015, benefitting from the network of eight locations across the country, which makes this fragmented and mature market very accessible and allows for excellent client proximity and service. This contributed to gratifying net new money inflows and the profitable development of the domestic business.

<sup>1</sup> [www.juliusbaer.com/studyfoundations](http://www.juliusbaer.com/studyfoundations)

The booking platform in Frankfurt is the second business pillar of Bank Julius Bär Europe AG. Supporting the local private banking business and its comprehensive offering, this booking platform also serves as a custody platform for Julius Baer clients advised out of other EU locations. It was further expanded to meet the changing regulatory environment as well as the rising business volumes and required execution capabilities.

‘Germany continues to be one of the most attractive wealth management destinations in Europe.’

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We continued to foster the recognition of the Julius Baer brand in Germany through a variety of sponsoring activities and related client events in the areas of art, classical music and high-calibre sports.

Following the successful completion of the integration of Merrill Lynch’s International Wealth Management (IWM) business outside the US, Julius Baer is present in a number of additional markets in Europe and has considerably heightened its profile in several other key markets.

In the attractive Benelux region, our current locations in the Netherlands and Luxembourg serve a broad client base with a strong international orientation as well as family offices. By leveraging our global advisory expertise and product offering, we are optimising our growth prospects in the region. Added to this, we are targeting selected Nordic markets with a particular focus on Sweden, Denmark and Norway. Events centred on our Next Generation investment philosophy proved very popular.

The Group’s domestic activities in France are in the process of being wound up. Upon completion of the transfer of client relationships to other Julius Baer locations at the end of July 2015, the Paris entity will be liquidated by year end.

## VISIONARY THINKING

Whether the topic is feeding the global population, growing urbanisation or shifting lifestyles, the world faces ample challenges. Finding answers that sustainably add to solutions and at the same time provide a positive impact on client portfolios is both the mission of Julius Baer’s *Next Generation* investment philosophy and now the theme of the Group’s new advertising campaign launched globally in May 2015.

The *Visionary Thinking* campaign is a key aspect of our approach to setting the pace in our industry with forward-looking, innovative ideas and investment solutions. It focuses on establishing a dialogue with the viewer: the motifs raise certain topics, such as those mentioned above, by posing a question that is answered on our website, where corresponding investment ideas and solutions from our Research team can be found.

Renowned Hollywood film director Marc Forster acted as creative advisor for the campaign. He also directed the TV commercial that captures the visionary thinking spirit of the campaign in a very emotional way – as a metaphorical journey of what it means to go through life by constantly striving to explore and discover the next *unknown*.



# Julius Bär

YOUR PRIVATE BANK



FIRST MOVERS WILL ALWAYS  
CHANGE THE WORLD.

BUT WHICH ONE?

>> Discover our approach at [juliusbaer.com/visionary-thinking](http://juliusbaer.com/visionary-thinking)

Julius Baer is the leading Swiss private banking group and present in some 50 locations worldwide. From Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Monaco, Montevideo, Moscow, Singapore, Tokyo to Zurich (head office).



In Southern Europe, our office in Madrid continued to see positive net new money inflows. Together with higher client transaction activity, this contributed to positive revenue development. The new premises proved a key facilitator and contributed to the growing brand awareness in this promising market.

Julius Baer Monaco came under new leadership at the beginning of 2015. We were able to maintain last year's strong business momentum and achieved satisfactory performance in the first half of 2015. Our successful relocation from four different buildings into two exclusive premises has significantly enhanced our visibility and clients' experience in this important location and booking centre of the Group.

**‘We have significantly enhanced our visibility in Monaco.’**

In Italy, our wealth management activities centre on our partnership with Kairos Julius Baer SIM SpA and progressed well in the first half of 2015. Julius Baer holds a 19.9% stake in its holding company. The ultimate goal of this company is to leverage the enlarged business to become a meaningful player in the Italian domestic market.

In London, the successful completion of the IWM integration resulted in a significantly enlarged local business, so both the operational structure and the range of products and services are under review. 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 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, which is run as a branch of Julius Baer International Limited based in London.

### **Russia, Central & Eastern Europe**

This large and fragmented region continued to show diverging economic development, with geopolitical and regulatory issues affecting client behaviour and the overall business outlook. Yet thanks to our ability to capitalise on our growing reputation as a leading wealth manager in the region, we recorded solid net new money inflows again in the first half of 2015.

Despite changing client investment patterns, not least because of large currency shifts, we still see above-average growth potential for the region. Complementing our office in Moscow, we continued to strengthen our dedicated desks covering this attractive region from our Singapore, London, Luxembourg, Monaco, Geneva, Zurich and Vienna locations in order to provide even better service. Many of the local markets show improving economic prospects, which we intend to capitalise on through an adapted regional strategy, dedicated investment offerings and further marketing activities, particularly in the fields of art and music.

**‘We still see above-average growth potential for Russia, Central & Eastern Europe.’**



## Asia

Asia continues to feature many of the world's fastest growing countries with regard to financial wealth and number of HNWI's. A recently published study on the status and future development of the international HNWI segment confirmed not only that Asia overtook Europe as the world's second wealthiest region by private wealth in 2014 but also that Asia is expected to outgrow all other major regions in the coming years.

As an early mover, with a presence in the region for more than a decade now, Julius Baer has enjoyed significant growth in recent years and is very well positioned to capture Asia's attractive potential. Julius Baer serves this large and diverse region from five locations, including the two booking centres in Singapore and Hong Kong, making it our second home market.

**'We are very well positioned to capture Asia's attractive potential.'**

As a highly dedicated private bank with an outstanding client-centric service culture, we continued to broaden our offering to meet the demands of the local client base. On the back of our strong risk control culture to support our sustainable growth in the region, we kept on investing in process quality and further strengthened key functions. Business momentum remained positive in the first half of 2015, resulting in a further rise in profitability.

We currently focus on three key geographic areas to achieve organic growth: Greater China (mainland China, Hong Kong and Taiwan), Indonesia and India. Dedicated initiatives are underway to increase penetration in all of these attractive markets by broadening our relationship manager base, leveraging our local investment capabilities and intensifying our collaboration with dedicated partners in the region.

We also see opportunistic growth potential in other Asian markets such as Malaysia, the Philippines and Thailand. By leveraging our majority stake in Japan-focused TFM Asset Management AG, we continued to increase our business activities with Japanese clients, both internationally and locally via our Tokyo office.

The IWM integration process in India is well advanced, with the applicable closing expected later this year. The resulting increase in scale will allow us to position Julius Baer as the international private banking reference also in the global Indian community. In the non-resident Indian (NRI) markets, we are in the process of further expanding our base of relationship managers, with particular emphasis on the Middle East region as a traditional focus of NRIs. These efforts resulted in a gratifying net new money development in the first half of 2015.

Our activities in Asia were supported by a series of events featuring our investment excellence, which attracted some 2,500 guests, as well as by a number of high-calibre sponsoring activities in sports, art and classical music. In recognition of our achievements and dedicated client focus, Julius Baer received two accolades at the *WealthBriefingAsia Awards 2015*. The Bank was named winner in the category *Pure Play Private Bank* in both Hong Kong and Singapore.

### Eastern Mediterranean, Middle East & Africa

This geographic area continues to be a promising growth region for Julius Baer. Despite a challenging political environment in some of these markets, we were able to maintain the overall business momentum, increase market penetration and achieve gratifying revenue growth.

We continued to broaden our coverage of the region, particularly by increasing the number of relationship managers in our regional hub in Dubai. In order to gain flexibility in tailoring our offering to the local investment requirements, we established local capabilities of our Investment Solutions Group. We launched some Sharia-friendly individual solutions in the mandates and structured products area and began developing a Sharia-compliant leverage product. In addition, we introduced a local equity fund established in collaboration with a domestic partner.

Several markets on the African continent offer attractive opportunities for Julius Baer to address the emerging class of local entrepreneurs as well as established business owners with a strong international background.

### Israel

In a major step to significantly increase Julius Baer's penetration of this attractive market, we successfully transferred the client relationships and assets of Leumi Private Bank AG in Switzerland to the Julius Baer platform at the end of March 2015. Two teams joined us in Zurich and Geneva, significantly strengthening our coverage of the Israeli market. In parallel, the strategic cooperation programme with Bank Leumi gained momentum.

The flow of new business remained healthy in the period under review, further adding to the enlarged base of assets under management and contributing to a solid increase in profitability. Israel consistently ranks in the global top 10 of the countries with the fastest growing HNWI population, offering significant growth prospects for a highly focused private bank such as Julius Baer. We continue to target this potential both domestically and in the global Israeli community by offering state-of-the-art wealth management solutions and providing access to our Group's global market intelligence.

### Latin America

The positive growth momentum in this region continued in the first six months of 2015. Steadily rising brand awareness supported healthy net new money inflows from most of the countries in the region, and a more active client base supported additional revenue growth.

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

**‘Steadily rising brand awareness supported healthy net new money inflows in Latin America.’**

We are assessing opportunities to develop a strong domestic presence in selected markets, following the model successfully implemented with our 80% stake in GPS, the largest independent wealth manager in Brazil. GPS has shown very strong growth in the past years since our involvement began, though the challenging market conditions since 2014 have slowed this growth. On 20 July 2015, we announced our intention to acquire a 40 percent minority participation in NSC Asesores, S.A. de C.V. (NSC), the leading financial advisory firm in Mexico, with assets under management of USD 2.8 billion. This stake would give us access to one of the largest and most promising domestic wealth management markets in Latin America.

At the beginning of the year, we held our tenth annual Julius Baer conference in the seaside resort of Punta del Este in Uruguay. The key attraction was a live interview of Nobel Prize laureate Mario Vargas Llosa by syndicated columnist, author and CNN commentator Andrés Oppenheimer. This event was highly lauded by the over 900 guests who attended.

#### **Independent Asset Managers and Independent Financial Advisers**

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

‘We continued to develop and implement our global sales management strategy.’

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As a result, we successfully continued our growth path across all our markets and booking centres while managing transformation and change, mainly driven by regulatory developments. In parallel, we enhanced the global alignment of our offering, organisation, guidelines and business processes for IAMs. This will increase our business focus and simultaneously reduce complexity and thus risk exposure. Additionally, based on the rising demand for institutionalised advisory services, we addressed the particular needs of Independent Financial Advisers by offering a dedicated operational framework.

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

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

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

### Investment Solutions Group

Investment Solutions Group (ISG) is Julius Baer's investment and service competence unit, providing client-centric services and products from its major hubs in Zurich and Singapore as well as from its key private banking locations in Europe, Middle East, Asia and Latin America.

Our relationship managers and thus ultimately our clients have access to a comprehensive range of products and services that reflect a single, consistent house view on the financial markets and investment opportunities. In 2014, Julius Baer signed the United Nations Principles for Responsible Investment (UNPRI), and we are currently incorporating environmental, social and governance criteria into our investment selection process.

Focusing on quality, ISG started to certify its individual units according to ISO 9001, the standard for a certified management system. The majority of the ISG units have already passed the certification successfully, further underlying our disciplined approach and high commitment to excellence.

Our Research unit further extended the equity coverage from 340 to 600 stocks by mid-year 2015. In parallel, the fixed income universe was expanded by 50 issuers to 230 issuers actively covered. Market-ing material was made available for a total of some 8,500 fixed income securities. The expansion of our research coverage will continue in the coming months, making Julius Baer one of the leading independent buy-side research houses in Switzerland.

To incorporate responsible investment principles into our investment processes, Research has adjusted and upgraded our equity and fixed income research and marketing materials.

Research now incorporates the MSCI ESG Intangible Value Assessment methodology, so it thus considers companies' risks and opportunities arising from environmental, social and governance factors in its ratings and analysis. In addition, Portfolio Management (PM) began integrating responsible investing principles, starting the initial roll-out in Switzerland.

The first half of 2015 was marked by deflationary shocks, heavy currency fluctuations and a subsequent sell-off in government bonds. At the same time, Chinese assets went into overdrive. Our Research unit was kept busy putting events and news in context and providing relationship managers and clients with expert guidance. In addition, several studies were published on trends in various industries and how investors can benefit from them, covering such themes as *Shifting Lifestyles* (global education), *Feeding the World* (meat-ing demand) as well as *Digital Disruption* (mobile payments and wearable technology).

On the distribution side, Research launched a new external state-of-the-art platform for e-Banking clients and intermediaries.

Investment Solutions & Advisory, the unit which acts as a truly client-centric point of entry into ISG for all relationship managers globally, successfully initiated the launch of the refined advisory mandates. These mandates cater to the demands of different investor profiles while placing emphasis on risk-based portfolio monitoring and reflecting the Julius Baer house view.

Portfolio Management represents a core function at Julius Baer as it is the unit in charge of implementing the Group's sophisticated investment approach in client portfolios. The emphasis is on the active, responsible and systematic management of client assets as well as on the enhancement of the offering via specific regionally focused mandates and portfolio funds. This has allowed PM to maintain its growth momentum, which was complemented by the successful integration of the discretionary mandates transferred from Leumi Private Bank AG.



The Fund Solutions unit continued to grow and further strengthened its offering with new customised fund portfolio solutions. It expanded the recommended fund universe with a new specific offering featuring exchange traded funds (ETFs) from top quality providers. The Premium Solutions offering was further enhanced through a diversified range of industry-leading hedge funds as well as newly launched private equity initiatives. The entire fund offering is based on our open, managed product platform approach and stands for unbiased analysis as well as access to the best investment houses and products.

The aim of our Wealth & Tax Planning (WTP) activities is to provide relationship managers with high-quality advice and services to turn clients' complex, multi-layered investment objectives into practical, sustainable solutions. In the period under review, WTP continued to substantially increase its penetration across geographic regions.

The increased demand for relocation advice and services was met with solutions tailored to each client's specific requirements, supported by our extensive global provider network. Furthermore, new usufruct offerings for Italy, France and Belgium have been launched with further countries to follow. Succession planning remained a dominant theme, with a focus on providing capital and income segregation solutions. The new EU Succession Regulation, applicable to successions as of 17 August 2015, will spur further demand in this business area.

ISG Asia successfully implemented a strategic reorganisation with the aim of further improving the product and service offering as well as consistently delivering an outstanding client experience. By combining the units Markets Asia Pacific and ISG Asia, the new Markets ISG Asia unit will allow for a highly consistent offering while increasing the organisation's efficiency and client centricity.

In the UK, in tune with local client demand and needs, further restructuring and realignment of ISG's services were initiated during April 2015. As a result, ISG UK has refocused the UK Discretionary Mandates to strengthen and simplify the offering in

order to meet the shifting demand of UK clients. Additional resources have been allocated to broaden the strategic UK offering of the local ISG organisation. Julius Baer International obtained local regulatory approvals to provide insurance advice, which will increase our WTP capabilities for the benefit of our clients.

ISG Latin America provides advice and guidance to the Group's relationship managers who cover the various Latin American markets through weekly meetings, regular calls, market insights and investment ideas. In addition, it supports the specialised unit responsible for intermediaries active on the continent. In order to deepen the insights into the macroeconomic and financial situation of the region, the team holds regular meetings with key private economists, political analysts and financial sector representatives. The team contributes to the Group's research and related publications on a regular basis, notably to the Latin America Quarterly Report.

## Markets

The Markets unit focuses on trade execution and product structuring as well as on foreign exchange (FX), precious metals and securities advisory and trading services for the Group's private banking clients and certain direct client segments. In close cooperation with ISG, Markets is the central unit for the distribution of structured products within Julius Baer. *Julius Baer Market Link*, an Internet-based, mobile, real-time platform for trading-oriented clients, is also provided by Markets.

The decision by the Swiss National Bank to lift the Swiss franc cap against the euro triggered unprecedented currency moves on 15 January 2015 and the following days. This in combination with generally higher FX volatility contributed to substantially higher client trading volumes in currencies as well as in precious metals. The ongoing search for yield has kept volumes in structured products high. The further extension of our offering for Julius Baer's Asian clients was well received. Overall, our Asian activities' share of transaction volumes across all asset classes has increased remarkably over the last 12 months.



The *Markets Toolbox for Independent Asset Managers* is planned to go live early in the third quarter of 2015. This platform will enable intermediaries to efficiently source structured products as well as conduct currency and precious metals transactions for their managed accounts with Julius Baer.

### **Investor Services**

As a distinct business unit within the Group's business activities with intermediaries, thus making it strategically relevant to Julius Baer, Investor Services is a leading dedicated provider of global custody services in Switzerland, Guernsey and Singapore. Our strategy is to offer best-in-class, bespoke services and to achieve superior growth in a highly competitive market by capitalising on Julius Baer's standing as a highly dedicated, international wealth manager with extensive custodian and depository bank capabilities. Assets under custody amounted to CHF 85 billion at the end of June 2015.

Investor Services is well on track with its growth strategy despite adverse market conditions (negative interest rate environment) and enjoys an excellent reputation in selected markets among pension funds, endowments, foundations, family offices, insurance companies, investment managers and advisors, fund management companies and administrators as well as corporate treasuries. 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 range of professional services including custody, depository offerings and a wealth of other value-adding bank services.

## OUR EMPLOYEES

The total number of employees (full-time equivalents or FTE) amounted to 5,378 at the end of June 2015, up by 131 or 2.5% compared to year-end 2014, including our new colleagues who joined from Leumi Private Bank AG in Geneva and Zurich in mid-March 2015. The total number of relationship managers increased from 1,155 FTEs to 1,179 FTEs in the first six months of 2015.

After having gone through major staff movements from 2012 to 2013 due to the integration of Merrill Lynch's International Wealth Management (IWM) business outside the US, Julius Baer saw the changes in the distribution of staff by location ease strongly in 2014. And this distribution remained essentially constant in the first half of 2015. While our home market of Switzerland still accommodates well over half of the employee population (58.8%), the Asia-Pacific region accounts for 19.8%, followed by the rest of Europe (12.8%), Latin America (6.1%) and Middle East and Africa (2.5%).

In order to mitigate the impact on the Group's profitability of the strong appreciation of the Swiss franc since mid-January 2015, Julius Baer launched an ongoing efficiency programme in early February 2015. Parallel to lowering general expenses, personnel costs are being decreased by a combination of a controlled hiring and resource reallocation as well as the elimination of approximately 200 positions through

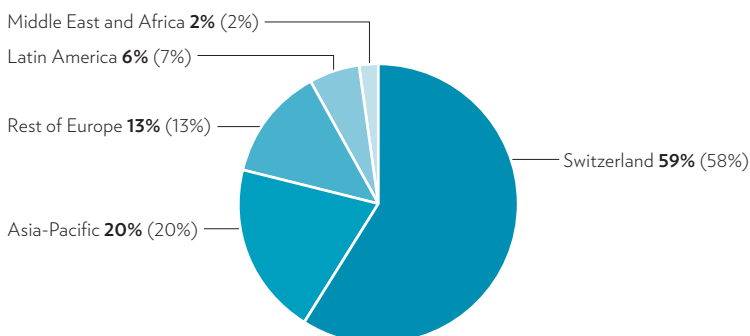
natural attrition and staff reductions predominantly in mid- and back-office functions, partly also affecting the recently integrated IWM business.

Given the Group's large cost base in Swiss francs, the programme focuses particularly on Switzerland. Emphasis has been placed on work time flexibility, including permanent workload reduction or early retirement, to reduce redundancies to a minimum. In close collaboration with employee organisations, an employee consultation process was conducted until mid-March 2015. Honouring our responsibility as an employer of choice, special care will be paid to mitigate hardship cases. The dedicated programme launched for that purpose aims at ensuring re-employability and is being funded by a voluntary salary reduction by senior management, including members of the Executive Board, as part of the cost reduction efforts.

In order to lead the Human Resources (HR) function to the next level by further increasing its contribution to the implementation of Julius Baer's strategy, HR will be brought under new leadership on 1 August 2015. To the same end, the Julius Baer Academy, our Group's dedicated education centre, established a state-of-the-art strategic Talent Management Centre of Expertise. It aims at fostering successful employees through an attractive learning curriculum that will enable them to take their careers one step further.

### Julius Baer employees (FTE) by geography as at 30 June 2015

(30 June 2014)





# OUR COMMITMENT

**At Julius Baer, we believe that our responsibility as a company encompasses all facets of sustainability: economic, social and environmental. This means fostering successful relationships with our clients for many generations to come, prudently managing our company for the long term to generate sustainable value for our shareholders, enabling professional development of our employees and looking beyond daily business to be an active citizen of society in all of our endeavours.**

## Community engagement

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

- The Julius Baer Foundation serves as the formal charitable arm of the Julius Baer Group
- Julius Baer Cares encompasses bottom-up community engagement organisations set up and driven by employees in Hong Kong, Singapore, Switzerland, Uruguay, UK & Ireland as well as Guernsey
- The Julius Baer Art Collection specialises in works by contemporary Swiss artists as well as by artists living in Switzerland
- A wide spectrum of cultural activities are supported through sponsoring channels

We also explore and promote research and dialogue on topics that affect the future of humanity as a whole – through our Next Generation platform as well as through our partnership with the think tank W.I.R.E. One such theme is *Future of mobility*, which is also crystallised in Julius Baer's sponsorship of the Formula E races as a platform to promote further development of sustainable energy sources.

## Julius Baer Foundation

Established in 1965 on the occasion of the 75th anniversary of the Bank, the Julius Baer Foundation is thus celebrating its 50th anniversary in 2015.

Over the last four years, the Foundation has focused its engagement on helping children and young adults, inspiring projects in Switzerland and around the world. At the beginning of 2015, Boris F.J. Collardi became Chairman of the Foundation Board. More information is available at [www.juliusbaer-foundation.org](http://www.juliusbaer-foundation.org).

Through the Julius Baer Foundation, we assist various projects<sup>1</sup> in Europe, Asia, Africa and Latin America:

In Switzerland, the Foundation supports Caritas Switzerland in their quest to promote financial competence, including the creation of a debt-prevention app. Three other projects focus on the integration of immigrants' children: the first by teaching children between 10 and 11 years of age classic dance forms, the second by providing complementary coaching at primary schools and the third by helping young people entering their professional life.

<sup>1</sup> [www.juliusbaer.com/donations](http://www.juliusbaer.com/donations)



## JULIUS BAER SUPPORTS LAST-MILE DISTRIBUTION IN RURAL INDIA

There is a widespread lack of reliable and efficient last-mile distribution systems reaching remote, underdeveloped areas in India, affecting several hundred million people.

The Julius Baer Foundation joined the elea Foundation for Ethics in Globalization to support one of elea's portfolio companies, Dharma Life in India. Dharma Life is a promising social enterprise that creates reliable rural distribution networks for affordable and innovative products and services. Dharma Life is currently active in 32 districts in the states of Bihar, Delhi, Karnataka, Maharashtra, Rajasthan and Uttar Pradesh. Dharma Life tailors its offering to the needs of the lowest-income households and primarily addresses six areas: access to clean energy, access to safe drinking water, provision of basic means of livelihood, reduction of indoor air pollution, improvement of nutrition as well as advancement of health and hygiene.

In order to grow the reach and impact of the concept and achieve economies of scale, Dharma Life recruits, trains and supports young village-level entrepreneurs. This provides them with otherwise rare income opportunities in the huge, largely untapped market of rural India. In addition, the increased availability of affordable productive assets such as sewing machines or even bikes contributes to establishing small businesses and thus to improved living conditions.

Switzerland-based elea Foundation exists to fight absolute poverty with entrepreneurial means, capitalising on the benefits and opportunities of globalisation. As a professional and active investment manager, elea Foundation strives to create a measurable and lasting impact.



In the rural parts of Kosovo, women and minorities are taught how they can mobilise their own resources and continually develop their skills in line with their real needs. Also in Kosovo, where youth unemployment is 70%, the Foundation supports a project focused on vocational education in professions offering better job opportunities, such as tourism.

In the remote mountain villages of Laos, boarding houses are built for children so that they can attend classes. In China, a playground has been built for a large new orphanage that houses 160 children, thus contributing to a more humane childhood. In the far north-east of Burma, young men and women are given all the skills they need to be able to run their own small businesses. In the mountainous hinterland of Bali, the construction of water collection systems frees villagers from carrying water over very long distances, enabling children to attend school and allowing adults to engage in productive activities such as the production of tea, dried fruits, baskets and hammocks or organising hiking tours for tourists.

In Tanzania, children are helped to attend school, are given hot meals and are supported by volunteer teachers in English and IT classes. In South Africa, township children get school and social support, and they are also encouraged in their sporting ambitions.

In Brazil, young people are prepared for the current job market with the help of study courses in administrative assistance and sales. In Nicaragua, various economic initiatives give young people new prospects for the future, making it possible for them to remain in their rural regions.

Continuing its collaboration with the animated short film festival Fantoche in Switzerland, the Foundation will again donate the Public Award for the festival in autumn 2015.

At the beginning of 2015, the Foundation entered a strategic long-term partnership with Switzerland-based philanthropic impact investor, elea Foundation for Ethics in Globalization, with the opportunity to invest in its portfolio companies. As an initial step, the Foundation has chosen to get involved in two sustainable business models. The

first provides reliable access to renewable energy at an affordable price in rural areas of Madagascar, and the second offers access to basic products and services in remote villages in India (see page 27).

Cultural activities add value to society at large far beyond their immediate purpose, as shown by the study *Culture as an economic factor*. Conducted by BAK Basel on behalf of the Julius Baer Foundation on the occasion of its 50th anniversary, this study found that cultural institutions in the Zurich region generated a business volume well in excess of half a billion Swiss francs in 2013, directly and indirectly via suppliers, visitors and tourists. The study was presented to the public at an event at the Kunsthaus museum in Zurich on 13 March 2015. Around 150 guests spanning the arts, politics, the media and business attended the presentations, which were followed by a lively panel discussion.

### Julius Baer Cares

In parallel to the efforts of the Foundation, Julius Baer has a vibrant community engagement movement emanating from its employees. Proudly carrying the name *Julius Baer Cares*, the individual organisations are run by employees and are basically independent from each other, yet they share the same focus of *Caring for others* and *Caring for the environment* in their local communities.

Examples of the most recent initiatives include:

- Nepal fundraising to contribute to the humanitarian efforts made by UNICEF following the powerful earthquake at the end of April 2015. Employee donations were matched by the Julius Baer Foundation, which separately also made a sizable contribution of its own.
- Hong Kong business clothes collection in support of the *Suits for Success* charity drive for underprivileged youths as they enter summer internship programmes.
- Mongolia fundraising campaign to support the local organisation *Desert Rose Shelter for Girls*, which aims to help girls who have run away from home and live in the streets by offering them shelter, mentoring and education.

- Switzerland blood donation drive in collaboration with Blutspende Zürich (Zurich Blood Donor Service) as well as an interactive day with students of the SEMO programme (Semester of Motivation), talking to the teens about responsible use of social media as well as prevention of indebtedness.

### Corporate Social Responsibility at Julius Baer

Building on Julius Baer's various past sustainability activities, we initiated a coordinated and holistic management framework for sustainability issues in the final quarter of 2014 and will continuously increase our engagement globally.

We have defined a set of guiding principles which govern the daily activities of our company and set the minimum professional standards for ethical business conduct – summarised in the *Our Professional Standards* document<sup>1</sup>.

As a key step towards advancing the sustainability topic within our business, we are currently incorporating environmental, social and governance considerations into our investment selection process. This step-by-step integration is well under way (see page 22f.).

In addition to applying high standards of social and environmental management to ourselves, we also find it important to use stringent criteria when selecting business partners for products and services Julius Baer procures. We have therefore incorporated sustainability requirements into the procurement selection process for all new contracts and are evaluating our existing suppliers.

Through various channels and specialists, Julius Baer maintains an active dialogue with our diverse stakeholder groups – clients, employees, shareholders, regulators, the media, suppliers, NGOs and the communities we are active in. We thus stay abreast of the topics affecting the financial industry and the areas where we can create impact. Going forward, we intend to deepen this interaction (e.g. through employee-engagement surveys) to identify potential areas of improvement.

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

**‘The Julius Baer Group will operate as a carbon-neutral company as of 2015.’**

While Julius Baer does not operate any industrial-type facilities, we as a company still create a considerable ecological footprint. We therefore are currently putting in place a structured environmental management process, optimising the efficiency of our infrastructure and defining the relevant goals and measures for the short, mid and long term.

In a milestone move, the Julius Baer Group will operate as a carbon-neutral company as of 2015 through the purchase of CO<sub>2</sub> compensation certificates. South Pole Carbon was selected as the provider of the certificates, and two projects with clearly sustainable social benefits were chosen as the beneficiaries of the funds. Both projects fulfil the stringent criteria of the Gold Carbon Standard.

In order to also contribute internally to CO<sub>2</sub> reduction, we introduced climate-friendly menus at our biggest staff canteen in Zurich-Altstetten in mid-May 2015. The focus here is on slightly reducing meat content, offering more seasonal and regional items, importing as few products as possible by plane, and lowering energy consumption and waste.

<sup>1</sup> [www.juliusbaer.com/ourprofessionalstandards](http://www.juliusbaer.com/ourprofessionalstandards)

# OUR MISSION

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

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

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

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

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

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

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## Julius Baer Group Ltd.

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**Board of Directors**  
Daniel J. Sauter, Chairman

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**Chief Executive Officer**  
Boris F.J. Collardi

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**Chief Financial Officer**  
Dieter A. Enkelmann

**Chief Operating Officer**  
Gregory F. Gatesman

**Chief Risk Officer**  
Bernhard Hodler

**Chief Communications Officer**  
Jan A. Bielinski

**General Counsel**  
Christoph Hiestand

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## Executive Board

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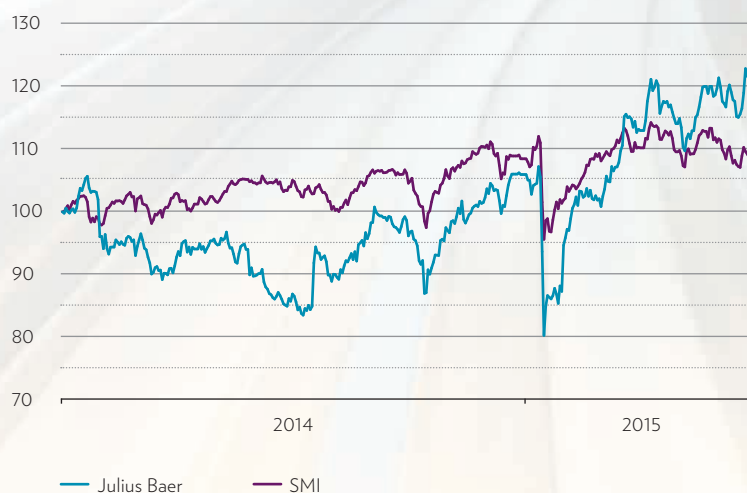
## JULIUS BAER ON THE STOCK EXCHANGE

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 2015, the market capitalisation of the Group's shares was CHF 11.7 billion.

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

### Performance of Julius Baer share (indexed)



## IMPORTANT DATES

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Publication of Interim Management Statement: 16 November 2015

Publication of 2015 annual results: 2 February 2016

Annual General Meeting: 13 April 2016

## CORPORATE CONTACTS

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### **Group Communications**

Jan A. Bielinski

Chief Communications Officer

Telephone +41 (0) 58 888 5777

### **Investor Relations**

Alexander C. van Leeuwen

Telephone +41 (0) 58 888 5256

### **Media Relations**

Jan Vonder Muehl

Telephone +41 (0) 58 888 8888

### **International Banking Relations**

Kaspar H. Schmid

Telephone +41 (0) 58 888 5497

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

The Half-year Report 2015 of Julius Baer Group Ltd. is available at [www.juliusbaer.com](http://www.juliusbaer.com).



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

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

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## JULIUS BAER GROUP

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

The Julius Baer Group  
is present in some  
50 locations worldwide.  
From Zurich (Head Office),  
Dubai, Frankfurt, Geneva,  
Hong Kong, London,  
Lugano, Monaco, Montevideo,  
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