



Julius Bär

BUSINESS REVIEW 2014

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JULIUS BAER GROUP



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### Front cover:

Since it was first conquered 150 years ago on 14 July 1865, the Matterhorn has been considered the very icon of the Swiss Alps. Even more so than its impressive height of 4,478 metres, the peak's pyramid shape makes it the ambition of every mountaineer and the most photographed tourist attraction of Switzerland. The four steep sides facing the four cardinal directions symbolise the international flair that the rise of alpinism brought the country, which in turn fostered an orientation to the outside world and made Switzerland the prime example of a successful small open economy.

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

	2014 CHF m	2013 CHF m	Change in %
<b>Consolidated income statement</b>			
Operating income	2,546.7	2,194.7	16.0
Adjusted operating expenses	1,840.3	1,611.5	14.2
Profit before taxes	706.4	583.3	21.1
Adjusted net profit	585.8	479.8	22.1
Adjusted EPS (CHF)	2.68	2.24	19.7
Cost/income ratio <sup>2</sup>	69.9%	71.3%	-
Pre-tax margin (basis points)	25.9	25.5	-
	<b>31.12.2014</b>	31.12.2013	Change in %
<b>Client assets (CHF bn)</b>			
Assets under management	290.6	254.4	14.2
Average assets under management	272.2	229.0	18.9
Net new money	12.7	7.6	-
Assets under custody	105.8	93.3	13.3
Total client assets	396.4	347.8	14.0
<b>Consolidated balance sheet (CHF m)</b>			
Total assets	82,233.8	72,522.1	13.4
Total equity	5,337.8	5,038.6	5.9
BIS total capital ratio	23.4%	22.4%	-
BIS tier 1 capital ratio	22.0%	20.9%	-
Return on equity (ROE)	16.3%	13.4%	-
<b>Personnel</b>			
Number of employees (FTE)	5,247	5,390	-2.7
<i>of whom Switzerland</i>	3,076	3,264	-5.8
<i>of whom abroad</i>	2,171	2,126	2.7
<b>Capital structure</b>			
Number of registered shares	223,809,448	223,809,448	-
Weighted average number of registered shares outstanding	218,451,680	214,241,756	-
Share capital (CHF m)	4.5	4.5	-
Book value per registered share outstanding (CHF)	24.6	23.5	4.8
Market capitalisation (CHF m)	10,253	9,588	6.9
Moody's rating Bank Julius Baer & Co. Ltd.	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 audited IFRS financial statements the integration and restructuring expenses, the amortisation of intangible assets related to previous acquisitions or divestments and in 2013 a CHF 29 million (net of taxes: CHF 22 million) provision in relation to the withholding tax treaty between Switzerland and the UK.

<sup>2</sup> Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

# FOREWORD

Dear Reader

The global economy showed considerable resilience to a rising number of severe geopolitical threats in 2014, yet at the same time failed to build further momentum despite falling energy and materials prices. In reaction, central banks maintained or even further loosened their monetary stance, which helped financial markets generate attractive overall performance. The favourable environment as well as strong net new money inflows contributed to Julius Baer's assets under management (AuM) reaching new record levels. This development was further supported by the first-time consolidation of our Brazilian subsidiary GPS and the rapid progress in integrating Merrill Lynch's International Wealth Management (IWM) business outside the US. On the back of a strong increase in operating income and the ongoing rightsizing efforts, we managed to improve the Group's profitability and achieved solid financial performance in 2014.

After two years of intensive integration work, adding CHF 60 billion from IWM to current AuM and some 1,000 new colleagues to our workforce, the IWM acquisition was formally closed at the end of January 2015. The objectives we set and that were supported by our shareholders back in 2012 have been achieved: we have successfully established Julius Baer as the international reference in private banking. Our Group now has an exposure to growth markets of close to 50% of AuM, complemented by a significantly broadened presence in key established markets. This puts us in an excellent position to cope with the changes in the economic and regulatory environment from a position of strength while enabling us to further pursue our growth strategy, both organically and by taking part in the ongoing industry consolidation. The latter was evidenced by the recently announced acquisition of the business of Leumi Private Bank AG in Switzerland, along with a comprehensive cooperation agreement with Bank Leumi.

**‘We have successfully established Julius Baer as the international reference in private banking.’**

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The striking strategic merits of the IWM transaction also clearly showed in the excellent cultural and business fit that greatly facilitated the integration process, which will also play an important role in exploring the potential the enlarged Group has to offer. The former IWM relationship managers have already started making substantial contributions to our bottom line and to net new money inflows. This momentum has been accelerated by further aligning our product and services offering to the rising requirements of our growing client base, by the rollout of our brand's new visual identity and by positioning Julius Baer as a visionary and strong leader in international private banking. In recognition of our significant progress, we received a large number of prestigious industry awards around the globe.

Julius Baer's capital position remained very strong, even taking into account the impact of the goodwill payments for the IWM assets transferred and booked with the Group and the IWM-related restructuring and integration costs incurred during the reporting period. Including the successful placement of new hybrid tier 1 capital of CHF 350 million in May 2014, the BIS total capital ratio amounted to 23.4% and the BIS tier 1 capital ratio to 22.0% at the end of 2014, thus comfortably exceeding the Group's defined minimum and even more strongly surpassing the required regulatory levels. The Board of Directors intends to propose to the Annual General Meeting on 15 April 2015 a dividend of CHF 1.00 per share, an increase of two thirds. The total proposed dividend payout amounts to CHF 224 million.

Looking ahead, we are very excited to celebrate the 125th anniversary of Julius Baer in 2015. Under the 'Sharing Visions' motto, we want to pay tribute to the many courageous leaders whose visionary decisions have shaped Julius Baer in the past 125 years. We also want to emphasise what this accumulated wealth of visionary thinking means for the current generation of Julius Baer employees in order to aptly master the challenges of the future. At the same time, we recognise that looking back at 125 years of corporate history and achievement would not have been possible without the great support of past and current generations of dedicated employees, loyal clients and devoted 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 2014

**Assets under management increased by 14% to a record CHF 291 billion, supported by strong net inflows and the consolidation of GPS in Brazil. The gross margin declined slightly, but thanks to the significant synergies from the IWM<sup>1</sup> integration the cost/income ratio improved into the target range, a year earlier than expected. As a result, adjusted net profit<sup>2</sup> grew by 22%. With a BIS total capital ratio of 23.4% the Group remains solidly capitalised.**



Dieter A. Enkelmann, Chief Financial Officer

Total *client assets* amounted to CHF 396 billion, an increase of 14%, or CHF 49 billion, since the end of 2013. *Assets under management* grew by 14%, or CHF 36 billion, to CHF 291 billion. At year-end market values, this included CHF 60 billion of AuM reported from IWM, of which CHF 58 billion were booked on the Julius Baer platforms. The growth in total AuM was attributable to net new money of CHF 13 billion (5%), a positive currency impact of CHF 11 billion, positive market performance of CHF 6 billion, as well as CHF 6 billion from the first-time consolidation of Brazilian subsidiary GPS (following the increase in ownership from 30% to 80% in March 2014). 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 more than offset by continued tax regularisations of legacy assets. *Assets under custody* came to CHF 106 billion, up by 13%, or CHF 12 billion.

*Operating income* rose to CHF 2,547 million, an increase of 16%, below the 19% growth in monthly average AuM (to CHF 272 billion). As a result, the gross margin for the Group was 94 bps (2013: 96 bps). *Net commission and fee income* contributed CHF 1,518 million, up by 19%, in line with the increase in average AuM. *Net interest and dividend income* rose by 17% to CHF 648 million, which included dividend income on trading portfolios, up from CHF 38 million to CHF 72 million. Excluding the latter, underlying net interest and dividend income grew by 12% to CHF 576 million on the back of an increase in credit income, partially offset by the interest expenses on the Perpetual Tier 1 Subordinated Bonds issued in May 2014 and a minor decrease in treasury income. *Net trading income* rose by 4% to CHF 328 million. Including the aforementioned trading portfolios-related dividend income, underlying net trading income went up by 13% to CHF 399 million as an increase in currency market volatility starting in September 2014 supported a recovery in client-driven FX trading volumes in the last four months of the year. *Other ordinary results*, which among other items includes brand licensing income, income from associates, rental income and net gains from the disposal of financial investments from the available-for-sale portfolio, went up by 5% to CHF 53 million.

*Adjusted operating expenses* went up by 14% to CHF 1,840 million. At 5,247 full-time equivalents (FTEs), the total number of employees at the end of 2014 was down by 3%, or 143 FTEs, from the end of 2013. However, the monthly average number of employees still increased by 17% year on year given

<sup>1</sup> Merrill Lynch's International Wealth Management business outside the US

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

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

	2014 CHF m	2013 CHF m	Change %
Net interest and dividend income	647.7	552.1	17.3
Net commission and fee income	1,518.1	1,276.6	18.9
Net trading income	327.5	314.9	4.0
Other ordinary results	53.4	51.1	4.5
<b>Operating income</b>	<b>2,546.7</b>	2,194.7	16.0
Personnel expenses	1,182.0	983.9	20.1
General expenses <sup>2</sup>	572.8	536.1	6.8
Depreciation and amortisation	85.5	91.4	-6.5
<b>Adjusted operating expenses</b>	<b>1,840.3</b>	1,611.5	14.2
<b>Profit before taxes</b>	<b>706.4</b>	583.3	21.1
Income taxes	120.6	103.4	16.6
<b>Adjusted net profit</b>	<b>585.8</b>	479.8	22.1
Attributable to:			
Shareholders of Julius Baer Group Ltd.	584.0	479.5	21.8
Non-controlling interests	1.8	0.3	-
Adjusted EPS (CHF)	2.68	2.24	19.7
<b>Key performance ratios</b>			
Cost/income ratio <sup>3</sup>	69.9%	71.3%	-
Gross margin (basis points)	93.5	95.9	-
Pre-tax margin (basis points)	25.9	25.5	-
Tax rate	17.1%	17.7%	-

<sup>1</sup> Adjusted results derived by excluding from the audited IFRS financial statements the integration and restructuring expenses, the amortisation of intangible assets related to previous acquisitions or divestments and in 2013 a CHF 29 million (net of taxes: CHF 22 million) provision in relation to the withholding tax treaty between Switzerland and the UK.

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

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

that 2013 had started with 3,721 FTEs. The increase in 2013 was mainly attributable to the transfer of the IWM businesses, which started in February of that year, whereas the decrease during 2014 was the net result of the restructuring and rightsizing-related redundancies outstripping the increase in staff stemming from further IWM transfers, the consolidation of GPS and new hires elsewhere in the business. Following the IWM integration-related rightsizing, the number of relationship managers declined by 42 to 1,115 FTEs, of which 316 formerly from IWM (down from 365 at the end of 2013). As a result of these developments, adjusted *personnel expenses* went up by 20% to CHF 1,182 million. Adjusted *general expenses* rose by 7% to CHF 573 million. This included a net charge of CHF 60 million for valuation allowances, provisions and losses (2013: CHF 46 million).

As a result, the adjusted *cost/income ratio*<sup>1</sup> improved to 69.9% (2013: 71.3%), just inside the 65–70% range that the Group had set as a target to be reached from 2015 onwards.

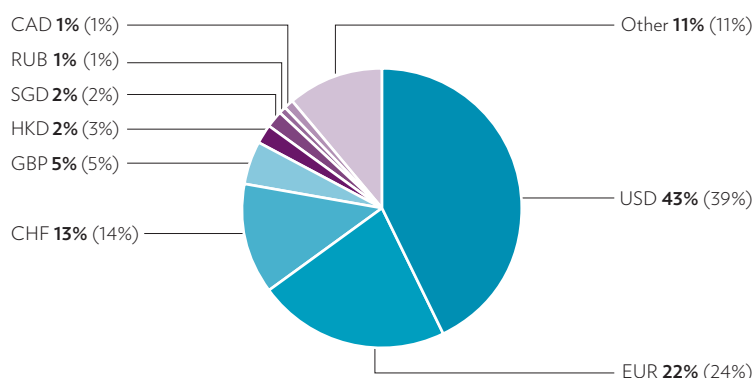
Adjusted *profit before taxes* improved by 21% to CHF 706 million. The related income taxes increased to CHF 121 million, representing a tax rate of 17.1% (2013: 17.7%). Adjusted *net profit*<sup>2</sup> – reflecting the underlying operating performance which allows a

meaningful comparison of underlying results over time – grew by 22% to CHF 586 million, and adjusted *earnings per share* by 20% to CHF 2.68.

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 113 million, almost entirely related to IWM, down from CHF 199 million in 2013) as well as the amortisation of intangible assets related to acquisitions (CHF 123 million, up from CHF 101 million in 2013). Additionally, in 2013 the adjusted operating expenses excluded a provision of CHF 29 million (net of taxes: CHF 22 million) that had been taken in relation to the guarantee payments that Swiss banks were obliged to provide under Swiss law as part of the withholding tax agreement between Switzerland and the UK. Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements 2014, net profit improved by 96% to CHF 367 million, as the aforementioned UK-related provision did not recur and as the improvement in operating results and the reduction in the IWM-related integration and restructuring expenses more than offset the expected increase in the amortisation of acquisition-related intangible assets. On the same basis, EPS grew to CHF 1.68, an increase of 92% from the CHF 0.88 achieved in the same period a year ago.

### Breakdown of assets under management by currency as at 31 December 2014

(31 December 2013)



<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

	31.12.2014 CHF bn	31.12.2013 CHF bn	Change %
<b>Client assets</b>			
Assets under management	290.6	254.4	14.2
<i>Change through net new money</i>	12.7	7.6	-
<i>Change through market and currency impacts</i>	17.2	4.0	-
<i>Change through acquisition</i>	6.3	54.5	-
<i>Change through divestment</i>	-	-1.0	-
Assets under custody	105.8	93.3	13.3
<b>Total client assets</b>	<b>396.4</b>	347.8	14.0
Average assets under management	<b>272.2</b>	229.0	18.9

### Balance sheet and capital developments

Total assets rose by CHF 9.7 billion, or 13%, to CHF 82.2 billion. Client deposits went up to CHF 61.8 billion, an increase of CHF 10.3 billion, or 20%. The total loan book grew by CHF 6.1 billion, or 22%, to CHF 33.7 billion (comprising CHF 25.5 billion of Lombard loans and CHF 8.1 billion of mortgages), resulting in a loan-deposit ratio of 0.54, compared with 0.53 at the end of 2013. Over the same period, total equity rose by CHF 0.3 billion to CHF 5.3 billion.

At 31 December 2014, total capital amounted to CHF 4.0 billion, of which CHF 3.7 billion tier 1 capital. With risk-weighted assets at CHF 17.0 billion, this resulted in a *BIS total capital ratio* of 23.4% and a *BIS tier 1 capital ratio* of 22.0%, well above the Group's target ratios of 15% and 12% respectively.

### IWM: Integration essentially completed – 2014 rightsizing targets fully realised

By the end of 2014, the IWM integration was essentially completed, with the applicable local closings of the transaction in Ireland and the Netherlands having taken place in the first half of the year and in France in the second half. Since the start of the IWM integration process on 1 February 2013, a total of 17 IWM locations have now completed the transfer process. This leaves only the transfer of the business in India, which is currently expected to take place towards mid-year 2015, after which the IWM integration process will be finished.

At the end of 2014, based on asset values at the applicable transfer dates, AuM reported from IWM stood at CHF 54 billion (end of 2013: CHF 53 billion), of which CHF 51 billion were booked on the Julius Baer platforms and paid for (end of 2013: CHF 40 billion). At year-end market values, IWM AuM reported stood at CHF 60 billion and AuM booked at CHF 58 billion.

During 2014 there was significant progress in the productivity of the IWM business. The former IWM relationship managers already started to contribute substantially to net new money, and the extrapolated gross margin on the IWM AuM advanced to a level just above the 2015 target of 85 bps.

The previously communicated restructuring following the completion of the majority of the IWM asset transfers proceeded as planned. While in the course of the year a further 166 employees transferred from IWM to Julius Baer, the integration-related right-sizing led to 564 employees leaving the Group, resulting in a net integration-related reduction of 398 FTEs in 2014, in line with the synergy targets.

In relation to IWM, a further CHF 109 million of transaction, restructuring and integration costs were incurred in 2014, taking the total booked since the start of the transaction to CHF 353 million. As announced in July 2014, the previous estimate of approximately CHF 455 million for total transaction, restructuring and integration costs has been revised down to approximately CHF 435 million.

### Renewing IT platforms globally

Julius Baer has decided to proceed with renewing its IT platforms globally. The aim of the project is to deliver improved client experience, operating efficiency and flexibility through the harmonisation of processing platforms. The Group has selected Temenos to initiate planning of its core banking platform replacement, while retaining flexibility to select the optimal providers for additional components and applications.

The project will be launched in Asia first, which is a fast-growing and dynamic region with volumes representing close to 25% of the Group's business and thus serves as an ideal template for future implementation in other regions after its anticipated completion in 2017. In parallel, selected enhancements will be carried out in Switzerland in line with the scope of the project.

The process will be managed within the normal operating and financial planning of the Group and is not expected to negatively impact the target cost/income ratio during the implementation period. It is envisaged to result in improved efficiency upon completion.

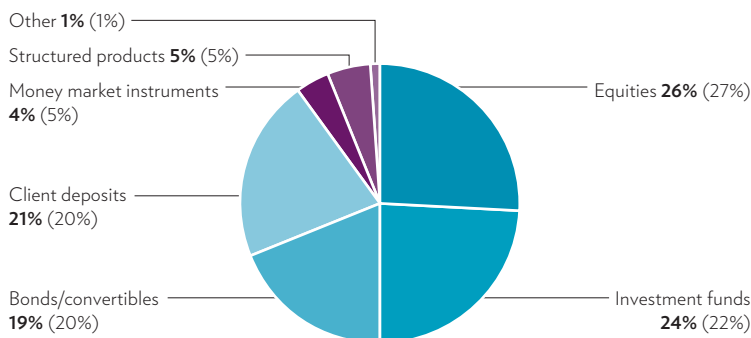
### Swiss franc appreciation: Initiating comprehensive measures to defend profitability

While the integration of the IWM business has substantially improved Julius Baer's revenue and cost currency mismatch, the existing relative imbalance means that measures are required to mitigate the impact on the Group's profitability of the strong appreciation of the Swiss franc in January 2015.

In response, Julius Baer has launched an efficiency programme to reduce the cost base by approximately CHF 100 million on a run rate basis, of which more than half should be effective in 2015. Personnel expenses will be 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 integrated IWM business. The planned savings of general expenses will be achieved through the short and medium-term improvement of processes across the Group as well as through lower marketing spending.

### Breakdown of assets under management by asset mix as at 31 December 2014

(31 December 2013)



## CONSOLIDATED BALANCE SHEET

	31.12.2014 CHF m	31.12.2013 CHF m	Change %
<b>Assets</b>			
Due from banks	8,922.6	11,455.4	-22.1
Loans to customers <sup>1</sup>	33,669.1	27,536.3	22.3
Trading assets	7,424.2	5,853.5	26.8
Financial investments available-for-sale	14,597.3	13,125.3	11.2
Goodwill and other intangible assets	2,363.9	2,126.9	11.1
Other assets	15,256.7	12,424.6	22.8
<b>Total assets</b>	<b>82,233.8</b>	<b>72,522.1</b>	<b>13.4</b>
<b>Liabilities and equity</b>			
Due to banks	5,190.2	7,990.5	-35.0
Deposits from customers	61,820.5	51,559.3	19.9
Financial liabilities designated at fair value	4,399.3	4,797.5	-8.3
Other liabilities	5,486.0	3,136.2	74.9
Total liabilities	76,896.0	67,483.6	13.9
Equity attributable to shareholders of Julius Baer Group Ltd.	5,328.7	5,037.9	5.8
Non-controlling interests	9.1	0.6	-
Total equity	5,337.8	5,038.6	5.9
<b>Total liabilities and equity</b>	<b>82,233.8</b>	<b>72,522.1</b>	<b>13.4</b>
<b>Key performance ratios</b>			
Loan-to-deposit ratio	0.54	0.53	-
Leverage ratio <sup>2</sup>	27.7	24.9	-
Book value per registered share outstanding (CHF) <sup>3</sup>	24.6	23.5	4.8
Return on equity (ROE) <sup>4</sup>	16.3%	13.4%	-
<b>BIS statistics</b>			
Risk-weighted assets	<b>16,977.7</b>	15,908.0	6.7
BIS tier 1 capital	<b>3,739.6</b>	3,327.9	12.4
BIS total capital ratio	<b>23.4%</b>	22.4%	-
BIS tier 1 capital ratio	<b>22.0%</b>	20.9%	-

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

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

<sup>3</sup> Based on shareholders' equity

<sup>4</sup> Adjusted net profit/average shareholders' 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

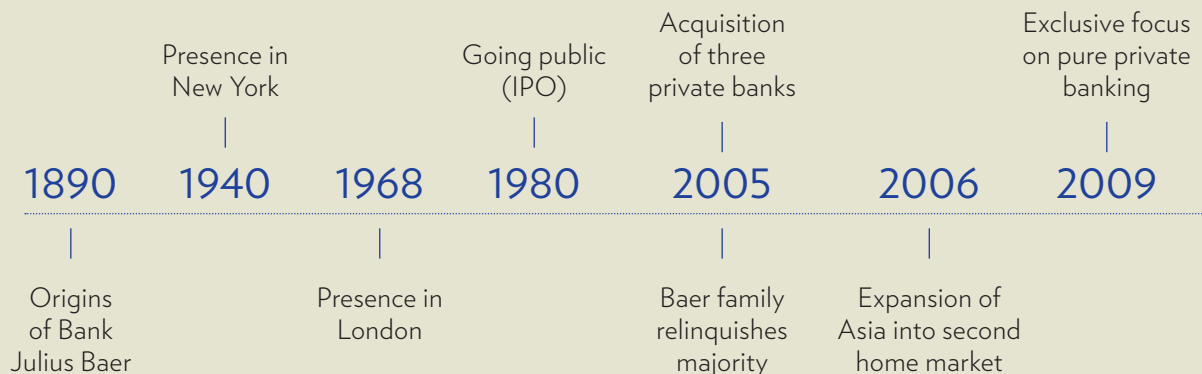
expanded into wealth management and securities and FX trading – business activities that still remain at the core of the Julius Baer Group today.

## 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

The majority of the voting rights from the initial public offering remained within the Baer family pool, however, 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 2014

**In 2014, we essentially completed the integration of Merrill Lynch's International Wealth Management (IWM) business outside the US. The enlarged organisation maintained considerable business momentum, which was supported by further investments in our product and services offering to our growing client base.**

The IWM integration, which began in early February 2013, was formally closed at the end of January 2015. The integration process has now achieved 17 of the 18 applicable local transaction closings, with only the Indian business still expected to follow in 2015.

As a consequence of Julius Baer's substantially broadened global footprint in growth regions as well as in established markets, most corporate functions have been adapted and bundled to match the global nature of the Group. The aim is to boost global operating efficiency while simultaneously aligning compliance, risk management and key business processes with growing international trends and rising standards. In connection with this, consolidated supervision of the Group's activities continues to gain in importance.

Overall, the growing international trend to enhanced client advice suitability is triggering substantial investments in IT tools to support the adapted advisory processes. The revised Markets in Financial Instruments Directive (MiFID II) in the EU and similar draft legislation on the horizon in Switzerland (Federal Financial Services Act) are analysed in a comprehensive project with the aim of identifying the need for further process adjustment. Implementation of the US tax legislation FATCA went live for individual accounts on 1 July 2014 and 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.

On 8 October 2014, the Swiss Federal Council adopted definitive negotiation mandates for introducing the new global standard for the automatic exchange of information (AEI) in tax matters with partner states. The implications of the AEI on processes and applications are now analysed in order to assess possible solutions, implementation approach, timeline, possible synergies to FATCA and other strategic initiatives covering all Julius Baer booking centres.

The Group further strengthened its compliance framework in order to stay ahead of the rapidly changing regulatory environment in individual jurisdictions or on specific topics such as anti-money laundering. The related training continued for the entire growing Group, particularly for client-facing staff, including mandatory certification programmes and corresponding refresher courses.

Amid the movement towards international tax transparency, we maintained a constructive stance vis-à-vis our clients, supporting them in coping with new and increased regulatory demands and informing them about developments and opportunities to solve potentially outstanding tax issues. We also continued our advanced cooperation with US authorities, laying the foundation for settlement of this historical tax issue.





The global trend towards formalised internal control mechanisms continued to accelerate in 2014. While this also added to administrative costs, our focused business model allowed for effective implementation. This will be further facilitated by a new core banking platform for which the preparatory work progressed in a comprehensive project framework. The new platform will be the core around which we will introduce improved technology as a veritable business enabler, providing us over time with important operational leverage and helping us to advance client service quality to new levels.

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 ultra-high net worth individuals, business owners and family offices in areas of financing, corporate finance and investment solutions that go beyond traditional wealth management.

In order to reflect the Group's enhanced standing as the international reference in private banking, Julius Baer's visual brand identity was overhauled and rolled out globally. This included the launch of our technologically advanced website, the introduction of the new corporate magazine *Vision* and the start of a new advertising campaign positioning Julius Baer as a visionary leader in international private banking.

In the 2014 annual ranking by Interbrand, one of the world's leading brand consultancies, Julius Baer improved its brand value by 19% year on year to nearly CHF 2.1 billion, the greatest increase among the 50 most valuable Swiss brands. In recognition of this significant progress, Julius Baer also received a large number of prestigious industry awards around the globe.

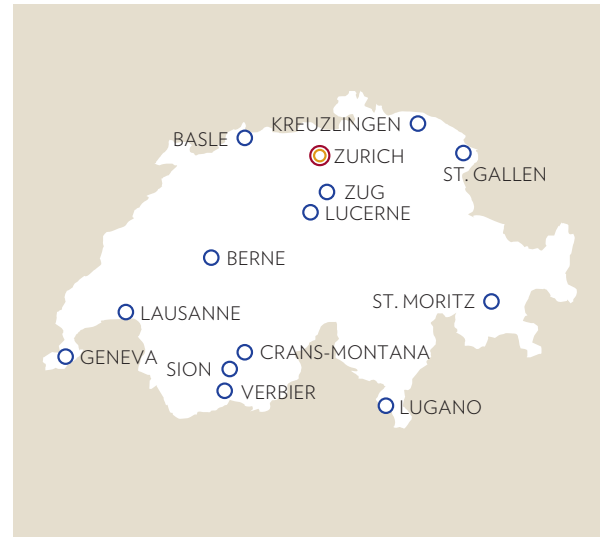
On an international level, this was emphasised by the *Best Performing Private Bank* award Julius Baer received from the leading Financial Times Group publications *The Banker* and *Professional Wealth Management*, in addition to being recognised as the *Private Bank of the Year* by UK-based *Acquisition International* magazine.

# GLOBAL PRESENCE

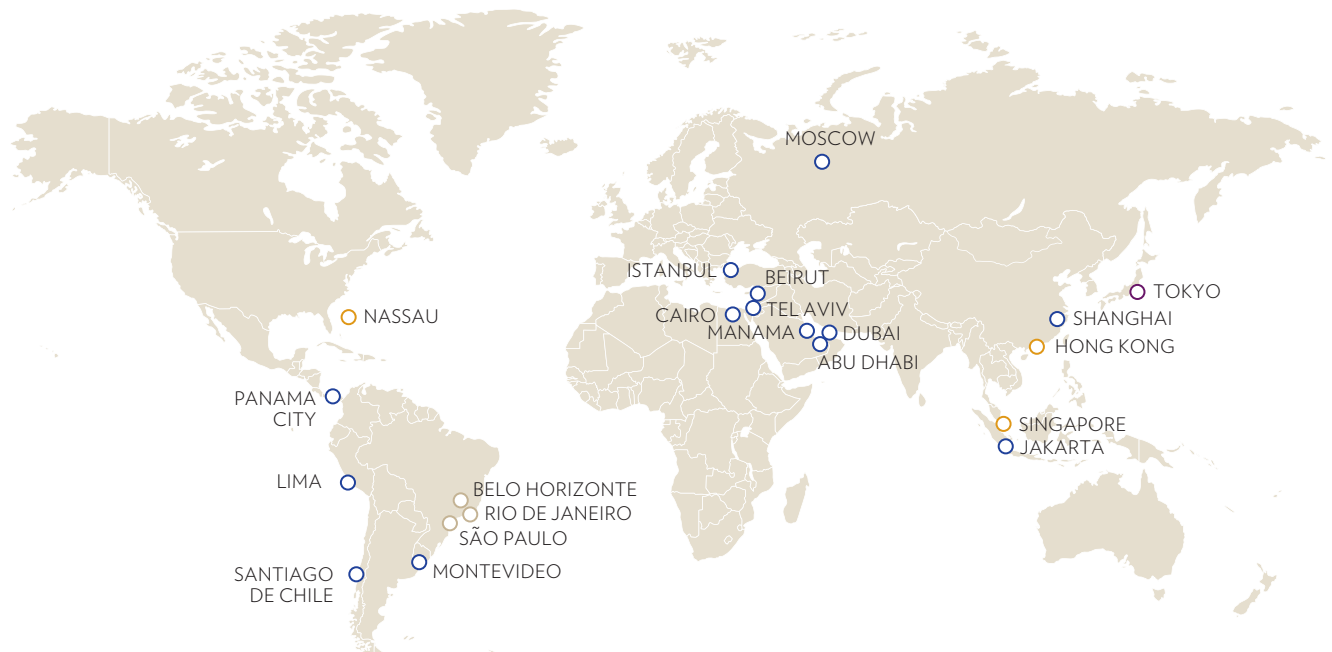
## Europe



## 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%
  - 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. With a comprehensive network of offices in all distinct parts of the country, we are well positioned to further increase our market share. The core of our strategy is a dedicated Swiss product offering complemented by tailored regional and segment-specific marketing initiatives. As a result of our efforts, revenues and net new money inflows improved significantly in 2014. And we were named *Best Private Bank Switzerland 2014* by the trade publication *CFI Capital Finance International* for the third consecutive time.

In order to better capture the growth potential identified on the axis Basle – Berne – Lausanne, we created new regional responsibilities in the country's central cantons. These realignments were underlined by management changes, thus empowering local management and increasing the visibility of the locations. In addition, with the introduction of a Key Client organisation, the requirements of this specific target group will be covered and leveraged across the entire Swiss branch network. In Lausanne, the former two branches were combined in one new central location at the beginning of September 2014.

**‘We continued to increase our market penetration 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. Among others 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 life style. Tailored to regional preferences, the client events – ranging from

investment outlooks, tax advisory forums and real estate conferences to concerts, sport events and art exhibitions – were very well attended by existing and prospective clients.

At the beginning of March 2014, the successful migration of the former Merrill Lynch Bank (Suisse) (MLBS) client positions onto Julius Baer's core banking platform marked the formal completion of the IWM integration in Switzerland. With this step, our full product offering is now available to all former MLBS clients, and the now redundant technology infrastructure was decommissioned, adding to the IWM transaction's cost synergies.

### Europe

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

Against a backdrop of industry consolidation, the local German business continued to show very good momentum in 2014. Over the past years, Germany has developed into an important net new money generator for the Group. The local German business, which celebrated its 25th anniversary in 2014, reached break-even at the end of the year.

The transformation of the German domestic booking platform into a booking and service centre for former IWM clients from the EU continued to make significant progress. It now also serves as the booking platform for all transferred European IWM client assets outside Switzerland and has become an important second business pillar of Bank Julius Bär Europe AG.

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.



The IWM integration resulted in additional offices in Dublin and Amsterdam in 2014. IWM's business in Ireland transferred to Julius Baer in April 2014, creating a new foothold in this growing wealth management market and building on the very good reputation the organisation enjoys in Ireland. The new office in Dublin is run as a branch of Julius Baer International Limited based in London.

The IWM integration processes in Amsterdam and Luxembourg were successfully completed earlier in the year. Both locations offer a solid base for growing our presence in the attractive Benelux market. In mid-June 2014, the Amsterdam team was strengthened by the addition of experienced relationship managers.

The IWM integration in Monaco was successfully completed in April 2014, adding significant growth momentum to this important location and booking centre. In France, the local authorities approved the request for change of control of the local IWM entity in Paris at the beginning of September 2014, which was subsequently transferred to Julius Baer on 1 October 2014.

## 'Julius Baer now ranks among the larger wealth managers in London.'

In London, following the successful completion of the IWM integration in the second half of 2014, Julius Baer now ranks among the larger wealth managers. Building on this strong foundation and aiming to be a fully fledged local provider, we enlarged the product offering by introducing Individual Savings Accounts, a long-term savings solution. In addition, the mortgage offering was

streamlined to facilitate the retention of existing clients and the acquisition of new clients, with a particular focus on the Greater London area. Our successful cooperation with the British Museum was extended, and the Bank entered a new partnership with the Royal National Theatre.

The domestic business in Spain was brought under new leadership at the beginning of April 2014 and achieved significant net new money inflows. The IWM integration was completed successfully in September 2014, with a very high asset transfer rate. Client events in Madrid and Barcelona were well attended and helped to boost brand awareness among existing and prospective clients.

In Italy, our wealth management activities centre on our partnership with Kairos Julius Baer SIM SpA and progressed well in 2014. Julius Baer holds a 19.9% stake in its holding company. The ultimate goal is to leverage the enlarged business to become a meaningful player in the Italian domestic market.

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

While geopolitical and regulatory issues added to complexity recently, Julius Baer continues to see above-average growth potential for this large and promising region. It was brought under new leadership at the beginning of September 2014. As a result of our increased efforts to promote our product and services offering, the region saw very good client activity and healthy net new money inflows in 2014.

Complementing our office in Moscow, we continued to strengthen our dedicated desks covering this region from our Singapore, London, Monaco, Geneva, Zurich and Vienna locations in order to serve this attractive region even better. The partnerships and networks in peripheral Eastern European markets have been further broadened, offering a flexible way to increase brand awareness and penetration in these markets.

## Asia

Asia continues to feature many of the world's fastest growing countries with regard to financial wealth and number of HNWLs, making it a very attractive region for a highly focused private banking provider such as Julius Baer. This view was also confirmed by the updated *Julius Baer Wealth Report: Asia* in cooperation with our strategic partner Bank of China.

The IWM integration process in Asia was completed successfully at the beginning of the year, with a very high asset transfer rate of over 80%. As a result, we are now one of the leading international wealth managers in our second home market. This brought about significant changes to the set-up of our organisation and our IT and operations capabilities, parallel to a further strengthening of the leadership qualities of the local management.

‘We continued to see an excellent flow of new business in Asia.’

Leveraging our much enlarged footprint in this region and further broadened product and services offering, we continued to see an excellent flow of new business in 2014 and further profitability improvement in our two booking centres in Singapore and Hong Kong. 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 the collaboration with our dedicated partners in the region.

## ELECTRIFYING PROSPECTS WITH FORMULA E

Bold ideas need visionary support – and a platform to thoroughly test them. Electronic cars providing sustainable mobility are such a category. In September 2014, Julius Baer became the exclusive Global Partner of the new FIA Formula E Championship, the world's first fully electric racing series, which will turn ten major cities around the globe such as Beijing, Punta del Este and London into veritable racing circuits. It represents a vision for the future of the motor industry, serving as a framework for research and development around the electric vehicle and promoting sustainable and innovative technologies.

For Julius Baer, the visionary approach and global reach of Formula E make it an ideal sponsorship platform. The new race series stands for many values Julius Baer shares, such as innovation, sustainability and forward-looking, pioneering spirit. It also perfectly links to the Group's Next Generation investment philosophy, which explores important trends for the future of mankind, leading to sustainable and socially responsible investment solutions.



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 presentation of the *Julius Baer Wealth Report: Japan* at the Swiss Embassy in Tokyo was well received by guests and some of Japan's most influential business publications.

The preparations for the IWM integration process in India were launched in the first half of 2014. The expected 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 markets, we continued to grow organically by adding relationship managers in Singapore and Dubai. As a consequence, we saw gratifying net new money development in 2014.

Our efforts in Asia were supported by a number of high-calibre sponsoring activities in art, classical music and the newly launched Formula E. In recognition of our achievements and dedicated client focus, Julius Baer was named *Boutique Private Bank* of the year at the inaugural *WealthBriefingAsia Hong Kong Awards* in June. In addition, Julius Baer was named *Best Boutique Private Bank in Asia* for the fifth consecutive time by *The Asset* and was also named *Best Private Bank – Pure Play* by the trade publication *Asian Private Banker* in the *Awards for Distinction* 2014.

#### **Eastern Mediterranean, Middle East & Africa**

This geographic area is a promising growth region for Julius Baer. Despite a challenging political environment in some of the covered markets, we successfully enlarged our market penetration and recorded very good business momentum in 2014, further boosted by the successful IWM integration. Clients have positively embraced Julius Baer's comprehensive offering and started to consolidate their assets with us.

We continued to significantly increase the number of clients and relationship managers in all of the locations servicing this region. Our regional hub in

Dubai, which celebrated its 10th anniversary in 2014, was further strengthened with a special emphasis on the establishment of local investment advisory capabilities. Furthermore, we enhanced our local product offering to meet the specific requirements of our clients in this region, in particular Sharia-compliant investment transactions.

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

#### **Israel**

The successfully concluded IWM integration resulted in a significantly larger domestic business. Our new colleagues from IWM joined their Julius Baer team in the new premises of Julius Baer Financial Services in Tel Aviv at the beginning of the year. On 1 April 2014, the Tel Aviv Representative Office was brought under new leadership. Additional relationship managers joined us in the Zurich and Tel Aviv offices.

AuM continued to grow at a very healthy rate, cementing 2014 as yet another year of very strong financials. This growth trend was strengthened by the signing of a strategic cooperation agreement between Julius Baer and Bank Leumi as well as the related asset purchase agreement with Bank Leumi in Switzerland. Several marketing initiatives, including a joint event with Bank Leumi, helped to boost brand awareness.

#### **Latin America**

In Latin America we saw positive business momentum in the period under review as a result of our continued efforts over the last decade to build client relationships and brand awareness.

We are in the final stages of the asset onboarding of the IWM businesses in Uruguay and Chile and have successfully completed the transition process for Geneva, Zurich and Panama. Post integration, Julius Baer stands to rank among the largest wealth managers in the region. The increase in AuM was also driven by net new money from our newly joined



relationship managers, confirming our potential growth in this market. The restructuring following the completion of the asset transfer process is on track.

In Panama we began to successfully attract highly qualified relationship managers to provide best-in-class service to our clients from across Latin America. Over the coming years, we aim to extend our offering and presence in Chile and we also see great opportunities for growth in other parts of the region.

**‘We stand to rank among the largest wealth managers in Latin America.’**

We again held a number of well-received client events in the region: the ninth annual Julius Baer conference at Uruguay’s famous seaside resort of Punta del Este; the first Julius Baer private event in Pucón, Chile; a successful branding effort with an elite group of businessmen in Mérida, Mexico; and an event marking the first Formula E race on the continent. Moreover, Julius Baer Bank & Trust (Bahamas) Ltd. celebrated its 35th anniversary in The Bahamas at the end of October 2014.

In Brazil, we followed our growth strategy by increasing our strategic participation in GPS from 30% to 80% in March 2014. Since our initial participation in May 2011, the AuM of the business have more than doubled. GPS opened a new office in Belo Horizonte at the end of the year, further strengthening its domestic presence. Our majority stake enables us to gain long-term access to one of the most attractive and promising domestic wealth management markets worldwide. Despite the challenging market environment of Brazil, Julius Baer managed to further increase its business for Brazilian clients, focusing on unbiased investment advice.

### **Independent Asset Managers**

The business with Independent Asset Managers (IAMs) represents a core activity of Julius Baer. In order to leverage 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.

As a result, we achieved remarkable growth across all markets and booking centres, with strong momentum particularly in the second semester of 2014. In parallel, we further developed the global alignment of our offering, guidelines and business processes for IAMs, which will increase our business focus and at the same time reduce complexity and thus risk exposure.

In order to better serve our professional partners and clients by ensuring a consistent and timely flow of investment ideas, we continued developing and implementing our global sales management strategy. In addition, given that technology-based tools and processes are crucial in this particular business area, we continued to enhance the existing IT platform in the various booking centres.

As part of our differentiating business model, we strive to keep IAMs informed about changes in the relevant laws and regulations globally, particularly regarding cross-border issues and regularisation programmes. This has been an ongoing priority and an important part of our risk management processes.

The presentation of two reports – *Julius Baer Independent Asset Managers in Asia Report* and *Industry Report Latin America* – attracted widespread interest in the industry. In recognition of its market standing in Asia, Julius Baer was named *External Asset Managers’ Choice* by the trade publication *Asian Private Banker* in the *Awards for Distinction* 2014.

## 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 Custody.

### Investment Solutions Group (ISG)

ISG is Julius Baer's investment and service competence centre. It provides Julius Baer's clients and relationship managers with investment opinions based on a single, consistent and relevant house view on the financial markets and investment opportunities and it offers advice and tools as well as products based on our truly open, managed product platform.

Apart from its centre in Zurich, ISG maintains fast developing hubs in Asia, Frankfurt, the United Kingdom and Latin America with the aim of serving our growing local relationship manager and client population. On 1 March 2014, ISG came under the new leadership of Burkhard Varnholt. With more than 20 years of experience in the Swiss investment management industry, he will build on the Group's sophisticated and robust investment approach while further broadening the range of investment themes covered.

As a first step, Julius Baer's equity research universe is in the process of being expanded from about 300 to over 1,200 stocks covered. Furthermore, Bank Julius Baer became signatory of the United Nations Principles for Responsible Investment, thus integrating the hitherto applied responsible investing principles into all our investment processes in a systematic and comprehensive manner.

2014 gave investors the opportunity to earn solid returns – provided they managed to successfully steer clear of market setbacks, rising volatility, falling energy and materials prices, an increasing number of severe geopolitical threats and a macroeconomic picture showing a divided world. Our Research unit was kept busy putting events and news in context and providing relationship managers and clients with expert guidance. In addition, several thematic

studies were published on trends in various industries and how investors can benefit from them, such as China's unprecedented urbanisation, passion investing, education and e-commerce.

Two Next Generation conferences were held in the same year for the first time in 2014, one in London and one in Shanghai. Renowned external speakers as well as a number of Julius Baer experts shared their grasp of *Bold ideas – Reimagining our future* with existing and prospective clients. Insights about future regional wealth distribution were provided by the *Julius Baer Wealth Report: Europe* and the updated *Julius Baer Wealth Report: Asia* in cooperation with our strategic partner Bank of China (BOC).

Investment Solutions & Advisory, the unit which acts as a truly client-centric point of entry into ISG for all relationship managers globally, has been fully operational since September 2014. It provides a continuous and proactive flow of state-of-the-art investment recommendations and advice as well as active support during the entire lifecycle of advisory and discretionary mandates. In tune with the progress of the IWM integration, the unit enlarged its global footprint and increasingly also provides its services locally.

Portfolio Management (PM) is the unit in charge of implementing the Group's sophisticated investment approach in client portfolios and represents a core function at Julius Baer. Thanks to PM's efforts to convince relationship managers of the undisputed benefits of delegating ongoing investment decisions to the Bank's experts, discretionary mandates saw record inflows, resulting in a rising penetration rate. In parallel, the Group's PM platform was further streamlined, thus laying the groundwork for the successful onboarding of IWM's PM platform.

The Fund Solutions unit further strengthened its offering, consisting of nearly 300 actively monitored funds from more than 80 carefully selected providers. The core offering has been enriched by expanding region-specific investment solutions in line with the evolving markets and the rising demands of our clients. In addition, we further developed and enlarged our Premium Fund Offering for sophisticated asset classes such as hedge funds and private equity.

The entire offering is based on our truly open, managed product platform approach and stands for independent and unbiased analysis as well as access to the best investment houses and products.

Wealth & Tax Planning (WTP) achieved substantial growth in advisory mandates while offering comprehensive and unbiased advice in all of the Group's regions. The unit successfully concluded the scheduled transfers of existing wealth management solutions from IWM clients around the globe.

WTP's offering was further expanded to cater to our clients' needs, especially in many of the local markets in the Middle East and Asia, with particular focus on succession planning solutions and philanthropy topics. The growing international trend towards tax transparency led to rising demand for integral wealth planning advice and solutions. The introduction of country-specific offerings resulted in the further expansion of our global network of approved service providers.

ISG's operations in Asia saw an outstanding phase of growth in 2014, with particularly encouraging development in Investment Advisory and Portfolio Management. With the integration of IWM's units in the region completed, ISG Asia was streamlined in order to enhance efficiency and introduce the new structural set-up at Group level.

ISG Asia achieved another milestone in the collaboration with BOC when Bank Julius Baer was officially appointed as the trust business partner outside mainland China for BOC's ultra-high net worth clients. In addition, BOC selected one of our investment funds as the underlying for a QDII (Qualified Domestic Institutional Investor) investment.

Julius Baer underpinned its strong commitment to China with the addition of another USD 50 million to the existing USD 100 million QFII (Qualified Foreign Institutional Investor) quota received in 2010 as the first private bank. The additional quota will be used to top up the Julius Baer China Fund, which Julius Baer launched in 2011 to offer clients around the world direct access to the growth of the domestic China market and allow them to benefit from the internationalisation of the renminbi.

In the UK, the integration has been successfully completed with the latest transition in November 2014. As a result, ISG UK has also undergone restructuring within the PM, WTP and Business Management areas to realign resourcing and support, focusing on local client needs as well as on growing and servicing the business.

The UK WTP offering was implemented in the UK in September 2014, cross-selling PM and mandate capabilities through new specialised Julius Baer Fund Structures (Julius Baer Jersey Umbrella Fund), new insurance providers, a UK Investor Visa offering and the UK Individual Savings Account initiatives. This collaborative offer was met with good demand from existing and prospective clients and makes the UK entity well positioned for growth.

Parallel to realigning its offering to new local regulations, ISG UK has initiated the process of implementing the Group's enhanced research universe and the principles for responsible investing, with the aim of providing its clients with a holistic Julius Baer experience.

ISG Latin America provides advice and guidance to all of the Group's relationship managers who cover the various Latin American markets. In addition, it supports the specialised unit responsible for independent asset managers active on the continent.

In order to deepen the insights into the macro-economic and financial situation of the region, the team held regular meetings with key private economists, political analysts and financial sector representatives during the year. It also contributed to the Group's research and related publications, notably to Julius Baer's *Industry Report Latin America* published at the end of October 2014.



## 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.

Investors' continuing pursuit of higher yields provided continuously good flows into structured products. The broadening of our product offering, in particular geared towards the demands of our Asian clients, generated additional volumes. The rising volatility in the currency markets triggered a pickup in client trading in the international currency and precious metals markets.

In March 2014, Julius Baer successfully launched its real-time online trading platform *Julius Baer Market Link*. It combines, for the first time, the technological advantages of a state-of-the-art trading platform with the comprehensive personal service and security of a private bank. Julius Baer Market Link gives access to more than 20,000 instruments via web or mobile devices.

## Custody

Julius Baer is also a leading dedicated provider of global custody services in Switzerland, Guernsey and Singapore. Our strategy is to offer best-in-class, bespoke services from a single source and to achieve superior growth in a highly competitive market by nurturing a differentiating, private banking-inspired service quality and independence. On the back of strong net new money inflows, Global Custody increased assets under custody by 13% or CHF 12.5 billion to CHF 106 billion in 2014.

Julius Baer is well on track with its Global Custody growth strategy and enjoys an excellent reputation in its chosen markets among pension funds, family offices, corporates, insurance companies, investment managers and investment funds, including private label funds. Our aim is to be the global custody services provider of choice in Europe and Asia. This ambition rests on our offering of country-specific expertise comprising a professional range of services with client-oriented solutions including the worldwide settlement of transactions, centralised safekeeping, securities administration services, securities lending and borrowing, portfolio analysis and tailored reporting – from a single source.

## OUR EMPLOYEES

The total number of employees (full-time equivalents or FTE) amounted to 5,247 at the end of 2014, down by 143 or 2.7% from a year ago, including a net 953 FTEs formerly from IWM and 116 new colleagues from our Brazilian subsidiary GPS, which was consolidated for the first time following the increase in ownership to 80% in March 2014. The number of relationship managers declined from 1,197 FTEs to 1,155 FTEs year on year, of which 316 FTEs formerly from IWM.

The decline in the total number of employees is the result of the ongoing restructuring and rightsizing process which was announced at the outset of the IWM acquisition. It is an important element to achieve necessary synergies and thus to support the economic viability of the transaction. The Human Resources function has a pivotal role in ensuring frictionless adaptation of staffing levels around the globe and across functions. In cases such as duplicate IT systems or overlapping capabilities, affected colleagues were informed at an early stage and closely supported in their specific career development. To facilitate the staffing, an internal marketplace has been established where re-employment opportunities are exchanged and vacancies actively matched to existing profiles. As a result, unnecessary turnover and recruiting costs are avoided and precious know-how and experience can be preserved.

Given that the IWM integration is largely complete and that the staggered nature of the onboarding process had placed priority on the largest locations, the massive shift in the geographic employee

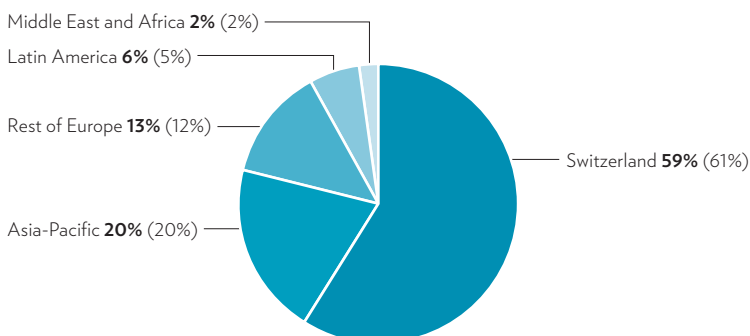
structure in recent years in favour of growth markets abated in 2014. Nevertheless, the share of employees domiciled in our home market of Switzerland continued to decrease in relative terms. Its share in the geographic distribution of staff declined to 59% at the end of 2014, down from 61% at the end of 2013 and 81% at the end of 2008. While the share of Middle East and Africa (2%) and Asia-Pacific (20%) remained broadly unchanged as at 31 December 2014, both Latin America and the rest of Europe gained 1 percentage point to 6% and 13% year on year, respectively.

In view of Julius Baer's increased size and geographic scope, a new organisational structure has been introduced for the Julius Baer Academy, our Group's dedicated education centre. The aim is for the organisation to more effectively cope with the many requirements that emanate from regulation, compliance and globalisation, and to mitigate their influence on the operating model.

Julius Baer's home market of Switzerland has a so-called militia system of politics where citizens assume roles in political bodies alongside their regular professions. In order to facilitate this democratic participation, Julius Baer has established a new framework for the political engagement of employees. It will allow our employees to reconcile their daily duties at Julius Baer with active participation in the Swiss political system. The framework enables flexible time management for engagements at any political level and in any established political party in Switzerland.

### Julius Baer employees (FTE) by geography as at 31 December 2014

(31 December 2013)



# COMMUNITY ENGAGEMENT

**The community activities of Julius Baer share the same goal we strive for every day as a business enterprise: to consider the specific needs of each individual. That is why we support carefully selected charity projects around the globe, help address topics relevant to society at large and contribute to the communities we are privileged to work and live in.**

## **Julius Baer Foundation**

Through the Julius Baer Foundation, we provide long-term support to various projects<sup>1</sup> in Europe, Asia, Africa and Latin America for the benefit of children and young adults.

In Switzerland, the Foundation supports Caritas Switzerland in their quest to promote financial competence, including the creation of a debt-prevention app. 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. In the remote mountain villages of Laos, boarding houses are built for children so that they can attend classes (see opposite page). 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 agriculture or tourism.

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. In China, a playground has been built for a large new orphanage that houses 160 children, thus contributing to a more humane childhood.

More than five million children are affected by the crisis in Syria. To help ease their desperate situation, the Julius Baer Foundation made a contribution to UNICEF in support of its efforts to provide assistance.

## **Additional activities**

In mid-May 2014, Julius Baer announced a strategic cooperation initiative with the Swiss think tank W.I.R.E. This organisation will provide analysis and insights on trends in the fields of business, society, technology and life sciences, thus complementing the Bank's *Next Generation* investment framework.

At Julius Baer Group, we firmly believe that our responsibility as a company encompasses all facets of sustainability: economic, social and environmental. For us, this means prudently managing our company for the long term, fostering successful relationships with our clients for many generations to come and looking beyond daily business to be an active citizen of society in all of our endeavours. In Q4 2014, building on the base of Julius Baer Group's past sustainability-relevant activities, we initiated a coordinated and holistic sustainability management framework. We are deepening the set of existing sustainability initiatives while launching various enhancement measures. Full-fledged sustainability reporting will be published in 2016.

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



A photograph of a classroom in Laos. In the foreground, a young girl with dark hair and a small orange hair tie is looking down at a book on her desk. Behind her, several other students are seated at wooden desks, some looking towards the camera and others looking away. A teacher with dark hair tied back is visible in the background, looking towards the students. The classroom has a simple, functional appearance with wooden desks and a plain wall.

## JULIUS BAER SUPPORTS BOARDING HOUSE CONSTRUCTION IN LAOS

For students in the remote areas of Laos to continue their education beyond the primary level, they need the possibility to stay overnight at the school. This makes the availability of boarding houses an important prerequisite for improving the overall education level and thus raising the prospects for a better future.

In addition to several local school building projects, the Julius Baer Foundation supported the construction of two boarding houses, one for girls and one for boys, on the Atsaphon secondary school complex. The community provided all the wood and also the electricity and water required for construction. Since completion, the teachers have acted as caretakers for the building as well as for the boarding students.

Child's Dream was established in 2003 as a charitable organisation dedicated to unconditional help for underprivileged children in some of the extremely remote and neglected areas of the Mekong Subregion. This region is at the core of many humanitarian crises, and children suffer the most.

## ORIGINS AND SCOPE OF THE 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 three years, the Foundation has focused its engagement on helping children and young adults, inspiring projects in Switzerland and around the world. In addition, our Foundation supports cultural, scientific and other social projects. More information can be found at [www.juliusbaer-foundation.org](http://www.juliusbaer-foundation.org).

# 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 centre 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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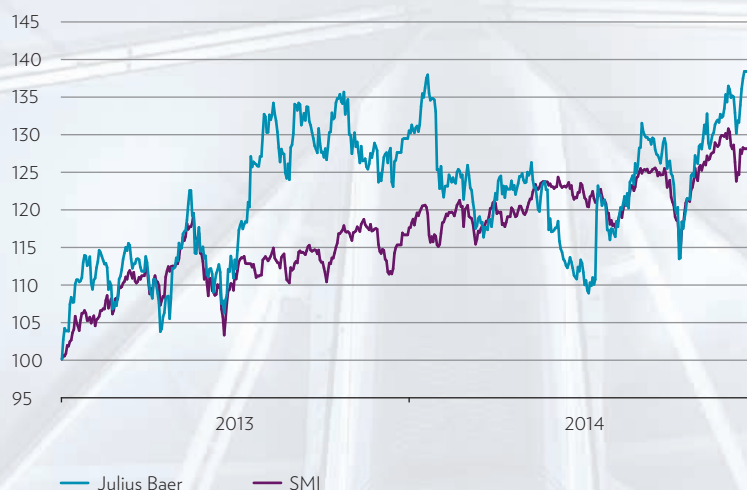
## JULIUS BAER ON THE STOCK EXCHANGE

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 year-end 2014, the market capitalisation of the Group's shares was CHF 10.3 billion.

The international rating agency Moody's assigns a solid A1 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 registered share (indexed)



## IMPORTANT DATES

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Annual General Meeting: 15 April 2015  
Publication of Interim Management Statement: 19 May 2015  
Publication of 2015 half-year results: 20 July 2015

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

The Annual Report 2014 of Julius Baer Group Ltd. containing the audited IFRS financial accounts of the Julius Baer Group for the year 2014 is available at [www.juliusbaer.com](http://www.juliusbaer.com).







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

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