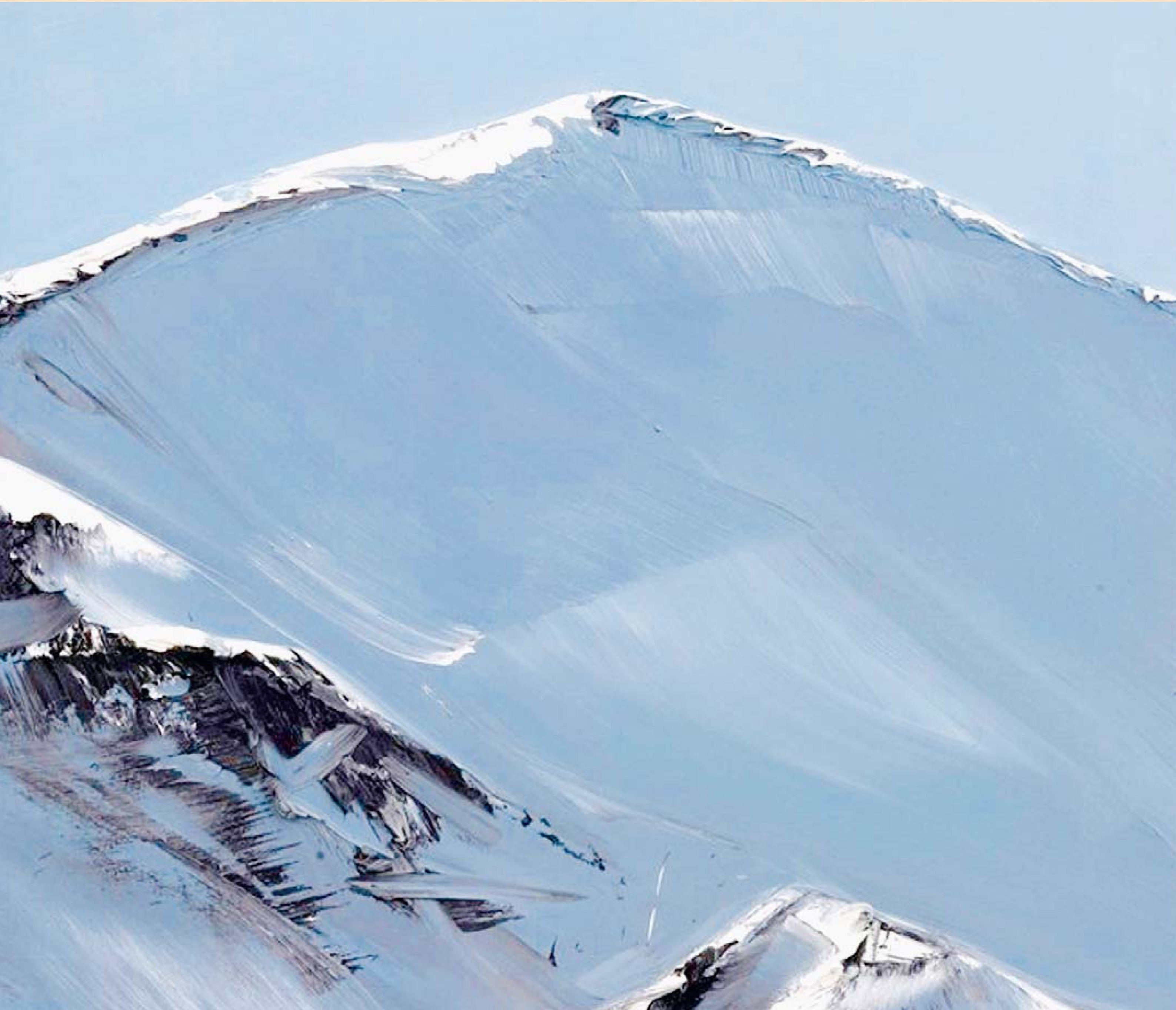
Julius Bär

Business Review
First Half 2012
Julius Baer Group



Key figures Julius Baer Group[1]

	H1 2012 CHF m	H1 2011 CHF m	H2 2011 CHF m	Change to H1 2011 in %
Consolidated income statement				
Operating income	863.1	897.8	854.9	-3.9
Adjusted operating expenses	596.7	667.0	612.1	-10.5
Profit before taxes	266.4	230.8	242.8	15.4
Adjusted net profit	221.4	196.3	204.3	12.8
excluding Germany settlement 2011[2]	221.4	247.5	204.3	-10.6
Adjusted EPS for the half year (CHF)	1.14	0.96	1.01	18.9
excluding Germany settlement 2011[2]	1.14	1.21	1.01	-5.7
Cost/income ratio[3]	70.4%	67.6%	68.4%	-
Pre-tax margin (basis points)	30.2	27.0	29.6	-

	30.06.12	30.06.11	31.12.11	Change to 31.12.11 in %
Client assets (CHF bn)				
Assets under management	178.8	165.6	170.3	5.0
Average assets under management	176.6	171.2	163.9	7.8
Net new money (in period)	5.5	4.9	5.3	-
Assets under custody	90.1	94.3	87.8	2.6
Total client assets	268.9	260.0	258.1	4.2
Consolidated balance sheet (CHF m)				
Total assets	54 202.8	47 471.5	52 928.7	2.4
Total equity	4 204.1	4 395.5	4 310.2	-2.5
BIS total capital ratio	23.6%	22.0%	23.9%	-
BIS tier 1 ratio	21.4%	21.7%	21.8%	-
Return on equity (ROE) annualised	13.9%	12.1%	12.5%	-
Personnel				
Number of employees (FTE)	3 649	3 684	3 643	0.2
of whom Switzerland	*2 716*	*2 793*	*2 747*	*-1.1*
of whom abroad	*933*	*891*	*896*	*4.1*
Capital structure				
Number of registered shares	196 390 756	206 630 756	206 630 756	-
Weighted average number of registered shares outstanding	194 447 582	205 069 650	202 586 951	-
Share capital (CHF m)	3.9	4.1	4.1	-5.0
Book value per registered share outstanding (CHF)	22.0	21.8	21.9	0.3
Market capitalisation (CHF m)	6 728	7 176	7 592	-11.4
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	Aa3	

Listing	
Zurich, Switzerland	SIX Swiss Exchange, part of the Swiss Market Index SMI and the Swiss Leader Index SLI
Ticker symbols	
Bloomberg	BAER VX
Reuters	BAER.VX
Swiss securities number	10 248 496

[1]Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses and the amortisation of intangible assets related to previous acquisitions or divestitures.
[2]Excluding in H1 2011 the CHF 51m net profit impact of the EUR 50m payment to German authorities in April 2011.
[3]Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

Contents

Front cover: *Sol IV*, 2010; by Swiss artist Conrad Jon Godly, oil on cotton, 120×100 cm; part of the Julius Baer Art Collection.

Julius Baer owns one of the largest corporate collections of Swiss contemporary art. As the works are not accessible to the public outside exhibitions, a fine and growing selection of them can be explored in the virtual museum at: www.museum.juliusbaer.com

Dear Reader

The eurozone crisis remained the dominating factor in the first six months of 2012 and is now impacting the growth prospects of the entire world. Its repercussions on financial market performance were manifold, encouraging clients to maintain their risk-averse stance and again restrain their investment activity. Despite these circumstances, Julius Baer's growth strategy remained well on track in the first half of 2012 as evidenced by the strong net new money inflow.

With political, regulatory and economic uncertainty here to stay for the foreseeable future, the entire financial industry is adapting to a new reality. The changes involved range from eliminating structural imbalances to reorienting business models. Fortunately, wealth management is still a genuine growth industry globally, but it shows massive shifts of its own in terms of relative geographic importance: Asia is now home to more high net worth individuals than any other region of the world, while Brazil has taken the lead with the highest growth rate in millionaires.

Julius Baer's business model is aimed at capturing the attractive global wealth creation dynamics by leveraging our broad international presence, renowned brand, sophisticated advisory process and tailored product and service offering. The success of this growth strategy resulted again in a substantial net new money inflow of CHF 5.5 billion or 6.4% annualised in the first half of 2012, with all our geographic regions contributing positively. If current regional trends continue, more than half of the Group's assets will be managed for clients resident in growth markets by 2015, up from over one third today. In the first half of 2012, we also introduced a new investment approach: By no longer adhering to any benchmark and by exploiting a much broadened investment universe, we aim at generating a more solid and competitive performance for our clients over an entire investment cycle. Assets under management amounted to CHF 179 billion by mid-year 2012, up 5% from the end of 2011. Total client assets, including assets under custody, totalled CHF 269 billion at the end of June 2012.

“Julius Baer’s growth strategy remained well on track in the first half of 2012.”

Thanks to the ongoing efforts of the Swiss government to fostering tax agreements and by the planned introduction of additional compliance standards for establishing client relationships, Switzerland progressed on the path to reshape its private banking industry. Both initiatives will cause substantial investments. However, the resulting concentration on key strengths – comprehensive, value-oriented and service-focused private banking – will in the long run help to preserve Switzerland’s competitive edge and thus maintain its leading position in global wealth management.

Julius Baer continued to manage its balance sheet conservatively. At the end of June 2012, the Group’s BIS total capital ratio stood at 23.6% and the BIS tier 1 ratio at 21.4%, well above the targeted floors of 16% and 12%, respectively. This strong capital position allowed us to pursue a distribution policy exceeding industry average last year: In addition to buying back own shares, which makes us a rare exception in banking, we increased the total payout for the period substantially.

With the change in chairmanship at the Ordinary Annual General Meeting in April 2012, the Julius Baer Group concluded its transition from a traditional family business to a public company. However, the private banking culture and heritage so indelibly associated with the Baer family will continue to be one of the key distinguishing factors of Julius Baer. This will be ensured by the experienced board and management team and remain visible day in and day out through our employees’ commitment to turning our shared corporate values into a unique and value-added private banking experience for our esteemed clients around the globe. For this, our staff deserve our profound gratitude. We also thank our clients and shareholders for their trust placed in us and look forward to their continued support.

Daniel J. Sauter
Chairman

Boris F.J. Collardi
Chief Executive Officer

Financial performance in First Half 2012

Dieter A. Enkelmann, Chief Financial Officer

Julius Baer's financial performance in the first half of 2012 was influenced by a challenging market environment which weighed on client activity. Despite this, Julius Baer's growth strategy remained well on track. The net new money rate at 6.4% was above the medium-term target range, contributing to an increase of assets under management by CHF 8.5 billion since the end of 2011 to CHF 179 billion, thus marking a new record high for Julius Baer. Adjusted net profit* increased by 13% to CHF 221 million. Excluding the impact of the one-off Germany payment in 2011, it decreased by 11%.

Total *client assets* amounted to CHF 269 billion at the end of June 2012, an increase of 4% since the end of 2011. *Assets under management* went up by 5%, or CHF 8.5 billion, to CHF 179 billion compared with CHF 170 billion at the end of 2011. The increase in AuM to a new record high level was the result of net new money of CHF 5.5 billion, a positive market performance impact of CHF 2.5 billion and a positive currency impact of CHF 0.5 billion. The net new money inflows, at an annualised rate of 6.4%, were helped by strong contributions again from the growth markets and from the local private banking business in Germany as well as by modestly positive contributions from the cross-border European and local Swiss businesses. Average AuM (calculated on the basis of monthly AuM levels) amounted to CHF 177 billion, an increase of 3% compared to the first half of 2011. *Assets under custody* grew to CHF 90 billion, after CHF 88 billion at the end of 2011, an increase of 3%.

Operating income decreased by 4% year on year to CHF 863 million and the gross margin declined by 7 bps to 98 bps. *Net fee and commission income* declined by 5% to CHF 471 million, reflecting the reduced level of client activity in transacting securities. *Net interest income* increased by 2% to CHF 323 million despite lower dividend income on trading portfolios which is booked under interest income. Excluding the trading portfolios-related dividend income, which decreased from CHF 97 million in the first half of 2011 to CHF 90 million in the first half of 2012, underlying net interest income grew by 6% to CHF 232 million, driven by an increase in loan volumes and higher treasury income. *Net trading income* decreased by 39% to CHF 52 million, partly due to the aforementioned dividend reporting impact. When readjusted on the same basis as for net interest income above, the underlying net trading income fell by 22% to CHF 143 million, mainly as a result of lower client-related foreign exchange trading income following reduced volatility in the FX markets.

* Cf. footnote to the table on the next page

Consolidated income statement[1]

	H1 2012 CHF m	H1 2011 CHF m	H2 2011 CHF m	Change to H1 2011 in %
Net interest income	322.7	316.3	216.3	2.0
Net fee and commission income	470.7	496.3	445.7	-5.2
Net trading income	52.2	86.0	182.7	-39.3
Other ordinary results	17.5	-0.7	10.1	-
Operating income	**863.1**	897.8	854.9	-3.9
Personnel expenses	404.0	411.2	376.2	-1.8
General expenses[2]	160.5	225.6	199.8	-28.9
Depreciation and amortisation	32.2	30.2	36.1	6.6
Adjusted operating expenses	**596.7**	667.0	612.1	-10.5
Profit before taxes	**266.4**	230.8	242.8	15.4
Income taxes	45.1	34.6	38.5	30.3
Adjusted net profit	**221.4**	196.3	204.3	12.8
excluding Germany settlement 2011[3]	221.4	247.5	204.3	-10.6
Attributable to:				
Shareholders of Julius Baer Group Ltd.	221.2	196.2	204.2	12.7
Non-controlling interests	0.2	0.1	0.1	-
Adjusted EPS for the half year (CHF)	1.14	0.96	1.01	18.9
excluding Germany settlement 2011[3]	1.14	1.21	1.01	-5.7
Key performance ratios				
Cost/income ratio[4]	70.4%	67.6%	68.4%	-
Gross margin (basis points)	97.7	104.9	104.3	-
Pre-tax margin (basis points)	30.2	27.0	29.6	-
Tax rate	16.9%	15.0%	15.9%	-

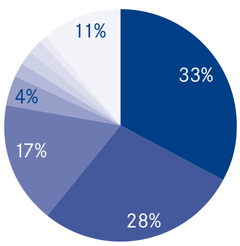
	30.06.12 CHF bn	30.06.11 CHF bn	31.12.11 CHF bn	Change to 31.12.11 in %
Client assets				
Assets under management	178.8	165.6	170.3	5.0
Change through net new money	*5.5*	*4.9*	*5.3*	-
Change through market performance and currency impacts	*3.0*	*-9.0*	*-0.6*	-
Assets under custody	90.1	94.3	87.8	2.6
Total client assets	**268.9**	260.0	258.1	4.2
Average assets under management	**176.6**	171.2	163.9	7.8

[1] Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses and the amortisation of intangible assets related to previous acquisitions or divestitures.
[2] Including valuation adjustments, provisions and losses
[3] Excluding in H1 2011 the CHF 51m net profit impact of the EUR 50m payment to German authorities in April 2011.
[4] Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

Other ordinary results totalled CHF 18 million, compared to a negative CHF 1 million in the first half of 2011, with no material non-recurring items in either period.

Adjusted operating expenses decreased by 11% year on year to CHF 597 million. Excluding the 2011 Germany payment, the decrease in adjusted operating expenses was 1%. The total number of employees decreased by 1% year on year to 3 649, which includes 801 relationship managers. Helped by the reduction of the staff base, adjusted *personnel expenses* declined by 2% to CHF 404 million. Adjusted *general expenses*, including valuation allowances, provisions and losses, decreased by 29% to CHF 161 million. Excluding the 2011 Germany payment, the adjusted general expenses were unchanged, despite the inclusion of CHF 14 million of expenses related to the US tax situation; without these, the adjusted general expenses decreased by 9%.

Breakdown of assets under management by currency as at 30 June 2012
(30 June 2011)



USD 33% *(30%)*	HKD 2% *(2%)*
EUR 28% *(32%)*	CAD 2% *(2%)*
CHF 17% *(17%)*	RUB 1% *(2%)*
GBP 4% *(3%)*	Other 11% *(10%)*
SGD 2% *(2%)*	

As a result of the operating income developments, and despite the improvement in the cost base, the adjusted *cost/income ratio* increased to 70%, compared to 68% in the first half of 2011.

Accordingly, adjusted *profit before taxes* increased by 15% year on year to CHF 266 million. The related income taxes increased to CHF 45 million, representing a tax rate of 17%. As a result, *adjusted net profit** improved by 13% to CHF 221 million. Helped by the reduction in the number of shares resulting from the share buyback programme that was completed in February, the adjusted *earnings per share* (EPS) improved by 19% to CHF 1.14.

Excluding the 2011 Germany payment, adjusted profit before taxes declined by 10%, adjusted net profit by 11%, and adjusted EPS by 6%.

As in previous years, in the analysis and discussion of the results in the Business Review, operating expenses exclude integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestitures. Including these items, as presented in the unadjusted IFRS results in the Half-year Report, net profit was CHF 176 million in the first half of 2012, an increase of 19% compared to the CHF 147 million earned in the first half of 2011, and EPS increased 26% to CHF 0.90, from CHF 0.72 a year ago.

* Cf. footnote to the table on the previous page

Consolidated balance sheet

Assets	**30.06.12** CHF m	30.06.11 CHF m	31.12.11 CHF m	*Change to 31.12.11 in %*
Due from banks	8 946.9	7 462.0	10 048.1	-11.0
Loans to customers[1]	18 044.3	16 268.5	16 408.4	10.0
Trading assets	3 771.2	3 199.1	4 920.2	-23.4
Financial investments available-for-sale	13 230.5	14 484.1	12 168.0	8.7
Goodwill and other intangible assets	1 671.0	1 767.4	1 706.9	-2.1
Other assets	8 538.9	4 290.4	7 677.1	11.2
Total assets	**54 202.8**	47 471.5	52 928.7	2.4
Liabilities and equity				
Due to banks	4 748.2	5 108.8	5 670.2	-16.3
Deposits from customers	37 736.6	30 016.1	34 841.2	8.3
Financial liabilities designated at fair value	3 849.8	4 362.4	3 494.6	10.2
Other liabilities	3 664.1	3 588.7	4 612.5	-20.6
Total liabilities	49 998.7	43 076.0	48 618.4	2.8
Equity attributable to shareholders of Julius Baer Group Ltd.	4 202.2	4 393.7	4 308.3	-2.5
Non-controlling interests	1.9	1.8	1.9	-
Total equity	4 204.1	4 395.5	4 310.2	-2.5
Total liabilities and equity	**54 202.8**	47 471.5	52 928.7	2.4
Key performance ratios				
Loan-to-deposit ratio	0.48	0.54	0.47	-
Leverage ratio[2]	21.4	18.1	20.3	-
Book value per registered share outstanding (CHF)[3]	22.0	21.8	21.9	0.3
Return on equity (ROE) annualised[4]	13.9%	12.1%	12.5%	-
BIS statistics				
Risk-weighted assets	**12 934.9**	13 326.9	12 810.5	1.0
Eligible tier 1 capital	**2 765.9**	2 896.4	2 788.5	-0.8
BIS tier 1 ratio	**21.4%**	21.7%	21.8%	-
BIS total capital ratio	**23.6%**	22.0%	23.9%	-

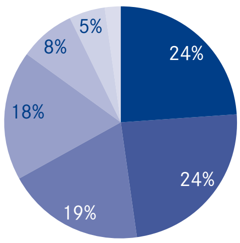
[1] Mostly Lombard lending and mortgages to clients
[2] Total assets/tangible equity
[3] Based on total equity
[4] Adjusted net profit/average equity less goodwill

From the end of 2011, *total assets* increased by 2% to CHF 54.2 billion. Over the same period, client deposits rose by CHF 2.9 billion to CHF 37.7 billion, and the total loan book by CHF 1.6 billion to CHF 18.0 billion (of which CHF 13 billion were Lombard loans and CHF 5 billion mortgages), resulting in a loan-to-deposit ratio of 0.48. As the benefit of the net profit in the first six months was balanced by the combined capital outlay for completing the share buyback programme in January and February and for the special dividend in April, *total equity* decreased by CHF 0.1 billion to CHF 4.2 billion, BIS total capital was unchanged at CHF 3.1 billion and BIS tier 1 capital was again at CHF 2.8 billion. Risk-weighted assets increased by CHF 0.1 billion to CHF 12.9 billion. As a result, the *BIS total capital ratio* stood at 23.6% and the *BIS tier 1 ratio* at 21.4%, continued confirmation of Julius Baer Group's very solid capital base.

Julius Baer has no treasury exposure to Greek, Portuguese, Spanish or Irish issuers and only marginal exposure to Italian sovereign credit.

As already announced in June 2012, the capital reduction as resolved by the Ordinary Annual General Meeting on 11 April 2012 was executed by cancellation of all the 10 240 000 Julius Baer registered shares repurchased under the share buyback programme that was completed last February. The registered share capital of Julius Baer Group Ltd. now amounts to CHF 3 927 815.12, divided into 196 390 756 registered shares with a par value of CHF 0.02 each.

Breakdown of assets under management by asset mix as at 30 June 2012
(30 June 2011)



- Equities 24% *(25%)*
- Bonds/convertibles 24% *(23%)*
- Investment funds 19% *(21%)*
- Client deposits 18% *(15%)*
- Money market instruments 8% *(8%)*
- Structured products 5% *(6%)*
- Other 2% *(2%)*

Business development in First Half 2012

Julius Baer's growth strategy stayed well on track despite a demanding economic, regulatory and business environment in the first half of 2012. This success is the result of our broad international presence, strong brand as well as large and growing product and service offering. Active cost management remained a key focus.

After the markets' encouraging start to the year, driven by central bank liquidity as well as hope, uncertainties resurfaced. Greece's problems did not abate; the Spanish real estate and banking environment worsened and global growth started to slow down. The weak capital position of the global banking industry remained a permanent concern, aggravated by constant margin pressure and increased regulation. Against this backdrop, our clients stayed cautious in their investment behaviour. Demand for expert assessment remained high, however, providing our relationship managers and investment professionals with ample opportunities to demonstrate the Bank's advisory excellence.

Strategy and structure

Julius Baer is the leading Swiss private banking group. We strive to position our Group, with Bank Julius Baer & Co. Ltd. (Bank) as its main operating entity, at the forefront of the global wealth management industry. Independent in all aspects of our business activities, we pursue a corporate strategy based primarily on five cornerstones:

- a pure business model solely dedicated to private banking
- a distinct value proposition and service excellence focus
- a truly open and actively managed product platform
- a client-centric management culture
- a strong brand name

These cornerstones are complemented by prudent financial and risk management, resulting in a very strong capital base and comparatively low risk characteristics. As evidenced by Bank Julius Baer's more than 120 years of corporate history, we aim at sustainable and industry-leading profitable growth. We consider this an essential precondition for remaining competitive and thus highly attractive for our clients as well as for the relationship managers taking care of them and for all other employees.

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, thus living up to our motto of being 'big enough to matter yet small enough to care'. In addition to fostering organic growth and broadening our base of highly qualified relationship managers, Julius Baer is also open to opportunistic acquisitions provided they offer a convincing strategic and cultural fit and are value-enhancing. The strategic direction of the Group and the means of achieving the targets are reviewed regularly in a revolving strategy process.

Having a lean and flexible organisation is an essential prerequisite for continuously aligning our business model to the fast-changing private banking landscape globally and thus for successfully implementing our growth strategy. The necessary resources and vital functions are bundled in the Chief Operating Officer's area and centrally coordinated to maximise impact and economies of scale. In order to improve the Bank's efficiency further, a number of steps have been initiated in the first half of 2012.

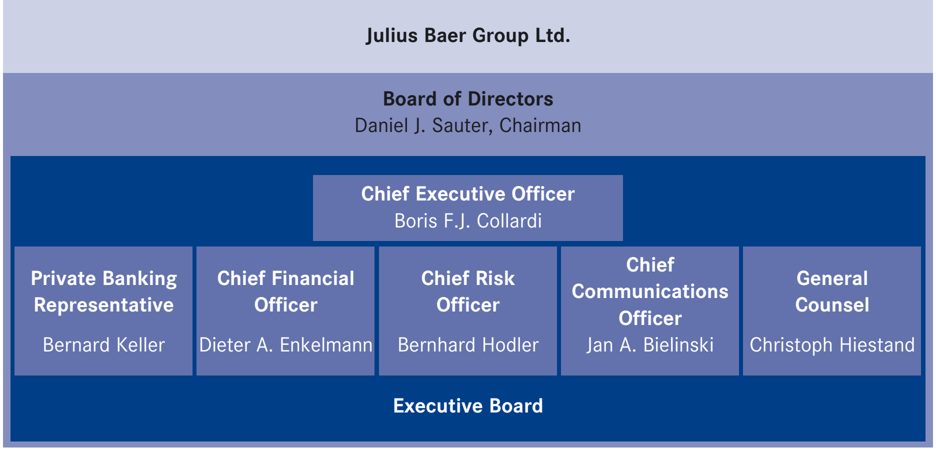
Furthermore, the risks of a eurozone breakup and the resulting consequences for our businesses have been actively analysed, and several preventive measures have been taken. At the end of April 2012, a new image campaign was launched globally, featuring private client situations including statements why Julius Baer is 'their private bank' given the specific personal ambitions.

On the regulatory side, Switzerland has reached final withholding tax agreements with Germany, the UK as well as Austria (pending ratifications) and is discussing similar agreements with other European countries. We kept a close eye on the developments and continued working on a number of strategic projects to ensure readiness for possible implementations. As to the ongoing discussions between the USA and Switzerland on tax matters, we are actively supporting the efforts of the Swiss government to find a solution for the financial industry while also cooperating with the US authorities within the confines of applicable laws.

The Group also continued to enhance its compliance framework as well as the training of client-facing staff, including mandatory certification programmes for all our core European markets.

Our employees

The total number of employees amounted to 3 649 at the end of June 2012, down 1% from a year ago. Attracting and retaining highly qualified relationship managers remained a key cornerstone of our Group's growth strategy. While their performance continued to be assessed on an ongoing basis, their total number rose to 801, up from 795 at the end of 2011.



In order to improve the ability of the Bank's Swiss pension scheme to handle the risk of rising life expectancy and to keep it attractive also for the younger generation of Julius Baer employees, the conversion rates were reduced effective 1 January 2012. To compensate this effect, the savings contributions have been increased, with the larger part borne by the company. In addition, an old age pension (AVS) bridging the gap between the official-state and the contractual retirement ages was introduced effective 1 April 2012.

Our business activities

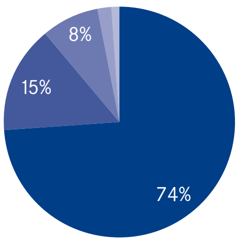
Switzerland

One year after the creation of the single 'region Switzerland', the new organisation has lived up to expectations. The much broadened product and service platform dedicated to the particular requirements of Swiss-domiciled clients proved attractive, ranging from Swiss-focused mandate solutions with optimised tax management to a comprehensive mortgage offering. The latter was further enhanced through the launch of two exchange-listed Long-Leverage Certificates on CHF interest rates in the first half of 2012. The swap-based, five- or ten-year structures offer investors protection from rising interest rates and were very well received by the market.

In addition, the Bank launched several initiatives and cooperations. With the foundations market still being a fairly untapped area, we entered into an exclusive agreement with a consulting company which helps clients in setting up philanthropic foundations. The Bank acts as financial adviser for the related endowments by providing investment advisory services or comprehensive mandate solutions. Another initiative focuses on executives who intend to relocate to Switzerland. The Bank's existing setup was enhanced by cooperating with a company specialised in this domain, giving the Bank access to these executives as the preferred financial services provider.

Our business with external asset managers (EAMs) maintained its good market standing. We offer the full range of investment and advisory services to independent asset managers, primarily from our main desks in Switzerland and Singapore, complemented by several other booking centres. The new, dedicated IT solution rolled out during 2011 for EAMs is in the process of being expanded to include additional functions, thus further enhancing our service quality. In addition, we were able to establish a strong position in advising and supporting EAMs in all areas of succession planning.

Julius Baer employees (FTE) by geography as at 30 June 2012
(30 June 2011)



- Switzerland 74% *(76%)*
- Asia-Pacific 15% *(14%)*
- Rest of Europe 8% *(7%)*
- Middle East and Africa 2% *(1%)*
- Americas 1% *(2%)*

Europe

Following the rapid growth of the Bank's business activities in Germany, the Board of Bank Julius Bär Europe AG was enlarged and further strengthened at the beginning of the year. We remained successful in attracting both new clients and relationship managers, resulting in healthy net new money inflows. As a consequence, the previous location of the Hamburg branch became too small, so the team moved into larger premises in the city centre. Furthermore, the mortgage offering launched in 2011 to enhance the comprehensive range of products and services in Germany was well sought after by clients.

In Italy, the Freedom of Service License (LPS) for cross-border banking services came into force on 1 April 2012. We succeeded in further improving the quality of the relationship managers. Responding to the growing business in the Nordic region and the UK, the Bank welcomed new relationship managers for several of these markets. They are mainly served out of Zurich, whereas the London team focuses on the domestic UK business. Meanwhile, Geneva is gaining in importance as a vital hub to support growth.

Asia

As a result of the continuous rapid growth, regional management and corporate functions were further strengthened, parallel to aligning the organisational structures. We were again successful in welcoming a number of new relationship managers and teams to our different locations. Besides further exploring opportunities in Taiwan and Hong Kong as part of Greater China, we also continued to develop other promising markets in South-East Asia. Indonesia and India are consid-

- Head Office
- Location
- Booking centre
- GPS, strategic minority participation of 30%

ASIAN PRIVATE BANKER
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Best Boutique Private Bank in Asia

Best Private Bank
External Asset Manager's Choice

ered strategic markets among them. Building on our presence in Indonesia, for example, in cooperation with the country's largest bank we helped to launch and promote a money market fund denominated in rupiah.

The strategic collaboration with Macquarie Group announced late last year produced encouraging first initiatives. Similarly, the representative office opened in Shanghai in November 2011 provided us with valuable insights into this large and fast-growing market and led to talks with potential Chinese partners on ways of cooperating. In recognition of our large and growing reputation in the region, we were named *Best Boutique Private Bank in Asia* and *Best Private Bank – External Asset Manager's Choice* by the private-banking-focused publication *Asian Private Banker* in January 2012.

What makes us attractive is the fact that our clients worldwide can increasingly benefit from our in-depth market experience in Asia. After successfully launching a full range of offshore renminbi products and accounts in Singapore, Hong Kong and Switzerland last year, we have now started comprehensive marketing activities to further promote this new service to our valued clients around the world. This enables our clients to benefit early from what we believe will ultimately develop into a leading global currency.

Ever-growing importance of Asia

Since establishing our Asian activities in 2006, Julius Baer has continuously increased its footprint in this important region. After receiving a wholesale banking licence for our Singapore branch in 2007 and building a strong branch and banking platform in Hong Kong in 2010, Julius Baer opened the representative office in Shanghai last year and began cooperation with the Macquarie Group regarding investment banking services in Asia.

The strategic partnership with Bank of China (BOC) signed in July 2012 marks another milestone in this Asian success story. Within this agreement, BOC will refer to us their existing as well as potential clients outside mainland China who require comprehensive private banking services, while Julius Baer will refer to BOC our existing and potential clients who require banking services or specific non-private banking products and services.

The agreement also envisages the two companies cooperating in areas such as product distribution and financial market research as well as joint initiatives, including investment conferences. By partnering with one of the strongest players in China and internationally, Julius Baer further emphasises the growing importance of Asia as our second home market.

Eastern Mediterranean and Middle East

This very promising region is managed out of locations in Geneva, Zurich and London as well as on the ground from Dubai, Abu Dhabi, Cairo and Istanbul. In order to further increase the coverage of this attractive market, we hired a senior front team based in Zurich, which added to the region's substantial money inflows and growing client base. Thanks to agreements with third-party providers, we can now provide our clients with certain Islamic solutions. In addition, we intend to establish an offering of basic Islamic products ourselves. These initiatives will help us to achieve our ambitious growth targets faster.

"Today, Julius Baer enjoys a top ten position among all banks offering private banking services in the Eastern Mediterranean and Middle East."

In March 2012, Julius Baer opened its first local presence in Tel Aviv in order to tap into the potential of the attractive Israeli market. This opening reflects the importance the Bank assigns to the strength of the Israeli economy and the potential we see for future growth and development.

Latin America

Julius Baer covers the continent out of five locations, complemented by two offices of the independent asset manager GPS in Brazil, in which Julius Baer holds a strategic participation of 30%. We succeeded in taking advantage of Latin America's accelerating wealth generation dynamics, resulting in increased business momentum in the first half of 2012. Client events play an important role in fostering relationships and establishing new business opportunities in the region. At the beginning of the year, the seventh annual Julius Baer conference at Uruguay's famous seaside resort of Punta del Este took place. The highlight was former President of Colombia Álvaro Uribe Vélez, who delivered an intriguing speech which was very well received by the more than 500 guests.

Russia, Central & Eastern Europe

This large region is served by dedicated Russian desks in Zurich, Geneva, Monaco, London, Singapore and Vienna. It saw very positive business momentum, resulting in healthy net new money inflows across all locations and teams in the first half of 2012. Responding to this development, additional relationship managers were hired in Zurich, Geneva, Singapore and Vienna, and an array of possibilities for cooperation agreements is currently being explored in various countries to further expand the Bank's business, parallel to development of the EAM segment.

Julius Baer's scope of investment, advisory and execution competence

Providing clients with timely information, expert advice as well as value-adding investment and execution competence remained a key focal point of our Group, and the importance of this was further magnified by the demanding market and economic environment.

The Investment Solutions Group (ISG) is Julius Baer's investment and service competence centre. It delivers investment opinions, advice, products and tools to Julius Baer clients as well as relationship managers based on an open product platform. Parallel to further streamlining ISG's organisational setup, we introduced a new investment approach, unrestricted by any benchmarks and exploiting a much broadened investment universe in the first half of 2012 (cf. box).

Research and Investment Advisory
With global growth prospects remaining uncertain and influenced by unresolved geopolitics, the demand for timely and forward-looking assessments by our Research team stayed high. Against this backdrop, Investment Advisory Mandates remained well in favour with clients, as did the Investment Service Mandates with risk monitoring adapted to smaller portfolios.

At the end of March 2012, Julius Baer held its fourth Next Generation investment conference and the first one on the topic of people. Titled 'Shape the world around you – will change make us happy?', it allowed renowned international speakers and Julius Baer experts to share fascinating insights into this topic with more than 300 guests.

Julius Baer embraces new, active and solid investment approach for client mandates

The economic and political environment is expected to remain challenging in the years to come. Hence, established investment paradigms have to be questioned and should make way for innovative solutions that take into account the new market reality with low interest rates and more volatile equity markets.

Responding to this, Julius Baer introduced a new investment approach in spring 2012. By no longer aligning our mandate portfolios to any benchmarks and thus eliminating minimum investment levels per asset class, we can now manage our client portfolios in a more active and flexible way. We also broadened the investment universe to include a wider range of sub-asset classes (e.g. high-yield bonds, convertible bonds, inflation-linked bonds and emerging market bonds) which also deliver a risk premium while increasing diversification and thus the stability of the portfolios.

The robustness of our new investment approach is further enhanced by focusing on investments with substance and income. This helps to avoid significant losses during volatile markets and to retain recovery potential. In the long run, this is expected to result in a more solid and competitive performance over an entire investment cycle.

Managed accounts and solutions
Net inflows in discretionary solutions were again substantial in the first six months of the year, about equally split between multi-asset-class solutions and single-asset-class mandates, the latter primarily fixed-income-related.

The Bank further strengthened its fund-related offering, drawing on an actively monitored universe of nearly 300 funds from roughly 70 different providers. Clients' interest in value-preserving and income-generating investments was met by complementing our offering with absolute-return-oriented investment solutions and by new investment styles in the fixed-income segment.

New fund services such as active monitoring, 'health checks' and fund-specific risk and performance reports were successfully implemented with the aim of ensuring the goal-oriented use of fund-based products.

Wealth & Tax Planning
Given the challenging market environment and the evolving regulatory and tax framework, particularly in Europe, performance after tax remained high on clients' agenda. This resulted in strong demand for sophisticated advice and guidance in that direction. Julius Baer's Wealth & Tax Planning unit met the demand by offering a comprehensive range of services and products, either by providing in-house expertise and solutions or through our unique global network of external partners.

Markets & Custody
The Markets unit focuses on trade execution and product structuring as well as on foreign exchange, precious metals and securities trading services for the Group's private banking clients and certain direct client segments. The first half of 2012 was characterised by generally muted transaction activity amid low volatility. In foreign exchange, the de facto peg of the Swiss franc to the euro significantly reduced clients' needs for hedging. Trendless markets in precious metals had a negative impact on volumes as well.

Clients' interest in the fixed-income segment remained high in the first half of 2012. The record volumes of new issues in the global capital markets saw good demand from clients. In structured products, declining volatilities in the currency markets triggered strong client interest in currency-based yield enhancement structures. Demand for equity-linked structured products was muted.

Julius Baer is also a leading provider of global custody services in Switzerland. At the end of June 2012, it was entrusted with CHF 90 billion of assets under custody. The Global Custody team provides best-in-class services to pension funds, corporations, insurance companies, family offices and investment funds, including private label funds. The unit continued to attract considerable net new money inflows from all client segments in the first half of 2012. It enjoys a growing reputation in its well-defined areas of specialised expertise covering the full range of international securities administration, portfolio analysis and tailored reporting.

Julius Baer community engagement

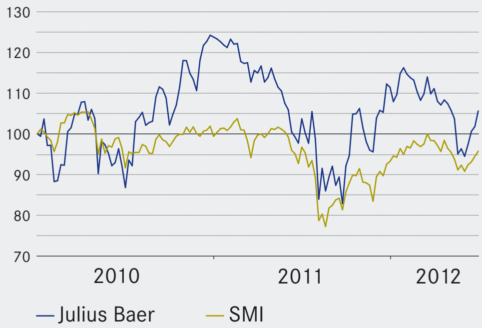
Julius Baer engages in international projects for the benefit of children and young adults through its Julius Baer Foundation. In the period under review, the Foundation supported various projects in Asia, Africa and Latin America. In Switzerland, the project 'Midnight basketball' in the Swiss canton of Ticino proved particularly successful. It gives young people the opportunity to engage in sensible leisure-time activities and thus serves as a means of avoiding or resolving conflicts. So far, 17% of all youths in Ticino aged between 13 and 17 have participated.

In order to increase our reputation in Turkey, Julius Baer and Swiss Learning, an organisation whose aim is to promote the excellence of Swiss education in different countries around the globe, held a joint event in Istanbul in March 2012.

In Asia, Julius Baer decided to continue the successful sponsorship of the Sovereign Asian Art Prize. Furthermore, for the very first time Julius Baer was the presenting sponsor of the Singapore Steinway Youth Piano Competition.

And finally, as part of our engagement in cultural events and long-standing commitments in the arts and classical music, Julius Baer continued backing the Swiss Photo Award, the Swiss Exhibition Award and the |Art|43 Basel, supported the first recital of the young pianist Yuja Wang in Geneva and again sponsored the Verbier Festival.

Performance of Julius Baer registered share (indexed)



Julius Baer on the stock exchange

The Julius Baer Group is one of the leading publicly listed financial companies in Switzerland. The largest company and the main operating entity of the Group is Bank Julius Baer & Co. Ltd., headquartered in Zurich. It is complemented by a number of specialised companies essential to providing our international clientele with a full array of modern wealth management services.

The shares of Julius Baer Group Ltd. are listed on the SIX Swiss Exchange. They form part of the Swiss Market Index (SMI), which comprises the 20 largest and most liquid blue chip companies traded on the SIX Swiss Exchange, as well as the Swiss Leader Index (SLI). The market capitalisation as at 30 June 2012 was CHF 6.7 billion.

The international rating agency Moody's assigns an Aa3 long-term obligations rating to Bank Julius Baer & Co. Ltd., together with the highest possible rating for short-term debt, Prime-1.

Important dates

Publication of Interim Management Statement: 14 November 2012
Publication of 2012 annual results: 4 February 2013
Ordinary Annual General Meeting: 10 April 2013

Corporate contacts

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 Muehll
Telephone +41 (0) 58 888 8888

International Banking Relations
Kaspar H. Schmid
Telephone +41 (0) 58 888 5497

The Half-year Report 2012 of Julius Baer Group Ltd. is available at www.juliusbaer.com.

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

The Julius Baer Group is present in over 40 locations worldwide. From Zurich (Head Office), Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Milan, Monaco, Montevideo, Moscow, Shanghai to Singapore.