

Julius Bär

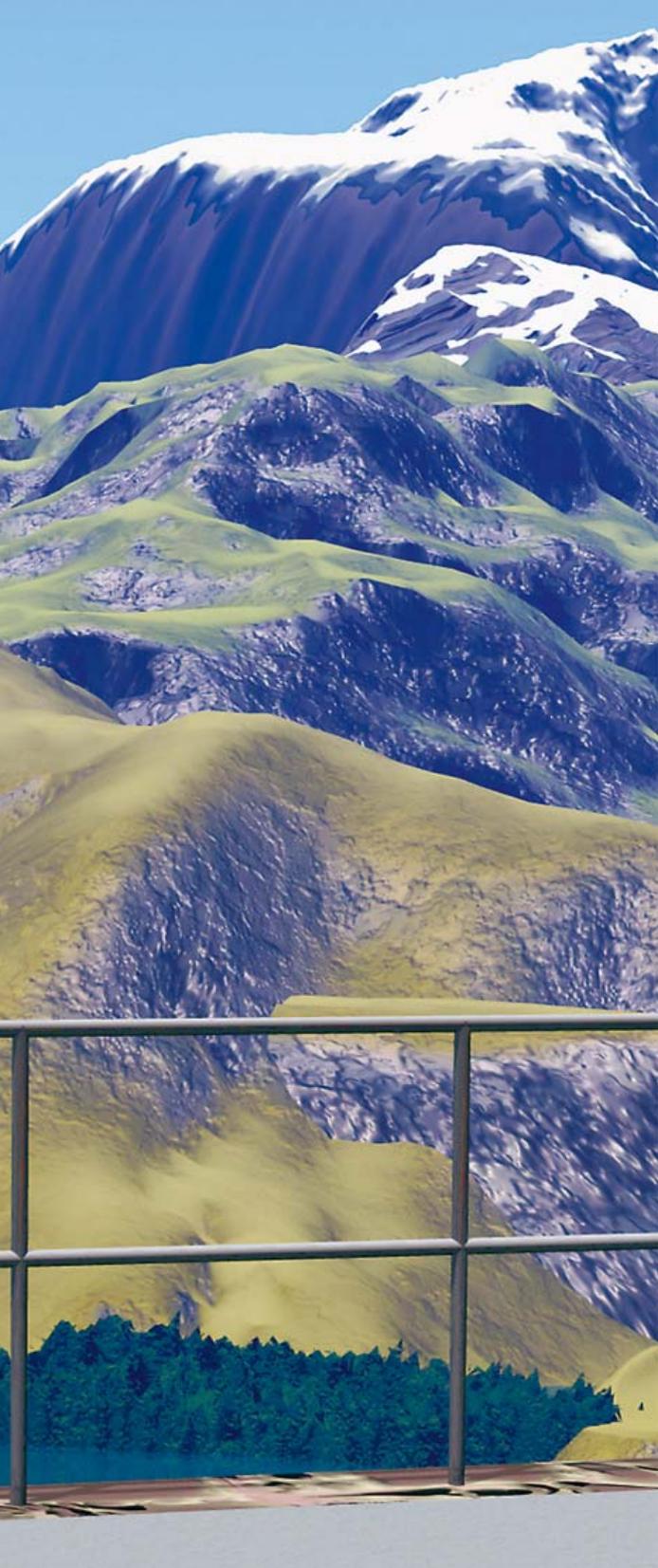
Julius Baer Group
Business Review
First Half 2010



Key figures Julius Baer Group¹

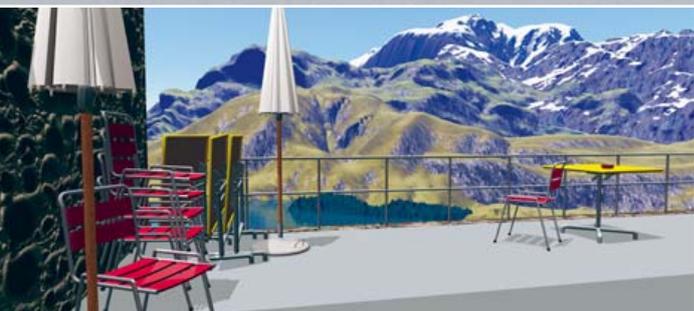
	H1 2010 CHF m	H1 2009 CHF m	H2 2009 CHF m	Change to H1 2009 in %
Consolidated income statement				
Operating income	916.4	812.7	773.4	12.8
Operating expenses	593.9	529.7	496.1	12.1
Profit before taxes	322.5	283.0	277.3	14.0
Net profit	261.0	241.9	231.3	7.9
EPS for the half year (CHF)	1.27	1.17	1.12	-
Book value (CHF)	21.0	17.6	20.5	-
Cost/income ratio	63.4%	63.3%	62.8%	-
Pre-tax margin (basis points)	37.7	41.6	36.9	-
	30.06.10	30.06.09	31.12.09	Change to 30.06.09 in %
Client assets (CHF bn)				
Assets under management	166.1	144.6	153.6	14.9
Average assets under management	170.9	136.1	150.4	25.6
Net new money	3.3	4.3	0.8	-
Assets under custody	89.0	68.1	87.3	30.8
Total client assets	255.1	212.7	240.9	20.0
Consolidated balance sheet (CHF m)				
Total assets	47 371.4	42 550.2	42 729.0	-
Total equity	4 308.6	3 605.1	4 191.8	-
BIS tier 1 ratio	22.8%	16.5%	24.2%	-
Return on equity (ROE) for the half year	18.0%	19.9%	17.5%	-
Personnel				
Number of employees (FTE)	3 534	3 025	3 078	16.8
<i>of whom Switzerland</i>	<i>2 747</i>	<i>2 408</i>	<i>2 430</i>	<i>14.1</i>
<i>of whom abroad</i>	<i>787</i>	<i>617</i>	<i>648</i>	<i>27.6</i>
Capital structure				
Number of registered shares	206 630 756	206 630 756	206 630 756	-
Weighted average number of registered shares outstanding	206 210 340	206 588 300	206 601 420	-
Share capital (CHF m)	4.1	4.1	4.1	-
Market capitalisation (CHF m)	6 397	-	7 517	-
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

¹Excluding integration expenses and the amortisation of intangible assets. For 2010 additionally excluding restructuring expenses. Including these positions, the net profit attributable to shareholders decreased by 9% from CHF 203.0 million in the first half of 2009 to CHF 184.8 million in the first half of 2010. For 2009, the financial figures represent Julius Baer Group Ltd. as if the company had already existed on 1 January 2008 (cf. "Origins of Julius Baer" on page 17). Detailed accounts are on pages 5 and 7.



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Front cover: Terrace 1, 2000; digital compilation by Swiss artists Monica Studer and Christoph van den Berg, thermo-inkjet print on photopaper, uv-laminated on aluminium; 120 x 270 cm; part of the art collection of Bank Julius Baer.



Dear Reader

The first half of 2010 proved once more to be a demanding period for financial markets and the financial services industry. The sovereign debt crisis and related weakness of the euro added to phases of elevated volatility, while the regulatory environment remained harsh. Remarkably but not really surprisingly, the current circumstances have again highlighted Switzerland's reliability and unique position as a stronghold of political, economic and, closely related, currency stability. The country might not have gained many additional admirers in the process, but it has considerably increased its status as a respected exception in the midst of a crisis-torn Europe. As the leading Swiss private banking group, we were able to provide our existing clientele globally with much appreciated wealth management advice, and we welcomed a rewarding number of new clients – validating yet again the early and determined adaptation of our business model. All in all, this translated into a strong financial performance for our Group in the first six months of 2010.

In many respects, the period under review was a time of continued adaptation to external factors in the midst of lasting change for our industry, our clients and our chosen fields of activity. The growth initiatives launched towards the end of last year, aimed at positioning our Group and its offering at the leading edge of global wealth management, continued to show rewarding progress. Our offering in our home market of Switzerland was further expanded. Our dual positioning in our second home market of Asia, as esteemed local provider as well as primary gateway to the region for international clients, gained further traction. And the Group continued to grow in our important markets across Europe, including Russia, as well as in Latin America. These initiatives were complemented by the expansion of regionally tailored service offerings and locally adapted marketing measures. As a result, our Group has again received a number of high-calibre industry awards. On top of that, the final step of integrating ING Bank (Switzerland) Ltd ('ING Bank') was successfully completed at the end of May 2010.

“Despite a continued difficult environment, we achieved a strong financial performance in the first six months of 2010.”

Total client assets of the Julius Baer Group amounted to CHF 255 billion at mid-year 2010. Assets under management totalled CHF 166 billion, up 8% from CHF 154 billion at the end of 2009, including CHF 14 billion from the acquisition of ING Bank. In addition, assets under custody amounted to CHF 89 billion. With operating income up and costs continuing to be well contained, the net profit* for our shareholders increased by 8% to CHF 261 million in the first half of 2010.

Maintaining a strong and conservatively managed capital base remains one of the prime guiding principles of our Group. The central building block is our low-risk, highly client-centric business model, supported by a dynamic and all-encompassing risk management approach as well as strict corporate governance principles. With a BIS tier 1 ratio of 22.8% at mid-year 2010, the Julius Baer Group continued to strongly exceed the minimum requirements. This very sound financial position allows us to further pursue or even accelerate our growth initiatives. By fostering organic or even opportunistic external growth, we aim to achieve a profitable development on a sustainable basis and an improved business offering that benefits all of our primary stakeholders.

Embarking on an array of growth initiatives while managing the integration of an entire bank would not have been possible without the full support of highly committed employees. We are grateful to and proud of our employees around the world and their achievements. With their continued support, and thanks to an experienced management team, we are confident we will successfully master the challenges that lie ahead. Last but not least, we would like to thank our Group's clients and shareholders for their trust placed in us.



Raymond J. Baer
Chairman



Boris F.J. Collardi
Chief Executive Officer

Financial performance in First Half 2010

The period under review proved once more to be demanding for financial markets and the financial services industry. Despite a continued difficult business climate and regulatory environment, the Julius Baer Group achieved a strong financial performance in the first six months of 2010. Assets under management increased by 8% to CHF 166 billion, with the inclusion of ING Bank contributing CHF 14 billion and net new money CHF 3.3 billion or 4.3% annualised. All in all and with costs continuing to be well contained, the higher average asset base translated into a net profit* increasing by 8% to CHF 261 million.

Total client assets grew to CHF 255 billion at the end of June 2010. Assets under management increased by 8%, or CHF 12 billion, to CHF 166 billion compared with CHF 154 billion at the end of 2009. The increase in assets under management was the result of the completion of the acquisition of ING Bank which added CHF 14 billion, net new money of CHF 3.3 billion, and a negative currency impact of CHF 4 billion due to the significant decline in the value of the euro especially towards the end of the reporting period. Net new money development was the result of the continued solid contribution from growth markets, which was partly offset by outflows due to certain changes in the regulatory environment and a slight impact from attrition in the former ING Bank



Dieter A. Enkelmann, Chief Financial Officer

“Julius Baer aims at achieving profitable growth by leveraging the advisory capabilities of its client-centric organisation.”

client base during the integration, which was successfully completed at the end of May 2010. Assets under custody amounted to CHF 89 billion, after CHF 87 billion at the end of 2009, an increase of 2%, mainly driven by CHF 1 billion in net new custody money.

Operating income rose by 13% year on year to CHF 916 million, on the back of 26% higher average assets under management partly offset by a lower gross margin of 107 basis points. Whilst 12 basis points lower than in the first half of 2009, the gross margin continued to improve from the second half 2009 level of 103 basis points. Net fee and commission income grew by 25% to CHF 492 million, in line with the increase in average assets under management, with investor confidence improving somewhat, albeit overall still conservative. Net interest income declined by 13% to CHF 245 million, as the impact of the decline in net interest margins more than offset the increase in deposit and loan volumes

Consolidated income statement¹

	H1 2010 CHF m	H1 2009 CHF m	H2 2009 CHF m	Change to H1 2009 in %
Net interest income	245.2	280.6	185.9	-12.6
Net fee and commission income	491.9	393.0	425.7	25.2
Net trading income	163.1	151.2	147.3	7.9
Other ordinary results	16.3	-12.2	14.6	-
Operating income	916.4	812.7	773.4	12.8
Personnel expenses	400.0	357.0	326.1	12.0
General expenses ²	167.1	150.9	144.8	10.7
Depreciation and amortisation	26.8	21.9	25.1	22.4
Operating expenses	593.9	529.7	496.1	12.1
Profit before taxes	322.5	283.0	277.3	14.0
Income taxes	61.5	41.1	46.0	49.6
Net profit	261.0	241.9	231.3	7.9
Attributable to:				
Shareholders of Julius Baer Group Ltd.	260.6	241.8	230.8	7.8
Non-controlling interests	0.4	0.1	0.5	-
Earnings per share (CHF)	1.27	1.17	1.12	-
Key performance ratios				
Cost/income ratio ³	63.4%	63.3%	62.8%	-
Gross margin (basis points)	107.2	119.4	102.8	-
Pre-tax margin (basis points)	37.7	41.6	36.9	-
Tax rate	19.1%	14.5%	16.6%	-

	30.06.10 CHF bn	30.06.09 CHF bn	31.12.09 CHF bn	Change to 30.06.09 in %
Client assets				
Assets under management	166.1	144.6	153.6	14.9
<i>Change through net new money</i>	3.3	4.3	0.8	-23.5
<i>Change through market appreciation</i>	-4.4	11.2	7.6	-139.2
<i>Change through acquisition</i>	13.6	-	0.6	-
Assets under custody	89.0	68.1	87.3	30.8
Total client assets	255.1	212.7	240.9	20.0
Average assets under management	170.9	136.1	150.4	25.6

¹Excluding integration expenses and the amortisation of intangible assets. For 2010 additionally excluding restructuring expenses. Including these positions, the net profit attributable to shareholders decreased by 9% from CHF 203.0 million in the first half of 2009 to CHF 184.8 million in the first half of 2010. For 2009, the financial figures represent Julius Baer Group Ltd. as if the company had already existed on 1 January 2008.

²Including valuation adjustments, provisions and losses

³Operating expenses less valuation adjustments, provisions and losses/operating income

as well as the much increased dividend income on the trading portfolio of CHF 59 million booked under interest income. Net trading income increased by 8% to CHF 163 million driven mainly by higher client-driven foreign exchange trading volumes. The increase of net trading income would have been higher considering the dividend income on trading portfolios which was CHF 48 million higher in the first half of 2010 than in the same period 2009. Other ordinary results improved to CHF 16 million.

“The Group’s very sound financial position allows us to further pursue or even accelerate our growth initiatives.”

Operating expenses went up by 12% year on year to CHF 594 million, mainly as a consequence of the acquisition of ING Bank. The total number of employees increased by 17% to 3 534, which includes 732 relationship managers, a net increase of 65 since the end of 2009. As a result of the expanded staff base, personnel expenses increased by 12% to CHF 400 million. General expenses, including valuation adjustments, provisions and losses, rose by 11% to CHF 167 million. As a consequence, the cost/income ratio was essentially unchanged at 63.4%, compared to 63.3% in the first half of 2009.

Accordingly, profit before taxes improved by 14% year on year to CHF 323 million, representing a pre-tax margin of 38 basis points. Income taxes increased to CHF 62 million, representing a tax rate of 19%. As a result, the net profit* improved by CHF 19 million, or 8%, to CHF 261 million, and earnings per share came to CHF 1.27.

The Group continued to manage its balance sheet conservatively and maintains a very solid capital base. Exposure to highly rated sovereign issuers / guarantors was augmented and stood at more than 35% of total treasury assets. Total assets have increased by 11% since the end of 2009 to CHF 47.4 billion, mainly as a result of the acquisition of ING Bank. Over the same period, client deposits went up by CHF 2.8 billion to CHF 30.1 billion, and lombard lending and mortgages increased by CHF 2.5 billion to CHF 12.9 billion, thus resulting in a continued conservative loan-to-deposit ratio of 0.43, underlining the sound liquidity situation of the Group. Total equity was up by 3% to CHF 4.3 billion, and BIS tier 1 capital grew by CHF 39 million to CHF 2.7 billion. With a strong BIS tier 1 ratio of 22.8% the Julius Baer Group continues to enjoy a very solid capital base.

Consolidated balance sheet

	30.06.10 CHF m	30.06.09 CHF m	31.12.09 CHF m	Change to 31.12.09 in %
Assets				
Due from banks	6 419.9	7 373.9	6 598.2	-2.7
Loans to customers ¹	12 898.7	9 481.9	10 431.2	23.7
Trading assets	2 561.3	2 182.7	2 735.1	-6.4
Financial investments available-for-sale	17 289.4	13 895.7	15 011.5	15.2
Goodwill and other intangible assets	1 842.8	1 724.9	1 705.3	8.1
Other assets	6 359.3	7 891.1	6 247.7	1.8
Total assets	47 371.4	42 550.2	42 729.0	10.9
Liabilities and equity				
Due to banks	4 222.3	3 999.9	3 962.4	6.6
Deposits from customers	30 054.2	27 712.0	27 284.7	10.2
Financial liabilities designated at fair value	4 094.4	3 810.6	3 942.7	3.8
Other liabilities	4 691.9	3 422.6	3 347.4	40.2
Total liabilities	43 062.8	38 945.1	38 537.2	11.7
Equity attributable to shareholders of Julius Baer Group Ltd.	4 306.8	3 603.9	4 190.1	2.8
Non-controlling interests	1.9	1.2	1.7	11.8
Total equity	4 308.6	3 605.1	4 191.8	2.8
Total liabilities and equity	47 371.4	42 550.2	42 729.0	10.9
Key performance ratios				
Loan-to-deposit ratio	0.43	0.34	0.38	-
Leverage ratio ²	19.2	22.6	17.2	-
Book value per registered share outstanding (CHF) ³	21.0	17.6	20.5	-
Return on equity (ROE) ⁴	18.0%	19.9%	17.5%	-
BIS statistics				
Risk-weighted assets	11 836.6	11 977.9	10 970.4	7.9
Eligible tier 1 capital	2 695.3	1 974.7	2 656.4	1.5
Tier 1 ratio (%)	22.8%	16.5%	24.2%	-

¹Mostly lombard lending and mortgages to clients

²Total assets/tangible equity

³Based on total equity

⁴Net profit/average equity less goodwill

Business development in First Half 2010

Amid an environment characterised by sluggish economic growth, and financial markets and regulators still coping with the repercussions of the financial crisis, the Julius Baer Group achieved a strong financial performance in the first six months of 2010. The growth initiatives launched towards the end of last year, aimed at positioning the Group and its offering at the leading edge of global wealth management, continued to be implemented.

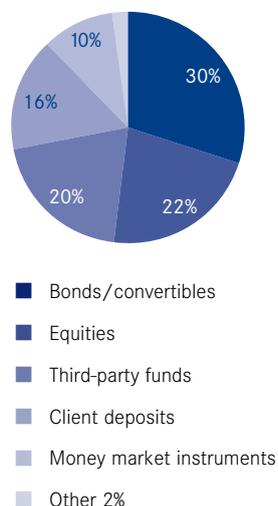
So far, 2010 has been an eventful year on a global scale, with a number of currency devaluations triggered by a sovereign debt crisis plaguing the government bond markets of Europe's economically weaker countries. Despite this fuelling renewed volatility and persisting fears of contagion, market stability has prevailed overall, not least because of the large EU-orchestrated rescue package. Nevertheless, this has served as an unmistakable reminder that the aftermath of the financial crisis is far from over. As a consequence, any investment activity has to cope with much shorter time horizons, requiring more and multifaceted market insights. To that end the Julius Baer Group, with Bank Julius Baer & Co. Ltd. as its main operating entity, has been able to provide its clients globally with much-appreciated market and wealth management advice, leveraging the advisory capabilities of its client-centric organisation.

Solid progress across activities

With investors growing increasingly accustomed to markets lacking long-term trends and predictability, investor confidence picked up somewhat in the first half of 2010 compared to the same period last year but remained conservative overall. The assets managed by the Julius Baer Group amounted to CHF 166 billion at the end of June 2010, up 8% from the end of 2009. While the acquisition of ING Bank (Switzerland) Ltd ('ING Bank') added CHF 14 billion, the overall growth was held back by the net impact of the declining value of the euro and weak equity market returns.

Net new money inflows amounting to CHF 3.3 billion showed a positive trend compared to the second half of 2009. Continued solid contribution from growth markets were partly offset by outflows due to certain changes in the regulatory environment.

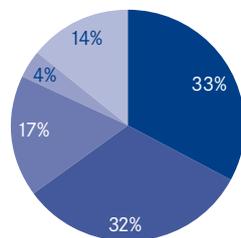
Breakdown of assets under management by asset mix as of 30 June 2010



The acquisition of ING Bank, announced in October 2009, was concluded in January 2010. The technical migration, as the final step, was completed ahead of schedule in May 2010. This merger significantly strengthens Julius Baer's business activities in the French-speaking part of Switzerland and in Monaco.

Primarily as a consequence of the successful integration of ING Bank, the total number of employees increased by 15% to 3 534 compared to year-end 2009. Mostly for the same reason, the number of relationship managers increased from 667 at the end of 2009 to 732 by mid-year. In addition, the constant monitoring of relationship managers' performance led to some replacements, aimed at an overall improvement of service quality for clients while at the same time improving the revenue potential. As one important element of the Group's growth strategy, Julius Baer plans to steadily increase the net number of highly qualified relationship managers.

Breakdown of assets under management by currency as of 30 June 2010



- EUR
- USD
- CHF
- GBP
- Other

In the first six months of 2010, however, the main focus was on integrating the new colleagues from ING Bank.

Thanks to the Group's all-encompassing risk management approach, the recent regulatory and market developments were effectively mitigated. Possible implications from deteriorating ratings as a result of the sovereign debt crisis were dealt with early and decisively. The changing regulatory environment continued to be monitored closely, and the Group's compliance framework was adapted accordingly in close cooperation also with external consultants.

Switzerland

In the home market of Switzerland, Julius Baer has been focusing on strengthening its positioning as the premier bank for private clients. As part of this growth initiative launched late last year, dedicated management, product development and marketing layers will be introduced to capture the growth potential of this important market. Unique building blocks such as Julius Baer's broad market presence and century-long private banking heritage in Switzerland will be leveraged to comprehensively address the requirements of Swiss-domiciled clients.

Several marketing initiatives have been launched to underscore the Bank's capabilities in the areas of mortgages, wealth advisory and portfolio management. Additionally, in order to fill in one of the remaining blank spots in the small yet geographically and culturally diverse Swiss market, the network of branches was further extended through the opening of a new office in Kreuzlingen in mid-June 2010.

Meanwhile, another milestone was reached in April 2010 when Julius Baer's Basle office celebrated its tenth anniversary – a success story that underscores the solid and sustainable growth of the Bank in Switzerland.

Julius Baer's business with external asset managers (EAM) continued its successful track record, offering the full range of Julius Baer's investment and advisory services to independent asset managers from its dedicated desks primarily in Switzerland and its service unit in Singapore. To further capture the rapidly growing Asian EAM business, this promising region is now covered by a dedicated team based in Hong Kong. Ongoing investments into this segment ensure excellent service during all stages of an independent asset manager's business development. This also includes advising on and helping with succession planning issues. With its long-standing strong position in the market, Julius Baer has access to both buyers and sellers and a network of internal and external professionals who can help in the process.

Europe

Given their importance for Julius Baer, a particularly strong focus has been on the developments in the Group's European operations. With the regulatory regimes changing in many European countries, the Bank has been closely analysing the scope of its offering either out of Switzerland or locally for various target markets with a particular focus on Germany, Italy and the UK. The individual upgrades are in the process of being implemented. In Italy, Alpha SIM, acquired in the second half of 2009, was successfully merged with Julius Baer's existing operations in Milan.

In order to update relationship managers on the requirements of the changed regulatory environment, customised and mostly mandatory training programmes were organised by the Julius Baer Academy involving internal functions such as legal and risk as well as external consultants.

In order to strengthen the Bank's successful operations in Germany, the Management Board of Bank Julius Baer Europe added the new position of





Head of Private Banking in Germany and filled this post with an executive of many years' experience in the German private banking sector. With effect from 1 January 2011, he will help to further develop the Group's presence in Germany, currently comprising the locations of Hamburg, Duesseldorf, Frankfurt, Stuttgart and Munich.

With the Russian and Central & Eastern European markets (R&CEE) continuously gaining in importance for the Group, the region's individual countries have been prioritised and allocated tailored strategies. The integration of ING Bank resulted in a broadened presence particularly in Central Europe. In addition to the dedicated desks representing the region in the Group's major European locations, another R&CEE desk has been established in Singapore.

Asia

Julius Baer's Asian operations have come a long way in just five years. The initial team of 24 employees located in Singapore has grown into a powerful organisation numbering over 320, complemented by more than 100 colleagues in Hong Kong and a team in Jakarta. The reputation and brand awareness of Julius Baer in Asia have blossomed during this time as well, as evidenced by the Bank's ranking as Best Private Bank by *FinanceAsia* magazine for two years in a row.

As announced earlier in 2010, Julius Baer is now well on track to solidify its presence in Asia even further by upgrading the Hong Kong location to a branch in the second half of 2010. Additionally, Julius Baer plans to apply for a representative office licence in Shanghai – a move which will add an additional dimension to the existing China business, bringing the Bank closer to clients and a potentially huge market.



In order to also make Asia more accessible to international investors, Bank Julius Baer hosted the first full-day Asia Investment Conference in Zurich at the end of June 2010. Attracted by the conference's motto, some 350 investors were presented Flavours of Asia, offered first-hand by a broad panel of distinguished external speakers and complemented by the intimate insights of the Bank's Asian-based and international research and investment experts. Given the very positive feedback, Julius Baer is well on track to establish the Bank as the primary gateway to Asia for interested international private clients (cf. page 13).

Americas

The Group's business activities in the promising Latin American markets, served out of the Bank's locations in Argentina, Chile, Peru, Uruguay and Venezuela, showed good progress in the first half of 2010, resulting in a gratifying inflow of net new assets.

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

With the structure and processes of the Investment Solutions Group (ISG) now firmly in place, this globally active investment competence centre of the Group has leveraged the positive momentum it gained in 2009. Under the leadership of Yves Robert-Charrue, who assumed his function as Head of ISG as of January 2010, ISG has continued serving its external and internal clients as the trusted provider of open product platform solutions.

Research

Expertise in the area of Research has been extended by a number of new hires as well as by the scope of coverage. A wide array of periodic in-house roadshows, client events, and high-profile appearances globally in the media highlight the increased reliance on and demand for the know-how and expertise of Julius Baer's research specialists.

“Julius Baer was able to provide its clients globally with much-appreciated market and wealth management advice.”

The year 2010 is expected to be one of transition for financial markets, characterised by a lack of clear and persistent trends. In the ever-changing market environment, the ongoing active exchange between clients and investment specialists on the topics of financial markets, risks and investment opportunities has become increasingly important. Clients thus benefited from a regular flow of investment advice, combining the market views of the Bank's investment experts with the best solutions from the product specialists. Appreciation for this service was reflected in the significant increase in assets managed in the Investment Advisory Mandate category in the first half of 2010.

Managed accounts and solutions

In the Portfolio Management area, following the competitive performance achieved in 2009, the first half of 2010 saw strong inflows into discretionary mandates as a result of a professionalised acquisition process by the dedicated specialists. As an extension to the existing offering, a specific Germany-focused mandate type was launched, underpinning the significance of Germany as the Group's most important European private banking market outside its home market of Switzerland.

As another extension of the product spectrum, starting in July 2010, Julius Baer's clients can benefit from Asymmetric Return solutions – a dynamic investment approach backed by an active risk management framework. A team specialising in such solutions was hired in early 2010, and the newly launched transparent and liquid portfolios, available in the form of discretionary mandates or as investment funds, aim to meet clients' increased preference for simplicity.

Wealth & Tax Planning

With the legal environment in the first half of 2010 having been as challenging as ever, the demand for sophisticated tax- and estate-planning advice and solutions provided by Julius Baer's Wealth & Tax Planning unit was consistently high. To enhance its already extensive in-house know-how, the unit added dedicated specialists for specific markets and continued to build up a unique global partner network in the area of wealth, tax and estate planning.

ISG Asia

Crucial for the strategic build-up of Asia as Julius Baer's second home market is the ongoing development of the local ISG capabilities there. During the first half of 2010, the portfolio management team in Asia continued its impressive growth and performance. On the back of this strong momentum, a number of new equity and fixed-income-focused strategies were successfully launched. The focus on developing locally-sourced Asian themes and products has been highlighted by a number of senior hires in the Research and Investment Advisory teams. So far this year, ISG Asia has successfully launched market-specific products for Indonesia and pan-Asia Pacific, and is in the final stages for products for China and India.

In order to develop a stronger coverage base, the current Asian research platform was extended in two of the most important areas, Asian-fixed income and Greater China equities, with the hiring of two experienced experts. ISG Asia will now double the number of stocks and bonds covered in each of these markets. Additionally, numerous new publications were added to the platform, e.g. the *Investment Advisory Monthly Book (Asia)*, *Asian Quarterly Fund Booklet*, *Asian Fixed Income New Issue Monitor*, *Asian Daily Wire*, etc.

As part of the initiative to expand the Asian theme to the global level (labelled Portable Asia), benefiting international investors around the globe, two Actively Managed Certificates were launched and a senior Asian investment specialist was hired in Zurich. Additionally, the Bank successfully held its first major Asian Investment Conference in Zurich in late June 2010.

Markets & Custody

The Markets unit, which focuses on trade execution, product structuring as well as foreign exchange and securities trading services, greatly benefited from the extraordinary volatility in all major currencies and many cross rates. The significantly higher volumes from client-driven trading primarily in foreign exchange contributed to pleasing trading results in the first half of 2010.

The volumes in structured products have been gradually increasing across all product categories, while interest in equity-linked products in particular revived during the first quarter of 2010, mirroring the generally rising risk appetite of clients. The product offering has been significantly enhanced through tailor-made solutions for high-end private clients. Julius Baer confirmed its position in the league of the top-five issuers by market share on Scoach, Europe's largest trading platform for structured products. Over-the-counter trading in unlisted traditional funds saw steadily rising demand, primarily from institutional clients, resulting in an unparalleled market position in Switzerland. The Singapore trading platform, rolled out in 2009, has been further strengthened both

from a personnel and an infrastructure perspective. Transaction and trading volumes increased across the board there.

“We aim at positioning our Group and its offering at the leading edge of global wealth management.”

Further emphasised by the financial crisis, precious metals have become an increasingly important investment alternative. In order to satisfy clients' needs in this respect, Julius Baer has hired an experienced team specialised in physical metals trading. Bundling all precious metal operations under one roof gives Julius Baer the distinct advantage of offering better and faster pricing to clients – in addition to full independence from third-party providers.

The Global Custody business continued to grow steadily in the first six months of 2010. As a leading provider of these services in Switzerland, Julius Baer was entrusted with CHF 89 billion of assets under custody at the end of June 2010. This represents an increase of 2% compared to CHF 87 billion at the end of 2009, mainly driven by net new custody money of well over CHF 1 billion. With its extensive range of services, including customised solutions for the settlement of stock exchange transactions worldwide as well as securities administration, tailored reporting and safekeeping, Julius Baer Custodian Service is well positioned for further growth.

Excellence and community engagement

Recognised for its performance and quality of service, Julius Baer has made it to the top echelons in the Private Banking and Wealth Management Survey 2010 conducted by *Euromoney*. It also won the first prize in the Swiss Derivative Awards in the category Leveraged Products and was ranked as the Top Private Banking Brand by *The Banker* magazine.

Separately, Julius Baer again ranked first among financial services companies included in the SMI Blue Chip Index in a study by independent consultant zCapital that assessed the scope and quality of corporate governance in Switzerland for the second year in a row. Moreover, the Group received top rankings in its segment in a survey by *Institutional Investor* magazine for its outstanding Investor Relations unit and programme.

In the world of culture, Bank Julius Baer entered a partnership with the Verbier Festival in the French-speaking part of Switzerland. By participating in this prestigious festival, which traditionally takes place around the end of July and the beginning of August each year, Julius Baer supports a renowned institution that features the world's best artists of classical music.

In the field of sports, Julius Baer acted as the sponsor of the Polo World Cup on Snow in St. Moritz and of the Cortina Winter Polo Audi Gold Cup on Lake Misurina in Italy. In Switzerland, Julius Baer sponsored the Swiss Polo Championship for the first time as well as the first-ever polo tournament in Ticino.



Julius Baer's open product platform – a vital differentiating factor

Modern private banking is synonymous with individual service and comprehensive advice. Yet for tailored solutions to be truly effective, only the best building blocks are good enough. That is why Julius Baer has fully committed itself to a truly open product platform across its entire product and service offering.

But scope as such is no guarantee for quality. Dedicated teams of the Investment Solutions Group (ISG), Julius Baer's globally active investment competence centre, evaluate suitable providers and their offering against strict due diligence criteria. The result is a network of close to 60 external investment managers looking after more than 300 Julius Baer-approved investment fund solutions. In addition to constant quality assurance of providers and products, independence is ensured by tracking the investment volume placed with each external partner.

To answer the ultimate question – What is best for the client? – ISG's service offering on behalf of the Group's relationship managers and their clients reaches far beyond the open product platform. It encompasses disciplines such as wealth and tax planning, investment research, portfolio management and fiduciary services. Therefore, the term 'open' does not only describe Julius Baer's attitude towards the independent selection of products and services but is an essential quality of the Group's overall investment advisory attitude for the benefit of its clients.

Julius Baer the Company

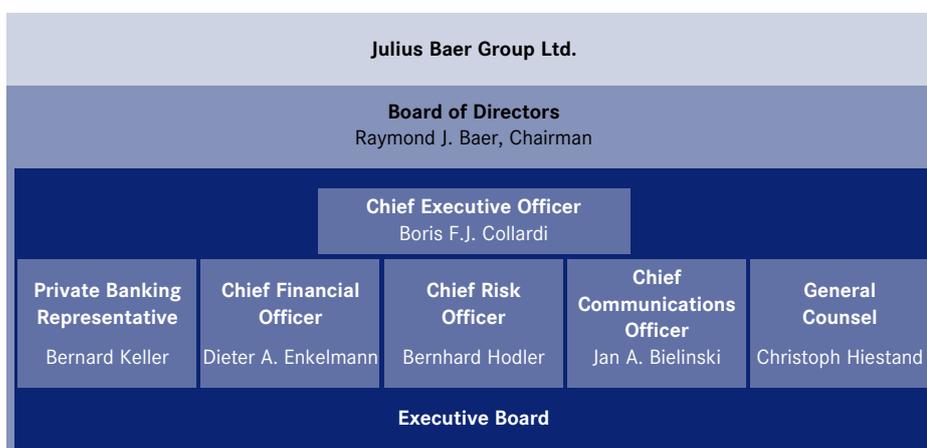
Julius Baer Group Ltd. is the leading Swiss private banking group, with the renowned Bank Julius Baer & Co. Ltd. as its principal operating company. The Julius Baer Group combines a comprehensive service offering, a broad international presence and a treasured Swiss heritage into a unique private banking experience for discerning clients from around the globe. Our complete independence in each and every aspect of our business – from our focused business model and sound financial foundation to our dedicated investment management, open product and service platform, and proprietary research – makes us a trusted partner of choice.

Private banking has been our core business and our passion for the past 120 years. This single-mindedness is evident in every detail. Our relationships with private clients, family offices and independent asset managers are built on partnership, continuity and mutual trust. Comprehensive advice and experienced relationship managers

“Julius Baer – big enough to matter, small enough to care.”

form the basis for individually tailored solutions. To ensure that contact with our clients is based on optimal linguistic and cultural localisation, the client-facing organisation follows geographic markets.

“Know your client” is not just a slogan for us, but an imperative driving us each day to meet and exceed the expectations of our discerning clientele, for generations of clients. Hence, our relationship managers endeavour to understand their clients’ financial needs as well as their private and cultural considerations. There is no substitute for being in close contact with clients. With some 40 locations in over 20 countries, and six booking centres as diverse as Switzerland, Germany, Guernsey, Monaco, Singapore and the Bahamas, we are a truly international private bank.



The organisational structure of the Julius Baer Group fulfils all the demands of modern corporate governance as well as the requirements of efficient management. The Group's key functions – risk, legal & compliance, finance & accounting, communications and investor relations in addition to the core business of private banking – are directly represented in the Executive Board. This six-member body, headed by the Chief Executive Officer, has broad and profound management experience in the international financial services industry.

As an employer of choice, we can draw on a vast pool of dedicated experts in all areas of contemporary wealth management. Our more than 3 500 employees, including over 700 relationship managers, are available around the clock to serve our clientele. They manage and monitor the assets placed in our care, analyse the financial markets and world events, identify trends, and devise innovative investment strategies and solutions based on these insights.

Perfectly matching our independent investment stance, the Julius Baer Group's truly open product platform provides us with access to in-house as well as leading external specialists, allowing for an unrestricted choice of the best services and products available for the benefit of our clients.



Origins of Julius Baer

From the beginning of the company in the 19th century, its development has been driven by an entrepreneurial spirit, cultural openness and an intimate understanding of its clients' needs. This timeless business approach is reflected in the enduring motto of Julius Baer, the founder and namesake of the Group: "If contact between people is based on trust and absolute integrity, then it is of benefit for both sides."

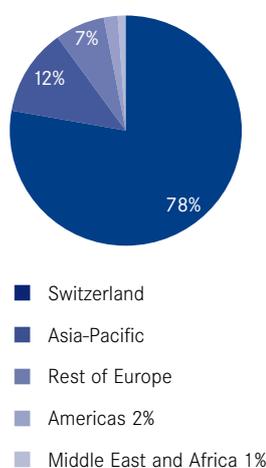
The Group emerged in its current form as a result of the former Julius Baer Holding Ltd. separating its private banking and asset management businesses at the end of September 2009. With the aim to unlock the full strategic potential of each business, the separation has further sharpened the focus on private banking as the core business of the Julius Baer Group to the point of outright exclusivity.

Well positioned and well regarded

The Julius Baer Group is also one of the leading publicly listed financial companies in Switzerland. As a financial holding company, it unites under its umbrella all the specialised companies essential to providing our international clientele with a full array of modern wealth management services. The largest of these companies and the main operating entity of the Group is Bank Julius Baer & Co. Ltd., headquartered in Zurich.

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 of 30 June 2010 was CHF 6.4 billion.

Julius Baer employees (FTE) by geography as of 30 June 2010



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. In addition, Moody's assigns an A1 issuer rating to Julius Baer Group Ltd.

Our employees

In the first half of 2010, the number of full-time employees of the Group increased from 3 078 to 3 534, primarily by welcoming our new colleagues from ING Bank as a result of the successful completion of the acquisition in mid-January 2010. Despite the opening of new locations and the strengthening of various functions in our home market of Switzerland, its share in the geographic distribution of staff continued to decline from 79% at the end of 2009 to below 78%. While the shares of the Americas (2%) and of the Middle East and Africa (1%) remained broadly unchanged, the relative importance of the Asia-Pacific region increased from 11% to well over 12% and that of the rest of Europe from 6% to 7%.

Parallel to the ongoing educational efforts, a dedicated Leadership Excellence and Performance (LEAP) programme was launched, addressing the Group's new strategy and its requirements for leadership capabilities from mid-level managers. The first batch of these two-day training sessions resulted in excellent feedback from participants and revealed a remarkable team spirit across the organisation. As part of Julius Baer's commitment as employer of choice, Swiss-based employees aged 40 and older are entitled to a voluntary free check-up in

one of the health centres of our external partner which is also the domestic provider of illness allowance insurance.

The Julius Baer Foundation

The international charitable projects supported by the Julius Baer Foundation since last year, primarily for the benefit of children, youths and young adults, continued to develop very satisfactorily in the first half of 2010. Construction of the boarding houses in Thailand was finished on time, and the labour integration project in Peru kicked off with a big event. The scholarship holders in Argentina started their classes, while in strife-ridden Kyrgyzstan the fight against hidden hunger continued uninterrupted (cf. box). In Switzerland, our support of midnight sports activities for young adults reached the country's southernmost canton, Ticino. In addition to last year's general donation, the Foundation helped finance the rebuilding of the Médecins Sans Frontières hospital in Haiti.

Also committed to strong engagement in cultural events, the Julius Baer Foundation became the new partner of the annual Swiss Photo Award, which makes contemporary photography available to the general public. The Foundation, in collaboration with the Federal Office of Culture, also presented the main prize at the second Swiss Exhibition Award. This year, the Kunsthaus (museum of modern art) in Glarus was honoured for its outstanding exhibition displaying Swiss contemporary art.



The Julius Baer Foundation helps fight hidden hunger in Kyrgyzstan

The lack of vitamins and micronutrients in the daily diet is one of the biggest nutrition challenges globally, particularly affecting rural areas of developing countries. Fighting this hidden hunger in Kyrgyzstan is a joint project of the Swiss Red Cross and local authorities, and is supported by the Julius Baer Foundation.

Despite the political turmoil, the project, focused on the province of Naryn, was launched as planned at the beginning of 2010. Production of the first batch of 4.4 million micronutrient powder sachets (locally called 'Gulazyk') was completed at the beginning of May. Following the training of some 700 health care workers, quite a few programme kick-off events were finally held in the regional and province centres on 15 June 2010, supported by groups of eager village health committee volunteers.

Origins and scope of the Julius Baer Foundation

The Julius Baer Foundation was established in 1965 by Walter J. Baer (1895–1970) on the occasion of the 75th anniversary of Bank Julius Baer. Over the years, both the scope of activities and the geographic reach have changed. Today, the topic of youth is the main guiding principle, inspiring projects in Switzerland and internationally across continents. Primarily funded by the Bank, the Foundation is an ideal instrument for Julius Baer's long-term community commitment.

Important dates

Interim Management Statement: 12 November 2010

Publication of 2010 annual results: 7 February 2011

Date of 2011 Ordinary Annual General Meeting: 7 April 2011

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This brief report is intended for informational purposes only and does not constitute an offer of products or an investment recommendation. We also caution readers that risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved.

The Half-year Report 2010 of Julius Baer Group Ltd. is available at www.juliusbaer.com.

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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 to Singapore.

