Julius Bär

# HY 2014 RESULTS AND REVIEW

Presentation for Investors, Analysts & Media
Zurich, 21 July 2014

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# STRONG FINANCIAL PERFORMANCE

## Driven by record high assets under management and strong net new money

**Strong inflows, improved profit, solidly capitalised**

- AuM increased to CHF 274bn, a new all time high (+CHF 20 bn)
- Helped by first-time consolidation of GPS in Brazil (CHF 6bn)…
- … and net new money CHF 7.5bn (6%), as much as in all of 2013
- Adjusted net profit improved by 10% to CHF 288 million
- Strong capital position - BIS total capital ratio of 23.9%

**IWM[1] productivity close to 2015 target**

- IWM gross margin 84bps - almost at 2015 target of 85bps
- IWM FAs already substantially contributing to net new money

**IWM integration entered final stage - rightsizing on track**

- July: AuM includes CHF 56bn from IWM (at current market values) o/w CHF 50bn booked on Julius Baer platforms
- Rightsizing: 263 net reductions implemented (2014 target: ~400)
- Group cost/income ratio[2] 70.8% - almost at 2015 target of 65-70%

**Well positioned for further growth**

- Julius Baer very attractive platform for top PB professionals
- Acquiring Bank Leumi's PB business in Switzerland and Luxembourg – and entering into strategic cooperation agreement

[1] Merrill Lynch's International Wealth Management business outside the US "IWM"
[2] Based on adjusted costs (excluding amortisation of intangible assets, integration and restructuring costs) and excluding valuation allowances, provisions and losses

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# SCOPE OF PRESENTATION OF FINANCIALS

**Financial results are presented as usual on the adjusted basis**

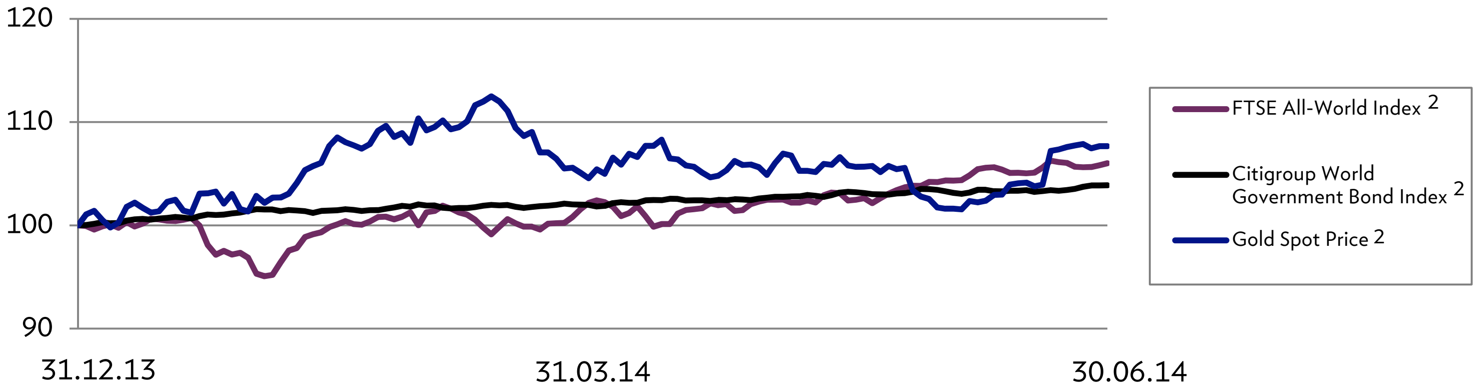
- *Excluding* integration and restructuring expenses and amortisation of intangible assets related to previous acquisitions or divestitures as well as, in 2013, a provision in relation to the withholding tax treaty between Switzerland and the UK (CHF 29m before tax, CHF 22m after tax)
- Reconciliation from the IFRS results to the adjusted results is outlined on slide 14
- Please refer to the 2014 Half-year Report[1] for the full IFRS results

[1] Available from www.juliusbaer.com

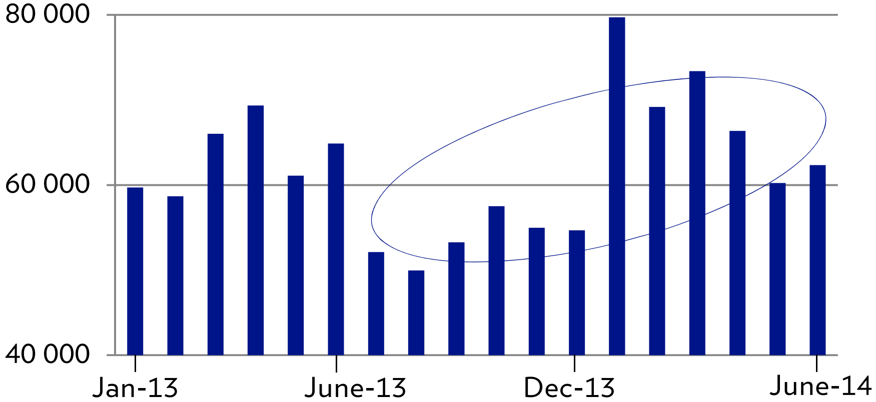
# POSITIVE PERFORMANCE IN MOST ASSET CLASSES

## Equity volumes improved from H2 2013 – FX volatility declining since June 2013

**Comparison of development of World Stock Index, World Bond Index and Gold Price, Indexed[1]**




**SIX Swiss Exchange Monthly Trading Volumes (CHFm)[3], 2013 – June 2014**



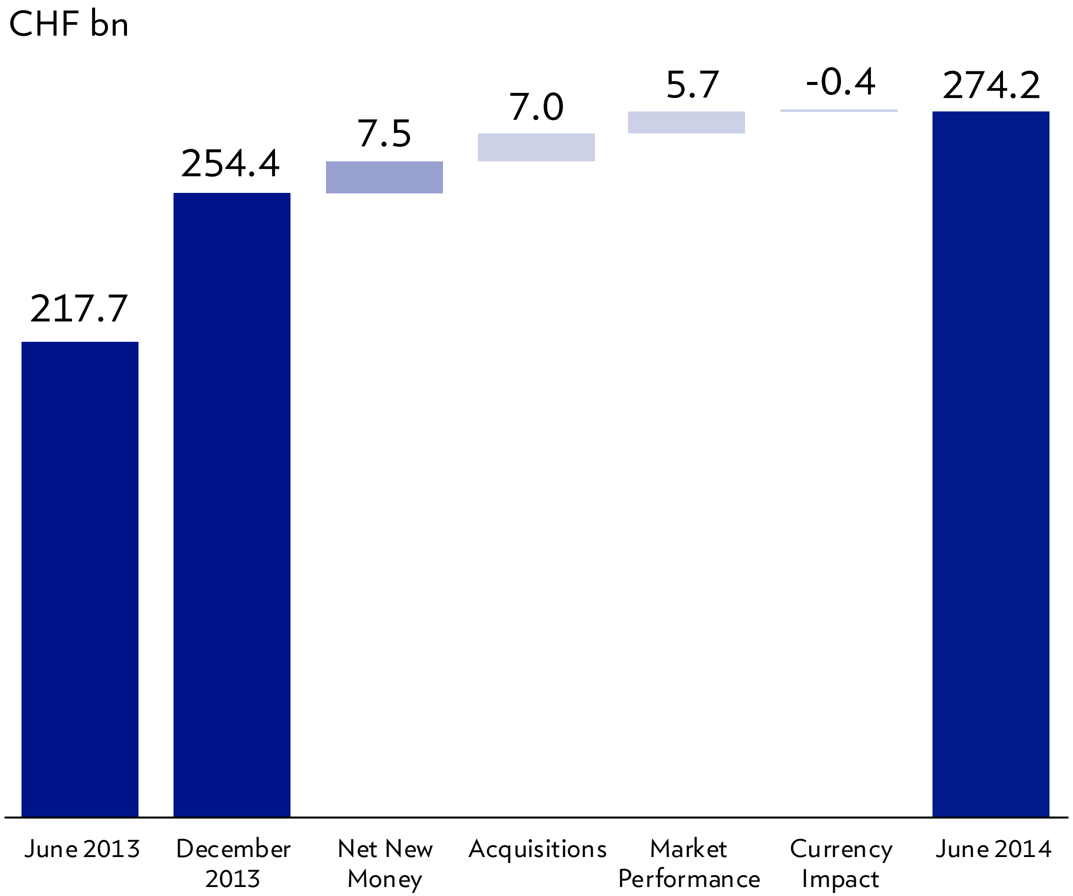

**Currency Volatility[2] 2013 – June 2014**


[1] Starting point is 100 [2] Deutsche Bank Currency Volatility Index - source: Bloomberg [3] Domestic shares - source: SIX Swiss Exchange

# AUM GROWTH OF CHF 20bn (+8%) TO CHF 274bn

## Up CHF 57bn (+26%) year-on-year

### Development of Assets under Management




- AuM CHF 274bn, +8% vs. year-end 2013
  - Net new money CHF +7.5bn
  - Acquisitions CHF +7.0bn
  - Market performance CHF +5.7bn
  - Currency impact CHF -0.4bn
- Included CHF 56bn[1] - at current market values - from IWM
- *Average* AuM[2] H1 2014 of CHF 261bn, up +24% from CHF 212bn in H1 2013
- Assets under custody CHF 98bn, up CHF 5bn compared to year-end 2013
- Total client assets CHF 372bn, up 7% from year-end 2013

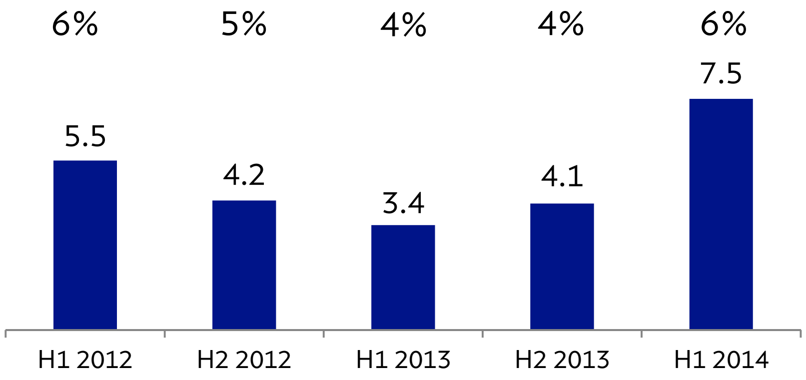
[1] AuM reported at market values at 30 June 2014, of which CHF 48 billion booked on the Julius Baer platforms. Based on value at applicable transfer dates: CHF 54bn reported of which CHF 45bn booked (and paid for)
[2] Calculated on the basis of monthly AuM levels

# NET NEW MONEY 6% – AT HIGH END OF TARGET RANGE

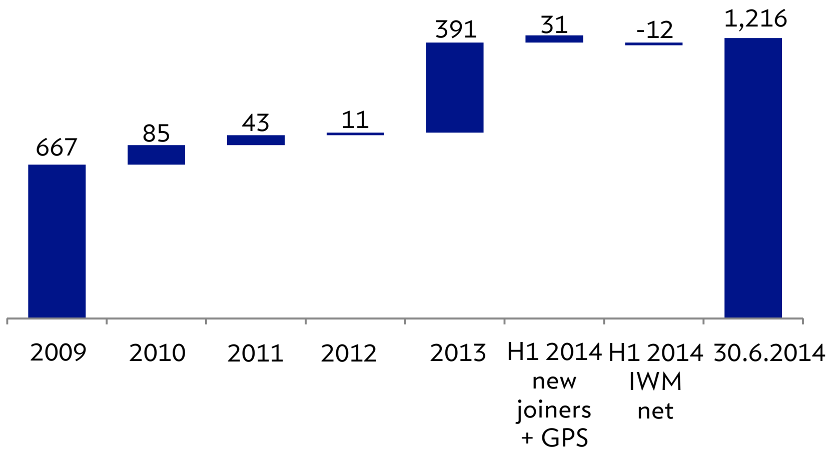
## Despite tax-regulatory driven impact on European cross-border flows

### Net New Money

in CHF bn and %[1]




### Number of Relationship Managers (RMs)

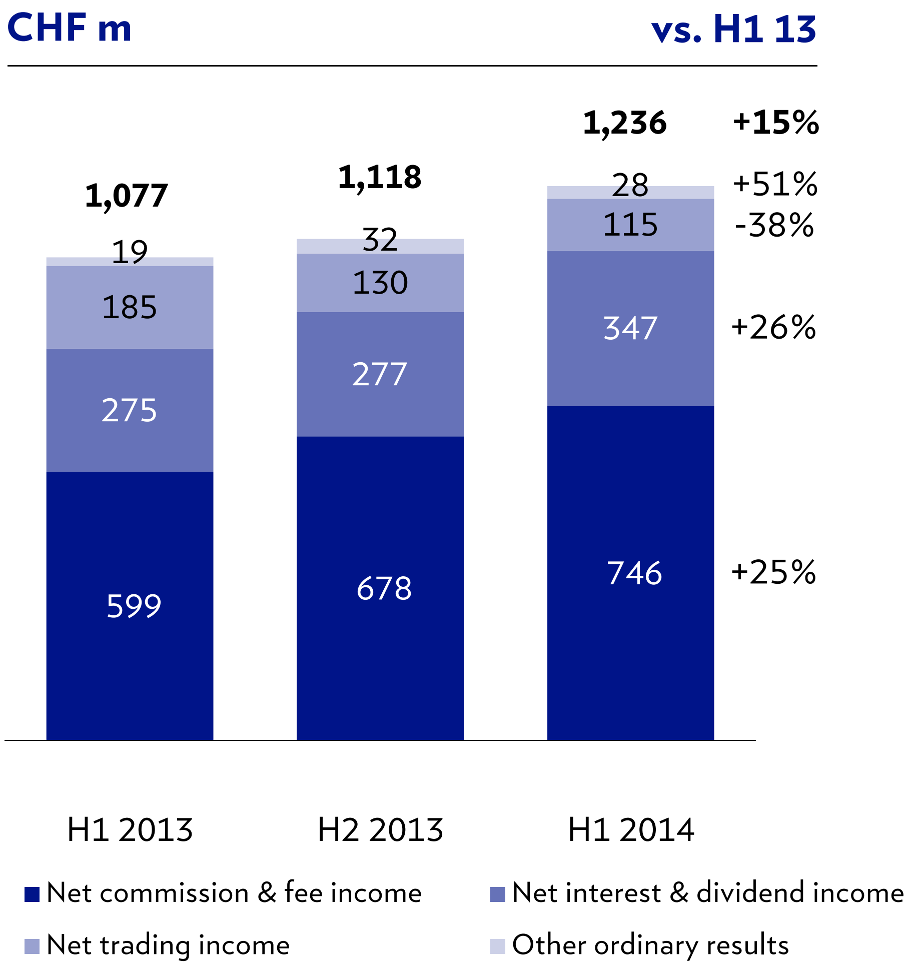



[1] Annualised NNM in % of AuM at the start of the year

- NNM of CHF 7.5bn or 6%[1], at top of 4-6% target range
- Continued inflows from all growth markets as well as domestic businesses in Germany and Switzerland
- Former IWM RMs contributed ~CHF 2bn
- Inflows in the cross-border European business were more than offset by continued tax regularisations of legacy assets
- In first half, RM base rose by net 19 to 1,216
  - +15 net new hires
  - +16 joiners from GPS (first-time consolidation)
  - Former IWM RMs -12 (net) to 353

# OPERATING INCOME +15% TO CHF 1,236m

## Increase in commissions/fees and NII partly offset by decline in trading income




Net commission/fee income +25% to CHF 746m

- In line with increase in average AuM

Net interest/dividend income +26% to CHF 347m

- Excluding dividend income on trading portfolios[1], underlying NII +18% to CHF 284m …
- … on back of an increase in credit income and modest growth in treasury income, partially offset by increased interest expenses on hybrid debt issued

Net trading income -38% to CHF 115m

- Crediting back dividend income on trading portfolios[1], underlying net trading income -18% to CHF 178m…
- … mainly on lower FX market volatility

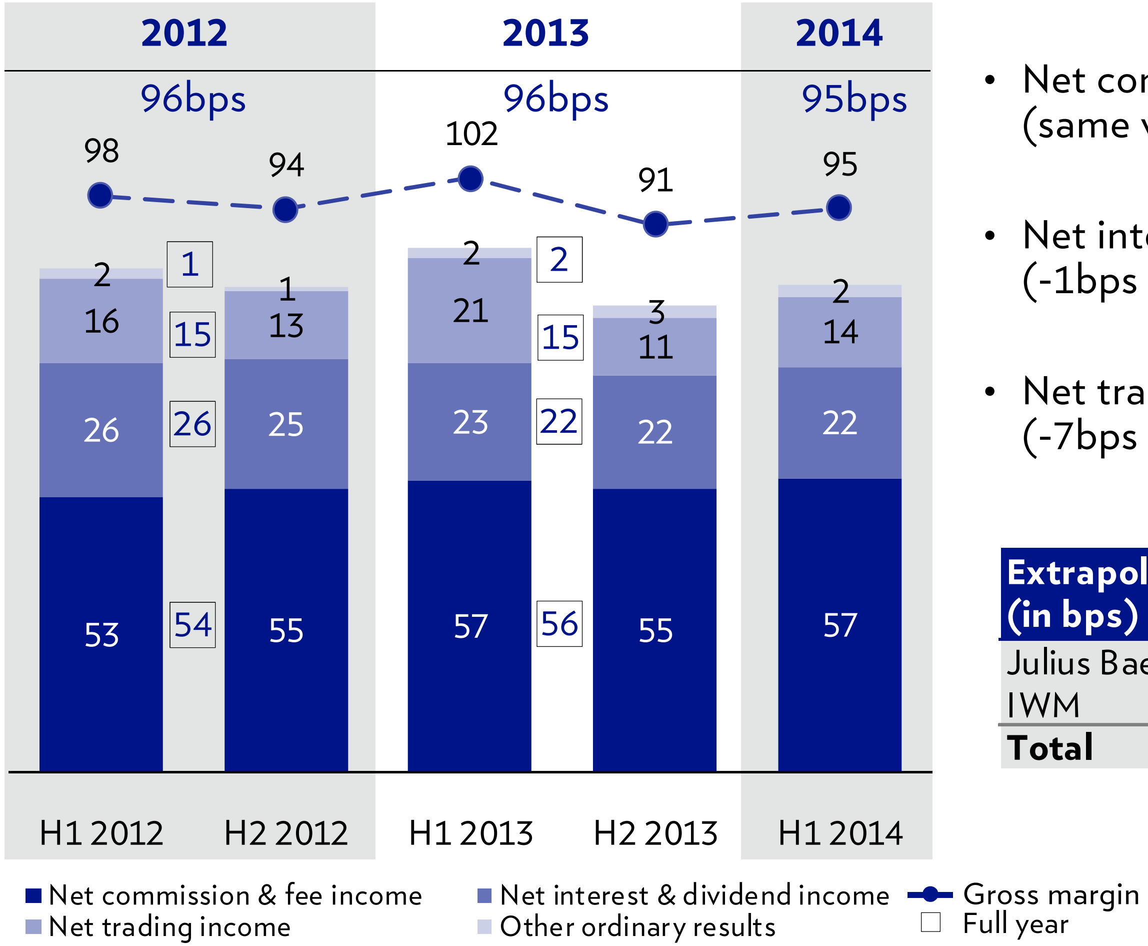
Other ordinary results +51% to CHF 28m

- Includes income from associates, brand licensing, rental income, gains on AFS disposals

[1] Dividend income on trading portfolios H1 2014: CHF 63m (H1 2013: CHF 33m, H2 2013: CHF 5m)

# GROSS MARGIN[1,2]

## IWM extrapolated gross margin close to 2015 target level




- Net commission/fee income 57bps (same vs. H1 2013; +2bps vs. H2 2013)
- Net interest income[2] 22bps (-1bps vs. H1 2013; same vs. H2 2013)
- Net trading income[2] 14bps (-7bps vs. H1 2013; +3bps vs. H2 2013)

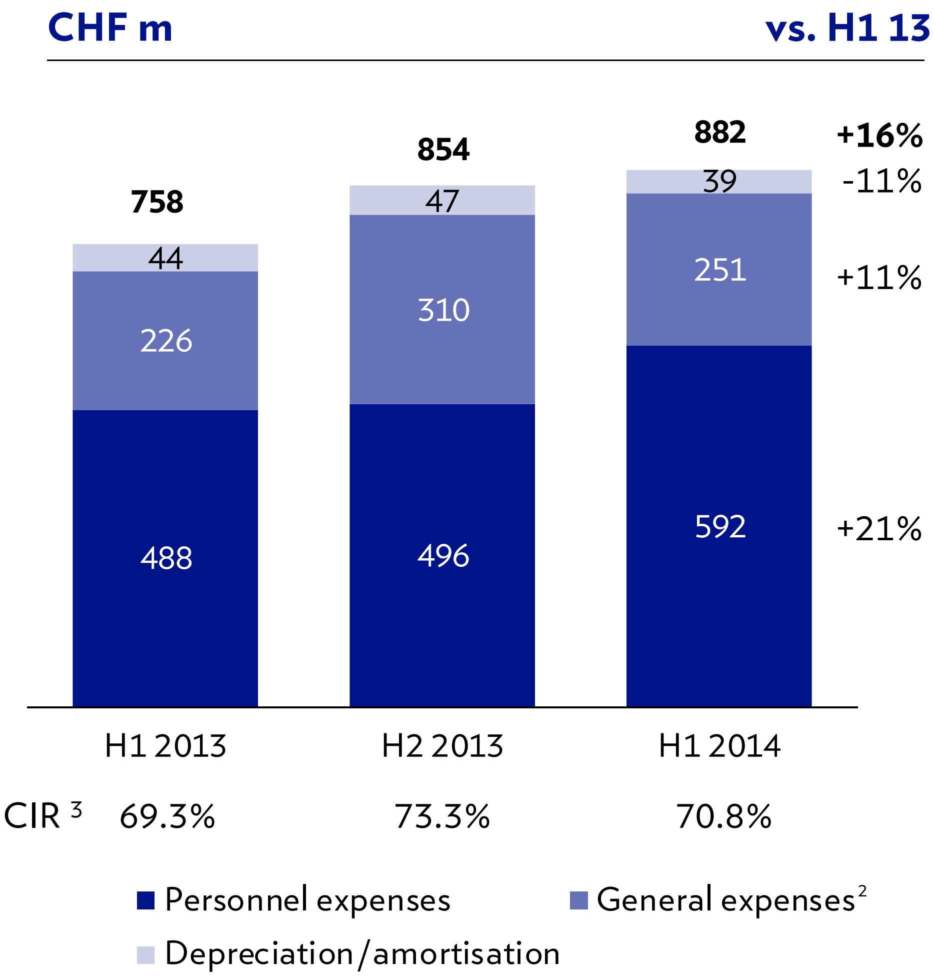
| **Extrapolated split (in bps)** | **H1 2013** | **H2 2013** | **H1 2014** |
|---|---|---|---|
| Julius Baer stand-alone | 102 | 96 | 97 |
| IWM | 94 | 70 | 84 |
| **Total** | **102** | **91** | **95** |

[1] Operating income divided by period monthly average AuM in basis points. Average AuM for H1 2014 was CHF 261bn, up 24% compared to H1 2013 and up 6% from CHF 246bn in H2 2013

[2] Net interest income adjusted to exclude dividends on trading portfolios; net trading income adjusted to include the same (H1 2012: CHF 90m, H2 2012: CHF 3m, H1 2013: CHF 33m, H2 2013: CHF 5m, H1 2014: CHF 63m)

# OPERATING EXPENSES[1] +16% TO CHF 882m

## Reflecting further transfer of IWM businesses in past 12 months




Personnel expenses +21% to CHF 592m

- Avg #FTEs +31% mainly on transfer of IWM business and acquisition of GPS

General expenses[2] +11% to CHF 251m

- Mainly due to IWM integration

Cost/income ratio[3] at 70.8%

- 4M 2014 (IMS): > 73.3%
- IAS 19 added (as expected) new element of intra-period expense volatility: valuation of pension fund at closing of period determines whether pension costs had been over- or underaccrued in preceding months

[1] Excluding amortisation of intangible assets, integration and restructuring costs, as well as provision for UK withholding tax treaty (2013)
[2] Including valuation allowances, provisions and losses
[3] Cost/income ratio not considering valuation allowances, provisions and losses

# ADJUSTED NET PROFIT H1 2014 UP 10% TO CHF 288m

## Increase of 32% vs. H2 2013

| CHF m | H1 2013 | H2 2013 | H1 2014 | Change H1 14/H1 13 | Change H1 14/H2 13 |
|---|---|---|---|---|---|
| **Operating income** | **1,077** | **1,118** | **1,236** | **+15%** | **+11%** |
| Net interest and dividend income | 275 | 277 | 347 | +26% | +25% |
| Net commission and fee income | 599 | 678 | 746 | +25% | +10% |
| Net trading income | 185 | 130 | 115 | -38% | -12% |
| Other ordinary results | 19 | 32 | 28 | +51% | -13% |
| **Operating expenses** | **758** | **854** | **882** | **+16%** | **+3%** |
| Personnel expenses | 488 | 496 | 592 | +21% | +19% |
| General expenses | 226 | 310 | 251 | +11% | -19% |
| Depreciation and amortisation | 44 | 47 | 39 | -11% | -17% |

| | | | | | |
|---|---|---|---|---|---|
| **Profit before taxes** | **319** | **264** | **354** | **+11%** | **+34%** |
| **Pre-tax margin (bps)** | **30.1** | **21.5** | **27.1** | **-3.0 bps** | **+5.6 bps** |
| Income taxes | 57 | 46 | 66 | +15% | +43% |
| **Adjusted net profit[1]** | **261** | **218** | **288** | **+10%** | **+32%** |
| **Adjusted EPS (in CHF)** | **1.23** | **1.02** | **1.32** | **+8%** | **+29%** |
| **Tax rate** | **18.0%** | **17.4%** | **18.7%** | **+0.7 pts** | **+1.3 pts** |

[1] Excluding amortisation of intangible assets, integration and restructuring costs as well as (in 2013) the provision for UK withholding tax treaty. Including these positions (see also slide 14), the net profit was CHF 179m in H1 2014, up 56% from CHF 114m in H1 2013 and up 143% from CHF 74m in H2 2013

# RECONCILIATION CONSOLIDATED FINANCIAL STATEMENT H1 2014[1] TO ADJUSTED NET PROFIT

| CHF m | H1 2013 | H2 2013 | H1 2014 | Change H1 14/H1 13 | Change H1 14/H2 13 |
|---|---|---|---|---|---|
| **Profit after tax per consolidated Financial Statements (IFRS)** | **114.3** | **73.5** | **178.9** | **+56%** | **+143%** |
| Amortisation of intangible assets related to the UBS transaction | 37.0 | 37.0 | 37.0 | - | - |
| Amortisation of intangible assets related to the ING transaction | 8.2 | 8.2 | 8.2 | - | - |
| Amortisation of intangible assets related to the IWM transaction | 2.9 | 7.7 | 12.6 | +334% | +64% |
| Integration and restructuring costs | 98.9 | 100.2 | 59.8 | -40% | -40% |
| Swiss and UK agreement on withholding tax | 28.0 | 0.6 | - | - | - |
| Tax impact | -27.9 | -8.7 | -9.0 | -68% | +3% |
| **Net impact** | **147.0** | **145.0** | **108.6** | **-26%** | **-25%** |
| **Adjusted net profit** | **261.4** | **218.5** | **287.6** | **+10%** | **+32%** |

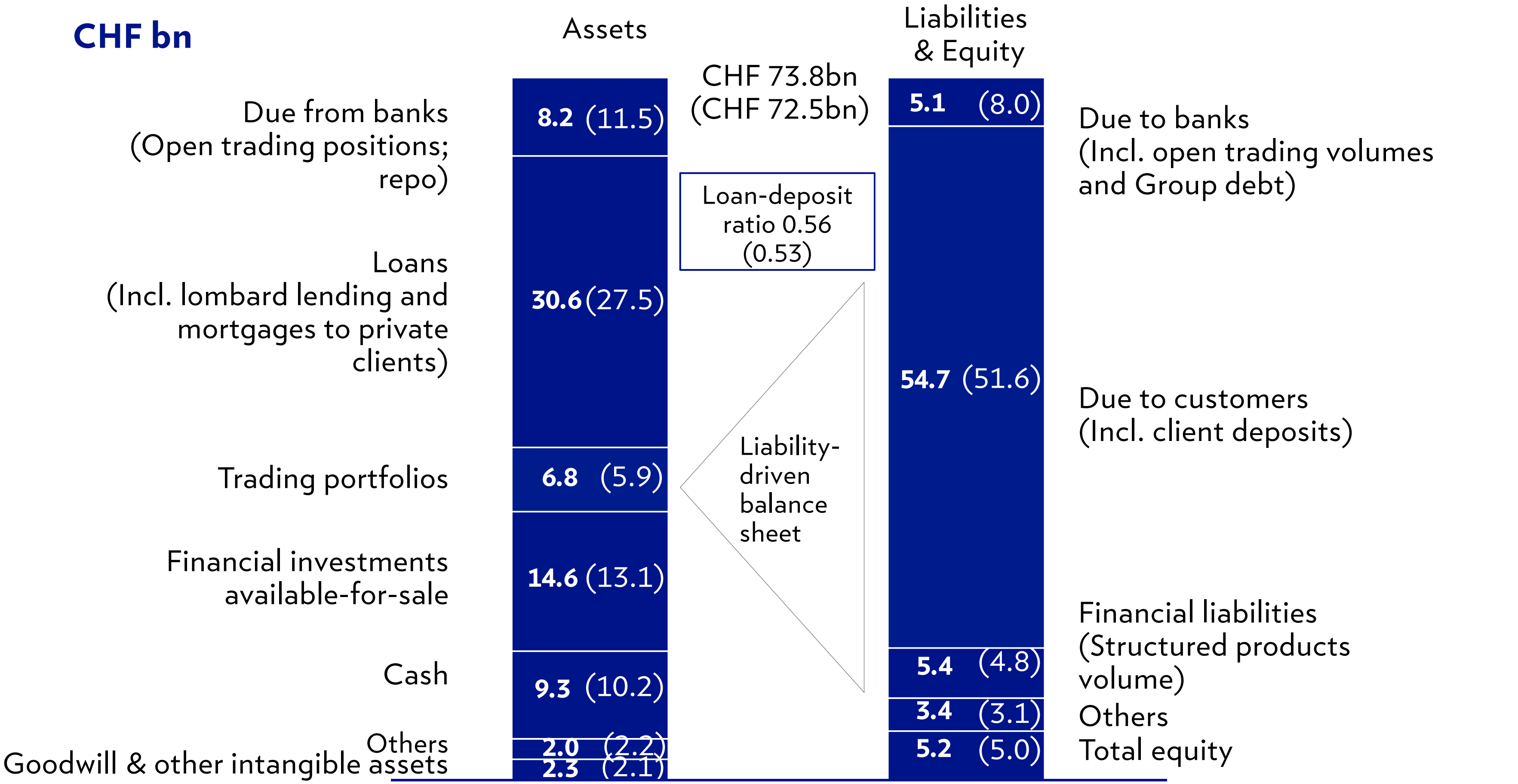
- Amortisation of intangibles: CHF 74.0m p.a. (until 2015) for the 2005 UBS transaction[2] and CHF 16.3m p.a. (until 2019) for the 2010 ING transaction
- Amortisation of intangibles related to IWM transaction was CHF 12.6m in H1 2014 and will further increase in 2014 as more IWM AuM are transferred and paid for

[1] Please see detailed financial statements in the Half-year Report 2014

[2] The UBS transaction-related amortisation of CHF 74.0m p.a. started in December 2005 and will end at end of November 2015. In 2015 this amortisation amount will therefore amount to CHF 67.8m

# SOLID BALANCE SHEET – LOW RISK PROFILE

## Loan-deposit ratio 0.56




Figures as at 30 June 2014, summarised and regrouped from Financial Statements. In brackets: figures as at 31 December 2013

- Deposits (+6%) grew less than AuM (+8%): reflects moderate shift from cash to investment funds
- Loans (+11%) grew more than AuM: partly reflects credit take-up by former IWM clients

# 23.9% BIS TOTAL CAPITAL RATIO

## Capital targets: total capital ratio > 15%; tier 1 capital ratio > 12%

| **BIS approach / CHF m** | **30.06.2013 *Basel III* [3]** | **31.12.2013 *Basel III* [3]** | **30.06.2014 *Basel III* [3]** | **30.06.2014 *Basel III fully applied*** |
|---|---|---|---|---|
| **Total risk-weighted positions** | **15,218** | **15,908** | **16,247** | **16,462** |
| CET1 capital [1] | 3,488 | 3,328 | 3,634 | 2,681 |
| Tier 1 capital [1] | 3,488 | 3,328 | 3,634 | 3,267 |
| *- of which tier 1 capital 'preferred securities'* [2] | *203* | *203* | *180* | *0* |
| *- of which tier 1 capital 'fully eligible Basel III instruments'* | *244* | *248* | *586* | *586* |
| Eligible total capital [1] | 3,724 | 3,561 | 3,876 | 3,339 |
| *- of which lower tier 2 instruments* [2] | *221* | *218* | *193* | *0* |
| **CET1 capital ratio [1]** | **22.9%** | **20.9%** | **22.4%** | **16.3%** |
| **Tier 1 capital ratio [1]** | **22.9%** | **20.9%** | **22.4%** | **19.8%** |
| **Total capital ratio [1]** | **24.5%** | **22.4%** | **23.9%** | **20.3%** |
| | | | | |
| Loan-deposit ratio | 0.50 | 0.53 | 0.56 | 0.56 |
| Liquidity coverage ratio (LCR) | 106.6% | 110.5% | 112.5% | 112.5% |
| Net stable funding ratio (NSFR) | 114.5% | 121.3% | 120.2% | 118.3% |
| Leverage ratio (FINMA definition) [4] | 5.1% | 4.7% | 5.0% | 4.6% |

- May 2014: Placement of CHF 350m additional tier 1 capital in form of subordinated, unsecured debt (to balance the diminishing Basel III capital recognition of the outstanding 'old style' capital instruments)
- Isolated expected further impact of IWM transaction (ignoring the positive impact of expected accelerating profit contribution) on total capital and tier 1 ratios: ~1.5 percentage points

[1] After dividend
[2] Old style capital instruments, which do not qualify under Basel III. Phase out period is 10 years, straight-line, starting 2013
[3] In Switzerland the Basel III framework came into effect on 1 January 2013. The Basel III effects but also the effects of IAS 19-revised relating to pension liabilities will be phased in between 2014 and 2018 for the calculation of the eligible capital. Furthermore, non-compatible Basel III tier 1 and tier 2 capital instruments will be phased out between 2013 and 2022
[4] Based on Basel III framework (tier 1 capital divided by the total of: on-balance sheet exposures net of provisions, minus derivatives and reverse repo exposures, plus securities financing transaction exposures netted, plus derivative exposures netted, plus off-balance sheet items)

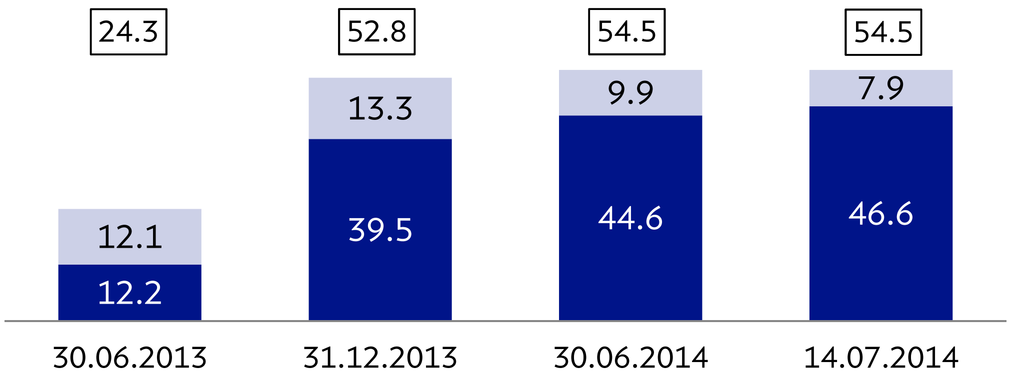
# CONTENT

# DEVELOPMENT OF IWM INTEGRATION: AUM

## After remaining transfers expected to reach at least CHF 57bn AuM acquired

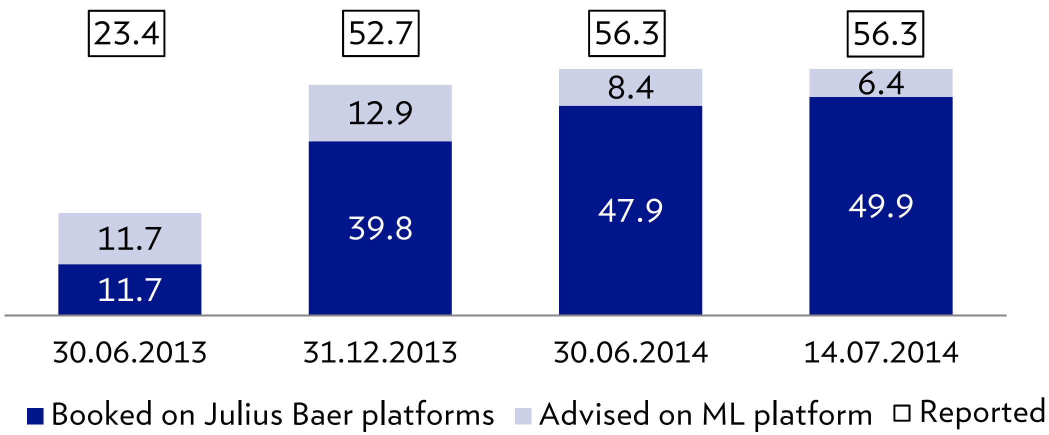
### IWM AuM based on value at applicable transfer dates*

CHF bn




### IWM AuM at current values**

CHF bn




**Applicable local closings of the transaction in 2013:**

- Feb: Merrill Lynch Bank Switzerland
- April: Uruguay[1], Chile[1], Luxembourg[1], Monaco[1]
- May: Hong Kong[2], Singapore[2]
- July: UK[1, 2], Spain[1], Israel[2]
- Nov: Panama[2]
- Dec: Bahrain[2], Lebanon[1], UAE[2]

**in 2014:**

- Apr: Ireland[2],
- May: Netherlands[2]

**Expected in H2 2014:**

- France[1]

**Expected in early 2015:**

- India[1]

[1] Legal entity acquisition
[2] Business transfer

* Acquisition payments to BAML are based on value of booked assets at applicable transfer dates
** Including appreciation since applicable transfer dates

# DEVELOPMENT OF IWM INTEGRATION: KPIs

## On track to reach 2015 targets

| | Actuals 14.07.2014 | | Target[1] 2013 | Target[1] 2014 | Target[1] 2015 |
|---|---|---|---|---|---|
| | At current value | At applicable transfer date | | | |
| AuM reported | CHF 56.3bn | CHF 54.5bn | 80% ✓ | 100% | 100% |
| AuM booked on Julius Baer platform | CHF 49.9bn | CHF 46.6bn | 70% ✓ | 100% | 100% |
| AuM paid for | - | CHF 46.6bn | | | |
| Financial Advisers joined (net) | H1 2014: 353 | | - | - | - |
| Net new money | H1 2014: >10% | | limited | limited | 4 – 6% |
| Gross margin (extrapolated) | H1 2014: 84bps | | - | - | ~85bps |
| Cost/income ratio (estimate) [2, 3] | H1 2014: < 90% | | improving towards targeted ~70% in 2015 | | |
| Pre-tax margin (estimate) [2, 3] | H1 2014: ~ 10bps | | improving towards targeted ~25bps in 2015 | | |

- Gross margin close to targeted ~85bps (2015 target)
- At 85bps gross margin, cost/income ratio[2,3] on target to improve to 70% (see also slide 20)
- > Pre-tax margin[2,3] targeted to reach ~25bps in 2015
- The previous estimate of ~CHF 455m for the total transaction, restructuring and integration cost has been revised down to ~CHF 435m

1 As announced in 2012
2 On basis of adjusted profit (i.e. excluding integration and restructuring expenses and amortisation of intangible assets related to acquisitions or divestments); for cost/income ratio further excluding valuation allowances, provisions and losses
3 Due to the rapid integration into Julius Baer, 'stand-alone' costs and profitability are not fully separable and thus not precisely measurable anymore; all references to IWM profit contribution and cost/income ratio are therefore approximations

# IWM-DRIVEN EFFICIENCY GAINS[1] MATERIALISING

## Rightsizing and restructuring well on track

**2014: Rightsizing**

- Gross reduction target: 550-650 FTEs
- Net reduction target: ~400 FTEs (weighted towards H2 2014)
- At 30 June 2014, in relation to IWM integration:
  - 260 FTEs have left payroll
  - Further 103 redundancies communicated (impacting payroll in next few months)
  - 100 employees still transferred from IWM to Julius Baer in H1 2014
  - = Reductions implemented in H1 2014: 363 FTEs gross or 263 FTEs net
- ➢ Rightsizing process well on track

**2014 CIR <90%**

- As gross margin exceeds original 2014 expectations, the extrapolated CIR[1,2] in H1 2014 is already below the 90% initially expected for FY 2014

**2015 CIR ~70%**

- Continued focus on efficiency opportunities
- Implied IWM CIR[1,2] targeted to fall to ~70% (at gross margin of ~85bps)

**Beyond 2015**

- Scope for further productivity and efficiency improvements

[1] Due to the rapid integration into Julius Baer, 'stand-alone' costs and profitability are not fully separable and thus not precisely measurable anymore; all references to IWM profit contribution and cost/income ratio are therefore approximations

[2] On basis of adjusted expenses, (i.e. excluding integration and restructuring expenses and amortisation of intangible assets related to acquisitions or divestments), and excluding valuation allowances, provisions and losses

# COOPERATION WITH BANK LEUMI

## One of Israel's largest banking groups

**Bank Leumi exiting Swiss- and Luxembourg-based private banking businesses, transferring their private banking clients to Julius Baer**

- Business transfer in Switzerland[1] - currently CHF 5.9bn AuM and 32RMs
  - Anticipated to be EPS neutral in 2015 and low single-digit percentage accretive in 2016, based on assumed transfer rate of 75%
  - Capital impact expected to be CHF 60 - 70m (incl. goodwill payable, required capital, and transaction, integration and restructuring costs)
  - Majority of clients to be transferred by end 2014 / early 2015

- Intention to acquire subsidiary in Luxembourg[2] - currently CHF 1.3bn AuM and 8 RMs
  - Subject to due diligence, contract negotiations and required regulatory approvals

- Total transaction goodwill payable: CHF 10m (in cash)

- Transfers will further increase Julius Baer's business with clients from growth markets, in particular Latin America and Israel

- Strategic cooperation agreement with Bank Leumi to enhance service offering to clients
  - Leumi to refer clients with international private banking needs to Julius Baer
  - Julius Baer to refer clients to Leumi's domestic banking services in Israel

[1] Business transfer from Leumi Private Bank AG [2] Bank Leumi (Luxembourg) S.A.

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# SWITZERLAND

## Well positioned to further increase market share in our home market

- Dedicated Swiss product offering and segment-specific marketing initiatives helped to further improve inflows
- 'Key Client' organisation introduced servicing Ultra High Net Worth individuals in Switzerland

### Julius Baer Market Link

- Launch of first state-of-the-art online trading platform in Private Banking

### Best Swiss Brands 2014

- Julius Baer (#16) boosted its brand value by 19%; largest increase among the 50 most valuable Swiss brands[1]

### IWM

- Successful migration of former Merrill Lynch Bank (Suisse) clients to Julius Baer platform
- Redundant technology infrastructure decommissioned, adding to transaction synergies


[1] Based on 'Best Swiss Brands' Interbrand study, which was published in cooperation with the Swiss business magazine BILANZ

# EUROPE

## Important pillar of Group's strategy

### Germany

- Local business showed continued strong momentum - further significant inflows
- Domestic business well on track to reach break-even by end of Q4

### IWM

- Businesses in Netherlands and Ireland transferred in Q2
- Mid-July: UK domestic portfolio management business transferred
- UK local product offering enlarged, including introduction of ISAs and mortgages offering
- Luxembourg integration completed, Spain to be completed in Q3
- Bank of America decided to close its small business in Italy → will therefore not be transferred to Kairos


### Tax regularisations progressing well

- Further aiming towards having European clients tax compliant

# EASTERN EUROPE, ISRAEL, MIDDLE EAST & AFRICA

## Markets offering significant further Private Banking potential

### Eastern Europe

- Further healthy inflows in H1
- Complementing our office in Moscow, dedicated teams in various locations have been further strengthened

### Israel

- Strong NNM results in first half of 2014
- Entering into strategic cooperation with Bank Leumi, one of Israel's largest banking groups

### Middle East & Africa

- Substantially increased market penetration, helped by successfully concluded IWM integration
- Further attracted key industry talents for our regional hub in Dubai
- Aiming to enhance local offering, including Sharia-compliant investment solutions

# ASIA-PACIFIC

## Approaching 25% of Group AUM

- Excellent inflows in first half of the year
- Further profitability improvement in the two booking centres Hong Kong and Singapore (strongly helped by IWM synergies)
- Named “Boutique Private Bank of the Year”[1] as well as “Best Private Bank – External Asset Managers’ Choice 2013”[2]

**IWM**

- Hong Kong & Singapore: integration completed successfully
    - >80% asset transfer rate
    - Gross margin on IWM AuM very close to Julius Baer ´stand-alone´ gross margin
- India to be transferred early 2015

*Continued successful cooperation with our partners*


[1] Inaugural *WealthBriefingAsia Hong Kong Awards*, June 2014, [2] Asian Private Banker (APB) the distinction ‘External Asset Managers’ Choice’ in Asia 2013, January 2014
[3] IWM main office in Mumbai – plus four smaller offices in Bangalore, Kolkata, Chennai, New Delhi. Integration expected early 2015

# LATIN AMERICA

## Second pillar of growth

### IWM

- Reaching final stage of onboarding IWM's businesses in Uruguay, Chile and Panama
- Expanding former IWM location Panama

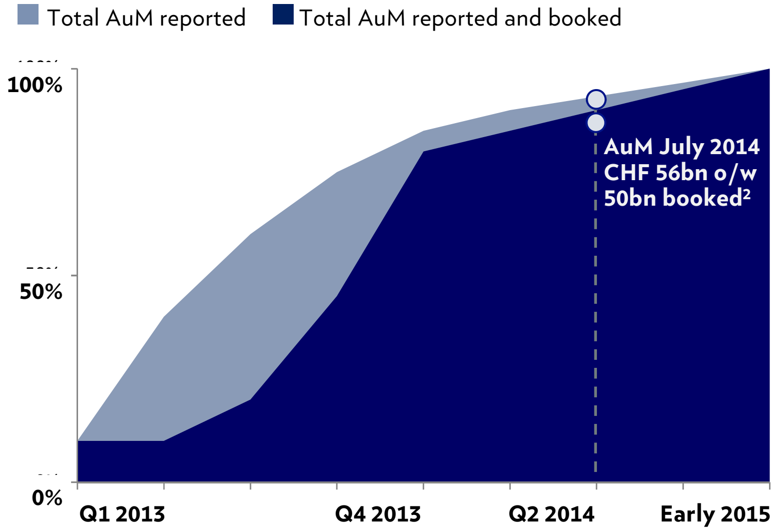
### First-time consolidation GPS (from April)

- May 2011: Julius Baer acquired 30% stake in GPS, with clear path to control
- Since May 2011: double-digit % CAGR in AuM (to BRL 15bn), excellent performance
  - *25 March 2014: Julius Baer exercised call option to acquire additional 50%*
- Offices in São Paulo (HQ) and Rio de Janeiro
- More than 100 FTEs
- Discretionary investment management, open architecture, no proprietary products

# IWM INTEGRATION WELL ON TRACK

## Transaction in all locations either completed or proceeding according to plan

### IWM progress[1] (July 2014)




- **AuM CHF 56bn from IWM o/w CHF 50bn[2]** booked on Julius Baer Platforms
- **IWM gross margin at 84bps[3]** almost at 2015 target of 85bps
- IWM FAs already **substantially contributing to net new money (>10%)**
- **263 FTEs (net) synergies have already been realised** (more than half of the communicated 2014 net target of ~400 FTEs)
- Estimate for transaction, restructuring and **integration costs reduced** to CHF 435m
- **Profit contribution kicking in**

**Priorities:**

- **Successfully complete overall transaction in the next 6 – 9 month**
- **Continue to realise full potential of IWM transaction**

[1] Based on graph depicting targeted development as presented in October 2012
[2] AuM at current market values. Based on value at applicable transfer dates: CHF 54bn reported of which CHF 47bn booked (and paid for)
[3] Extrapolated gross margin

# CONFIRMING MEDIUM-TERM TARGETS

| | Current | Medium-Term Targets | | |
|---|---|---|---|---|
| | Combined entity (H1 2014) | Julius Baer stand-alone *(former medium-term targets[1])* | IWM, integrated *(2015)* | Combined entity *(from 2015 onwards)* |
| Cost/Income Ratio[2] | 70.8% | 62-66% | ~70% | 65-70% |
| Pre-Tax Profit Margin[3] | 27.1bps | >35bps | ~25bps | 30-35bps |
| Net New Money[4] | 6% | 4-6% | 4-6% | 4-6% |

[1] February 2012, before the announcement of the IWM acquisition (announced August 2012)
[2] Adjusted cost/income ratio, calculated excluding valuation allowances, provisions and losses
[3] Annualised adjusted pre-tax profit divided by period monthly average AuM, in basis points
[4] Annualised net new money as % of AuM at end of previous year

Julius Bär

# CONTENT

# IWM: ECONOMICS TRANSFERRED IN TWO STAGES

## Transfer of FAs and advised AuM drives the timing of transfer of economics

### 1. Transfer of client advisory relationships[1] (FAs/clients)

Julius Bär

Financial Adviser

FA joins Julius Baer

Revenues & costs follow, AuM remains booked on BofAML platforms[2]

- + Revenues
- − Associated direct costs
- − Platform allocation charges to BAML[3] (max. 10bps)

AuM Reported

### 2. Transfer of custody relationships to Julius Baer platform

Client Assets
- Shares
- Bonds
- Funds
- Deposits
- ...

AuM transferred

BAML platform allocation charges cease

- + Revenues
- − Associated direct costs
- − Julius Baer platform costs

PAID

1.2% x AuM

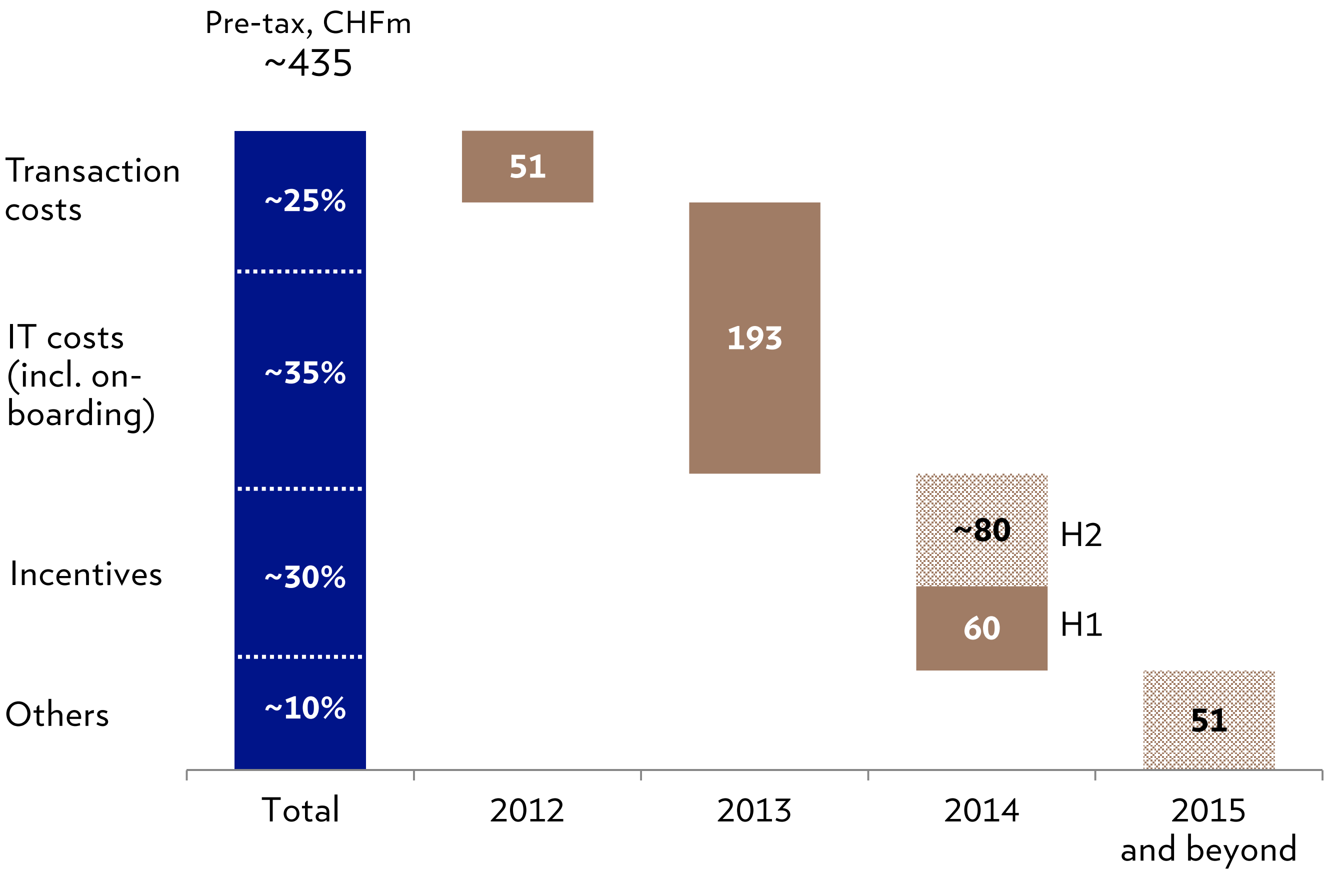
AuM Reported and Booked

[1] For both legal entity sales and business transfers
[2] Except Merrill Lynch Bank (Suisse) S.A. which was acquired at principal closing on 1 February 2013
[3] Allocation charges, which relate primarily to custody services provided with respect to AuM that remain on IWM platforms, are calculated by reference to allocations made by Bank of America to the IWM business in 2011, which were USD 81.3m. Allocation charges will be calculated on a monthly basis and are capped at the lower of (i) one-twelfth of USD 81.3m and (ii) a specified percentage of revenue for a given month

# IWM: INTEGRATION COSTS

## Estimate for transaction, restructuring and integration costs reduced to CHF ~435m

### Update and estimated breakdown over time



# ADJUSTED* CONSOLIDATED INCOME STATEMENT

## Half-yearly

| CHF m | H1 2013 | H2 2013 | H1 2014 | Change H1 14/H1 13 | Change H1 14/H2 13 | H1 2014 in % |
|---|---|---|---|---|---|---|
| Net interest and dividend income [1] | 275 | 277 | 347 | +26% | +25% | 28% |
| Net commission and fee income | 599 | 678 | 746 | +25% | +10% | 60% |
| Net trading income [1] | 185 | 130 | 115 | -38% | -12% | 9% |
| Other ordinary results | 19 | 32 | 28 | +51% | -13% | 2% |
| **Operating income** | **1,077** | **1,118** | **1,236** | **+15%** | **+11%** | **100%** |
| Personnel expenses | 488 | 496 | 592 | +21% | +19% | 67% |
| General expenses [2] | 226 | 310 | 251 | +11% | -19% | 28% |
| Depreciation and amortisation | 44 | 47 | 39 | -11% | -17% | 4% |
| **Operating expenses** | **758** | **854** | **882** | **+16%** | **+3%** | **100%** |
| **Profit before taxes** | **319** | **264** | **354** | **+11%** | **+34%** | |
| Pre-tax margin (bps) [4] | 30.1 | 21.5 | 27.1 | -3.0 bps | +5.6bps | |
| Income taxes | 57 | 46 | 66 | +15% | +43% | |
| **Adjusted net profit [3]** | **261** | **218** | **288** | **+10%** | **+32%** | |
| Adjusted EPS (in CHF) | 1.23 | 1.02 | 1.32 | +8% | +29% | |
| Gross margin (bps) [4] | 101.8 | 90.7 | 94.6 | -7.3 bps | +3.8 bps | |
| Cost/income ratio (%) [5] | 69.3 | 73.3 | 70.8 | +1.5% pts | -2.6% pts | |
| Tax rate | 18.0% | 17.4% | 18.7% | +0.7% pts | +1.3% pts | |
| Staff (FTE) | 4,505 | 5,390 | 5,557 | +23% | +3% | |
| Valuation allowances, provisions and losses | 12.1 | 33.5 | 7.7 | -37% | -77% | |
| Net new money (CHF bn) | 3.4 | 4.1 | 7.5 | +117% | +80% | |
| Assets under management (CHF bn) | 217.7 | 254.4 | 274.2 | +26% | +8% | |
| Average assets under management (CHF bn) | 211.5 | 246.4 | 261.4 | +24% | +6% | |

* Excluding amortisation of intangible assets, integration and restructuring costs
[1] Net interest income contains dividend income (H1 2013: CHF 33m, H2 2013: CHF 5m, H1 2014: CHF 63m) on trading portfolios
[2] Including valuation allowances, provisions and losses
[3] Including non-controlling interests of CHF 0.3m for H1 2013 and CHF 0.6m for H1 2014
[4] Based on period monthly average AuM
[5] Not considering valuation allowances, provisions and losses

# STRONG CAPITAL BASE

| CHF m | 31.12.2013 Basel III | 30.06.2014 Basel III | Change |
|---|---|---|---|
| **Equity at the beginning of the period** | **4,698** | **5,039** | **+7%** |
| Julius Baer Group Ltd. dividend | -130 | -133 | +2% |
| Net profit (IFRS) | 188 | 178 | -5% |
| Capital increase | 211 | 41 | -81% |
| Change in treasury shares | -42 | -4 | -90% |
| Treasury shares and own equity derivative activity | 35 | -11 | -131% |
| Other components of equity | 81 | 89 | +10% |
| *Financial investments available-for-sale* | *-20* | *46* | -325% |
| *Hedging reserve for cash flow hedges* | *10* | - | -100% |
| *Remeasurement of defined benefit obligation* | *98* | *23* | -77% |
| *FX translation differences* | *-8* | *20* | -368% |
| Others | -2 | 19 | - |
| **Equity at the end of the period** | **5,039** | **5,217** | **+4%** |
| - Goodwill & intangible assets (as per capital adequacy rules) | 1,925 | 2,180 | +13% |
| - Other deductions | 281 | 187 | -33% |
| + Effects of IAS 19 revised relating to pension liabilities | 45 | 18 | -60% |
| + Tier 1 instruments | 450 | 766 | +70% |
| **= BIS tier 1 capital** | **3,328** | **3,634** | **+9%** |
| + Tier 2 capital | 233 | 242 | +4% |
| **= BIS total capital** | **3,561** | **3,876** | **+9%** |

# RWA AND CAPITAL: ADDITIONAL DETAILS

## Capital targets: total capital ratio > 15%;  tier 1 capital ratio > 12%

| BIS approach / CHF m | 30.06.2013 *Basel III* [3] | 31.12.2013 *Basel III* [3] | 30.06.2014 *Basel III* [3] | Absolute Change vs. 31.12.2013 | % Change vs. 31.12.2013 |
|---|---|---|---|---|---|
| **Risk-weighted positions** | | | | | |
| Credit risk | 10,166 | 10,664 | 11,410 | +746 | +7% |
| Non-counterparty-related risk | 561 | 588 | 548 | -40 | -7% |
| Market risk | 1,169 | 969 | 516 | -453 | -47% |
| Operational risk | 3,322 | 3,687 | 3,773 | +86 | +2% |
| **Total risk-weighted positions** | **15,218** | **15,908** | **16,247** | **+339** | **+2%** |
| CET1 capital [1] | 3,488 | 3,328 | 3,634 | +306 | +9% |
| Tier 1 capital [1] | 3,488 | 3,328 | 3,634 | +306 | +9% |
| *- of which tier 1 capital 'preferred securities'* [2] | *203* | *203* | *180* | *-23* | *-11%* |
| *- of which tier 1 capital 'fully eligible Basel III instruments'* | *244* | *248* | *586* | *+338* | *+136%* |
| Eligible total capital [1] | 3,724 | 3,561 | 3,876 | +315 | +9% |
| *- of which lower tier 2 instruments* [2] | *221* | *218* | *193* | *-25* | *-11%* |
| **CET1 capital ratio** [1] | **22.9%** | **20.9%** | **22.4%** | **+1.5 pts** | **+7%** |
| **Tier 1 capital ratio** [1] | **22.9%** | **20.9%** | **22.4%** | **+1.5 pts** | **+7%** |
| **Total capital ratio** [1] | **24.5%** | **22.4%** | **23.9%** | **+1.5 pts** | **+7%** |
| | | | | | |
| Loan-deposit ratio | 0.50 | 0.53 | 0.56 | +0.03 | +5% |
| Liquidity coverage ratio (LCR) | 106.6% | 110.5% | 112.5% | +2.0 pts | +2% |
| Net stable funding ratio (NSFR) | 114.5% | 121.3% | 120.2% | -1.1 pts | -1% |
| Leverage ratio (FINMA definition) [4] | 5.1% | 4.7% | 5.0% | +0.3 pts | +6% |

[1] After dividend
[2] Old style capital instruments, which do not qualify under Basel III. Phase out period is 10 years, straight-line, starting 2013
[3] In Switzerland the Basel III framework came into effect on 1 January 2013. The Basel III effects but also the effects of IAS 19-revised relating to pension liabilities will be phased in between 2014 and 2018 for the calculation of the eligible capital. Furthermore, non-compatible Basel III tier 1 and tier 2 capital instruments will be phased out between 2013 and 2022
[4] Based on Basel III framework (tier 1 capital divided by the total of: on-balance sheet exposures net of provisions, minus derivatives and reverse repo exposures, plus securities financing transaction exposures netted, plus derivative exposures netted, plus off-balance sheet items)

# BALANCE SHEET – FINANCIAL INVESTMENTS AFS

| CHF m | 30.06.2013 | 31.12.2013 | 30.06.2014 | in % | Change vs. 31.12.2013 |
|---|---|---|---|---|---|
| **Money market instruments** | **1,529** | **2,494** | **3,194** | **22%** | **+28%** |
| **Debt instruments** | **11,387** | **10,549** | **11,315** | **77%** | **+7%** |
| Government and agency bonds | 1,755 | 2,060 | 1,674 | 11% | -19% |
| Financial institution bonds | 5,440 | 5,293 | 6,152 | 42% | +16% |
| Corporate bonds | 4,184 | 3,191 | 3,486 | 24% | +9% |
| Other bonds | 8 | 6 | 4 | 0% | -29% |
| **Equity instruments** | **82** | **82** | **85** | **1%** | **+3%** |
| **Total financial investments available-for-sale** | **12,998** | **13,125** | **14,594** | **100%** | **+11%** |
| Cash with central banks | 9,813 | 9,143 | 8,962 | | -2% |

| Debt instruments by credit rating classes (excluding money market instruments) | Fitch, S&P | Moody's | 30.06.2013 | 31.12.2013 | 30.06.2014 | in % | Change vs. 31.12.2013 |
|---|---|---|---|---|---|---|---|
| 1-2 | AAA - AA- | Aaa - Aa3 | 7,828 | 7,318 | 7,700 | *68%* | +5% |
| 3 | A+ - A- | A1 - A3 | 3,048 | 2,819 | 3,177 | *28%* | +13% |
| 4 | BBB+ - BBB- | Baa1 - Baa3 | 331 | 287 | 282 | *2%* | -2% |
| 5-7 | BB+ - CCC- | Ba1 - Caa3 | 60 | 46 | 22 | *0%* | -53% |
| 8-9 | CC - D | Ca - C | | | 0 | *0%* | - |
| Unrated[1] | | | 120 | 79 | 135 | *1%* | +70% |
| **Total** | | | **11,387** | **10,549** | **11,315** | ***100%*** | **+7%** |

[1] New issues or unrated bonds from top rated issuers

# BREAKDOWN OF JULIUS BAER GROUP AUM
## Including the AuM of the transferred IWM businesses

| Asset mix | 30.06.2013 | 31.12.2013 | 30.06.2014 |
|---|---|---|---|
| Equities | 25% | 27% | 27% |
| Bonds (including Convertible Bonds) | 21% | 20% | 19% |
| Investment Funds [1] | 22% | 22% | 24% |
| Money Market Instruments | 5% | 5% | 5% |
| Client Deposits | 20% | 20% | 18% |
| Structured Products | 6% | 5% | 6% |
| Other [2] | 1% | 1% | 1% |
| **Total** | **100%** | **100%** | **100%** |

| Currency mix | 30.06.2013 | 31.12.2013 | 30.06.2014 |
|---|---|---|---|
| CHF | 15% | 14% | 13% |
| EUR | 25% | 24% | 24% |
| USD | 38% | 39% | 40% |
| GBP | 4% | 5% | 5% |
| SGD | 2% | 2% | 2% |
| HKD | 2% | 3% | 2% |
| RUB | 1% | 1% | 1% |
| CAD | 1% | 1% | 1% |
| Other | 12% | 11% | 12% |
| **Total** | **100%** | **100%** | **100%** |

[1] Includes further exposure to equities and bonds through equity funds and bond funds
[2] Including alternative investment assets

Julius Bär