

# Julius Bär

## **Julius Baer Group H1 2006 Results and Outlook**

Zurich, 28 July 2006

### **Program and Content**

#### **Introduction and H1 06 Results**

Johannes A. de Gier, Group CEO

#### **Asset Management**

David M. Solo, CEO Asset Management

#### **Private Banking**

Alex W. Widmer, CEO Private Banking

#### **Summary**

Johannes A. de Gier

#### **Q&A session in English**

#### **Q&A session in German**

#### **Appendix**

## Highlights First Half 2006

Integration	Profitability	Growth
<ul style="list-style-type: none"> <li>Integration firmly on track</li> <li>Insignificant client and staff attrition</li> <li>Cost and revenue synergies as forecasted</li> </ul>	<ul style="list-style-type: none"> <li>Cost/income ratio down from 64% to 61%</li> <li>H1 06 net profit up 27% to CHF 404m<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Increase of AuM by 5% to CHF 320bn</li> <li>Net new money for H1 06 amounts to CHF 15bn</li> <li>Broad-based net new money contributions</li> <li>Growth markets initiatives on track (investment in Asia expected to break even by the end of 2008)</li> </ul>

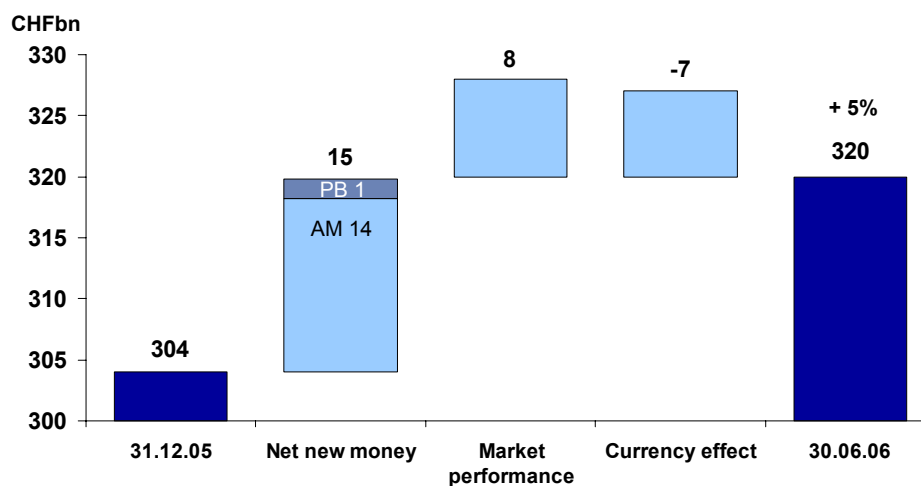
<sup>1</sup> Excluding amortization of intangible assets, integration and restructuring costs, and impact of sale of US PB

3

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## Development of Group Assets under Management

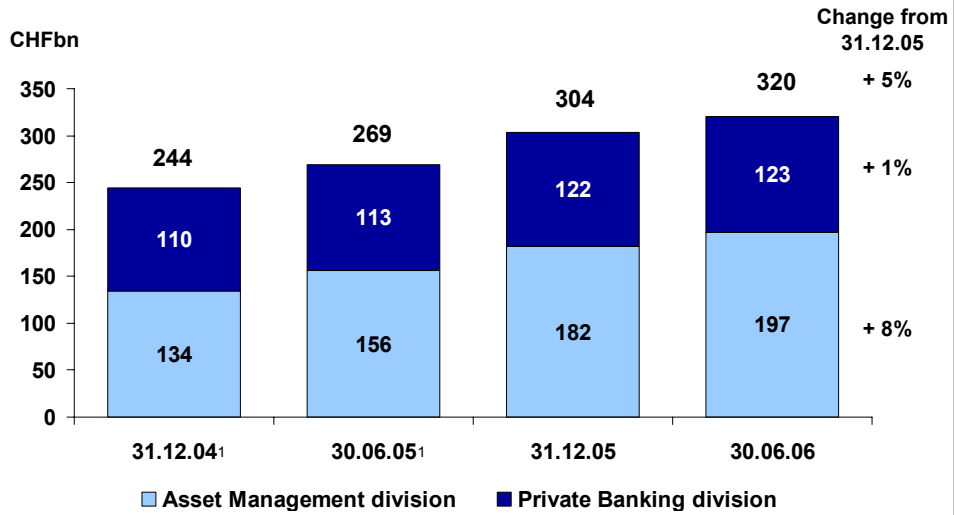
Net new money main driver of AuM increase



4

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## Assets under Management by Division

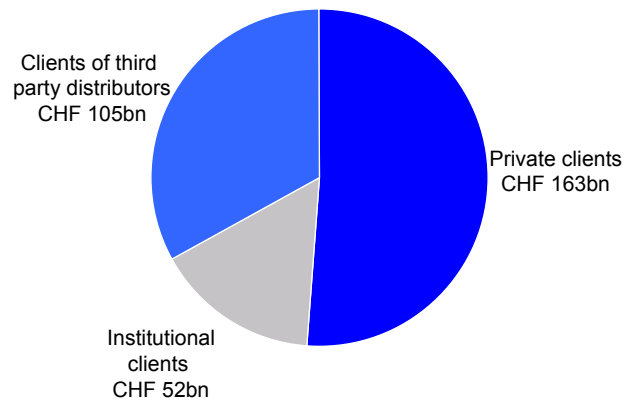


<sup>1</sup> Pro forma

5

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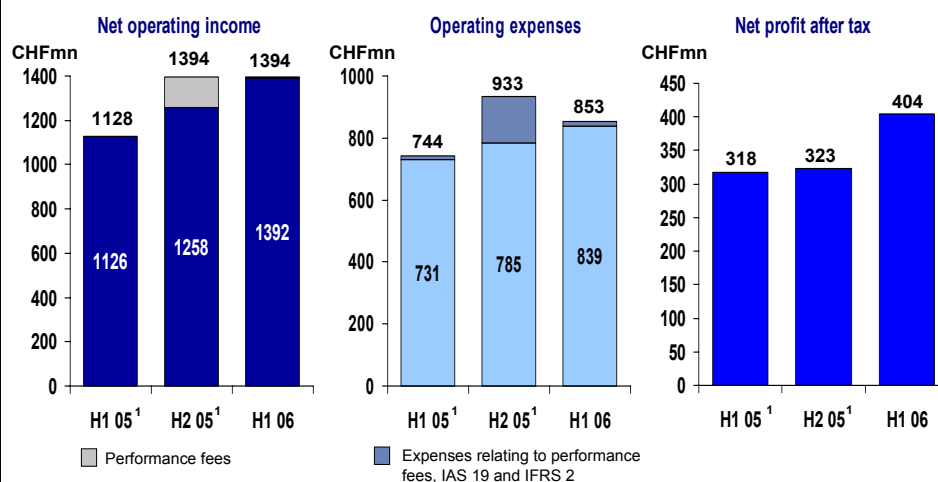
## Julius Baer Group Client Base: AuM CHF 320bn



6

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## Consolidated H1 2006 Results



Excluding amortization of intangible assets, integration and restructuring costs, and impact of sale of US PB. Including these positions, the net profit for the first half of 2006 amounted to CHF 314 million.

<sup>7</sup> <sup>1</sup> Pro forma

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## Some Additional H1 2006 Key Figures

	H1 05 <sup>1</sup>	H2 05 <sup>1</sup>	H1 06
Cost/income ratio (%)	63.8	65.0	60.7
Return on equity (%)	22.3	20.9	23.6
	30.06.05 <sup>1</sup>	31.12.05 <sup>1</sup>	30.06.06
BIS Tier 1 ratio	-	12.7%	13.8%
Number of employees (FTE)	3509	3512	3560
Market capitalization (CHFbn)	3.9	10.4	11.9
Moody's rating Bank Julius Baer	-	Aa3	Aa3

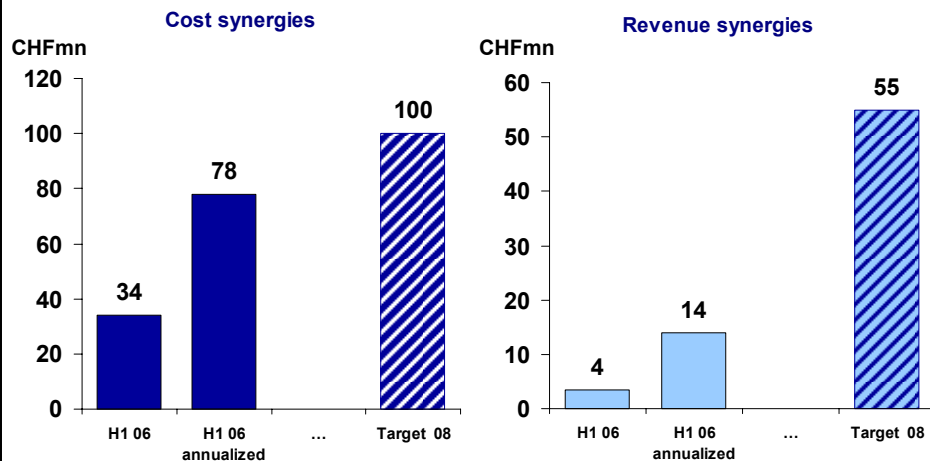
Excluding amortization of intangible assets, integration and restructuring costs, and impact of sale of US PB

<sup>8</sup> <sup>1</sup> Pro forma

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## Group Cost and Revenue Synergies

Cost synergies on track, revenue synergies accelerating



9

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## The Business Profile of New Julius Baer Group

- Julius Baer is a pure-play wealth manager
- Our business focus is on managing wealth for high net worth individuals and on managing and distributing investment funds
- Private Banking emphasis is on offshore rather than on onshore business
- Our financial goal is to improve profitability of our existing business and to further grow our asset base both with in-house clients and through external distribution
- With only two divisions, Private Banking and Asset Management, and a lean Corporate Center, our organizational structure is simple
- Julius Baer, whose roots go back to the beginning of the 19th century, is Swiss-based with more than 30 offices in about 20 countries

10

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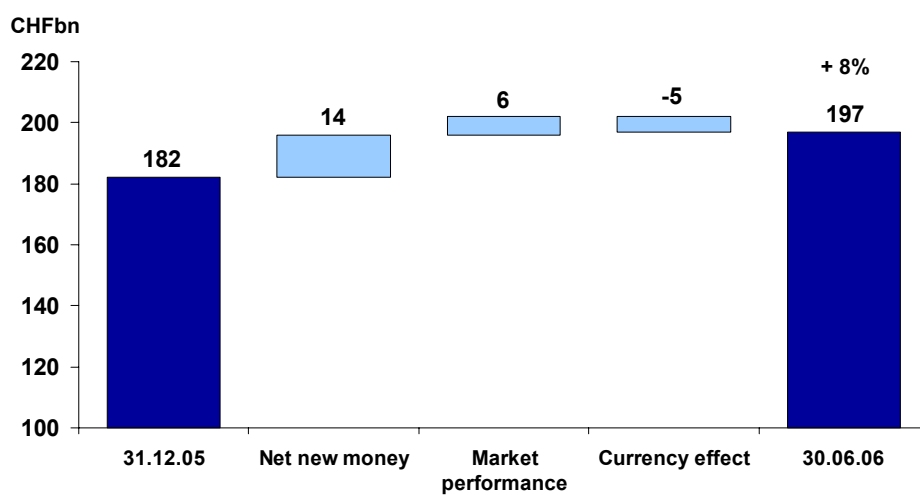
### Appendix

11

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## Asset Management Division AuM

All Asset Management units contributing with healthy net new money



12

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## H1 2006 Results Asset Management Division

Strong business performance benefiting from favorable environment

P&L Asset Management (CHFmn)	H1 05 <sup>1</sup>	H2 05 <sup>1</sup>	H1 06	Change H1 06/H1 05
Operating income	587	811	760	29%
Operating expenses	342	473	401	17%
<b>Net profit before taxes</b>	<b>245</b>	<b>338</b>	<b>359</b>	<b>46%</b>
Gross margin on AuM (bps)	82	96	77	-6%
Gross margin excl. perf. fees (bps)	82	80	77	-6%
Cost/income ratio (%)	57.4	58.1	52.3	-
Net new money (CHFbn)	10.3	8.6	14.2	38%

Excluding amortization of intangible assets, integration and restructuring costs

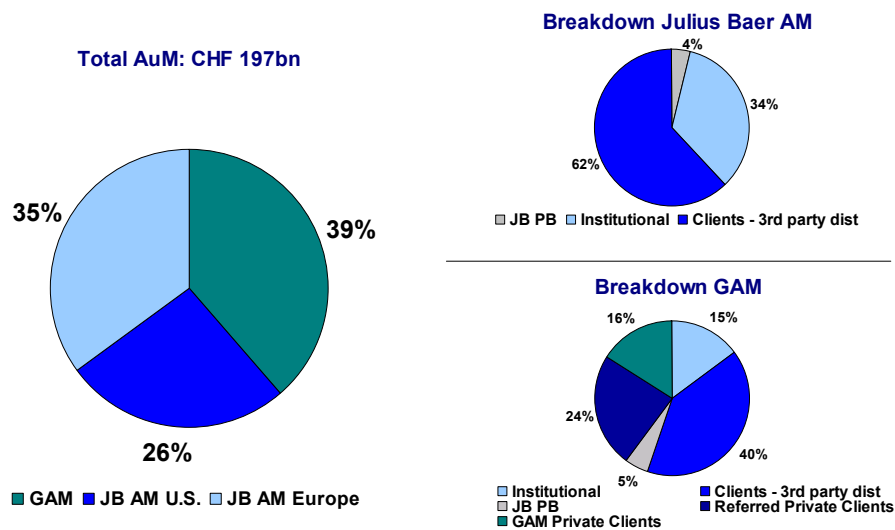
<sup>1</sup> Pro forma

13

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## Asset Management Client Type Breakdown

More Julius Baer clients already benefiting from GAM products

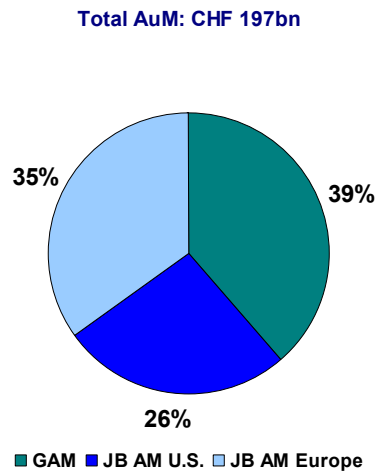


14

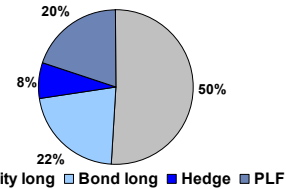
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## Asset Management **Product Type Breakdown**

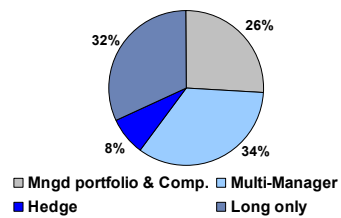
Good diversification across both products and regions



### Breakdown Julius Baer AM



### Breakdown GAM



15

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## Update on **GAM**

Healthy asset growth across internal and external client channels

### Overall Business

- AuM increased by 4.5% from 2005 year-end to CHF 76 billion in first 6 months
- NNM healthy from all channels despite recent market volatility
- Education & cross-selling to PB progressing faster than expected
- Positive relationship and cooperation with UBS reinforced with focused client support and special marketing initiatives
- Newly combined distribution channel with JB AM producing positive results
- First significant successes establishing GAM as provider to institutional clients
- Exporting proprietary fund analysis and presentation technology to JB

### Product Highlights

- Successful cooperation with JB Markets in designing and selling structured products on GAM funds for specialized institutional requirements
- Relative 1 year+ performance remains strong

16

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## Update on Asset Management U.S.

Continued growth and accelerating product diversification

### Overall Business

- AuM increased by 10% from 2005 year-end to CHF 52 billion, mainly NNM
- JB U.S. investment business retains distinct, proven approach
- Integration advanced, with synergies realized in FoHF, premises, support functions, and now technology infrastructure
- GAM closing small SEC equity product range in favor of JB products
- Focus remains on U.S. institutional clients and intermediaries

### Product Highlights

- International Equity Fund 1/2 performance good YTD and over 1+ years, despite positive bias to emerging European markets (Q1/Q2 respectively)
- Signs of growing institutional interest in 4-star Global High Yield Bond Fund and Total Return Bond Fund, with yields at more attractive levels
- Diversifying product offering with launch of four new U.S. Equity Funds: Micro-Cap, Small-Cap, Mid-Cap & Multi-Cap
- Business case for Central Europe Private equity initiative positive

17

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## Update on Asset Management Europe

Good overall progress with significant future upside

### Overall Business

- AuM increased by 11% from 2005 year-end to CHF 69 billion
- More potential to harmonize management and infrastructure than anticipated
- Rebuilding of core Zurich fund business continues with significant asset and profit upside potential over 18-24 months
- UK Fixed Income business continues as largely independent team with good NNM growth in absolute return products and strong cooperation with Zurich
- Leading Private Label Fund & Custody businesses continue strong inflows
- Re-emphasizing focus on Swiss and European institutional clients & products
- Newly combined distribution team effectively supporting JB and GAM
- Appointed single COO for JB and GAM to improve quality and efficiency

### Product Highlights

- Continued re-establishing of equity fund range, with strong, stable team in place and steady improvements in track record
- Large opportunity to broaden the bond fund range for external and PB clients

18

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## Update on Markets Area

Transformed business model producing strong results

### Overall Business

- Successful business transformation to focused service provider for JB PB
- Margin all booked in Private Banking creating strong, effective cooperation
- Integration with SBC Wealth Management execution units on track
- For selected products, focus on external clients producing strong results
- Elimination of diverse expansion initiatives improved focus and accountability
- Structured products increasingly emphasized for PB and external distribution
- Good progress developing efficient technology-enabled advisory support tools
- Tightly controlled risk profile maintained

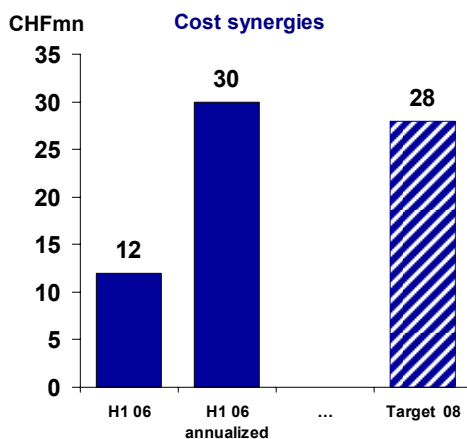
### Product Highlights

- Structured products: strong success with FX structures for Private Banking
- Collaborating with GAM to deliver innovative structured products capabilities to demanding external clients in the U.S., Asia and Europe

19

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## Realization of Cost Synergies in Asset Management



- Cost synergies achieved in H1 2006 already ahead of target 2008
- Major items are the integration of US support functions and premises, JB FoHF and GAM US Equity consolidation, and the Markets exit of Institutional Equities and Capital Markets
- Further limited synergies to come over the next 18 months relating to the integration of the trading functions of the ex SBC WM Private Banks

20

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## **Asset Management**

### Summary at H1 2006

#### **Overall Business**

- AuM increased by 8% to CHF 197 billion in first 6 months
- Positive NNM achieved across the division, reflecting good business developments and favorable market conditions
- Integration progressing well, delivering synergies and offering more integration/cooperation opportunities than expected
- Strong, stable management team in place and focused on delivery
- Good diversification across businesses, products, and clients

#### **2008 Targets Confirmed**

- Gross margin target 2008: 0.75% (excluding Custody)
- Cost/income ratio target: <60% (excluding Markets area)

21

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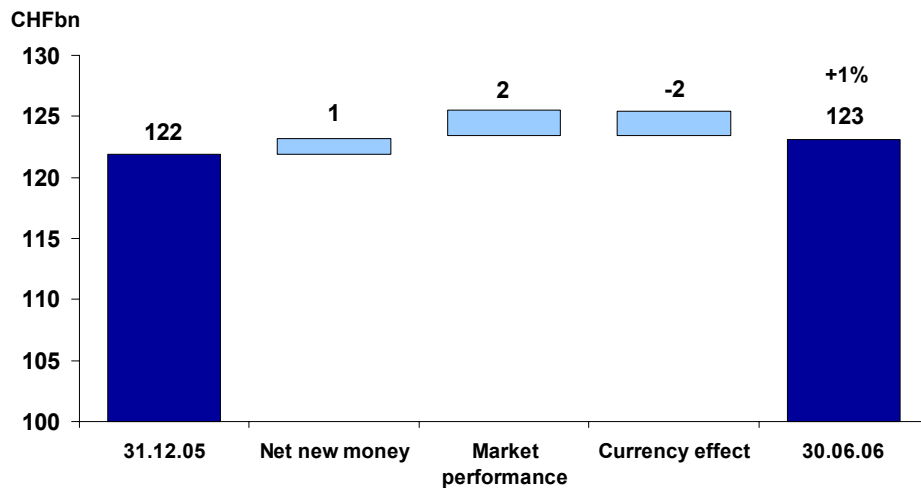
### **Appendix**

22

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## Private Banking Division AuM

Strong NNM contribution from growth initiatives starting to kick in



23

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## H1 2006 Results Private Banking Division

P&L Private Banking (CHFmn)	H1 05 <sup>1</sup>	H2 05 <sup>1</sup>	H1 06	Change H1 06/H1 05
Operating income	511	540	585	14%
Operating expenses	341	357	376	10%
<b>Net profit before taxes</b>	<b>170</b>	<b>183</b>	<b>209</b>	<b>23%</b>
Gross margin on AuM (bps)	91	92	94	3%
Cost/income ratio (%)	63.0	61.7	63.6	-
Net new money (CHFbn)	-0.4	-0.6	1.3	-

Excluding amortization of intangible assets, integration and restructuring costs, and impact of sale of US PB

24

<sup>1</sup> Pro forma

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## Strategic Achievements in H1 2006

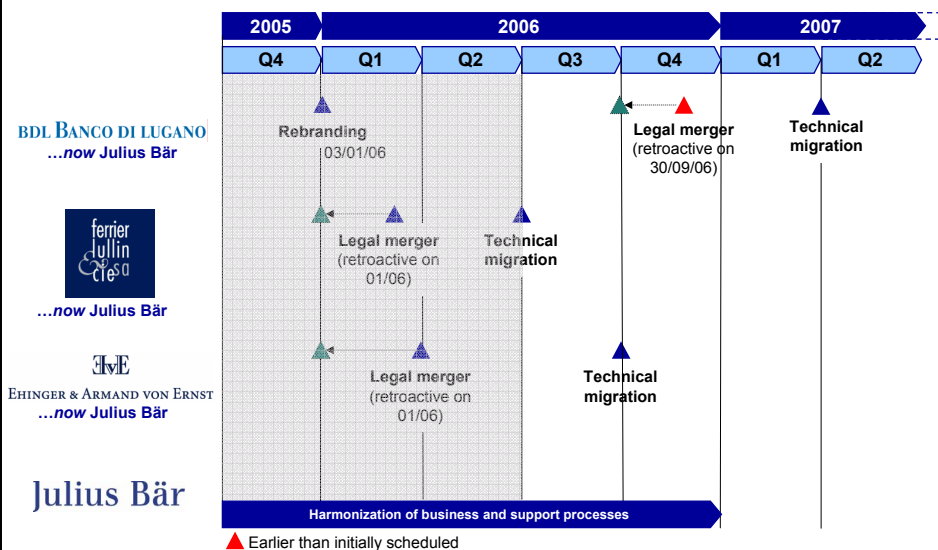
Progress on all fronts

Integration	Profitability
<ul style="list-style-type: none"> <li>Rebranded Banco di Lugano, Ferrier Lullin and Ehinger &amp; Armand von Ernst</li> <li>Completed legal merger of Ferrier Lullin and Ehinger &amp; Armand von Ernst with JB</li> <li>Successfully migrated former Ferrier Lullin to Julius Baer IT platform</li> <li>Realized cost synergies on track</li> <li>Kept client attrition below 1% since transaction announcement</li> </ul>	<ul style="list-style-type: none"> <li>Achieved initial results of ongoing enhancement of product platform, e.g.                             <ul style="list-style-type: none"> <li>Theme-based product launches</li> <li>Cross-selling of GAM products</li> <li>Increase of credit penetration by core private banking clients</li> </ul> </li> </ul>
Growth	People
<ul style="list-style-type: none"> <li>Started enhancement of booking platform in Singapore</li> <li>Established rep. office in Hong Kong</li> <li>Substantially strengthened operations in Dubai</li> <li>Obtained rep. office license in Moscow</li> <li>Established presence in Buenos Aires</li> <li>Became fully operational in all four German onshore locations</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of RMs by 10%</li> <li>Successfully retained key talents (fluctuation in line with previous year)</li> </ul>

25

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## Integration in Private Banking Ahead of Schedule

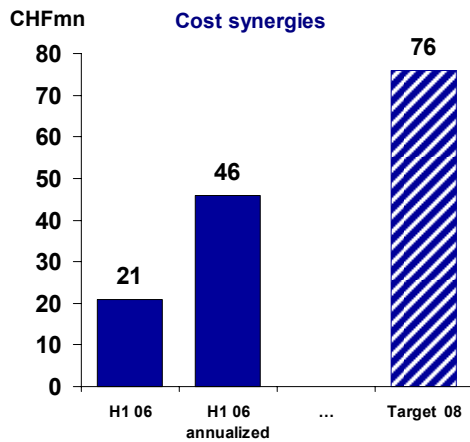


26

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## Realization of Cost Synergies in Private Banking

Realized cost synergies in H1 2006 according to plan



- Cost synergies delivered from:
  - FTE reductions in IT/Operations, staff and product functions
  - cost-savings due to a single Swiss platform, and
  - the consolidation of premises
- Full extent of anticipated synergies will materialize only after completion of technical integration in H2 2006 and H1 2007

27

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## Revalidated IT Strategy

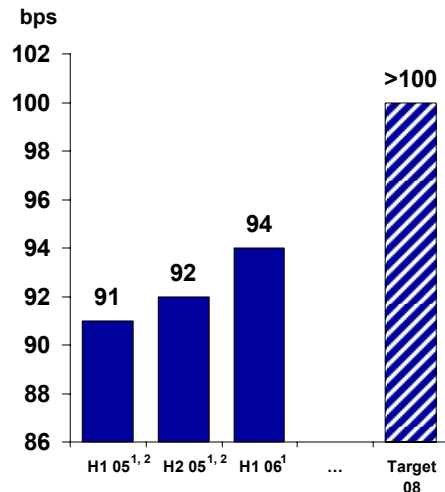
- Carried out in-depth Host analysis
- Initiated Host enhancement program
- Started new front-end project; delivery of first modules expected at year-end
- Completed smooth operational migration of Ferrier Lullin to the existing stable Julius Baer platform

28

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## Increasing Profitability to Achieve Gross Margin Target

With a multi-tier approach to ensure success



- Trading/execution income already transferred from Markets to PB
- Ongoing strengthening of product platform with higher margin products
- Seeing first signs of RMs being more proactive
- Accelerating collaboration with GAM to increase cross-selling

<sup>1</sup> Excluding impact of sale of US PB

<sup>2</sup> Pro forma

29

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## Update on Asia

Significant steps already taken in first six months

### Achievements H1 2006

#### Singapore

- Enhancement of booking center platform in Singapore initiated
- New office infrastructure established
- Hiring of key staff in products and operations almost completed
- Trading facilities to cover Asian markets and Asian time zones installed
- First Asian clients booked on enhanced platform

#### Hong Kong

- Rep. office in Hong Kong established
- Office infrastructure installed
- Teams covering North Asian markets joined
- Significant build up of an Asian clientele with meaningful NNM in first few months
- Filing for Advisory license completed

### Aspirations

- Upgrade Singapore license
- Build Asian client franchise
- Establish Singapore as a global private banking center for Asian as well as for non-Asian clients
- Provide Asia-specific investment opportunities to all Julius Baer clients
- Increase total staff in Asia to above 200 FTEs by 2008

30

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## Update on Other Growth Markets and European Onshore

### Achievements H1 2006

#### Middle East

- Strengthened Dubai sales force successfully to a total of 20 RMs
- Initiated market scan for regional footprint expansion

#### Eastern Europe

- Established local presence (rep. office) in Moscow
- Strengthened marketing teams operating out of Zurich and Geneva

#### Latin America

- Opened new office in Buenos Aires
- Evaluated establishment of marketing offices in major Latin American PB markets

#### Germany / Austria

- In addition to Frankfurt, opened offices in Stuttgart, Hamburg and Düsseldorf
  - Completed hiring of RMs (4 per location)
  - Completed outsourcing of trading, operations and accounting
- Established Julius Baer Investment Advisory GesmbH in Vienna

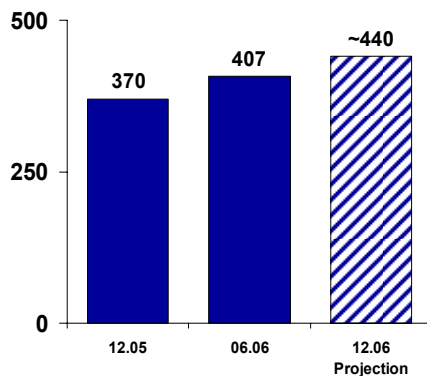
31

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## Placing Importance on People

Becoming employer of choice

Development of number of Relationship Managers



Increased number of RMs by 10% in H1 2006, due to attractiveness of opportunities at new Julius Baer Private Banking

The following teams have been hired:

- Philippines team
- Korea team
- Japan team
- Indian sub-continent team
- Gulf team
- Argentina team
- Germany/Austria teams

32

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## **Private Banking**

Summary at H1 2006

### **Overall Business**

- Growth initiatives starting to kick in
- Positive NNM achieved after periods of negative/flat net flows
- Integration well on track, delivering synergies

### **2008 Targets Confirmed**

- Net new money inflow of 3-5%
- Gross revenue margin >100bps
- Cost/income ratio ~60%

33

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34

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<sup>1</sup> Excluding amortization of intangible assets, integration and restructuring costs, and impact of sale of US PB

35

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## Appendix

## H1 2006 Financial Results Presentation

- In order to provide more useful comparable figures for the new Julius Baer Group, a pro-forma combined income statement was prepared for 2005
- This pro-forma combined 2005 income statement has been prepared as if the acquisition of the three private banks and GAM took place on 1 January 2005
- The half-year 2006 figures and the pro-forma combined income statement for 2005 do not include integration and restructuring costs, amortization of acquired intangible assets and significant financial events
- Significant financial events include specific material non-recurring events such as the sale of US private banking business to UBS

37

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## Consolidated H1 2006 Results

Consolidated P&L (CHFmn)	H1 05 <sup>1,2</sup>	H2 05 <sup>1,2</sup>	H1 06 <sup>1</sup>	Change H1 06/H1 05
Net interest income	84	111	97	16%
Results from comm. and service fees	933	1155	1137	22%
Results from trading operations	90	128	153	71%
Other ordinary results	22	-1	7	-69%
<b>Net operating income</b>	<b>1128</b>	<b>1394</b>	<b>1394</b>	<b>24%</b>
Personnel expenses	481	665	608	26%
General expenses	206	211	217	5%
Depreciation and amortization	32	30	22	-31%
Valuation adj./provisions/losses	24	26	6	-75%
<b>Operating expenses</b>	<b>744</b>	<b>933</b>	<b>853</b>	<b>15%</b>
Net profit before taxes	384	461	542	41%
Taxes	66	138	138	108%
<b>Net profit</b>	<b>318</b>	<b>323</b>	<b>404</b>	<b>27%</b>
EPS	2.85	2.89	3.62	27%
Cost / income ratio (%)	63.8	65.0	60.7	-

<sup>1</sup> Excluding amortization of intangible assets, integration and restructuring costs, and impact of sale of US PB

<sup>2</sup> Pro forma

38

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## H1 2006 Results Private Banking Division

P&L Private Banking (CHFmn)	H1 05 <sup>1,2</sup>	H2 05 <sup>1,2</sup>	H1 06 <sup>1</sup>	Change H1 06/H1 05
<b>Operating income</b>	<b>511</b>	<b>540</b>	<b>585</b>	<b>14%</b>
Personnel expenses	207	223	260	26%
General expenses	110	103	100	-9%
Services to/from other divisions	-18	-14	0	-100%
Depreciation and write-offs	23	21	13	-43%
Valuation adjustments, prov., losses	19	24	4	-79%
<b>Operating expenses</b>	<b>341</b>	<b>357</b>	<b>376</b>	<b>10%</b>
<b>Net profit before taxes</b>	<b>170</b>	<b>183</b>	<b>209</b>	<b>23%</b>
Gross margin on AuM (bps)	91	92	94	3%
Cost/income ratio (%)	63.0	61.7	63.6	-

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<sup>2</sup> Pro forma

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## H1 2006 Results Asset Management Division

P&L Asset Management (CHFmn)	H1 05 <sup>1,2</sup>	H2 05 <sup>1,2</sup>	H1 06 <sup>1</sup>	Change H1 06/H1 05
<b>Operating income</b>	<b>587</b>	<b>811</b>	<b>760</b>	<b>29%</b>
Personnel expenses	224	358	289	29%
General expenses	71	74	91	28%
Services to/from other divisions	38	34	10	-74%
Depreciation and write-offs	4	5	7	75%
Valuation adjustments, prov., losses	5	2	4	-20%
<b>Operating expenses</b>	<b>342</b>	<b>473</b>	<b>401</b>	<b>17%</b>
<b>Net profit before taxes</b>	<b>245</b>	<b>338</b>	<b>359</b>	<b>46%</b>
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<sup>2</sup> Pro forma

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## H1 2006 Results Corporate Center

P&L Corporate Center (CHFmn)	H1 05 <sup>1,2</sup>	H2 05 <sup>1,2</sup>	H1 06 <sup>1</sup>	Change H1 06/H1 05
<b>Operating income</b>	<b>29</b>	<b>43</b>	<b>49</b>	<b>67%</b>
Personnel expenses	51	85	59	16%
General expenses	25	33	25	0%
Services to/from other divisions	-21	-20	-10	-52%
Depreciation and write-offs	5	4	3	-40%
Valuation adjustments, prov., losses	0	1	-1	-
<b>Operating expenses</b>	<b>60</b>	<b>103</b>	<b>76</b>	<b>26%</b>
<b>Net profit before taxes</b>	<b>-31</b>	<b>-60</b>	<b>-27</b>	<b>-14%</b>

<sup>1</sup> Excluding amortization of intangible assets, integration and restructuring costs, and impact of sale of US PB

<sup>2</sup> Pro forma

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## Reconciliation of Pro-Forma Financial Information to Consolidated Financial Statements

CHFmn	H1 06
<b>Pro-forma net profit after tax</b>	<b>404</b>
Sale of US PB business	
- income	15
- costs	-3
Restructuring & integration	-19
Amortization of intangibles	-87
Tax impact on above	5
<b>Total impact</b>	<b>-90</b>
<b>Net profit after tax per consolidated Financial Statements</b>	<b>314</b>

42

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## Overview One-off Integration Costs

Pre-tax profit impact

### One-off integration costs (CHFmn)

2005 actual <sup>1</sup>	138
H1 06 actual	19
H2 06 expected	28
2007 expected	23
2008 expected	20
<b>Total</b>	<b>228</b>

<sup>1</sup> Excluding CHF 49mn write-down and provisions related to Avaloq

43

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## Analysis of Group Assets under Management

Assets under Management <sup>1</sup> (CHFbn)	31.12.05	30.06.06	Change Jun/Dec
Assets in own-managed funds	119	132	11%
Assets with management mandate	88	89	1%
Other Assets under Management	97	99	2%
<b>Total Assets under Management (incl. double counting)</b>	<b>304</b>	<b>320</b>	<b>5%</b>
<i>of which double counting</i>	<i>31</i>	<i>33</i>	<i>6%</i>

<sup>1</sup> AuM are stated according to the guidelines of the accounting regulations of the Swiss Federal Banking Commission

<sup>2</sup> Not included in Assets under Management

44

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## Breakdown of Group Assets under Management

Asset mix	31.12.05	30.06.06
Equities	41%	41%
Bonds	21%	22%
Money Market	7%	6%
Third Party Funds	8%	8%
Client Deposits	4%	4%
Other	19%	19%
Total	100%	100%

Currency mix <sup>1</sup>	31.12.05	30.06.06
CHF	19%	20%
EUR	30%	33%
GBP	7%	9%
USD	36%	27%
JPY	3%	4%
Other	5%	7%
Total	100%	100%

<sup>1</sup> Starting in H1 06 investment funds are stated in investment currency, instead of issuance currency

45

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## Group Key Balance Sheet Figures

Key balance sheet figures (CHFbn)	31.12.05	30.06.06	Change Jun/Dec
Total assets	28.6	33.6	17%
Shareholders' equity	6.2	6.4	4%
Risk-weighted assets	11.4	12.3	8%
Tier 1 regulatory capital	1.4	1.7	21%
BIS Tier 1 ratio	12.7%	13.8%	-

46

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