

Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 23 July 2018

Presentation of the 2018 half-year results for the Julius Baer Group

Significant increase in net profit – Net new money and cost/income ratio in target range

- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. increased by 26% to record CHF 444 million and IFRS earnings per share (EPS) by 25% to CHF 2.04.**
- **Adjusted¹ net profit for the Group up 19% to record CHF 480 million. Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. grew by 20% to CHF 2.20.**
- **Assets under management (AuM) CHF 400 billion, up CHF 11 billion, or 3%, from the end of 2017.**
- **Net new money CHF 10 billion, or over 5% annualised, well inside the 4–6% target range. The number of relationship managers has grown by 79 since the start of the year.**
- **Gross margin essentially unchanged at 91.5 basis points (bp).**
- **Adjusted cost/income ratio² improved from 69.1% in H1 2017 to 67.3%, comfortably inside the 64–68% medium-term target range.**
- **Adjusted pre-tax margin rose from 28.4 bp to 29.8 bp, moving closer to the 30 bp medium-term target.**
- **BIS CET1 capital ratio 13.7% and BIS total capital ratio 20.2%, well above the minimum regulatory requirements and the Group's own floors.**

Bernhard Hodler, Chief Executive Officer of Julius Baer Group Ltd., said: “I am pleased that we continue to deliver on our targets and are reporting an all-time high in net profit. Markets had a strong and upbeat start to the year but ended the first half on a more cautious note, pondering the potential impacts of trade tensions and of an impending end to quantitative easing. It is a challenging environment, but one that plays to our strengths as trusted advisor of our clients. Based on the current outlook, I remain confident that we will reach our net inflow and cost efficiency targets this year.”

AuM up 3% since end 2017, supported by robust net inflows and the acquisition of Reliance

Assets under management ended the first six months at CHF 400 billion, an increase of over CHF 11 billion, or 3%, since the end of 2017. The growth in AuM was driven by net new money of CHF 10 billion, complemented by CHF 4.5 billion from the acquisition of 95% of Reliance Group in Brazil (successfully completed on 4 June 2018), and a positive currency impact of CHF 1 billion. These positive contributions were partly offset by negative market performance of CHF 4 billion, as leading stock markets in Switzerland, Europe and Asia edged lower towards the end of the first half.

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The annualised net new money growth rate of 5.1% was well inside the Group's medium-term target range (4–6%). All regions recorded net inflows, with particularly strong contributions from clients domiciled in Europe, Switzerland and Asia. Solid inflows from existing and new clients were somewhat tempered by deleveraging by clients in Asia and the Middle East, reflecting a more cautious positioning of their portfolios, in line with broader market sentiment.

Including assets under custody of CHF 68 billion, total client assets grew by 2% from year-end 2017 to CHF 467 billion.

Operating income up 12% – stable gross margin

Operating income rose to CHF 1,789 million. The increase of 12% compared to H1 2017 was in line with the growth in monthly average AuM (to CHF 391 billion), resulting in a largely unchanged gross margin of 91.5 bp (H1 2017: 91.6 bp).

Net commission and fee income rose by 10% to CHF 1,015 million, driven by an 11% increase in asset-based fee income and an 8% rise in brokerage commissions. Despite increased AuM, the contribution from Kairos was modestly lower.

Net interest and dividend income declined by 2% to CHF 554 million. It included CHF 159 million of dividend income on trading portfolios, down 12% year-on-year. Excluding this item, underlying net interest and dividend income was up 2% at CHF 395 million, as the benefit of higher loan volumes and rates was largely offset by a reduction in the portfolio of financial assets as well as an increase in US dollar interest rates payable on client deposits.

Net trading income went up by 129% to CHF 206 million. Including the dividend income related to trading portfolios, underlying net trading income increased by 35% to CHF 365 million. This improvement follows a rise in overall FX and structured products-related trading income.

Other ordinary results (which among other items includes income from associates, rental income and net gains/losses from the disposal of investments from the financial assets portfolio) was essentially unchanged at CHF 14 million.

Cost/income ratio² inside medium-term target range

Operating expenses according to IFRS rose by 8% year-on-year to CHF 1,246 million, driven by an 11% increase in *personnel expenses* to CHF 847 million, a 3% increase in *general expenses* to CHF 320 million, a 5% increase in amortisation to CHF 60 million and a 6% decrease in *depreciation* to CHF 19 million.

As in previous years, in the analysis and discussion of the results in the Media Release and the Business Review, *adjusted operating expenses* exclude acquisition-related integration and restructuring expenses (CHF 4 million, a decrease of 80% from CHF 20 million in H1 2017) as well as the acquisition-related amortisation of intangible assets (CHF 36 million, versus CHF 35 million in H1 2017). Adjusted operating expenses increased by 10% to CHF 1,206 million.

At 6,643 full-time equivalents (FTEs), personnel has risen by 7%, or 438 FTEs, in the twelve months since 30 June 2017, and by 6%, or 351 FTEs, in the six months since the end of 2017. Compared to the first half of 2017, the monthly average number of employees increased by 5% to 6,451. The number of relationship managers (RMs) grew to 1,475, an increase of 94 compared to the end of June 2017, and an increase of 79 since the end of 2017, reflecting successful hiring as well as the inclusion of 13 RMs from Reliance Group.

Following the rise in average levels of staff and an increase in performance-related remuneration, *adjusted personnel expenses* went up by 11% to CHF 846 million.

Adjusted general expenses went up by 8% to CHF 317 million, driven mainly by increased marketing spend, a rise in general expenses resulting from the higher staff levels, and to a smaller extent because of a CHF 4 million increase in adjusted provisions and losses.

Adjusted depreciation decreased by 5% to CHF 19 million and *adjusted amortisation* rose by 7% to CHF 24 million. The growth in adjusted amortisation mainly reflects the rise in IT-related investments in recent years.

The adjusted *cost/income ratio*² improved from 69.1% in H1 2017 to 67.3%, comfortably inside the 64–68% medium-term target range, as higher expenses were more than offset by a robust growth in revenues.

Significant increase in net profit

IFRS *profit before taxes* rose by almost 24% year-on-year to CHF 543 million. As income taxes increased by 20% to CHF 99 million, *net profit for the Group* grew by more than 24% to CHF 444 million. After considering non-controlling interests in H1 2017 of CHF 4 million, the increase in net profit attributable to shareholders of Julius Baer Group Ltd. was 26% in H1 2018, and EPS rose, also by 25%, to CHF 2.04.

Adjusted profit before taxes grew by 18% to CHF 583 million and the adjusted pre-tax margin improved to 29.8 bp, closer to the 30 bp medium-term target. The related income taxes were CHF 103 million, representing a tax rate of 17.7%, compared to 18.3% in H1 2017.

Adjusted net profit for the Group increased by 19% to CHF 480 million. After considering adjusted non-controlling interests in H1 2017 of CHF 4 million, the rise in adjusted net profit attributable to shareholders of Julius Baer Group Ltd. was 20% in H1 2018, and adjusted EPS grew, also by 20%, to CHF 2.20.

Stable loan book – modest decrease in loan-to-deposit ratio

Since the end of 2017, *total assets* have increased by CHF 6 billion, or 6%, to CHF 104 billion. Despite the increase in AuM, the total loan book remained stable at CHF 47 billion – comprising CHF 37 billion of Lombard loans and CHF 10 billion of mortgages. As deposits rose by CHF 3 billion, or 4%, to CHF 70 billion, the loan-to-deposit ratio came down somewhat to 66% (end of 2017: 69%). Total equity attributable to shareholders of Julius Baer Group Ltd. was at CHF 5.8 billion, a decrease of less than 1%.

Solid capital position³

Following a partial reinvestment of the Group's excess capital into accretive acquisitions, i.e. the residual 20% stake in Kairos (Italy) acquired in January 2018 and 95% of Reliance Group (Brazil) purchased in June 2018, CET1 capital increased to CHF 2.7 billion (compared to fully-applied CET1 capital of CHF 2.6 billion at the end of 2017). Mainly as a consequence of the repayment in March 2018 of the CHF 250 million of perpetual Tier 1 bonds issued on 18 September 2012, BIS Tier 1 capital decreased to CHF 3.9 billion (compared to fully-applied Tier 1 capital of CHF 4.1 billion at the end of 2017) and BIS total capital also to CHF 3.9 billion (compared to fully-applied total capital of CHF 4.2 billion at the end of 2017).

As risk-weighted assets decreased slightly, by 1%, to CHF 19.5 billion, the *BIS CET1 capital ratio* rose to 13.7% at the end of June 2018 (compared to 13.5% fully applied at the end of 2017) while the *BIS total capital ratio* came down modestly to 20.2% (compared to 21.2% fully applied at the

end of 2017). The redemption of the Tier 1 bonds and a 6% increase in the leverage exposure, to CHF 102 billion, were the main drivers of the reduction in the Tier 1 leverage ratio to 3.8% (compared to 4.2% fully applied at the end of 2017).

At these levels, the Group's capitalisation continues to be solid: the CET1 and total capital ratios remain well above the Group's own floors of 11% and 15% and significantly in excess of the regulatory minimums of 8.1% and 12.3%, respectively, while the Tier 1 leverage ratio is comfortably above the 3.0% regulatory minimum.

¹ The adjusted results as presented and commented in this Media Release and in the Business Review are derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.

² Calculated using adjusted operating expenses, excluding provisions and losses.

³ The multi-year Basel III phase-in period ended at the beginning of 2018. As a consequence, the differentiation between the formerly used 'phase-in' and 'fully-applied' capital ratios is no longer relevant.

The results conference will be webcast at 9:30 a.m. (CEST). All documents (presentation, Business Review First Half 2018, Half-Year Report 2018, spreadsheets and this Media Release) are available at www.juliusbaer.com.

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Important dates

20 November 2018: Publication of ten-month Interim Management Statement

4 February 2019: Publication and presentation of 2018 full-year results, Zurich

10 April 2019: Annual General Meeting 2019, Zurich

About Julius Baer

Julius Baer is the leading Swiss private banking group, with a focus on servicing and advising sophisticated private clients and a premium brand in global wealth management. At the end of June 2018, assets under management amounted to CHF 400 billion. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank with origins dating back to 1890, is the principal operating company of Julius Baer Group Ltd., whose shares are listed on the SIX Swiss Exchange (ticker symbol: BAER) and are included in the Swiss Market Index (SMI), comprising the 20 largest and most liquid Swiss stocks.

Julius Baer is present in over 25 countries and more than 50 locations. Headquartered in Zurich, we have offices in key locations including Dubai, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Milan, Monaco, Montevideo, Moscow, Mumbai, Singapore and Tokyo. Our client-centric approach, our objective advice based on the Julius Baer open product platform, our solid financial base and our entrepreneurial management culture make us the international reference in private banking.

For more information visit our website at www.juliusbaer.com

Cautionary statement regarding forward-looking statements

This media release by Julius Baer Group Ltd. ('the Company') includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industries in which it operates. Forward-looking statements involve all matters that are not historical facts. The Company has tried to identify those forward-looking statements by using the words 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'seek', 'plan', 'predict', 'continue' and similar expressions. Such statements are made on the basis of

assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.

These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause the Company's actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions, legislative, fiscal and regulatory developments, general economic conditions in Switzerland, the European Union and elsewhere, and the Company's ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. In view of these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. The Company and its subsidiaries, and their directors, officers, employees and advisors expressly disclaim any obligation or undertaking to release any update of or revisions to any forward-looking statements in this media release and any change in the Company's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable law or regulation.

KEY FIGURES JULIUS BAER GROUP¹

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
Consolidated income statement				
Operating income	1,788.8	1,591.8	1,660.4	12.4
Adjusted operating expenses	1,206.1	1,098.1	1,165.5	9.8
Profit before taxes	582.7	493.7	494.9	18.0
Adjusted net profit for the Group	479.6	403.6	402.1	18.9
IFRS net profit for the Group ²	443.8	356.8	359.1	24.4
Cost/income ratio ³	67.3%	69.1%	68.9%	-
Pre-tax margin (basis points)	29.8	28.4	26.2	-

	30.06.2018	30.06.2017	31.12.2017	Change to 31.12.2017 in %
Assets under management (CHF bn)				
Assets under management	399.9	354.7	388.4	3.0
Net new money (in period)	9.9	10.2	11.9	-

Consolidated balance sheet (CHF m)				
Total assets	103,540.2	93,150.8	97,917.6	5.7
Total equity	5,788.7	5,427.5	5,854.0	-1.1
BIS total capital ratio	20.2%	18.5%	22.0%	-
BIS CET1 capital ratio	13.7%	14.9%	16.7%	-

Personnel (FTE)				
Number of employees	6,643	6,205	6,292	5.6
Number of relationship managers	1,475	1,381	1,396	5.7

Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Market capitalisation (CHF m)	13,044	11,291	13,339	-2.2

Moody's rating Bank Julius Baer & Co. Ltd.				
Long-term deposit rating	Aa2	Aa2	Aa2	-
Short-term deposit rating	Prime-1	Prime-1	Prime-1	-

¹ Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.

² Reconciliation with adjusted net profit for the Group is detailed in the table on the next page.

³ Calculated using adjusted operating expenses, excluding provisions and losses.

Reconciliation consolidated financial statement¹ IFRS to adjusted net profit

	H1 2018 CHF m	H1 2017 CHF m	H2 2017 CHF m	Change to H1 2017 in %
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	443.8	353.2	351.6	25.7
Non-controlling interests	0.0	3.7	7.5	-100.0
Profit after tax for the Group per consolidated Financial Statements (IFRS)	443.8	356.8	359.1	24.4
Amortisation of intangible assets related to previous acquisitions or divestments ²	36.2	34.9	37.1	3.8
Integration, restructuring and transaction costs	4.0	20.0	10.2	-80.0
Tax impact	-4.3	-8.1	-4.3	-47.1
Net impact	35.9	46.7	43.0	-23.2
Adjusted net profit for the Group	479.6	403.6	402.1	18.9

¹ Detailed financial statements are available in the Half-Year Report 2018

² Further details on transaction-related amortisation can be found in the presentation to Investors, Analysts and Media