Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Interim Management Statement for the first four months of 2019[1]

Assets under management up 12% to CHF 427 billion – Gross margin recovered from low levels of end 2018 – Cost reduction programme on track

Zurich, 24 May 2019 – In the four months to the end of April 2019, Julius Baer Group's assets under management grew to a record CHF 427 billion, a year-to-date increase of 12%. The increase was driven by strong positive market performance and currency impacts, net new money inflows, as well as the first-time consolidation of NSC Asesores in Mexico.

Net new money improved after soft start

After a soft start to the year, net new money growth accelerated towards the end of the period, resulting in a growth rate of 3% (annualised). Net new money was driven especially by solid inflows from clients domiciled in Asia and Europe, and across the Group the first four months saw a meaningful contribution from RMs who joined in 2018. While inflows in Julius Baer's core wealth management operations developed at a satisfactory level, they were partly offset by net outflows from Kairos funds (following a decline in performance in 2018). Net new money was also impacted to some extent by a limited number of client exits in the context of the ongoing client risk review project, as well as by modest outflows following a wider application of negative interest rates to large cash holdings.

Gross margin recovered from low levels of end 2018

From the low levels in the second half of 2018, the improving market environment continued to drive client transaction activity and brokerage commissions higher throughout the period, particularly in Asia. In gross margin terms, this increase – combined with higher performance fees from Kairos – more than compensated for a modest decline in the trading gross margin, following lower FX volatility. As a result, the overall gross margin rose to 82 basis points, a marked recovery from the 79.6 basis points reported in the second half of 2018, and the even lower levels seen in November-December 2018.

Cost reduction programme on track

The combination of a strengthened gross margin and contained expense growth pushed the cost/income ratio[2] to below 73%, an improvement from the 74.3% recorded in the second half of 2018. This improvement did not yet benefit from the 2019 cost reduction programme, the implementation of which has started and is on track. As indicated in February, the programme encompasses a number of structural measures, including a reduction in the Group's headcount by net 2% by the end of 2019. The resulting cost savings are expected to start materialising partly in the financial results for the second half of 2019 and fully in 2020. In relation to the programme, the

[1] Based on unaudited management accounts
[2] Excluding integration and restructuring expenses as well as the amortisation of intangible assets related to acquisitions or divestments, and provisions and losses

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Group anticipates booking one-off severance costs of approximately CHF 17 million, all in 2019, of which CHF 11 million were already accounted for in the cost/income ratio[2] calculation for the first four months of the year.

Strategic progress

Julius Baer continued to make investments in longer-term growth and in strengthening its franchise around the world:

- In Latin America, the Group increased its ownership of NSC Asesores in Mexico from 40% to 70%, while Julius Baer's Brazilian subsidiary GPS signed a partnership agreement with leading local digital financial advisor Magnetis.
- In Asia, SCB Julius Baer, the joint venture with The Siam Commercial Bank, launched formal operations following the receipt of the necessary licences in Thailand.
- In Switzerland, Julius Baer announced it will enter into a partnership for the management of digital assets with SEBA Crypto AG, once SEBA has received the FINMA banking and securities dealer licence.
- In Europe, Bank Julius Baer expanded its local footprint in two core markets by opening a new office in Belfast, its fifth in the UK, and in Barcelona, its second office in Spain. Julius Baer is currently reviewing strategic options for its Italian asset management subsidiary Kairos. Julius Baer will inform on material developments, if any, in due course and according to legal and regulatory requirements.

Solid capital position

In the first four months of 2019, BIS CET1 capital was affected by the first-time consolidation of NSC Asesores. This transaction had an impact of approximately 30 basis points on the Group's capital ratios. Despite this impact, the Group's BIS CET1 capital ratio strengthened to 13.1% (end 2018: 12.8%) and the BIS total capital ratio to 19.2% (end 2018: 18.7%).

2019 half-year results

Julius Baer Group's detailed financial results for the first half of 2019 will be published on 22 July 2019.

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