Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Interim Management Statement for the first ten months of 2018[1]

Assets under management at CHF 395 billion – Net new money growth close to 5% – Drop in client activity in Q3 affecting gross margin and cost/income ratio – Enhancing focus on core markets and reducing complexity

Zurich, 20 November 2018 – At the end of October 2018, Julius Baer Group's assets under management (AuM) stood at CHF 395 billion, a year-to-date increase of CHF 6 billion, or 2%. The positive contributions to AuM from net new money growth, the acquisition (in June) of Reliance Group in Brazil, and a small positive currency impact, were largely offset by adverse market performance. Most of the negative market impact on AuM occurred in October, when many leading stock markets suffered significant corrections.

Net new money close to 5%
Net inflows were robust and, despite further client deleveraging, remained close to 5% (annualised) for the first ten months, just below the mid-point of the medium-term 4–6% target range. All regions recorded net inflows, with particularly strong contributions from clients domiciled in Asia, the UK and Germany.

Deteriorating market environment affecting client activity in Q3
As highlighted in July, clients adopted a more cautious stance on the back of a challenging market environment. Throughout the third quarter, this led to lower levels of client activity, before volatility and volumes picked up again in October. As a consequence, the gross margin for the first ten months of 2018 decreased to 87 bp. This compares to 91 bp in the first six months of 2018 and 90 bp for full year 2017.

Cost/income ratio[2] above target range
As a result of the decline in the gross margin, the cost/income ratio[2] for the first ten months of 2018 rose to 69%, exceeding the targeted 64-68% range. The increase was driven by the drop in client activity in the third quarter, which was more pronounced than expected at mid-year. To offset the impact of the market-driven revenue fluctuations, the Group has initiated further cuts in discretionary spending.

While the achievement of the cost/income ratio target in 2018 will depend largely on market conditions in November and December, Julius Baer is taking additional steps to improve its efficiency, with the aim to reach the target in 2019.

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

Improving focus on core markets and reducing complexity

As part of its strategy to focus on core markets, the Group is prioritising its presence, client offering and growth investments accordingly. Year-to-date investments in core markets include the opening of new offices in the UK (Manchester, Leeds, Edinburgh) and Germany (Hanover, Berlin) and the acquisition of Reliance Group in Brazil. Julius Baer has also made targeted moves in defined growth markets, such as the strategic partnerships with Siam Commercial Bank (Thailand) and Nomura (Japan) and the recent opening of an advisory office in South Africa (Johannesburg).

At the same time, Julius Baer has accelerated its efforts to reduce complexity and exposure in its non-core markets, including the planned closing of its offices in Panama and Peru and the discontinuation of its services to clients from selected countries.

Solid capital position

In the first ten months of 2018, BIS CET1 capital was affected by the acquisitions of Reliance Group (in June) and the residual 20% stake in Kairos (in January). In the last four months, risk-weighted assets went up, partly from an increase in the financial assets portfolio following further credit deleveraging, and partly from an increase in market risk. As a result, the Group's BIS CET1 capital ratio declined to 13.0%, compared to 13.5% (fully applied) at the end of 2017. Following the redemption (in March) of CHF 250 million of perpetual Tier 1 bonds, the BIS total capital ratio stood at 19.0%, compared to 21.2% (fully applied) at the end of 2017. At these levels, the capital ratios remain comfortably above the Group's floors of 11% and 15% respectively, and significantly above the regulatory floors of 8.1% and 12.3% respectively. The tier 1 leverage ratio stood at 3.8%, well above the regulatory floor of 3%.

2018 full-year results

Julius Baer Group's detailed financial results for 2018 will be published on 4 February 2019.

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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 October 2018, assets under management amounted to CHF 395 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

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