

# Julius Bär

## MEDIA RELEASE

Julius Baer Group Ltd.

### Interim Management Statement for the first ten months of 2014<sup>1</sup>

#### **Assets under management CHF 285 billion, up 12% from the end of 2013 – IWM-related cost synergy realisation on track – Group cost/income ratio inside target range**

Zurich, 14 November 2014 – At the end of October 2014, Julius Baer Group's assets under management (AuM) amounted to CHF 285 billion, an increase of CHF 31 billion, or 12%, since the end of 2013. Total Group AuM included CHF 58 billion at current market values from Merrill Lynch's International Wealth Management (IWM) business outside the US, which Julius Baer is in the final phase of transferring. Total client assets increased by 11% to CHF 385 billion.

The year-to-date increase in Group AuM was driven by net new money, a positive currency impact which was helped in particular by the appreciation of the US dollar since the end of June, a positive market performance, as well as the first-time inclusion earlier this year of CHF 6 billion from Brazilian 80% subsidiary GPS. Year-to-date net inflows, which remained volatile on a monthly basis and continued to be impacted by tax regularisations in the cross-border European business, were, on an annualised basis, in the middle of the 4-6% medium-term target range.

#### **Gross margin almost maintained – Cost/income ratio in target range, earlier than expected**

Whereas the year-long slide in client foreign exchange trading volumes started to reverse for the first time in September and October, client securities transactional activity was subject to a seasonal slowdown in August. Despite the latter development, the gross margin in the first ten months could almost be maintained: at 94 basis points (bps) it was just 1 bp below the 95 bps in the first six months of 2014.

Thanks to the further cost synergies materialising from the IWM transaction, and despite the modest pressure on the gross margin over the summer months, the Group's adjusted cost/income ratio<sup>2</sup> in the first ten months improved to a level just inside the 65-70% range which the Group had set as a target to be reached from 2015 onwards. Valuation allowances, provisions and losses have increased and, based on the current outlook, for the full year 2014 are likely to be close to the level of 2013.

#### **IWM: Gross margin ahead of 2015 target – Cost-synergy realisation on track**

At current market values, IWM AuM reported stood at CHF 58 billion at the end of October 2014, of which CHF 55 billion were booked on the Julius Baer platforms. Based on the asset values at the applicable transfer dates since the start of the integration in February 2013, CHF 49 billion was booked on the Julius Baer platforms and paid for. Further asset transfers will take place before year-end, including from the IWM business in Paris, for which France's banking supervisory authority has

<sup>1</sup> Based on unaudited management accounts

<sup>2</sup> Excluding integration and restructuring expenses, the amortisation of intangible assets related to acquisitions or divestments, and valuation allowances, provisions and losses

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approved the change of control. The latter means that the IWM integration process has now achieved 17 of the 18 applicable local transaction closings, with only the Indian business still expected to follow in the first half of 2015.

The significant progress on the productivity of the IWM business in the first six months continued into the second half of the year. The extrapolated gross margin on the IWM AuM advanced to a level slightly above the 2015 target of 85 bps, and up from 84 bps in the first half of 2014.

Following the near-completion of the asset transfer process, the Group is fully on track to realise the substantial cost synergy potential offered by the IWM transaction. During the first ten months of 2014, the integration-related rightsizing resulted in 318 (net) employees leaving the Group, up from 265 at the half-year stage and close to the full-year target of 400.

### **Leumi transaction**

The preparations for the transfer of the business of Leumi Private Bank AG in Switzerland are in progress. The transfer is expected to start in the first half of 2015. With regard to Bank Leumi (Luxembourg) SA, rather than acquiring the legal entity, Julius Baer and Bank Leumi are discussing alternative cooperation arrangements.

### **Solid capital position**

Julius Baer remains strongly capitalised. At the end of September 2014, the Group's BIS total capital ratio stood at 24.0% and the BIS tier 1 ratio at 22.6%, well above the targeted floors of 15% and 12%, respectively.

### **2014 full-year results**

Julius Baer Group's detailed financial results for the full year 2014 will be published on 2 February 2015.

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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. Julius Baer's total client assets amounted to CHF 385 billion at the end of October 2014, including CHF 285 billion of assets under management. 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 member of the Swiss Market Index (SMI), comprising the 20 largest and most liquid Swiss stocks.

Julius Baer is currently integrating Merrill Lynch's International Wealth Management business outside the US. This will increase the Group's presence to more than 25 countries and 50 locations. Headquartered in Zurich, we have offices in key locations including Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Monaco, Montevideo, Moscow, Singapore and Tokyo.

For more information visit our website at [www.juliusbaer.com](http://www.juliusbaer.com)