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MEDIA RELEASE

Bank Julius Baer & Co. Ltd.

Julius Baer launches fifth Wealth Report: Asia

Julius Baer has released today its fifth annual Wealth Report: Asia, which monitors the cost of living in luxury and wealth creation in Asia. It finds that in Asia, Julius Baer's second home market, the pool of investable assets held by High Net Worth Individuals (HNWI) could reach USD 14.5 trillion by 2020, or a growth of 160% in the current decade.

Zurich/Hong Kong/Singapore, 28 October 2015 – In addition to the Julius Baer Lifestyle Index, which was launched in 2011 tracking the costs of goods and services for HNWI in 11 Asian cities, this year's report includes forecasts of HNWI wealth creation trends in ten Asian markets for the next five years until 2020. Despite its maturing economy, China's HNWI wealth is expected to increase to USD 8,249.6 billion in 2020, trebling the 2010 figure and making it one of the biggest wealth creation engines in the region. The Philippines and India are also ranked in the top three in terms of HNWI wealth creation.

Boris F.J. Collardi, Chief Executive Officer of Bank Julius Baer, said: "For the first time since 2011, we revisit the growth of millionaires in Asia. Whilst we have tempered our optimism as to the rate of growth, we maintain a very positive view for the region and believe in the fundamental strength of the economies which will also further drive the growth of number of millionaires in Asia."

Key findings on HNWI wealth trends in Asia include:

- **China:** HNWI wealth is projected at USD 5.1 trillion in 2016, rising to USD 8.25 trillion by 2020. The projections of HNWI wealth are based on the assumptions of nominal GDP growth of around 10% between 2017 and 2020, boosted by expected appreciation of the Chinese currency versus the USD throughout the forecasting horizon. While the Renminbi (RMB) declines in 2015, the longer term outlook points to an appreciation trend.
- **Hong Kong:** Hong Kong's HNWI wealth is expected to rise steadily to USD 1 trillion by the end of the decade. In recent years, Hong Kong's stock index performance has been considerably better than that of Singapore's stock market index. Further, Hong Kong benefits from strong trade and economic linkages with China. Hence, it comes as no surprise that, even as its nominal GDP rises 42% from USD 228.6 billion in 2010 to USD 325.3 billion by 2016, the HNWI wealth rises 56% from USD 484 billion to USD 756.3 billion in the same period.
- **India:** HNWI wealth is forecasted at USD 1.425 trillion in 2016, rising to USD 2.3 trillion by 2020. India's nominal GDP growth is projected to rise only by 3.2% this year due to the depreciation of the local currency versus the USD. However, the Indian economy has now found its footing and is in a period of positive development. Thus, India's HNWI wealth in USD is projected to rise by 94% between 2014 and 2020 (versus 74% for China). If this trend persists for a decade or more, India will narrow the wealth and economic gap with China.
- **Indonesia:** Indonesian HNWI wealth, which was estimated at USD 154.9 billion in 2014, will rise to a little over USD 200 billion in 2020. Indonesia's stock market and the currency have been under pressure since 2013 due to a persistently high current account deficit, high inflation and

worries over stagnation in economic growth. Having said that, Indonesia has potential to surprise on the upside, thanks to a reform-minded government.

- **Korea:** Korean HNWI wealth is expected to rise to just over USD 812 billion by 2020 from USD 540 billion in 2014. Korean economic growth has been steady post-2008. This year, Korean nominal GDP is expected to contract nearly 10% due to an anticipated 14% weakness in the Korean won against the USD. Apart from that, the Korean won appreciation up to 2020 is expected to boost nominal GDP growth, stock market returns and hence, HNWI wealth.
- **Malaysia:** Malaysia's HNWI wealth is estimated to rise to USD 308 billion by the end of the decade from USD 195 billion in 2014. Recent political developments in Malaysia have cast near-term uncertainty over its economic trajectory. However, over the longer term, we expect economic growth to be supported by investment growth from the Eleventh Malaysia Plan which covers 2016-20 and the Economic Transformation Programme. In addition, private consumption is expected to remain a key driver of economic growth.
- **Philippines:** Blessed with some good governance, Philippine economic growth stabilised and accelerated. The currency strengthened and the Philippine stock market performed creditably. HNWI wealth is expected to double in the Philippines by 2016 to USD 121.6 billion from around USD 60.0 billion in 2010. It further rises to USD 197 billion in 2020.
- **Singapore:** As a trade-dependent economy, Singapore is vulnerable to slowing global growth. However, Singapore continues to have ample room for policy easing in the face of cyclical headwinds. Singapore's HNWI wealth is seen rising to around USD 603 billion in 2020, up from USD 424 billion in 2014. The Singapore dollar (SGD) weakens by 12% versus the USD as per our estimate in 2015. However, the currency is expected to appreciate boosting GDP growth in the years ahead.
- **Taiwan:** HNWI wealth in Taiwan is forecasted to grow at a modest but steady pace from USD 269 billion in 2010 to USD 533 billion in 2020. Improvement in economic relations with China has been a positive factor for Taiwan in the last few years.
- **Thailand:** Thailand's HNWI wealth is seen rising to around USD 344 billion in 2020, up from USD 272 billion in 2014. Thailand's nominal GDP and HNWI wealth have been rather stagnant in the last four years. Thus far, increased government spending and gradually improving private investment have been insufficient to reinvigorate growth in the face of weak exports and private consumption.

Thomas R. Meier, Region Head Asia Pacific of Julius Baer, said: "Notwithstanding slowing global conditions, we remain positive on the trajectory of Asian HNWI wealth led by China where we estimate a tripling of HNWI wealth this decade to more than USD 8 trillion. Our forecasts reflect the belief and confidence that China has ample room to ease monetary and fiscal policy to both stabilize and boost the economy. We also see great catch-up potential in India where we expect economic expansion to strengthen from next year. India has the potential to narrow the wealth and economic gap with China over the next decade."

Highlights of the Julius Baer Lifestyle Index 2015:

- The Julius Baer Lifestyle Index compares 20 goods and services items in 11 cities, covering Hong Kong, Singapore, Shanghai, Mumbai, Taipei, Jakarta, Manila, Seoul, Kuala Lumpur, Bangkok and Tokyo.
- In 2015, the most expensive and best bargain cities as determined by the index are identified clearly for the first time.
- Shanghai is the overall most expensive city in the 2015 study, topping the tables for services and goods and the overall category. Shanghai was within the top four most expensive cities in 13 out of the 17 compared categories (excluding wine, university and boarding school). With possible devaluation of the RMB, interest rates cut to stimulate the market after a volatile summer in 2015, we expect some strong price movements next year.

- Hong Kong and Singapore take a respectable second and third overall. Hong Kong's expensive cost for services and Singapore's relatively expensive pricing for all goods and services, firmly establish these three cities as the most expensive cities to purchase the items in the Julius Baer Lifestyle Index.
- The dominant feature in the Hong Kong data set remains high-end property. During the observation period of this year's Julius Baer Lifestyle Index, the data set increased 17% year-on-year. Hong Kong remains in the top set for the price of residential property in the region. Hong Kong holds the top position for being the most expensive market to purchase the services section of our basket, including business class flights, botox treatments, dental work, hospital care, wedding banquet service, hotel suite and lawyers' fees. On the other hand, the price of wine, handbags and ladies shoes have decreased in Hong Kong (see chart 4 on pages 22-23 of the report).
- Singapore remains the most expensive market for the car tracked in the Julius Baer Lifestyle Index. This pricing is partially reflective of special car-related taxes. In comparison to other cities, Singapore is also relatively expensive to rent a hotel suite, a stay at the hospital, legal fees used in drafting a will, and residential property. During the data collection period there was zero change in the luxury high-end market of property in Singapore. This may be due to price resilience of this specific sector, when the residential property in general was said to be weak following a series of property measures introduced in 2009. We expect the SGD to depreciate slightly against the USD over the next 12 months and the economy to grow moderately at a pace of 2.5% which may see another round of price increases in the luxury sector in Singapore (see chart 6 on pages 26-27 of the report).
- Mumbai is a regional relative bargain for the overall basket of services and goods, and is also the least expensive city in terms of ranking for goods.

This year's report also features dedicated sections on India and Japan. A positive outlook for HNWI wealth is projected in India in the years ahead, in contrast to the relative stagnation in HNWI wealth between 2011 and 2013. Therefore, it retains promise and attractiveness for wealth management institutions over the next half decade, if not longer.

A positive evaluation is held of Japan's economy and outlook – despite the fact that the overall growth of the market should not be expected to increase much beyond 1.5% per year anymore. Overall growth will be slowed down by demographic decline and underperformance of entire regions outside the city centres. Within its urban growth centres, however, new services are thriving, already strong social infrastructure is being upgraded and restructured corporations have returned to profitability. This will also be the basis for Japan claiming a greater economic role in Asia again.

For a copy of the Julius Baer Wealth Report: Asia in English, please visit the dedicated website: http://www.juliusbaer.com/asia/en/investment-excellence/research/wealth-report-asia/

Notes to editors

- HNWI are defined as people with net investable wealth of USD 1 million or more, excluding property that is their main residence.
- Using our estimates for HNWI wealth in 2010 that were published in our first Wealth Report: Asia in 2011 as the base, we make the assumption that 80% of the growth in HNWI wealth comes from economic activity (nominal GDP growth) and that the other 20% comes from stock market returns. This is done for all years from 2011 onwards.
- 2015 data for the Julius Baer Lifestyle Index were collected during the period April 2014 to April 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 369 billion at the end of June 2015, including CHF 284 billion of assets under management. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank which celebrates its 125th anniversary in 2015, 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 employs a staff of over 5,000, including more than 1,000 relationship managers, and 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, Lugano, Monaco, Montevideo, Moscow, Mumbai, Singapore and Tokyo. Our client-centric approach, our objective advice based on a unique open product platform, our very strong financial base and our entrepreneurial management culture make us the international reference in private banking.

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