

## **MEDIA RELEASE** Julius Baer Group Ltd.

### **Interim Management Statement for the first ten months of 2015<sup>1</sup>**

#### **Assets under management at record CHF 297 billion – Benefit of cost measures helps to mitigate impact of recent decrease in client activity**

Zurich, 10 November 2015 – At the end of October 2015, Julius Baer Group's assets under management (AuM) amounted to a record CHF 297 billion, an increase since the end of 2014 of CHF 6 billion, or 2%.

In the year-to-date development, Group AuM was supported by positive contributions from continued net new money, market performance, the transfer of AuM from Leumi Private Bank AG in the first half of the year and the transfer of Merrill Lynch's International Wealth Management business (IWM) in India in September. These positive contributions were partly offset by a negative currency impact of CHF 11 billion following the strengthening of the Swiss franc against almost all currencies so far this year. Whilst the Group did not experience any meaningful client deleveraging over the last four months, net inflows continued to be impacted by the ongoing regularisation of legacy assets in France and Italy as well as a slowdown over the last four months in net new money mainly from Eastern Europe and Latin America. As a consequence, net inflows in the first ten months were, on an annualised basis, just below the low end of the 4-6% medium-term target range.

#### **Benefit of cost measures helps to mitigate impact of recent decrease in client activity**

In the first half of 2015, the gross margin had benefitted from robust client transaction and trading activity in the first four months, before reverting to more average levels in May and June. In the four months since the end of June, client activity became more restrained – this was due not only to seasonal influences but, in the last two months of the period, also driven by the increased uncertainty after the volatile stock market movements in August and September as well as reduced foreign exchange trading volumes. As a result, the gross margin for the first ten months was 95 basis points (bps), below the 99 bps recorded in the first half of 2015, but above the 94 bps achieved in the full year 2014.

Since the end of June, the impact of the aforementioned decrease in gross margin was tempered by the further benefits of the cost saving measures implemented in the first half of the year. The cost/income ratio<sup>2</sup> in the first ten months was slightly above the low end of the 65-70% medium-term target range, a clear improvement in cost efficiency from the 69.9% realised in 2014.

<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

Excluding the US provision of June 2015, valuation allowances, provisions and losses were, on an annualised basis, at approximately the same level as for the full year 2014.

As a result, the underlying pre-tax profit<sup>3</sup> margin improved to a level just above the low end of the 30-35 bps medium-term target range, significantly better than the 26 bps realised in 2014.

### **Solid capital position**

Julius Baer remains strongly capitalised. At the end of September 2015, following the final IWM payment to Bank of America, the Group's BIS total capital ratio stood at 19.7% and the BIS tier 1 ratio at 18.4%, well above the targeted floors of 15% and 12%, respectively.

### **Julius Baer intends to increase its stake in Kairos to a majority investment**

In November 2012 Julius Baer Group Ltd. (Julius Baer) and the leading independent Italian wealth and asset manager Kairos Investment Management SpA (Kairos) announced a strategic partnership. As part of that transaction, Julius Baer's Italian SIM was integrated into Kairos and Julius Baer acquired 19.9% of Kairos.

Following the strong momentum at Kairos, Julius Baer has initiated negotiations to increase its stake and is considering subsequently listing an adequate minority of Kairos on the Italian Stock Exchange, all subject to negotiations and required approvals. At the end of October 2015, Kairos had AuM of EUR 8 billion.

Julius Baer Fiduciaria S.r.l., Milan, was not part of the original transaction and remains a fully-owned subsidiary of Julius Baer.

### **Closing of 40% participation in NSC Asesores**

The purchase of 40% in NSC Asesores, the largest independent financial advisory firm in Mexico, has been closed on 6 November 2015. The acquisition, which was announced on 20 July 2015, marks Julius Baer's entry into the second-largest wealth management market in Latin America.

### **Management transition at GPS**

A year and a half after Julius Baer increased its stake in the company to 80%, Jan Gunnar Karsten has been appointed CEO of GPS Investimentos Financeiros e Participações S.A. (GPS), the leading Brazilian independent wealth manager, as of 1 December 2015. He currently heads all client segments and has more than two decades of experience in the Brazilian wealth management market. José Eduardo Martins, founding partner, will assume the role of Vice Chairman of the Board, focusing on new initiatives and strategy. He has been the face of GPS since its inception more than 15 years ago.

### **2015 full-year results**

Julius Baer Group's detailed financial results for 2015 will be published on 2 February 2016.

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<sup>3</sup> Excluding integration and restructuring expenses, the amortisation of intangible assets related to acquisitions or divestments, as well as the USD 350 million (CHF 326 million) provision (in June 2015) for the eventual settlement with the US Department of Justice regarding the legacy US cross-border business (the US provision)

## **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 2015, including CHF 297 billion of assets under management. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank which celebrates its 125<sup>th</sup> 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 some 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.

## **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.

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