Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 22 July 2019

Presentation of the 2019 half-year results for the Julius Baer Group

Strong recovery in net profit after challenging second half of 2018 – Cost-reduction programme on track

- **Net profit recovered considerably from the challenging second half of 2018, driven by a strong sequential increase in asset valuations and gross margin.**
- **The CHF 100 million cost-reduction programme initiated at the start of 2019 is on track. The resulting gross cost savings are expected to start materialising partly in the financial results for the second half of 2019 and fully in 2020. The Group recorded CHF 17 million of one-off redundancy costs related to the programme in the first half of 2019.**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. CHF 343 million and earnings per share CHF 1.58, an improvement of 18% from H2 2018, a decrease of 23% from H1 2018.**
- **Adjusted[1] net profit for the Group CHF 391 million, an increase of 18% compared to H2 2018, down 19% from H1 2018.**
- **Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. CHF 1.79, up 18% from H2 2018, down 18% from H1 2018.**
- **Assets under management[2] (AuM) CHF 412 billion, up CHF 30 billion, or 8%, from the end of 2018, supported by net new money[2] of CHF 6.2 billion, or 3.2% annualised.**
- **Gross margin[3] 83.2 basis points (bp), up 3.6 bp from H2 2018, down 8.2 bp from H1 2018, as client transaction volumes continued to recover from the significant decline experienced in H2 2018.**
- **Adjusted cost/income ratio[4] 71.0%, a clear improvement from 74.3% in H2 2018, up from 67.3% in H1 2018.**
- **Adjusted pre-tax margin[5] 23.0 bp, up 3.1 bp from H2 2018, down 6.8 bp from H1 2018.**
- **Adjusted return on CET1 capital[6] 28%, up from 24% in H2 2018, down from 36% in H1 2018.**
- **BIS CET1 capital ratio 13.1%, up from 12.8% at the end of 2018, and BIS total capital ratio 20.7%, well above the minimum regulatory requirements and the Group's own floors.**

Bernhard Hodler, Chief Executive Officer of Julius Baer Group Ltd., said: "Profitability has markedly improved compared to the second half of 2018, as we saw client activity and asset valuations recover substantially. The cost-reduction programme we initiated earlier this year is on track, and we will see its effects materialise in the coming months and throughout 2020, as targeted. At the same time, we have made targeted investments in the future of our business. Julius Baer is in excellent shape, thanks to the dedication and relentless work of our staff. And I am convinced that, with Philipp Rickenbacher being appointed as my successor, I am leaving the Group in very good hands."

AuM up 8% since year-end 2018, supported by a strong recovery in global stock markets
Assets under management ended the first six months of 2019 at CHF 412 billion, an increase of CHF 30 billion, or 8%, since the end of 2018. The growth in AuM was helped by a strong recovery in global stock markets, as well as net new money of CHF 6.2 billion and the first-time consolidation of NSC Asesores in Mexico, which added CHF 3 billion. The strengthening Swiss franc had a slightly negative impact on AuM.

While the annualised net new money growth rate[7] of 3.2% was below the Group's medium-term target range (4–6%), it moved closer to the target in the last quarter. Excluding Kairos, net inflows developed at a satisfactory level inside the targeted range, driven by solid inflows from clients domiciled in Asia, Europe, and the Middle East. However, these net inflows were partly offset by net outflows from Kairos funds (following a decline in fund performance in 2018; in H1 2019 the performance improved again). The Group's net new money was also negatively impacted to some extent by a limited number of client exits in the context of the ongoing client risk review project (which is nearing completion), as well as by modest outflows following a wider application of negative interest rates to large cash holdings in affected currencies, mainly Swiss francs and euros.

Including assets under custody[2] of CHF 67 billion, total client assets[2] grew by 8% from year-end 2018 to CHF 479 billion.

Operating income development impacted by transaction volumes and cost of deposits
Operating income was CHF 1,699 million, a decrease of 5% versus H1 2018. Compared to the second half of 2018, operating income grew by 8%. As monthly average AuM increased to CHF 408 billion (up 4% year-on-year and 3% versus H2 2018), the gross margin came to 83.2 bp, a decline versus H1 2018 (91.5 bp), but an improvement from H2 2018 (79.6 bp).

Net commission and fee income decreased by 6% year-on-year to CHF 956 million. This decline was driven mainly by lower client transaction activity compared to the first half of 2018, and to a lesser extent by modest fee pressure on discretionary mandates and a lower contribution from Kairos.

Net interest and dividend income declined by 7% year-on-year to CHF 515 million. It included CHF 162 million of dividend income on trading portfolios, up 2% year-on-year. Excluding this item, underlying net interest and dividend income decreased by 10% to CHF 354 million. Underlying net interest income benefitted from an increase in interest income on loans (driven by higher US interest rates) and interest income on debt instruments at FVOCI[8] (following an increase in investments of excess deposits into the Group's treasury portfolio, at higher rates). However, this benefit was more than offset by an increase in interest expense on amounts due to customers.

Net trading income decreased by 4% year-on-year to CHF 197 million. Including the dividend income related to trading portfolios, underlying net trading income declined by 2% to CHF 359 million.

Other ordinary results (which, among other items, includes income from associates, rental income, and net gains/losses from the disposal of investments from the financial assets portfolio) grew by CHF 14 million year-on-year to CHF 28 million.

Net credit recoveries on financial assets improved from close to zero in H1 2018 to CHF 3 million.

Operating expenses development – Adjusted cost/income ratio 71.0%
Operating expenses according to IFRS rose by 3% year-on-year to CHF 1,281 million. This was driven by a 1% decrease in *personnel expenses* to CHF 835 million (despite the inclusion of CHF 17 million of one-off redundancy costs related to the cost-reduction programme), a 1% increase in *general expenses* to CHF 324 million, a 22% increase in amortisation to CHF 74 million and a 163% increase in *depreciation* to CHF 49 million. The first-time application of IFRS 16 (Leases) resulted effectively in a shift of CHF 31 million from general expenses to depreciation. Compared to the second half of 2018, IFRS operating expenses grew by 4%.

As in previous years, in the analysis and discussion of the results in the Media Release and the Business Review, *adjusted operating expenses* exclude acquisition-related integration and restructuring expenses (CHF 9 million, H1 2018: CHF 4 million, H2 2018: CHF 6 million) as well as the acquisition-related amortisation of intangible assets (CHF 43 million, H1 2018: CHF 36 million, H2 2018: CHF 37 million).

Compared to the first half of 2018, adjusted operating expenses increased by 2% to CHF 1,229 million, as the 2% decrease year-on-year in adjusted personnel expenses, to CHF 833 million, and the unchanged adjusted general expenses of CHF 317 million were more than offset by a 163% increase in adjusted depreciation to CHF 49 million, and a 27% increase in adjusted amortisation to CHF 31 million. Compared to the second half of 2018, adjusted operating expenses increased by 4%.

At 6,768 full-time equivalents (FTEs), personnel has risen by 2%, or 125 FTEs, in the twelve months since 30 June 2018, and by 1%, or 75 FTEs, in the six months since the end of 2018. This included 55 FTEs following the first-time consolidation of NSC Asesores in March 2019. Compared to the first half of 2018, the monthly average number of employees grew by 5% to 6,780. At the end of June 2019, the Group employed 1,490 relationship managers (RMs), including 20 at NSC Asesores. This represents an increase of 15 RMs since 30 June 2018 and a decrease of 11 RMs since the end of 2018.

Despite the 5% rise year-on-year in average staff levels and the inclusion of CHF 17 million of one-off severance costs related to the cost-reduction programme, *adjusted personnel expenses* declined by 2% year-on-year to CHF 833 million, following a decrease in performance-related remuneration.

Adjusted general expenses were unchanged year-on-year at CHF 317 million, despite a CHF 20 million increase in provisions and losses (to CHF 22 million) but helped by the first-time application of IFRS 16 (Leases).

Depreciation grew by 163% year-on-year to CHF 49 million, mainly as a consequence of IFRS 16 (Leases), and *adjusted amortisation* rose by 27% to CHF 31 million. The growth in adjusted amortisation mainly reflects the rise in IT-related investments in recent years, including the completion in 2018 of the new core banking system in Singapore and Hong Kong.

As a result, the Group achieved an adjusted *cost/income ratio*[4] of 71.0% (H1 2018: 67.3%, H2 2018: 74.3%).

Cost-reduction programme on track
As announced last February, while continuing its strategic growth investments, Julius Baer has put in place a CHF 100 million gross cost-reduction programme which encompasses a number of structural measures, including a decrease in the Group's headcount by a net 2% between the end of 2018 and the end of 2019. The execution of this programme is on track, and the results from these structural cost reductions are expected to start materialising partly in the second half of 2019 and

fully in the 2020 financial results, with the reconfirmed aim to reduce the adjusted cost/income ratio below 68% in 2020 – assuming no meaningful deterioration relative to the 2018 average market conditions.

Net profit recovered significantly from H2 2018
IFRS *profit before taxes* declined by 23% year-on-year to CHF 418 million. As income taxes were 24% lower at CHF 75 million, *net profit for the Group* as well as net profit attributable to shareholders of Julius Baer Group Ltd. decreased by 23% to CHF 343 million, and EPS also by 23% to CHF 1.58. Compared to the second half of 2018, IFRS profit before taxes grew by 19%, and net profit and EPS by 18%.

Adjusted profit before taxes of CHF 470 million represented a drop of 19% year-on-year (but an increase of 19% compared to H2 2018), resulting in an adjusted pre-tax margin of 23.0 bp (H1 2018: 29.8 bp, H2 2018: 19.9 bp). The related income taxes were CHF 79 million, corresponding to a tax rate of 16.9% (H1 2018: 17.7%, H2 2018: 16.3%).

Adjusted net profit for the Group came to CHF 391 million, a decrease of 19% year-on-year (but an improvement of 18% compared to H2 2018). Adjusted EPS attributable to shareholders was CHF 1.79, a decline of 18% from H1 2018 (but an increase of 18% compared to H2 2018).

The adjusted return on CET1 capital was 28% (H1 2018: 36%, H2 2018: 24%).

Balance sheet: Lombard credit volume up 4% year to date
Since the end of 2018, *total assets* increased by 1% to CHF 104 billion. *Loans* grew by 3% to CHF 47 billion − comprising over CHF 37 billion of Lombard loans (+4%) and over CHF 9 billion of mortgages (-1%). As the *due to customers* position (deposits) declined by 1% to CHF 71 billion, the loan-to-deposit ratio[9] went up to 66% (end of 2018: 63%). *Equity attributable to shareholders of Julius Baer Group Ltd.* grew by 1% to CHF 6.1 billion.

Solid capital position – CET1 ratio 13.1%
Since the end of 2018, BIS CET1 capital increased by 4% to CHF 2.8 billion. In June 2019, the Group placed CHF 350 million of perpetual Additional Tier 1 (AT1) subordinated bonds with a coupon of 2.375%. As a result of the increase in BIS CET1 capital and the AT1 bond issue, BIS tier 1 capital grew by 12% to CHF 4.4 billion and BIS total capital by 13% to CHF 4.5 billion.

As risk-weighted assets went up by 2% to CHF 21.7 billion, the *BIS CET1 capital ratio* rose to 13.1% (compared to 12.8% at the end of 2018) and the *BIS total capital ratio* to 20.7% (up from 18.7% at the end of 2018). The leverage exposure grew by 1% to CHF 103 billion, resulting in the Tier 1 leverage ratio rising to 4.3% (compared to 3.9% at the end of 2018).

At these levels, the Group continues to be solidly capitalised: the CET1 and total capital ratios remain well above the Group's own floors of 11% and 15% and significantly in excess of the regulatory minimums of 8.2% and 12.4%, respectively, while the Tier 1 leverage ratio is comfortably above the 3.0% regulatory minimum.

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[1] The adjusted results as presented and commented in this Media Release and in the Business Review are derived by excluding from the total operating expenses in the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.
[2] For the definition of assets under management, net new money, and client assets, please refer to the Annual Report 2018, pp. 197 and 198. Assets under custody are those client assets that are not assets under management.
[3] Annualised total operating income divided by monthly average assets under management.

[4] Total operating expenses divided by total operating income; calculated using adjusted operating expenses (as defined in footnote 1), excluding provisions and losses.
[5] Annualised adjusted profit before taxes (using adjusted operating expenses as defined in footnote 1), divided by monthly average assets under management.
[6] Annualised adjusted net profit attributable to shareholders of Julius Baer Group Ltd., divided by the average of CET1 capital at the start of the period and at the end of the period.
[7] Annualised net new money as a percentage of assets under management at the end of the previous year.
[8] Fair value through other comprehensive income.
[9] The loans position divided by the due to customers position.

The results conference will be webcast at 9:30 a.m. (CEST). All documents (presentation, Business Review First Half 2019, Half-Year Report 2019, spreadsheets, and this Media Release) are available at www.juliusbaer.com.

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Important dates

19 November 2019:	Publication of ten-month Interim Management Statement
3 February 2020:	Publication and presentation of 2019 full-year results, Zurich
23 March 2020:	Publication of Annual Report 2019
16 April 2020:	Annual General Meeting 2020, Zurich

About Julius Baer

Julius Baer is the leading Swiss wealth management group and a premium brand in this global sector, with a focus on servicing and advising sophisticated private clients. At the end of June 2019, assets under management amounted to CHF 412 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 Leader Index (SLI), comprising the 30 largest and most liquid Swiss stocks.

Julius Baer is present in over 25 countries and more than 60 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 wealth management.

For more information visit our website at www.juliusbaer.com

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.

KEY FIGURES JULIUS BAER GROUP[1]

Consolidated income statement	**H1 2019** CHF m	H1 2018 CHF m	H2 2018 CHF m	*Change to H1 2018 in %*
Operating income	1,699.0	1,788.8	1,579.0	-5.0
Adjusted operating expenses	1,229.2	1,206.1	1,184.7	1.9
Profit before taxes	469.8	582.7	394.4	-19.4
Adjusted net profit for the Group	390.5	479.6	330.0	-18.6
IFRS net profit for the Group[2]	342.9	443.8	291.6	-22.7
Cost/income ratio[3]	71.0%	67.3%	74.3%	-
Pre-tax margin (basis points)	23.0	29.8	19.9	-

	30.06.2019	30.06.2018	31.12.2018	*Change to 31.12.2018 in %*
Assets under management (CHF bn)				
Assets under management	412.3	399.9	382.1	7.9
Net new money (in period)	6.2	9.9	7.5	-
Consolidated balance sheet (CHF m)				
Total assets	103,654.9	103,540.2	102,898.3	0.7
Total equity	6,086.7	5,788.7	6,041.9	0.7
BIS total capital ratio	20.7%	20.2%	18.7%	-
BIS CET1 capital ratio	13.1%	13.7%	12.8%	-
Return on tangible equity (RoTE) annualised[4]	25%	33%	22%	
Return on common equity Tier 1 capital (RoCET1)[5]	28%	36%	24%	
Personnel (FTE)				
Number of employees	6,768	6,643	6,693	1.1
Number of relationship managers	1,490	1,475	1,501	-0.7
Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Market capitalisation (CHF m)	9,727	13,044	7,836	24.1
Moody's rating Bank Julius Baer & Co. Ltd.				
Long-term deposit rating	Aa2	Aa2	Aa2	-
Short-term deposit rating	Prime-1	Prime-1	Prime-1	-

1 Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments and the taxes on those respective items.
2 Reconciliation with adjusted net profit for the Group is detailed in the table on the next page.
3 Calculated using adjusted operating expenses, excluding provisions and losses.
4 Adjusted net profit attributable to shareholders/(half-yearly) average shareholders' equity less goodwill and other intangible assets.
5 Adjusted net profit attributable to shareholders/(half-yearly) average CET1 capital.

RECONCILIATION CONSOLIDATED FINANCIAL STATEMENT[1]
IFRS TO ADJUSTED NET PROFIT

	H1 2019 *CHF m*	H1 2018 *CHF m*	H2 2018 *CHF m*	Change *to H1 2018 in %*
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	**343.1**	443.8	291.6	-22.7
Non-controlling interests	-0.2	-	-0.1	
IFRS net profit for the Group	**342.9**	443.8	291.6	-22.7
Amortisation of intangible assets related to previous acquisitions or divestments[2]	**43.2**	36.2	37.4	19.3
Total adjustment to personnel expenses	2.0	1.1	1.5	73.7
Total adjustment to general expenses	7.2	2.9	4.2	148.8
Integration and restructuring expenses	**9.1**	4.0	5.6	127.8
Adjustments to operating expenses and profit before taxes	**52.3**	40.2	43.0	30.1
Tax impact	**-4.7**	-4.3	-4.6	9.1
Adjustments to net profit	**47.6**	35.9	38.5	32.7
Adjusted net profit for the Group	**390.5**	479.6	330.0	-18.6

1 Detailed financial statements are available in the Half-Year Report 2019.

2 Further details on transaction-related amortisation can be found in the presentation to investors, analysts and media.