Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 24 July 2017

Presentation of the 2017 half-year results[1] for the Julius Baer Group

Record adjusted net profit CHF 404 million – Net inflows 6.1%, above target range – Cost/income ratio[2] 69% – Capital ratios further strengthened

- **Assets under management (AuM) CHF 355 billion, up CHF 19 billion, or 6%, from the end of 2016.**
- **Net new money over CHF 10 billion, or 6.1% annualised, exceeding the 4–6% target range, underlining the success of the organic growth initiative.**
- **Operating income CHF 1,592 million, an increase of 12% compared to the first half of 2016 (H1 2016). Resilient gross margin at 92 basis points (bps).**
- **Adjusted operating expenses 17% higher at CHF 1,098 million.**
- **Adjusted cost/income ratio[2] 69.1%, compared with 64.7% in H1 2016, and a clear improvement from 73.0% in the second half of 2016 (H2 2016). This reflects incremental revenue benefits from last year's RM hiring as well as an improved market environment.**
- **Adjusted profit before taxes CHF 494 million, up 2%, resulting in an adjusted pre-tax margin of 28 bps.**
- **Adjusted net profit for the Group up 0.4% to record CHF 404 million while adjusted earnings per share (EPS) attributable to shareholders of Julius Baer Group Ltd. remained at CHF 1.84.**
- **Excluding the Kairos- and pension fund-related items (CHF 88 million net of taxes) in H1 2016, the year-on-year increase in adjusted net profit was 28%.**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. CHF 353 million and IFRS EPS CHF 1.63, both 2% lower.**
- **Phase-in BIS total capital ratio of 18.5% (fully applied 17.9%) and phase-in BIS common equity tier 1 (CET1) capital ratio of 14.9% (fully applied 11.9%). The capital ratios are well above the minimum regulatory requirements and the Group's own capital floors.**
- **Beatriz Sanchez appointed Head Latin America and member of the Executive Board of Bank Julius Baer & Co. Ltd. effective 15 December 2017, taking over from Gustavo Raitzin.**

Boris F.J. Collardi, Chief Executive Officer of Julius Baer Group Ltd., said: "We are extremely pleased to see the initial returns on last year's significant investments already being reflected in a record half-year adjusted net profit. Net inflows exceeded our own expectations, the gross margin was resilient, the cost/income ratio improved towards the target range, and our capitalisation strengthened to well above our floors."

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He added: "From this position of strength, we are ensuring leadership – by deepening client relationships, enhancing the quality of our revenue base, increasing efficiency and remaining the destination for industry talent."

AuM up 6% from the end of 2016, supported by significant net inflows
Assets under management ended the first six months at CHF 355 billion, an increase of CHF 19 billion, or 6%, since the end of 2016. The growth in AuM was the result of market performance of CHF 16.8 billion, net new money of CHF 10.2 billion (6.1% annualised) and a net positive acquisition impact of CHF 0.3 billion, partly offset by a negative currency impact of CHF 8.9 billion, mainly due to the 6% fall in the USD/CHF exchange rate.

The net new money pace accelerated to 6.1% (annualised), exceeding the Group's medium-term target range (4–6%). Net new money was helped particularly by strong net inflows from clients domiciled in Asia, the Middle East and Monaco, as well as a substantial recovery in net inflows in Latin America. The RMs hired in 2016 contributed significantly to the inflows.

Operating income boosted by considerable growth in net commission and fee income
Operating income rose to CHF 1,592 million. The 12% increase was lower than the 16% growth in monthly average AuM (to CHF 348 billion), which led to a decline in the gross margin by 3 bps to 92 bps. However, in H1 2016 operating income included a positive fair value adjustment of CHF 39 million (or 2.6 bps in gross margin terms) resulting from the acquisition of an additional 60.1% stake in Kairos. Excluding this impact, the rise in operating income was 15% year on year, and the gross margin was largely unchanged.

Net commission and fee income grew by 25% to CHF 922 million. The significant increase was driven by a further improvement in asset-based fee income (partly following the higher relative share of advisory mandates and a full six-month contribution from Kairos, which was consolidated as of 1 April 2016), as well as by strong growth in client transaction commissions.

Net interest and dividend income rose by 11% to CHF 566 million. It included dividend income on trading portfolios of CHF 181 million, up 1%. Excluding this item, underlying net interest and dividend income went up by 17% to CHF 385 million. This growth was driven mainly by an increase in loan volumes as well as higher credit spreads.

Net trading income fell by 23% to CHF 90 million. Including the aforementioned trading portfolios-related dividend income, underlying net trading income decreased by 9% to CHF 271 million. This decline follows a decrease in overall FX volatility and volumes compared to H1 2016, when trading income benefited from elevated FX activity following the result of the Brexit referendum in the UK.

Other ordinary results (which among other items includes income from associates, rental income and net gains/losses from the disposal of financial investments from the available-for-sale portfolio), fell by CHF 44 million to CHF 14 million. The decline is largely attributable to the positive fair value adjustment of CHF 39 million related to the Kairos acquisition recorded in H1 2016. It is also attributable to the termination of the brand licensing agreement with GAM earlier this year.

Cost/income ratio improved towards medium-term target range
Adjusted operating expenses increased by 17% to CHF 1,098 million. However, in H1 2016 operating expenses included a benefit of CHF 63 million resulting from an amendment of the Swiss pension plan. Excluding this impact, the year-on-year increase in operating expenses was 10%.

At 6,205 full-time equivalents (FTEs), personnel rose by 6%, or 349 FTEs, in the twelve months since 30 June 2016. The number of RMs grew by 8% from 1,284 to 1,381 FTEs over the same period. The average number of employees increased by 8% year on year to 6,154.

Adjusted *personnel expenses* grew to CHF 762 million, a rise of 22%. Excluding the pension fund-related benefit of CHF 63 million in H1 2016, the increase in adjusted personnel expenses was 11%.

Adjusted *general expenses* went up by 3% to CHF 294 million, as the impact of the ongoing investments in the core banking platform and the higher staff levels was partly offset by a CHF 20 million decline in valuation allowances, provisions and losses.

As a result, the adjusted *cost/income ratio*[2] was 69.1%, compared with 64.7% in H1 2016 (or 71.0% excluding the Kairos- and pension fund-related items). Compared to the 73.0% reported in H2 2016, the cost/income ratio improved significantly, reflecting the incremental revenue benefits from last year's RM hiring as well as an improved market environment.

Adjusted net profit for the Group CHF 404 million

Adjusted *profit before taxes* increased by 2% year on year to CHF 494 million. Excluding the Kairos- and pension fund-related items (together CHF 101 million) in H1 2016, the rise in adjusted profit before taxes was 29%. The adjusted pre-tax margin was 28.4 bps. The related income taxes were CHF 90 million, representing a tax rate of 18%, up from 17% in H1 2016.

Adjusted net profit for the Group improved from CHF 402 million to CHF 404 million. After considering non-controlling interests of CHF 4 million, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. declined by CHF 2 million to CHF 399 million, and adjusted EPS attributable to shareholders of Julius Baer Group Ltd. remained at CHF 1.84.

As in previous years, in the analysis and discussion of the results in the Media Release and the Business Review, adjusted operating expenses exclude integration and restructuring expenses (CHF 20 million, versus CHF 11 million in H1 2016) as well as the amortisation of intangible assets related to acquisitions (CHF 35 million, versus CHF 34 million in H1 2016). Including these items, as presented in the IFRS results in the Group's Consolidated Financial Statements for the first half of 2017, net profit declined by 1% to CHF 357 million, as H1 2016 had benefited from the aforementioned Kairos- and pension fund-related items. After considering non-controlling interests of CHF 4 million, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. decreased by 2% to CHF 353 million, and EPS by 2% to CHF 1.63.

Excluding the Kairos- and pension fund-related items (together CHF 88 million net of taxes) from H1 2016 operating income and expenses, adjusted net profit for the Group rose 28% and IFRS net profit attributable to shareholders 29%.

Balance sheet and capital developments

Since the end of 2016, *total assets* decreased by CHF 3 billion, or 3%, to CHF 93 billion. Client deposits declined by CHF 2 billion, or 3%, to CHF 66 billion, while the total loan book grew by CHF 2 billion, or 6%, to CHF 41 billion (comprising CHF 31 billion of Lombard loans and CHF 10 billion of mortgages). As a result, the loan-deposit ratio rose to 0.62 (end of 2016: 0.57). In the same period, total equity attributable to shareholders of Julius Baer Group Ltd. increased by CHF 0.1 billion to CHF 5.4 billion.

At 30 June 2017, on a Basel III phase-in basis, total capital amounted to CHF 3.8 billion (Basel III fully applied: CHF 3.7 billion), of which CHF 3.1 billion CET1 capital (fully applied: CHF 2.5 billion). With risk-weighted assets at CHF 20.6 billion, this resulted in a phase-in *BIS total capital ratio* of

18.5% (fully applied: 17.9%) and a phase-in *BIS CET1 capital ratio* of 14.9% (fully applied: 11.9%). At these levels, the total capital ratio and the CET1 ratio are well above the Group's own floors of 15% and 11%, respectively, and significantly in excess of the regulatory minimums of 12.2% and 8%, respectively.

Beatriz Sanchez appointed Head Latin America
Julius Baer has appointed Beatriz Sanchez as Head Latin America and member of the Executive Board of Bank Julius Baer & Co. Ltd. effective 15 December 2017. Gustavo Raitzin, who has led the Region Latin America since 2005, will step down and accept an invitation from Harvard University in Cambridge, USA, to become an Advanced Leadership Fellow in 2018. Beatriz Sanchez will join Julius Baer on 2 October 2017, allowing for a smooth transfer of responsibilities. After retiring from his current executive responsibilities, Gustavo Raitzin will act as Chairman Latin America.

Beatriz Sanchez joins from Goldman Sachs & Co. where she held various senior positions with a focus on Latin America over the past nine years, lately as Managing Director & Chairwoman, Private Wealth Management, Latin America. Prior to that, she had worked for HSBC in Geneva as Member of the Private Bank Executive Committee & Global Head of Private Banking/Latin America. She is a Swiss and American citizen and will be based in Zurich.

Boris F.J. Collardi, Chief Executive Officer of the Julius Baer Group, said: "I congratulate Gustavo Raitzin on his nomination to Harvard's prestigious Advanced Leadership Initiative and express my deepest gratitude for his many contributions over the past twelve years at Julius Baer. We will continue to benefit from his more than 30 years of expertise in the Latin American and Israeli markets and ensure maximum continuity in serving our long-standing client relationships. With Beatriz Sanchez as his successor, we were able to attract a seasoned banking professional with an impressive track record in successfully developing and managing private client businesses in Latin America. We look forward to having her on board."

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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 reviewed IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to acquisitions or divestments.
[2] Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

The results conference will be webcast at 9:30 a.m. (CEST). All documents (presentation, Business Review First Half 2017, Half-Year Report 2017, spreadsheets and this media release) are available at www.juliusbaer.com.

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Important dates

20 November 2017:	Publication of ten-month Interim Management Statement
31 January 2018:	Publication and presentation of 2017 full-year results, Zurich
11 April 2018:	Annual General Meeting 2018, Zurich

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 June 2017, assets under management amounted to

CHF 355 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 employs a staff of over 6,000, including close to 1,400 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, 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

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]

	H1 2017 CHF m	H1 2016 CHF m	H2 2016 CHF m	Change to H1 2016 in %
Consolidated income statement				
Operating income	1,591.8	1,424.6	1,427.8	11.7
Adjusted operating expenses	1,098.1	939.6	1,065.2	16.9
Profit before taxes	493.7	485.0	362.6	1.8
Adjusted net profit for the Group	403.6	402.0	303.6	0.4
Cost/income ratio[2]	69.1%	64.7%	73.0%	-
Pre-tax margin (basis points)	28.4	32.2	22.3	-

	30.06.2017	30.06.2016	31.12.2016	Change to 31.12.2016 in %
Assets under management (CHF bn)				
Assets under management	354.7	311.4	336.2	5.5
Net new money (in period)	10.2	5.5	6.4	-
Consolidated balance sheet (CHF m)				
Total assets	93,150.8	87,750.7	96,207.2	-3.2
Total equity	5,427.5	5,171.5	5,353.9	1.4
BIS total capital ratio	18.5%	17.3%	17.5%	-
BIS CET1 capital ratio	14.9%	15.9%	16.4%	-
Personnel (FTE)				
Number of employees	6,205	5,856	6,026	3.0
Number of relationship managers	1,381	1,284	1,383	-0.1
Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Market capitalisation (CHF m)	11,291	8,686	10,123	11.5
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. Including these items, the IFRS net profit for the first half of 2017 amounted to CHF 357 million (H1 2016 CHF 362 million, H2 2016 CHF 260 million).

[2] Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.