Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 31 January 2018

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

Record adjusted net profit CHF 806 million – Proposed dividend CHF 1.40 per share, up 17%

- **Adjusted net profit for the Group up 14% to record CHF 806 million. Adjusted earnings per share (EPS) attributable to shareholders of Julius Baer Group Ltd. grew 13% to CHF 3.66.**
- **Year-on-year increase in adjusted net profit 30% when excluding the Kairos- and pension fund-related items in 2016 (CHF 88 million net of taxes).**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. CHF 705 million and IFRS EPS CHF 3.25, both 14% higher.**
- **Assets under management (AuM) CHF 388 billion, up CHF 52 billion, or 16%. AuM impacted by end-of-year reclassification of CHF 6 billion to custody assets, following completed roll-out of the new client advisory models in Switzerland and continental Europe.**
- **Net new money over CHF 22 billion, or 6.6%, exceeding the 4–6% target range, underlining the continuing success of the organic growth initiative.**
- **Gross margin 90 basis points (bps), adjusted cost/income ratio[2] 69%, adjusted pre-tax margin 27 bps.**
- **Fully applied BIS CET1 capital ratio improved from 10.6% to 13.5% (phase-in: 16.7%) and fully applied BIS total capital ratio from 16.4% to 21.2% (phase-in: 22.0%). Capital ratios well above the minimum regulatory requirements and the Group's own floors.**
- **Board of Directors to propose ordinary dividend of CHF 1.40 per share for financial year 2017, representing the fourth consecutive increase and a rise of 17% from 2016. Subject to approval at the Annual General Meeting (AGM) of shareholders on 11 April 2018, the dividend will be paid out of the statutory capital reserve.**
- **Elections to the Board of Directors at the 2018 AGM: Ann Almeida will not stand for re-election; Richard M. Campbell-Breeden nominated for election as a new member of the Board (as announced on 11 December 2017).**

Bernhard Hodler, Chief Executive Officer of Julius Baer Group Ltd., said: "I am proud to present these excellent results for 2017. I want to continue to sharpen the pure-play private banking strategy that sets us apart, and to position Julius Baer as *the* trusted adviser to our clients. We will also invest in further improving our tools and processes to support our relationship managers in providing holistic advice to our clients. Thanks to our unique positioning, we are well placed to take advantage of international expansion and hiring opportunities."

AuM up 16%, supported by significant net inflows and market performance
Assets under management grew by 16%, or CHF 52 billion, to CHF 388 billion. The growth in AuM was the result of market performance of CHF 34 billion, net new money of CHF 22 billion (6.6%), a positive currency impact of CHF 2 billion, as well as a small net positive acquisition impact of CHF 0.3 billion. AuM were impacted by an end-of-year reclassification of CHF 6 billion to custody assets, following the completion of the roll-out of the new client advisory models in Switzerland and continental Europe.

The net new money pace accelerated to 6.6%, 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 and the Middle East, a substantial recovery in Latin America, and continued healthy net new money development in the traditional European markets, including strong contributions from Monaco and the UK. The relationship managers (RMs) hired in 2016 and 2017 contributed significantly to the inflows.

Including assets under custody of CHF 69 billion, total client assets grew by 17% to CHF 457 billion.

Operating income climbed 14%, boosted by strong growth in net commission and fee income
Operating income rose to CHF 3,252 million. The 14% increase was slightly lower than the 16% growth in monthly average AuM (to CHF 363 billion), leading to a decline in the gross margin by 1 bp to 90 bps. In 2016, however, operating income included a positive fair value adjustment of CHF 39 million (or 1.2 bps in gross margin terms) resulting from the acquisition of an additional 60.1% stake in Kairos that year. Excluding this impact, the rise in operating income was 16% and the gross margin was essentially unchanged.

Net commission and fee income grew by 23% to CHF 1,931 million. The significant increase was driven by a further improvement in asset-based fee income as well as by strong growth in client transaction commissions. Asset-based revenues were fuelled by an increased penetration of advisory mandates and a full twelve-month and strongly improved contribution from Kairos, which was consolidated as of 1 April 2016 and saw good performance in its key products.

Net interest and dividend income rose by 13% to CHF 988 million. It included CHF 195 million of dividend income on trading portfolios, up 2%. Excluding this item, underlying net interest and dividend income went up by 16% to CHF 792 million, driven mainly by an increase in loan volumes and higher credit spreads, partly offset by a rise in interest rates payable on client deposits. Interest income on the portfolio of financial investments available-for-sale (AFS) was slightly lower as the benefit from higher US interest rates was more than offset by a 33% reduction in the size of the AFS book.

Net trading income fell by 9% to CHF 304 million. Including the dividend income related to trading portfolios, underlying net trading income decreased by 5% to CHF 499 million. This decline follows a substantial year-on-year decrease in overall FX volatility and volumes.

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 AFS portfolio) fell by CHF 48 million to CHF 30 million. The decline is largely attributable to the aforementioned Kairos item as well as the termination of the brand licensing agreement with GAM in March 2017.

Cost/income ratio[2] improved towards medium-term target range
Adjusted operating expenses increased by 13% to CHF 2,264 million. In 2016, however, 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 9%.

At 6,292 full-time equivalents (FTEs), personnel rose by 4%, or 266 FTEs – and the monthly average number of employees increased by 6% to 6,206. Following the very significant investments in RM hiring in 2016, the focus in 2017 was shifted towards a more normalised hiring pace and to improving the quality and capacity of client-facing personnel. In 2017, the Group further introduced a new framework for its front-office organisation, with dedicated market and team leadership roles. As a consequence, 28 RMs moved into new positions and are no longer classified as RMs. As a consequence, and in combination with the net result of continued active hiring and ongoing performance-driven resource management, the number of RMs grew by 1%, or 13 FTEs, to 1,396. AuM per RM climbed by 14% to CHF 278 million.

Adjusted *personnel expenses* grew to CHF 1,549 million, a rise of 18%. Excluding the pension fund-related benefit of CHF 63 million in 2016, the increase in adjusted personnel expenses was 12%.

Adjusted *general expenses* went up by 2% to CHF 626 million, as the ongoing investments in the core banking platforms and the costs indirectly caused by higher staff levels were partly offset by a CHF 20 million decline in valuation allowances, provisions and losses.

Adjusted depreciation increased by 12% to CHF 42 million and *adjusted amortisation* by 26% to CHF 46 million. The growth in adjusted amortisation mainly reflects the rise in IT-related investments in recent years.

As a result, the adjusted *cost/income ratio*[2] was 69.0%. This compares to 68.9% in 2016, or 72.0% excluding the Kairos- and pension fund-related items. The underlying year-on-year improvement was partly attributable to the incremental revenue benefits from the RM hiring in 2016 and 2017, as well as the strong revenue contribution from Kairos.

Adjusted net profit for the Group CHF 806 million
Adjusted *profit before taxes* rose by 17% year on year to CHF 989 million. Excluding the Kairos- and pension fund-related items (together CHF 101 million) in 2016, the increase was 32%. The adjusted pre-tax margin was 27.3 bps. The related income taxes were CHF 183 million, representing a tax rate of 18.5%, up from 16.8% in 2016. The increase in the tax rate was largely driven by an increased profit contribution from Italian-based Kairos.

Adjusted net profit for the Group grew by 14% to CHF 806 million. After considering adjusted non-controlling interests of CHF 13 million, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. was CHF 793 million, and adjusted EPS attributable to shareholders of Julius Baer Group Ltd. CHF 3.66, both up 13% year on year.

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 30 million, versus CHF 29 million in 2016) as well as the amortisation of intangible assets related to acquisitions (CHF 72 million, versus CHF 66 million in 2016). Including these items, as presented in the IFRS results in the Group’s Consolidated Financial Statements 2017, net profit improved by 15% to CHF 716 million. After considering non-controlling interests of CHF 11 million, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. rose to CHF 705 million and EPS to CHF 3.25, both up 14% year-on-year.

Excluding the Kairos- and pension fund-related items (together CHF 88 million net of taxes) from 2016 operating income and expenses, adjusted net profit for the Group rose by 30% and IFRS net profit attributable to shareholders by 33%.

Balance sheet and capital developments

Total assets increased by CHF 2 billion, or 2%, to CHF 98 billion at the end of 2017. The total loan book grew by CHF 8 billion, or 21%, to CHF 47 billion (comprising CHF 37 billion of Lombard loans and CHF 10 billion of mortgages). As clients invested a higher proportion of AuM into non-cash positions, deposits rose only marginally to CHF 68 billion, resulting in a loan-deposit ratio of 69% (end of 2016: 57%). Following this development, the Group's cash holdings and the AFS portfolio were reduced by 20% and 33%, respectively. Total equity attributable to shareholders of Julius Baer Group Ltd. increased by CHF 0.5 billion, or 9%, to CHF 5.8 billion.

On a Basel III fully applied basis, total capital amounted to CHF 4.2 billion (Basel III phase-in: CHF 4.3 billion), of which CHF 2.6 billion CET1 capital (phase-in: CHF 3.3 billion). With risk-weighted assets declining to CHF 19.6 billion, this resulted in an increase in the fully applied *BIS total capital ratio* from 16.4% to 21.2% (phase-in: 22.0%) and an improvement in the fully applied *BIS CET1 capital ratio* from 10.6% to 13.5% (phase-in: 16.7%). At these levels, the total capital ratio and the CET1 ratio are well above the Group's own floors of 15% and 11%, and significantly in excess of the regulatory minimums of 12.2% and 8%, respectively.

Proposed ordinary dividend of CHF 1.40 per share for 2017, up 17% from 2016

The Board of Directors intends to propose an ordinary dividend of CHF 1.40 per share for the financial year 2017, representing the fourth consecutive increase and a rise of 17% from 2016. Subject to approval at the AGM on 11 April 2018, the dividend will be paid out of the statutory capital reserve. The total proposed distribution amount is CHF 313 million, equivalent to 40% of adjusted net profit attributable to shareholders of Julius Baer Group Ltd. and to 44% of IFRS net profit attributable to shareholders of Julius Baer Group Ltd.

Elections to the Board of Directors

Ann Almeida, member of the Boards of Directors of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd. since 1 June 2016 and member of the Compensation and Nomination Committees, has decided for personal reasons not to stand for re-election at the upcoming 2018 AGM. As announced on 11 December 2017, Richard M. Campbell-Breeden was nominated for election as a new member of the Board of Directors of Julius Baer Group Ltd.

Chairman Daniel J. Sauter commented: "On behalf of Julius Baer, I would like to thank Ann Almeida for her valuable contribution as an independent member of our Board of Directors. With Richard Campbell-Breeden, we are proposing a strong new candidate with extensive experience in capital and financial markets and deep knowledge of Asian economies. His background represents an ideal addition to our Board's expertise."

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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. (CET). All documents (presentation, Business Review 2017, Consolidated Financial Statements 2017, spreadsheets and this Media Release) are available at www.juliusbaer.com.

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Important dates

19 March 2018:	Publication of Annual Report 2017 including Remuneration Report 2017
11 April 2018:	Annual General Meeting 2018, Zurich
13 April 2018:	Ex-dividend date
16 April 2018:	Record date
17 April 2018:	Dividend payment date
23 May 2018:	Publication of four-month Interim Management Statement
23 July 2018:	Publication and presentation of 2018 half-year results, 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 2017, assets under management amounted to CHF 388 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 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]

	2017 CHF m	2016 CHF m	Change in %
Consolidated income statement			
Operating income	3,252.2	2,852.4	14.0
Adjusted operating expenses	2,263.6	2,004.8	12.9
Profit before taxes	988.6	847.6	16.6
Adjusted net profit for the Group	805.6	705.5	14.2
Cost/income ratio[2]	69.0%	68.9%	-
Pre-tax margin (basis points)	27.3	27.1	-

	31.12.2017	31.12.2016	Change in %
Assets under management (CHF bn)			
Assets under management	388.4	336.2	15.5
Net new money	22.2	11.9	-
Consolidated balance sheet (CHF m)			
Total assets	97,917.6	96,207.2	1.8
Total equity	5,854.0	5,353.9	9.3
BIS total capital ratio	22.0%	17.5%	-
BIS CET1 capital ratio	16.7%	16.4%	-
Personnel (FTE)			
Number of employees	6,292	6,026	4.4
Number of relationship managers	1,396	1,383	0.9
Capital structure			
Number of shares	223,809,448	223,809,448	-
Market capitalisation (CHF m)	13,339	10,123	31.8
Moody's rating Bank Julius Baer & Co. Ltd.			
Long-term deposit rating	Aa2	Aa2	
Short-term deposit rating	Prime-1	Prime-1	

[1] Adjusted results derived by excluding from the audited 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 2017 amounted to CHF 716 million (2016 CHF 622 million).

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