Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 25 July 2016

Presentation of the 2016 half-year results[1] for the Julius Baer Group

Adjusted net profit for the Group CHF 402 million – Assets under management at record CHF 311 billion – Trading income recovered from H2 2015 – Significant RM hiring successes

- **Assets under management (AuM) ended the first six months at CHF 311 billion, an increase of CHF 12 billion, or 4%, since the end of 2015.**
- **Operating income grew to CHF 1,425 million, an increase of 1% compared to the first half of 2015. Following lower client transaction and trading volumes, the gross margin declined to 95 basis points (bps), a reduction of four bps from H1 2015. However, compared to H2 2015 the gross margin increased by almost seven bps, supported by an increase in trading income which was helped by higher foreign exchange (FX) volumes following the UK's Brexit vote in June.**
- **Adjusted operating expenses fell to CHF 940 million. This represents a year-on-year reduction of 1% if the USD 350 million (CHF 326 million) initial provision for the settlement with the US Department of Justice (the H1 2015 US provision) is excluded from the expenses in the first half of 2015. Including the H1 2015 provision, the expense decrease was 27%. Expenses benefited in H1 2016 from a positive impact of CHF 63 million resulting from the pension fund plan amendment in Switzerland.**
- **The adjusted cost/income ratio[2] remained at 64.7%. Without the pension fund-related impact, the adjusted cost/income ratio[2] increased to 69.1%, reflecting the lower gross margin as well as the Group's accelerated investments in growth this year.**
- **Adjusted net profit for the Group improved by 270% to CHF 402 million and adjusted earnings per share (EPS) attributable to shareholders of Julius Baer Group Ltd. by 274% to CHF 1.84. Excluding the H1 2015 US provision, adjusted net profit for the Group and adjusted EPS grew by 5%.**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. rose by 828% to CHF 362 million and IFRS EPS by 834% to CHF 1.66.**
- **With a phase-in BIS total capital ratio of 17.3% and a phase-in BIS common equity tier 1 (CET1) capital ratio of 15.9%, the capital position remained significantly above the minimum regulatory requirements.**
- **The Group is executing on the strategic decision to accelerate the recruitment of experienced relationship managers (RMs) this year. Altogether, over 200 RMs (gross) have already decided to join the Group in 2016 (based on completed signings). With close to 50 RMs, the net increase for the first half-year is already well above the net total of 40 RMs hired in all of 2015.**
- **Together with the recently announced alignment of the front organisation and the new management appointments, the 2016 hiring investment is expected to enable a period of strong growth.**

Boris F.J. Collardi, Chief Executive Officer of Julius Baer Group Ltd., said: "Our business momentum has improved since the first quarter of 2016, leading to increased inflows and record assets under management of 311 billion Swiss francs. The refocusing on organic growth, without disregarding acquisition opportunities, is starting to pay off. The strengthened client-facing organisation and the significant relationship manager hiring successes will bolster the Group's ability to grow its client asset base and achieve the medium-term targets in line with Julius Baer's focus on long-term and sustainable value creation."

AuM up 4% to record high, despite negative currency impact

Assets under management grew by 4%, or CHF 12 billion, to CHF 311 billion. The increase in AuM was the result of a net positive acquisition impact of CHF 8.6 billion following the first-time consolidation of Kairos Investment Management SpA (Kairos), net new money of CHF 5.5 billion (3.7% annualised) and positive market performance of CHF 1.6 billion, partly offset by a negative currency impact of CHF 4.0 billion.

After a slow start to the year, net inflows accelerated towards the end of the period, resulting in an (annualised) net new money pace of 3.7%, close to the Group's 4-6% annual target. Net new money was supported by continued inflows from Asia, the Middle East and Central & Eastern Europe, from the local businesses in Switzerland, Germany and Italy as well as from the cross-border European business. These inflows were partly offset by slow momentum in Latin America, by some client deleveraging in Asia, as well as by the tail end of the regularisation of legacy assets in France and Italy.

Assets under custody were unchanged at CHF 86 billion.

Lower year-on-year client activity, but compared to H2 2015 a recovery in trading income

Operating income rose to CHF 1,425 million, an increase of 1%, below the 6% growth in monthly average AuM (to CHF 301 billion). This increase was helped by a positive fair value adjustment of CHF 39 million resulting from the acquisition on 1 April 2016 of an additional 60.1% stake in Kairos. As a result, the gross margin for the Group declined from 99 bps in the first half of 2015 to 95 bps. Of the total gross margin, 2.6 bps are due to the Kairos fair value adjustment. However, when excluding the latter positive impact, the gross margin nonetheless improved by 4 bps from the 88 bps achieved in the second half of 2015.

Net commission and fee income contributed CHF 739 million, a decrease of 7%. The reduction was driven mainly by a decline in brokerage commissions, reflecting the lower transaction volumes following reduced client risk appetite compared to the same period a year ago.

Net interest and dividend income rose by 33% to CHF 510 million, which included dividend income on trading portfolios, up from CHF 122 million to CHF 180 million. Excluding this item, underlying net interest and dividend income grew by 26% to CHF 330 million. This increase was driven by a 12% year-on-year growth in loans, higher credit spreads and an improvement in treasury income, which outweighed the negative impact from a rise in interest expense on deposits and debt issued as well as the net impact from negative interest rates.

Net trading income fell by 46% to CHF 118 million. Including the aforementioned increased trading portfolios-related dividend income, underlying net trading income decreased by 12% to CHF 298 million. This decrease is explained by the fact that in the first half of 2015 trading income had benefited extraordinarily from the elevated FX volatility and volumes following the Swiss National Bank's decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. Compared to the second half of 2015, underlying net trading income improved by 26% thanks to an increase in FX volumes throughout most of H1 2016, particularly in June following the result of the Brexit referendum in the UK.

Other ordinary results, which among other items includes brand licensing income, income from associates, rental income and net gains/losses from the disposal of financial investments from the available-for-sale (AFS) portfolio, grew by CHF 43 million to CHF 58 million. This increase is largely attributable to the aforementioned Kairos acquisition-related positive fair value adjustment of CHF 39 million.

Adjusted operating expenses: lower provisions more than offset investments in growth
Adjusted operating expenses fell to CHF 940 million, a decrease of 27%, mainly due to the fact that the first half of 2015 included the H1 2015 US provision of CHF 326 million. Excluding the H1 2015 US provision, the adjusted operating expenses declined by 1%.

At 5,856 full-time equivalents (FTEs), of which 1,284 RMs as well as 144 Kairos employees, the total number of employees at the end of June 2016 was up by 9%, or 478 FTEs, from the end of June 2015, whereas the average number of employees increased by 5% to 5,682. In the first six months of 2016, the Group added 67 new RMs on a net basis, of which 20 joined through the acquisition of Kairos. The hiring-based increase of 47 RMs in the first half of the year is already above the total net recruitment of 40 RMs in all of 2015. This growth, as well as the increase in other staff, follows the strategic decision to accelerate RM hirings and to invest in strengthening other key areas of the business, such as Investment Management and Investment Solutions. Adjusted *personnel expenses* declined to CHF 623 million, a decrease of 1%. This result was helped by a positive impact of CHF 63 million resulting from the pension fund plan amendment in Switzerland. Excluding this, adjusted personnel expenses grew by 9% to CHF 686 million.

Adjusted *general expenses* fell by 53% to CHF 285 million. Excluding the H1 2015 US provision, the adjusted general expenses increased by 3%, below the 6% increase in monthly average AuM. This relatively low increase was helped by a CHF 24 million decrease in valuation allowances, (non-US related) provisions and losses to CHF 18 million.

The adjusted *cost/income ratio*[2] remained at 64.7% (H1 2015: 64.7%; H2 2015: 69.9%). Without the pension fund-related impact, the adjusted cost/income ratio[2] increased to 69.1%, following the gross margin decline to 95 bps and the Group's accelerated investments in growth this year.

Adjusted net profit CHF 402 million – significant increase in IFRS net profit
Adjusted *profit before taxes* increased by 278% to CHF 485 million. Excluding the H1 2015 US provision in the first half of 2015, adjusted profit before taxes went up by 7%. The related income taxes were CHF 83 million, representing a tax rate of 17%. *Adjusted net profit for the Group* improved by 270% from CHF 109 million to CHF 402 million, and adjusted *earnings per share* for the Group by 272% from CHF 0.50 to CHF 1.85. Excluding the H1 2015 US provision, adjusted net profit for the Group and adjusted EPS grew by 5%. After considering non-controlling interests, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. rose from CHF 108 million to CHF 401 million, and adjusted EPS from CHF 0.49 to 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 11 million, compared to CHF 10 million in the first half of 2015) as well as the amortisation of intangible assets related to acquisitions (CHF 34 million, down from CHF 65 million in the first half of 2015). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements for the first half of 2016, net profit increased by 812% to CHF 362 million, as the first half of 2015 was strongly impacted by the H1 2015 US provision. After considering non-controlling interests, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. grew by 828% to CHF 362 million, and EPS by 834% to CHF 1.66.

Balance sheet and capital developments
Since the end of 2015, *total assets* increased by CHF 3.6 billion, or 4%, to CHF 87.8 billion. Client deposits declined very slightly, by CHF 0.2 billion, to CHF 64.6 billion, while the total loan book grew by CHF 0.3 billion, or 1%, to CHF 36.7 billion (comprising CHF 28.0 billion of Lombard loans and CHF 8.8 billion of mortgages). As a result, the loan-deposit ratio rose to 0.57 (end of 2015: 0.56). In the same period, which included the acquisition of an additional 60.1% stake in Kairos for EUR 276 million (CHF 302 million), total equity attributable to shareholders of Julius Baer Group Ltd. increased by CHF 0.2 billion to CHF 5.1 billion.

At 30 June 2016, on a phase-in basis, total capital amounted to CHF 3.5 billion, of which CHF 3.3 billion CET1 capital. With risk-weighted assets at CHF 20.4 billion, this resulted in a phase-in *BIS total capital ratio* of 17.3% and a phase-in *BIS CET1 capital ratio* of 15.9%, well above the Group's target ratios of 15% and 11%, respectively, and significantly in excess of the regulatory minimums of 12.2% and 8%, respectively.

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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 and 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 2016, Half-Year Report 2016 and this media release) are available at www.juliusbaer.com.

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Important dates

17 November 2016:	Publication of ten-month Interim Management Statement
1 February 2017:	Publication and presentation of 2016 full-year results, Zurich
12 April 2017:	Annual General Meeting 2017, 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. Julius Baer's total client assets amounted to CHF 397 billion at the end of June 2016, including CHF 311 billion of assets under management. 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 included in the Swiss Market Index (SMI), comprising the 20 largest and most liquid Swiss stocks.

Julius Baer employs a staff of close to 6,000, including approximately 1,300 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, 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.

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 2016 *CHF m*	H1 2015 *CHF m*	H2 2015 *CHF m*	*Change to H1 2015 in %*
Consolidated income statement				
Operating income	1,424.6	1,408.0	1,286.4	1.2
Adjusted operating expenses	939.6	1,279.7	1,105.6	-26.6
Profit before taxes	485.0	128.2	180.8	278.3
Adjusted net profit for the Group	402.0	108.8	170.4	269.5
excluding US provision[2]	402.0	384.0	317.5	4.7
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. (CHF)	1.84	0.49	0.78	274.1
excluding US provision[2]	1.84	1.75	1.45	5.3
Cost/income ratio[3]	64.7%	64.7%	69.9%	-
Pre-tax margin (basis points)	32.2	9.0	12.4	-

	30.06.2016	30.06.2015	31.12.2015	*Change to 31.12.2015 in %*
Client assets (CHF bn)				
Assets under management	311.4	284.0	299.7	3.9
Average assets under management (in period)	300.8	283.9	292.0	3.0
Net new money (in period)	5.5	6.5	5.6	-
Assets under custody	86.0	84.6	85.8	0.2
Total client assets	397.4	368.6	385.5	3.1
Consolidated balance sheet (CHF m)				
Total assets	87,750.7	80,149.2	84,115.5	4.3
Total equity	5,171.5	4,879.5	4,942.0	4.6
BIS total capital ratio	17.3%	20.3%	19.4%	-
BIS CET1 capital ratio	15.9%	19.1%	18.3%	-
Return on equity (ROE) annualised[4]	25.1%	6.3%	10.5%	-
Personnel				
Number of employees (FTE)	5,856	5,378	5,364	9.2
of whom in Switzerland	*3,301*	*3,162*	*3,064*	*7.7*
of whom abroad	*2,555*	*2,216*	*2,300*	*11.1*
Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Weighted average number of shares outstanding	217,349,612	218,697,020	218,613,533	-
Share capital (CHF m)	4.5	4.5	4.5	-0.5
Book value per share outstanding (CHF)	24.1	22.7	23.0	4.8
Market capitalisation (CHF m)	8,686	11,739	10,891	-20.2
Moody's long-term deposit rating Bank Julius Baer & Co. Ltd.	Aa2	Aa2	Aa2	-

Listing

Zurich, Switzerland	SIX Swiss Exchange, under the securities number 10 248 496. Member of the Swiss Market Index SMI.

Ticker symbols

Bloomberg	BAER VX
Reuters	BAER.VX

[1] Adjusted results derived by excluding from the reviewed IFRS financial statements the integration and restructuring expenses, the amortisation of intangible assets related to previous acquisitions or divestments.

[2] Excluding the net profit impact of CHF 275.2 million provisioned in H1 2015 and of CHF 147.1 million provisioned in H2 2015 of the total USD 547.25 million settlement amount in connection with the final settlement with the US Department of Justice reached on 5 February 2016 concerning Julius Baer's legacy US cross-border business.

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

[4] Adjusted net profit/average shareholders' equity less goodwill