Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 1 February 2017

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

Adjusted net profit for the Group CHF 706 million – Assets under management at record CHF 336 billion – Proposed increase in dividend by 9% to CHF 1.20 per share

- **Assets under management (AuM) grew by 12% or CHF 36 billion to a record CHF 336 billion. Net new money added CHF 12 billion (4%).**
- **Supported by a significant rise in net interest income, operating income increased by 6% to CHF 2,852 million. The growth in AuM more than offset the impact of the 2.5 basis points (bps) decline in the gross margin to 91 bps.**
- **Adjusted operating expenses amounted to CHF 2,005 million. This represents a decrease of 16% as the preceding year had been affected by the USD 547 million (CHF 521 million) provision for the settlement with the US Department of Justice (the 2015 US provision). Excluding the 2015 US provision, adjusted operating expenses went up by 8%. The adjusted cost/income ratio[2] increased from 67.2% to 68.9%.**
- **Adjusted net profit for the Group grew by 153% to CHF 706 million, and adjusted earnings per share (EPS) attributable to shareholders of Julius Baer Group Ltd. by 154% to CHF 3.23. Excluding the 2015 US provision, adjusted net profit for the Group and adjusted EPS rose by 1%.**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. went up by 411% to CHF 619 million and IFRS EPS by 414% to CHF 2.85.**
- **With a phase-in BIS total capital ratio of 17.5% and a phase-in BIS CET1 capital ratio of 16.4%, the capital position remained significantly above the Group's floors and the regulatory requirements.**
- **The Board of Directors intends to propose to the Annual General Meeting (AGM) of shareholders on 12 April 2017 to increase the ordinary dividend by 9% to CHF 1.20 per share.**

Boris F.J. Collardi, Chief Executive Officer of Julius Baer Group, said: "We took full advantage of market conditions and our standing as the leading pure private banking group in 2016, by investing significantly in the recruitment of experienced relationship managers. 2016 has proven to be a challenging year which we mastered very well, validating the strength of our Group. Despite the significant long-term investments made, the strong growth in AuM helped to drive Julius Baer's profit generation. The Group is excellently positioned to deliver further profitable growth and shareholder value in the coming years."

AuM climbed by 12% to record high CHF 336 billion
Assets under management grew by 12%, or CHF 36 billion, to CHF 336 billion. The increase in AuM was the result of market performance of CHF 12.7 billion, net new money of CHF 11.9 billion (4.0%), a net acquisition impact of CHF 11.2 billion following the first-time consolidation – as at 1 April 2016 – of 80%-owned Kairos Investment Management SpA (Kairos) and the acquisition – on 4 July 2016 – of Commerzbank International S.A. Luxembourg (CISAL), as well as a small positive currency impact of CHF 0.7 billion.

After a modest start, net new money gradually accelerated during the year, ultimately reaching 4.0%, at the lower bound of the Group's 4-6% annual target range. Net new money was strongly supported by inflows from clients domiciled in Asia, the Middle East and Western Europe (especially Monaco), which more than compensated for weakness in flows from Latin America and Central and Eastern Europe.

AuM growth drove increased operating income – strong rise in net interest income
Operating income rose to CHF 2,852 million, an increase of 6%, compared to 9% growth in monthly average AuM (to CHF 313 billion). As a result, the gross margin for the Group declined by 2.5 bps to 91 bps. A significant rise in net interest income together with increases in net commission and fee income and other ordinary results more than offset the decrease in net trading income.

Net commission and fee income went up by 3% to CHF 1,565 million. The increase in asset-based income was spurred by strong growth in advisory and management commissions which significantly outweighed a decline in investment fund fees. This more than compensated for the decrease in brokerage commissions driven by a year-on-year decline in client transaction volumes.

Net interest and dividend income climbed by 23% to CHF 877 million. This included dividend income on trading portfolios, up by CHF 53 million to CHF 192 million. Excluding this item, underlying net interest and dividend income rose by 20% to CHF 685 million. This growth was driven by an increase in loans and lending margins as well as a further improvement in interest income on financial investments available-for-sale. These positive drivers significantly outweighed the modestly negative impact from a rise in interest expense on debt issued and a small increase in the net impact from negative interest rates in Switzerland and the euro area.

Net trading income declined by 24% to CHF 332 million. Including the aforementioned trading portfolios-related dividend income, underlying net trading income went down by 9% to CHF 524 million. This decrease is largely explained by the fact that in 2015 trading income had benefited strongly from the elevated FX volatility and volumes that resulted from the Swiss National Bank's decision in January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro.

Other ordinary results, including such items as 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, rose by CHF 53 million to CHF 78 million. This increase was helped by a positive fair value adjustment of CHF 39 million in the first half of 2016, resulting from the acquisition on 1 April 2016 of an additional 60.1% stake in Kairos. In gross margin terms, the Kairos fair value adjustment contributed 1.2 bps.

Underlying cost development reflects major investment in RM recruitment
Adjusted operating expenses fell to CHF 2,005 million, a decline of 16%, as the previous year's expenses included the 2015 US provision of CHF 521 million. Excluding the 2015 US provision, adjusted operating expenses rose by 8%.

Total staff went up to 6,026 full-time equivalents (FTEs), an increase of 662 FTEs, of which 295 FTEs at Kairos and CISAL. The monthly average number of employees grew by 9% to 5,867 FTEs, of which 5 percentage points linked to acquisitions. The number of relationship managers (RMs) grew to 1,383, a net increase of 166, of which 50 at Kairos and CISAL and 116 (net) through external recruitment. The very significant recruitment-based net increase follows the strategic decision at the start of 2016 to capitalise on market conditions by hiring a large number of experienced private bankers who are attracted by Julius Baer's pure private banking model. Adjusted *personnel expenses* grew to CHF 1,318 million, an increase of 9%, in-line with the increase in monthly average AuM. The rise in adjusted personnel expenses was mitigated by a positive impact of CHF 63 million in the first half of the year, resulting from changes to the Swiss pension fund plan. Without this benefit, adjusted personnel expenses climbed to CHF 1,381 million, an increase of 14%, of which 4 percentage points attributable to acquisitions and the balance to a significant extent attributable to the major investments in RM recruitment and other key areas in 2016.

Adjusted *general expenses* fell by 43% to CHF 612 million, mainly due to the preceding year having been impacted by the 2015 US provision. Excluding the 2015 US provision, the year-on-year development of adjusted general expenses showed an increase of 9%, attributable largely to acquisitions, RM hiring as well as continued investments in technology. Valuation allowances, provisions (not related to the 2015 US provision) and losses decreased by 24% to CHF 40 million.

As a result, the adjusted *cost/income ratio* increased from 67.2% to 68.9%, in-line with the guidance provided throughout the year. Excluding the positive contributions from the afore-mentioned Kairos acquisition-related fair value adjustment and the changes to the Swiss pension fund plan, the adjusted cost/income ratio went up to 72.0%, clearly reflecting the combined impact of the year-on-year decline in the gross margin and the significant investment in RM recruitment in 2016.

Adjusted net profit for the Group at CHF 706 million – significant increase in IFRS net profit
Adjusted *profit before taxes* grew to CHF 848 million, an increase of 174%, or 2% excluding the 2015 US provision. The adjusted pre-tax margin was 27.1 bps, compared to 10.7 bps in the previous year including the 2015 US provision and 28.8 bps excluding it. The related income taxes went up to CHF 142 million, representing a tax rate of 16.8%.

Adjusted net profit for the Group climbed to CHF 706 million, an increase of 153%, or 1% excluding the 2015 US provision. After considering non-controlling interests of CHF 4 million, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. rose by 153% from CHF 277 million to CHF 701 million, and adjusted EPS attributable to shareholders of Julius Baer Group Ltd. by 154% from CHF 1.27 to CHF 3.23.

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 29 million, down from CHF 46 million in 2015) as well as the amortisation of intangible assets related to acquisitions (CHF 66 million, down from CHF 124 million in 2015). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements 2016, net profit grew by 408% to CHF 622 million. After considering non-controlling interests of CHF 3 million, the IFRS net profit attributable to shareholders of Julius Baer Group Ltd. increased by 411% to CHF 619 million, and EPS rose by 414% from CHF 0.55 to CHF 2.85.

Balance sheet and capital developments
Total assets increased by CHF 12.1 billion, or 14%, to CHF 96.2 billion. Client deposits went up by CHF 2.7 billion, or 4%, to CHF 67.5 billion, and the loan book by CHF 2.0 billion, or 6%, to CHF 38.4 billion (comprising CHF 29.1 billion of Lombard loans and CHF 9.3 billion of mortgages). As a result, the loan-deposit ratio rose from 0.56 to 0.57. Total equity attributable to shareholders of Julius Baer Group Ltd. grew by CHF 0.4 billion to CHF 5.3 billion.

In November 2016, Julius Baer successfully placed SGD 325 million (CHF 221 million at the year-end exchange rate and net of capitalised issue costs) of perpetual non-cumulative additional tier 1 (AT1) securities with mainly Asia-based private and institutional investors. This placement was followed in December 2016 by the redemption of the lower tier 2 subordinated bonds (CHF 250 million).

At the end of 2016, on a phase-in basis, total capital amounted to CHF 3.7 billion, of which CHF 3.4 billion CET1 capital. With risk-weighted assets at CHF 21.0 billion, this resulted in a phase-in *BIS total capital ratio* of 17.5% and a phase-in *BIS CET1 capital ratio* of 16.4%, well above the Group's floors of 15% and 11%, respectively, and significantly in excess of the regulatory minimums of 12.2% and 8%, respectively.

Increased ordinary dividend proposed
The Board of Directors intends to propose to the AGM on 12 April 2017 to increase the ordinary dividend by 9% from CHF 1.10 to CHF 1.20 per share. As was the case in the last six years, it is proposed that the dividend will be paid out of the statutory capital reserve.

Change at the Executive Board of Julius Baer Group
Dr. Jan A. Bielinski, Chief Communications Officer, will retire from the Executive Board of Julius Baer Group Ltd. at the end of June 2017 on grounds of age after more than 30 years with Julius Baer. He will be succeeded as Chief Communications Officer by Larissa Alghisi Rubner on 1 July 2017, when she will join the Executive Board of the Group.

Boris F.J. Collardi, Chief Executive Officer of the Julius Baer Group, said: "Over the past decades, Jan Bielinski has contributed tremendously to the success of our Group. I would like to thank him for his relentless efforts to foster Julius Baer's strong standing in the market. He will support his successor during a transition period and leave the Group at the end of 2017. At the same time, I am pleased to welcome Larissa Alghisi Rubner, a seasoned communications professional, as our new Chief Communications Officer. I wish her a lot of success in her new function."

Larissa Alghisi Rubner joins from the Zurich-based asset management Group GAM Holding AG, where she was Group Head of Communications from 2010 to 2016 and a member of the Group Management Board from mid-2015. Before joining GAM she had worked for UBS for 11 years in various senior positions in corporate and financial communications. Larissa Alghisi Rubner earned her master's degree in business administration from the University of St. Gallen in 1995. She is a Swiss and Italian citizen.

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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 audited 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. (CET). All documents (presentation, Business Review 2016, Consolidated Financial Statements 2016 and this Media Release) are available at www.juliusbaer.com.

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Important dates

20 March 2017:	Publication of Annual Report 2016 including Remuneration Report 2016
12 April 2017:	Annual General Meeting 2017, Zurich
18 April 2017:	Ex-dividend date
19 April 2017:	Record date
20 April 2017:	Dividend payment date
22 May 2017:	Publication of four-month Interim Management Statement
24 July 2017:	Publication and presentation of 2017 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 2016, assets under management amounted to CHF 336 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 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

KEY FIGURES JULIUS BAER GROUP[1]

	2016 *CHF m*	2015 *CHF m*	*Change in %*
Consolidated income statement			
Operating income	2,852.4	2,694.4	5.9
Adjusted operating expenses	2,004.8	2,385.4	-16.0
Profit before taxes	847.6	309.0	174.3
Adjusted net profit for the Group	705.5	279.2	152.7
excluding 2015 US provision[2]	705.5	701.5	0.6
Cost/income ratio[3]	68.9%	67.2%	-
Pre-tax margin (basis points)	27.1	10.7	-

	31.12.2016	31.12.2015	*Change in %*
Assets under management (CHF bn)			
Assets under management	336.2	299.7	12.2
Net new money	11.9	12.1	-
Consolidated balance sheet (CHF m)			
Total assets	96,207.2	84,115.5	14.4
Total equity	5,353.9	4,942.0	8.3
BIS total capital ratio	17.5%	19.4%	-
BIS CET1 capital ratio	16.4%	18.3%	-
Personnel (FTE)			
Number of employees	6,026	5,364	12.3
Number of relationship managers	1,383	1,217	13.6
Capital structure			
Number of shares	223,809,448	223,809,448	-
Market capitalisation (CHF m)	10,123	10,891	-7.0
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.

[2] Excluding in 2015 the CHF 422.3 million impact on net profit of the USD 547.25 million settlement amount provisioned 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.