Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 20 July 2015

Presentation of the 2015 half-year results[1] for the Julius Baer Group

Assets under management CHF 284 billion, down just 2% despite significant currency impact – Financial result impacted by US provision – Underlying net profit grew by 34% to CHF 384 million

- **Assets under management (AuM) ended the first six months at CHF 284 billion, a slight decrease of CHF 7 billion, or 2%, since the end of 2014, as the positive contribution from net new money of over CHF 6 billion (4.5% annualised), market performance and the transfer of assets from Leumi Private Bank AG (Leumi) were more than offset by the significant negative currency impact of over CHF 20 billion.**
- **Operating income grew by 14% to CHF 1,408 million, resulting in the gross margin increasing to 99 basis points (bps). The adjusted cost/income ratio[2] improved to 64.7%.**
- **Adjusted net profit was impacted by the provision of USD 350 million (CHF 326 million) for the eventual settlement with the US Department of Justice regarding the legacy US cross-border business (the US provision) and decreased by 62% to CHF 109 million.**
- **Underlying net profit (which excludes the US provision) improved by 34% to CHF 384 million and underlying earnings per share (EPS) by 33% to CHF 1.76.**
- **IFRS net profit decreased by 78% to CHF 40 million and IFRS EPS by 78% to CHF 0.18 as the strong improvement in underlying operating performance was more than offset by the US provision.**
- **With a BIS total capital ratio of 20.3% and a BIS tier 1 capital ratio of 19.1%, the capital position remained significantly in excess of the Group's targeted floors.**
- **Today, Julius Baer has announced it has agreed to acquire a 40% participation in the leading independent financial advisory firm in Mexico, NSC Asesores, for an undisclosed amount. The transaction would mark Julius Baer's entry in the second largest wealth management market in Latin America and underlines the Group's commitment to further extend its footprint in important growth markets.**

Boris F.J. Collardi, Chief Executive Officer of Julius Baer Group Ltd., said: "Julius Baer's operating performance developed in a highly satisfactory manner, demonstrating the substantial benefits from the tremendous Group-wide efforts over the past two years to realise the synergies in relation to the integration of IWM. The progress is all the more remarkable since the Group faced a severe negative impact on assets under management from the significant strengthening of the Swiss franc. The financial results were impacted by the recently announced US provision, and Julius Baer will continue to work toward closing this regrettable legacy issue as soon as possible."

AuM down just 2%, despite severe currency impact

Assets under management declined by 2%, or CHF 7 billion, to CHF 284 billion. This included CHF 56 billion of AuM attributable to clients and relationship managers of the former Merrill Lynch

International Wealth Management (IWM) business outside the US. The total AuM was the result of net new money of CHF 6.5 billion (4.5% annualised), a positive market performance of CHF 5.0 billion, a net positive acquisition impact of CHF 2.4 billion, and a negative currency impact of CHF 20.5 billion. Net new money was driven by continued net inflows from the growth markets and from the local businesses in Switzerland and Germany, while the inflows in the cross-border European business were partly offset by continued tax regularisations of legacy assets. Following the departure of one large custody client and a negative currency impact, *assets under custody* came to CHF 85 billion, down by 20%, or CHF 21 billion.

Significant rise in underlying net profit

Operating income grew to CHF 1,408 million, an increase of 14%, well above the 9% growth in monthly average AuM (to CHF 284 billion). As a result, the gross margin for the Group went up to 99 bps (H1 2014: 95 bps; H2 2014: 93 bps). *Net commission and fee income* contributed CHF 792 million, up by 6%. The increase was driven mainly by higher discretionary and advisory mandate income as well as a rise in brokerage commissions, partly offset by the fact that in the comparable period last year this line item still included all revenues on IWM AuM that were reported but not yet booked on Julius Baer's platforms – these revenues have now all been allocated to the applicable different income line items. *Net interest and dividend income* rose by 11% to CHF 384 million, which included dividend income on trading portfolios, up from CHF 63 million to CHF 122 million. Excluding this item, underlying net interest and dividend income declined by 8% to CHF 262 million, due to the impact of lower interest rates on trading portfolio holdings. *Net trading income* rose by 89% to CHF 217 million. Including the aforementioned increased trading portfolios-related dividend income, underlying net trading income went up by 91% to CHF 339 million, supported by elevated foreign exchange (FX) volatility and volumes, especially immediately following the Swiss National Bank's (SNB) decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. *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, declined by CHF 14 million to CHF 15 million. In the comparable period in 2014 this line item had included income related to Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. (GPS), prior to the first-time consolidation of GPS at the end of April 2014 following the increase in ownership from 30% to 80%. The increased contribution to other ordinary results from income from Kairos Investment Management SpA, Italy (19.9% investment) was balanced by an impairment of AFS portfolio investments.

Adjusted operating expenses went up to CHF 1,280 million, an increase of 45%, mainly as a consequence of the US provision of CHF 326 million. Excluding the US provision, the underlying operating expenses increased by 8% to CHF 954 million, significantly below the 14% increase in operating income. At 5,378 full-time equivalents (FTEs), of which 1,179 RMs as well as 34 employees who joined from Leumi, the total number of employees at the end of June 2015 was down by 3%, or 179 FTEs, from the end of June 2014, whereas the average number of employees was down 2% to 5,399. This net decrease is a reflection of the IWM transaction-related cost synergy realisation as well as the further cost measures announced in February 2015. Adjusted *personnel expenses* went up by 7% to CHF 630 million, as the strongly improved operating performance resulted in an increase in performance-based variable compensation accrual. Adjusted *general expenses* rose by 141% to CHF 604 million. This included a net charge of CHF 369 million for valuation allowances, provisions and losses (H1 2014: CHF 8 million; H2 2014: CHF 52 million), of which CHF 326 million for the US provision. Excluding the US provision, the underlying general expenses increased by 11% to CHF 278 million, on the back of a CHF 35 million increase in valuation allowances, (non-US related) provisions and losses (to CHF 43 million). Excluding the latter item, general expenses decreased by 3% to CHF 236 million.

As a result, the adjusted *cost/income ratio*[2] improved to 64.7% (H1 2014: 70.8%; H2 2014: 69.1%), just below the 65-70% range that the Group had set as a target to be reached from 2015 onwards.

Including the US provision, adjusted *profit before taxes* fell by 64% to CHF 128 million. The related income taxes declined to CHF 19 million, representing a tax rate of 15.2%. *Adjusted net profit* decreased by 62% to CHF 109 million, and adjusted *earnings per share* by 62% to CHF 0.50.

Excluding the US provision, underlying profit before taxes grew by 28% to CHF 454 million and the underlying pre-tax margin to 32 bps. The related income taxes increased to CHF 70 million, representing a tax rate of 15.5%. The underlying net profit – reflecting the underlying operating performance which allows a meaningful comparison of underlying results over time – thus grew by 34% to CHF 384 million, and the underlying earnings per share by 33% to CHF 1.76.

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 10 million, down from CHF 60 million in the first half of 2014) as well as the amortisation of intangible assets related to acquisitions (CHF 65 million, up from CHF 58 million in the first half of 2014). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements for the first six months of 2015, net profit decreased by 78% to CHF 40 million, as the aforementioned strong improvement in underlying operating performance was more than offset by the US provision. On the same basis, EPS declined to CHF 0.18, down 78% from the CHF 0.82 achieved in the same period a year ago.

Balance sheet and capital developments

Since the end of 2014, *total assets* decreased by CHF 2.1 billion, or 3%, to CHF 80.1 billion. This decline came on the back of the strong Swiss franc appreciation after the SNB's decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. The Swiss franc translation effect also impacted client deposits, which declined to CHF 60.2 billion, a decrease of CHF 1.6 billion, or 3%, as well as the total loan book, down by CHF 0.9 billion, or 3%, to CHF 32.8 billion (comprising CHF 24.7 billion of Lombard loans and CHF 8.1 billion of mortgages). As a result, the loan-deposit ratio was unchanged at 0.54. Over the same period, following the US provision, total equity shrunk by CHF 0.5 billion to CHF 4.9 billion.

At 30 June 2015, and following the US provision, total capital amounted to CHF 3.7 billion, of which CHF 3.5 billion tier 1 capital. With risk-weighted assets at CHF 18.1 billion, this resulted in a *BIS total capital ratio* of 20.3% and a *BIS tier 1 capital ratio* of 19.1%, well above the Group's target ratios of 15% and 12% respectively.

IWM update

With the exception of the business in India, the asset transfer process of the IWM transaction ended on the pre-agreed long-stop date at the end of January 2015, exactly two years after the principal closing of the transaction. The transfer of the business in India is currently expected to take place in the third quarter 2015, and is presently projected to result in an AuM increase of over CHF 5 billion.

At the end of June 2015, based on asset values at the applicable transfer dates, AuM from the former IWM business stood at CHF 52 billion, compared to CHF 54 billion at the end of 2014, as on the long-stop date of the transaction in January not all of the AuM previously reported were transferred to the Julius Baer platforms. Based on market values at the end of June 2015, IWM AuM stood at CHF 56 billion (end 2014: CHF 60 billion).

The extrapolated gross margin on the IWM AuM advanced to 95 bps, well above the 2015 target of 85 bps.

In relation to IWM, a further CHF 28.3 million of transaction, restructuring and integration costs incurred in the first half of 2015 were largely offset by a contribution of approximately CHF 27.9 million from Bank of America Merrill Lynch to the acquisition-related incentive payments. The resulting net CHF 0.4 million of transaction, restructuring and integration costs in the first half of 2015 takes the total booked since the start of the transaction to CHF 354 million. The estimate for total transaction, restructuring and integration costs remains at approximately CHF 435 million.

Subsequent to an analysis of the Group's global positioning, it was decided to cease operations of the former IWM business in Paris (since renamed Julius Baer Investments SAS) and to transfer its activities to other entities of the Group in Europe.

40% participation in leading Mexican financial advisory firm NSC Asesores
Julius Baer announced today that it has agreed to acquire, for an undisclosed amount, 40% of NSC Asesores, S.A. de C.V. (NSC), the largest independent financial advisory firm in Mexico. NSC, which is based in Mexico City, manages assets of close to USD 3 billion and has enjoyed strong growth in the past years. The acquisition would mark Julius Baer's entry in the second largest wealth management market in Latin America.

NSC specialises in discretionary portfolio management and advisory services for high net worth individuals, based on independent and unbiased advice, which makes it a particularly good cultural fit. The company was founded in 1989 and is currently led by its 12 partners, of whom Claudio Núñez acts as CEO and Mariví Esteve as CFO & Head of Strategic Planning. It employs a total staff of 46.

The current management team will continue to run the business independently with the existing staff and pursue the same client-focused strategy. Julius Baer will be represented on the Board of Directors of NSC by two members. Both parties are confident that the future close cooperation will add further growth momentum to NSC's business development.

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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.

Please refer to page 4 of the Business Review for the full description of the results.

The results conference will be webcast at 9:30 a.m. (CEST). All documents (presentation, Business Review First Half 2015, Half-Year Report 2015 and this media release) are available at www.juliusbaer.com.

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Important dates

16 November 2015:	Publication of ten-month Interim Management Statement
2 February 2016:	Publication and presentation of 2015 full-year results, Zurich
13 April 2016:	Annual General Meeting 2016, 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 369 billion at the end of June 2015, including CHF 284 billion of assets under management. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank which celebrates its 125th anniversary in 2015, 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 5,000, including more than 1,000 relationship managers, and is present in over 25 countries and some 50 locations. Headquartered in Zurich, we have offices in key locations including Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, 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 2015 CHF m	H1 2014 CHF m	H2 2014 CHF m	*Change to H1 2014 in %*
Consolidated income statement				
Operating income	1,408.0	1,235.7	1,311.0	13.9
Adjusted operating expenses	1,279.7	882.1	958.1	45.1
Profit before taxes	128.2	353.6	352.8	-63.7
Adjusted net profit	108.8	287.6	298.2	-62.2
excluding US provision[2]	384.0	287.6	298.2	33.5
Adjusted EPS for the half year (CHF)	0.50	1.32	1.37	-62.3
excluding US provision[2]	1.76	1.32	1.37	33.0
Cost/income ratio[3]	64.7%	70.8%	69.1%	-
Pre-tax margin (basis points)	9.0	27.1	24.9	-

	30.06.2015	30.06.2014	31.12.2014	*Change to 31.12.2014 in %*
Client assets (CHF bn)				
Assets under management	284.0	274.2	290.6	-2.3
Average assets under management (in period)	283.9	261.4	283.1	0.3
Net new money (in period)	6.5	7.5	5.2	-
Assets under custody	84.6	98.2	105.8	-20.0
Total client assets	368.6	372.4	396.4	-7.0
Consolidated balance sheet (CHF m)				
Total assets	80,149.2	73,785.1	82,233.8	-2.5
Total equity	4,879.5	5,217.2	5,337.8	-8.6
BIS total capital ratio	20.3%	23.9%	23.4%	-
BIS tier 1 capital ratio	19.1%	22.4%	22.0%	-
Return on equity (ROE) annualised[4]	6.3%	16.2%	16.6%	-
Personnel				
Number of employees (FTE)	5,378	5,557	5,247	2.5
of whom in Switzerland	*3,162*	*3,228*	*3,076*	*2.8*
of whom abroad	*2,216*	*2,329*	*2,171*	*2.1*
Capital structure				
Number of shares	223,809,448	223,809,448	223,809,448	-
Weighted average number of shares outstanding	218,697,020	217,807,073	218,451,680	-
Share capital (CHF m)	4.5	4.5	4.5	-
Book value per share outstanding (CHF)	22.7	24.1	24.6	-7.6
Market capitalisation (CHF m)	11,739	8,182	10,253	14.5
Moody's long-term obligations rating Bank Julius Baer & Co. Ltd.	Aa2	A1	A1	-

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 CHF 275 million net profit impact of the USD 350 million provision regarding the eventual, comprehensive and final settlement with US authorities concerning Julius Baer's legacy US cross-border business (announced on 23 June 2015).

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

[4] Adjusted net profit/average equity less goodwill