Julius Bär

# MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 1 February 2016

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

## Assets under management rose by 3% to a record CHF 300 billion – Underlying net profit improved by 20% to CHF 701 million – Financial result impacted by US provision – Proposed dividend increase of 10% to CHF 1.10 per share

- **Assets under management (AuM) grew to CHF 300 billion, an increase of CHF 9 billion, or 3%, despite a negative currency impact of CHF 10 billion. Net new money added CHF 12 billion (4.2%).**
- **Operating income increased by 6% to CHF 2,694 million, resulting in an unchanged gross margin of 94 basis points (bps). The adjusted cost/income ratio[2] improved to 67%, well within the 65-70% target range. Julius Baer has decided to reset its medium-term target range for the cost/income ratio[2] to 64-68%.**
- **Adjusted net profit was impacted by the provision of USD 547.25 million (CHF 521 million) for the eventual settlement with the US Department of Justice (DOJ) regarding the legacy US cross-border business (the US provision), and decreased by 52% to CHF 279 million.**
- **The DOJ has now provided its final approval, including the USD 547.25 million amount. Pending a court hearing on the resolution, which Julius Baer expects shortly, the Bank and the DOJ will announce the final resolution.**
- **Underlying net profit (which excludes the US provision) improved by 20% to CHF 701 million and underlying earnings per share (EPS) also by 20% to CHF 3.21.**
- **IFRS net profit attributable to shareholders of Julius Baer decreased by 67% to CHF 121 million and IFRS EPS by 67% to CHF 0.55, as the strong improvement in underlying operating performance was more than offset by the US provision.**
- **Following the US provision and the completion of the integration of IWM, the Group today announces an update to its capital and dividend framework. While the previous floor of 15% for the (phase-in) BIS total capital ratio remains in place, the Group introduces a new floor for the (phase-in) BIS CET1 capital ratio of 11%. Julius Baer also intends to grow the ordinary dividend pay-out ratio to 40% of adjusted net profit.**
- **With a BIS total capital ratio of 19.4% and a BIS CET1 capital ratio of 18.3%, the capital position remained significantly in excess of the Group's floors.**
- **The Board of Directors intends to propose to the Annual General Meeting (AGM) of shareholders on 13 April 2016 to increase the ordinary dividend by 10% to CHF 1.10 per share.**

Boris F.J. Collardi, Chief Executive Officer of Julius Baer Group Ltd., said: "It is a testament to the strength and the agility of the Julius Baer franchise that, despite the market turbulence and the negative impact of the stronger Swiss franc, the Group reached a record high CHF 300 billion of assets under management, supported by continuing healthy inflows, and was able to grow underlying net profit by 20%. The strong profit growth was helped by the full benefits of the synergies realised on the landmark IWM acquisition, which was completed last year with the successful transfer of the India business in September. Following the final approval of the settlement regarding our legacy US cross-border business by the DOJ, we expect that we will soon be able to complete the court process and announce the final resolution."

**AuM at record high**
*Assets under management* increased by 3%, or CHF 9 billion, to CHF 300 billion. This included CHF 60 billion of AuM attributable to clients and relationship managers of the former Merrill Lynch International Wealth Management (IWM) business outside the US. The growth in AuM was the result of net new money of CHF 12 billion (4.2%) and a net positive acquisition impact of CHF 8 billion, partly offset by a negative currency impact of CHF 10 billion and negative market performance of CHF 1 billion. Net new money was driven by net inflows from all regions, with strong contributions from Asia, the Middle East, Israel, and the domestic businesses in Monaco, Germany and Switzerland, as well as by a clear improvement in the contribution from the cross-border European business (particularly from the UK) despite the impact of the tax regularisations of legacy assets from clients domiciled in France and Italy. Following the departure of one large custody client at the start of 2015 and the negative currency impact, *assets under custody* came to CHF 86 billion.

**Significant rise in underlying net profit**
*Operating income* grew to CHF 2,694 million, a rise of 6%, in line with the growth in monthly average AuM (to CHF 288 billion). As a result, the gross margin for the Group remained at 94 bps. *Net commission and fee income* contributed CHF 1,522 million, an increase of just CHF 4 million on the previous year, partly due to a 2% decline in brokerage commissions as a consequence of lower client risk appetite in the second half of the year. The analysis of net commission and fee income is impacted by the fact that in 2014 this line item still included revenues on IWM AuM that were reported but not yet booked on Julius Baer's platforms – as of 2015 these line items have been allocated to the applicable different operating income line items. *Net interest and dividend income* rose by 10% to CHF 711 million, driven by dividend income on trading portfolios, up from CHF 72 million to CHF 139 million. Excluding the latter item, underlying net interest and dividend income declined by 1% to CHF 572 million as the benefits of higher interest income from loans, increased treasury income, and lower interest expense on deposits were offset by the impact of lower interest rates on trading portfolio holdings, negative interest on central bank deposits, and an increase in hybrid debt issued. *Net trading income* rose by 33% to CHF 436 million. Including the afore-mentioned higher trading portfolios-related dividend income, underlying net trading income went up by 44% to CHF 575 million, supported by elevated foreign-exchange volatility and volumes in the first half of 2015, 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 29 million to CHF 25 million. This decrease came partly on the back of a CHF 14 million lower result related to AFS financial investments. In 2014, other ordinary results still included income related to Brazilian subsidiary GPS Investimentos Financeiros e Participações S.A. for the period prior to its first-time consolidation at the end of April 2014 following the increase in ownership from 30% to 80%.

*Adjusted operating expenses* went up to CHF 2,385 million, an increase of 30%, mainly as a consequence of the US provision of CHF 521 million. Excluding the US provision, the underlying operating expenses increased by 1% to CHF 1,864 million, well below the 6% increase in operating income. At 5,364 full-time equivalents (FTEs), of which 1,217 RMs, the total number of employees increased by 2%, or 117 FTEs (179 of which joined from Leumi Private Bank AG, IWM India and

Fransad Gestion SA). The development of the monthly average number of employees relevant for the adjusted operating expense calculation was essentially flat, at 5,375. This flat development partly reflects the additional cost measures announced at the start of 2015 following the aforementioned SNB decision. *Adjusted personnel expenses* grew by 2% to CHF 1,207 million, mainly impacted by slight increases in performance-based variable compensation, share-based payments and contributions to staff pension plans. *Adjusted general expenses* rose by 89% to CHF 1,083 million. This included a net charge of CHF 575 million for valuation allowances, provisions and losses, of which CHF 521 million for the US provision. Excluding the US provision, the underlying general expenses decreased by 2% to CHF 562 million, reflecting IWM-related synergies as well as the aforementioned additional cost measures and also helped by a CHF 7 million decrease in valuation allowances, (non-US provision related) provisions and losses (to CHF 53 million).

As a result, the adjusted *cost/income ratio*[2] improved from 70% to 67%, well inside 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 56% to CHF 309 million. The related income taxes declined to CHF 30 million, representing a tax rate of 9.7%. *Adjusted net profit* decreased by 52% to CHF 279 million, and *adjusted earnings per share* by 52% to CHF 1.28.

Excluding the US provision, underlying profit before taxes grew by 17% to CHF 830 million and the underlying pre-tax margin from 26 bps to 29 bps, close to the 30-35 bps medium-term target range. The related income taxes increased to CHF 129 million, representing a tax rate of 15.5%. As a result, the underlying net profit – reflecting the underlying operating performance which allows a meaningful comparison of underlying results over time – improved by 20% to CHF 701 million, and the underlying earnings per share by 20% to CHF 3.21.

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 46 million, down from CHF 113 million in 2014) as well as the amortisation of intangible assets related to acquisitions (CHF 124 million, slightly up from CHF 123 million in 2014). Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements 2015, net profit decreased by 67% to CHF 123 million as the aforementioned strong improvement in underlying operating performance was more than offset by the US provision. After considering non-controlling interests, the IFRS net profit attributable to shareholders of Julius Baer decreased by 67% to CHF 121 million, and EPS declined to CHF 0.55, down 67% from the CHF 1.68 achieved in 2014.

**Balance sheet and capital developments**
*Total assets* increased by CHF 1.9 billion, or 2%, to CHF 84.1 billion. Client deposits rose by CHF 3.0 billion, or 5%, to CHF 64.8 billion, and the loan book by CHF 2.7 billion, or 8%, to CHF 36.4 billion (comprising CHF 27.9 billion of Lombard loans and CHF 8.6 billion of mortgages). As a result, the loan-deposit ratio increased from 0.54 to 0.56. Over the same period, partly impacted by the US provision, total equity declined by CHF 0.4 billion to CHF 4.9 billion.

In November 2015, Julius Baer successfully placed SGD 450 million (CHF 315 million at the year-end exchange rate and net of capitalised issue costs) of perpetual non-cumulative additional tier 1 (AT1) securities with mainly Asian-based private and institutional investors. The securities carry a coupon of 5.90% and include an optional redemption call on 18 November 2020 or on 18 November of each year thereafter. This placement was followed in December 2015 by the redemption of all of the then outstanding non-cumulative guaranteed perpetual preferred securities (CHF 225 million).

At the end of 2015, total capital amounted to CHF 3.7 billion, of which CHF 3.5 billion CET1 capital. With risk-weighted assets at CHF 19.3 billion, this resulted in a *BIS total capital ratio* of 19.4% and a *BIS CET1 capital ratio* of 18.3%, well above the Group's floors of 15% and 11% respectively.

**Updated capital and dividend framework**
Following the final approval of the settlement regarding Julius Baer's legacy US cross-border business by the DOJ (pending a court hearing on the resolution) and the completion of the integration of IWM, the Group today announces an update to its capital and dividend framework.

Under the current regulatory capital requirements, Julius Baer at all times needs to have a (phase-in) BIS total capital of at least 12%, a (phase-in) BIS tier 1 ratio of at least 9.6% and a (phase-in) BIS CET1 capital ratio of 7.8%. The SNB temporary countercyclical buffer for Swiss mortgages must be added to these requirements, which presently adds 0.2 percentage points to the aforementioned minimum levels for Julius Baer. By taking into account the minimum regulatory requirements and the interests of its clients, AT1 investors and shareholders, the Group deems that its previous floor of 15% for the (phase-in) BIS total capital ratio remains appropriate. At the same time, the Group introduces a new floor for the (phase-in) BIS CET1 capital ratio of 11%.

While at all times considering the capital floors, Julius Baer has decided to introduce a sustainable and more predictable dividend policy, under which the ordinary pay-out ratio will increase towards 40% of adjusted net profit. Unless justified by significant events, on a per-share basis the ordinary dividend should normally be at least equal to the previous year's ordinary dividend. In its dividend proposals, the Board of Directors will always bear in mind the business and market outlook as well as any significant near-term investment requirements and opportunities. From time to time, the Board of Directors will assess the Group's capital situation and may, if justified, consider special dividends or share buybacks.

**Increased ordinary dividend proposed**
The Board of Directors intends to propose to the AGM on 13 April 2016 to increase the ordinary dividend by 10% from CHF 1.00 to CHF 1.10 per share. As was the case in the last five years, it is proposed that the dividend will be paid out of the statutory capital reserve.

**IWM update**
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 separate transfer of the IWM business in India, with AuM of CHF 6 billion, took place in September 2015.

Following the addition of the India business and taking into account the final acquisition adjustments, IWM AuM stood at CHF 60 billion based on market values at the end of 2015. Based on the asset values at the applicable transfer dates, a total of almost CHF 59 billion of client assets has been transferred. The Group has thereby met the transaction transfer target of at least CHF 57 billion.

The extrapolated gross margin on the IWM AuM advanced to 88 bps (2014: 86 bps), above the 2015 target of 85 basis points that was set when the acquisition was announced in 2012.

In relation to IWM, a further CHF 57 million of transaction, restructuring and integration costs incurred were partly offset by a pre-agreed contribution in the first half of 2015 of CHF 28 million from Bank of America Merrill Lynch to the acquisition-related incentive payments. The resulting net CHF 29 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 381 million. The estimate for total transaction, restructuring and integration costs has been reduced from CHF 435 million to approximately CHF 420 million.

**Updated operating targets**
Having evaluated the Group's recent operating performance, its medium-term investments in growth and quality, as well as the current outlook for the business and market environment, Julius Baer has decided to reset its medium-term target range for the adjusted cost/income ratio (as always excluding valuation allowances, provisions and losses) from 65-70% to 64-68%, and to continue to target an adjusted pre-tax profit margin of at least 30 bps and a net new money range of 4-6%. In setting these targets, the Group has assumed the current level of the Swiss franc against the key currencies.

---

[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. (CET). All documents (presentation, Business Review 2015, Consolidated Financial Statements 2015 and this media release) are available at www.juliusbaer.com (from 7:00 a.m.).

**Contacts**
Media Relations, tel. +41 (0) 58 888 8888
Investor Relations, tel. +41 (0) 58 888 5256

**Important dates**

| | |
|---|---|
| 21 March 2016: | Publication of Annual Report 2015 including Remuneration Report 2015 |
| 13 April 2016: | Annual General Meeting 2016, Zurich |
| 15 April 2016: | Ex-dividend date |
| 18 April 2016: | Record date |
| 19 April 2016: | Dividend payment date |
| 19 May 2016: | Publication of four-month Interim Management Statement |
| 25 July 2016: | Publication and presentation of 2016 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. Julius Baer's total client assets amounted to CHF 385 billion at the end of 2015, including CHF 300 billion of assets under management. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank which celebrated 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 1,200 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, Lugano, 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

**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]

| | 2015 CHF m | 2014 CHF m | Change in % |
|---|---|---|---|
| **Consolidated income statement** | | | |
| Operating income | 2,694.4 | 2,546.7 | 5.8 |
| Adjusted operating expenses | 2,385.4 | 1,840.3 | 29.6 |
| Profit before taxes | 309.0 | 706.4 | -56.3 |
| Adjusted net profit | 279.2 | 585.8 | -52.3 |
| excluding US provision[2] | 701.5 | 585.8 | 19.7 |
| Adjusted EPS (CHF) | 1.28 | 2.68 | -52.4 |
| excluding US provision[2] | 3.21 | 2.68 | 19.7 |
| Cost/income ratio[3] | 67.2% | 69.9% | - |
| Pre-tax margin (basis points) | 10.7 | 25.9 | - |

| | 31.12.2015 | 31.12.2014 | Change in % |
|---|---|---|---|
| **Client assets (CHF bn)** | | | |
| Assets under management | 299.7 | 290.6 | 3.1 |
| Average assets under management | 288.0 | 272.2 | 5.8 |
| Net new money | 12.1 | 12.7 | - |
| Assets under custody | 85.8 | 105.8 | -18.9 |
| Total client assets | 385.5 | 396.4 | -2.7 |
| **Consolidated balance sheet (CHF m)** | | | |
| Total assets | 84,115.5 | 82,233.8 | 2.3 |
| Total equity | 4,942.0 | 5,337.8 | -7.4 |
| BIS total capital ratio | 19.4% | 23.4% | - |
| BIS CET1 capital ratio | 18.3% | 22.0% | - |
| Return on equity (ROE)[4] | 8.3% | 16.3% | - |
| **Personnel** | | | |
| Number of employees (FTE) | 5,364 | 5,247 | 2.2 |
| *of whom in Switzerland* | *3,064* | *3,076* | *-0.4* |
| *of whom abroad* | *2,300* | *2,171* | *6.0* |
| **Capital structure** | | | |
| Number of registered shares | 223,809,448 | 223,809,448 | - |
| Weighted average number of shares outstanding | 218,613,533 | 218,451,680 | - |
| Share capital (CHF m) | 4.5 | 4.5 | - |
| Book value per share outstanding (CHF) | 23.0 | 24.6 | -6.4 |
| Market capitalisation (CHF m) | 10,891 | 10,253 | 6.2 |
| Moody's long-term deposit rating Bank Julius Baer & Co. Ltd. | Aa2 | A1 | |

**Listing**

| | |
|---|---|
| Zurich, Switzerland | SIX Swiss Exchange under the securities number 10 248 496<br>Member of the Swiss Market Index SMI |

**Ticker symbols**

| | |
|---|---|
| Bloomberg | BAER VX |
| Reuters | BAER.VX |

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

[2] Excluding the CHF 422.3 million impact on net profit of the USD 547.25 million provision for the settlement amount stemming from the final approval of the settlement with respect to a resolution regarding Julius Baer's legacy US cross-border business by the US Department of Justice. The resolution is subject to court process.

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

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