Julius Bär

MEDIA RELEASE
Julius Baer Group Ltd.

Zurich, 2 February 2015

Presentation of the 2014 full-year results[1] for the Julius Baer Group

Assets under management up 14% to a record CHF 291 billion – Adjusted net profit improved by 22% to CHF 586 million – Dividend increased from CHF 0.60 to CHF 1.00 per share – Cost efficiency programme of CHF 100 million launched

- **Assets under management (AuM) grew to CHF 291 billion, an increase of CHF 36 billion, or 14%. The increase was supported significantly by net new money of CHF 13 billion (5%). Total client assets (including assets under custody) grew by 14% to CHF 396 billion.**
- **Operating income rose by 16% to CHF 2,547 million, resulting in a gross margin of 94 basis points (bps). The adjusted cost/income ratio[2] improved to 69.9%.**
- **Adjusted net profit, which reflects the underlying operating performance, improved by 22% to CHF 586 million and adjusted earnings per share (EPS) by 20% to CHF 2.68.**
- **IFRS net profit increased by 96% to CHF 367 million and IFRS EPS by 92% to CHF 1.68.**
- **The integration of Merrill Lynch's International Wealth Management (IWM) business outside the US was essentially completed and the 2014 rightsizing targets were fully realised.**
- **With a BIS total capital ratio of 23.4% and a BIS tier 1 capital ratio of 22.0%, the capital position remained significantly in excess of the Group's targeted floors.**
- **The Board of Directors intends to propose to the Annual General Meeting (AGM) of shareholders on 15 April 2015 an increase in the ordinary dividend from CHF 0.60 to CHF 1.00 per share, to be paid out of the share premium reserve.**
- **Julius Baer has decided to proceed with renewing its IT platforms globally. The Group has selected Temenos to initiate planning of its core banking platform replacement.**
- **Julius Baer has launched an efficiency programme which aims at cutting costs of approximately CHF 100 million on a run rate basis, of which more than half should be effective in 2015.**

Boris F.J. Collardi, Chief Executive Officer of Julius Baer Group Ltd., said: "In 2014 the Group successfully realised the considerable synergies offered by the IWM transaction and in so doing significantly strengthened the basis for further long-term growth in the profitability of its business. This robust foundation is reinforced by a continued very solid capital position. As a consequence, Julius Baer will be able to confront the effects of the recent Swiss franc appreciation from a position of great strength. Mitigating factors are already being implemented, and I am convinced that thanks to these and further measures the Group will succeed in protecting its profitability to a very significant extent from these effects. This confidence is underpinned by the intention of the Board of Directors to propose a substantially increased dividend."

Client assets reached record levels
Total *client assets* amounted to CHF 396 billion, an increase of 14%, or CHF 49 billion, since the end of 2013. *Assets under management* grew by 14%, or CHF 36 billion, to CHF 291 billion. At year-end market values, this included CHF 60 billion of AuM reported from IWM, of which CHF 58 billion were booked on the Julius Baer platforms. The growth in total AuM was attributable to net new money of CHF 13 billion (5%), a positive currency impact of CHF 11 billion, positive market performance of CHF 6 billion, as well as CHF 6 billion from the first-time consolidation of Brazilian subsidiary GPS (following the increase in ownership from 30% to 80% in March 2014). 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 more than offset by continued tax regularisations of legacy assets. *Assets under custody* came to CHF 106 billion, up by 13%, or CHF 12 billion.

Significant rise in net profit
Operating income rose to CHF 2,547 million, an increase of 16%, below the 19% growth in monthly average AuM (to CHF 272 billion). As a result, the gross margin for the Group was 94 bps (2013: 96 bps). *Net commission and fee income* contributed CHF 1,518 million, up by 19%, in line with the increase in average AuM. *Net interest and dividend income* rose by 17% to CHF 648 million, which included dividend income on trading portfolios, up from CHF 38 million to CHF 72 million. Excluding the latter, underlying net interest and dividend income grew by 12% to CHF 576 million on the back of an increase in credit income, partially offset by the interest expenses on the Perpetual Tier 1 Subordinated Bonds issued in May 2014 and a minor decrease in treasury income. *Net trading income* rose by 4% to CHF 328 million. Including the aforementioned trading portfolios-related dividend income, underlying net trading income went up by 13% to CHF 399 million as an increase in currency market volatility starting in September 2014 supported a recovery in client-driven FX trading volumes in the last four months of the year. *Other ordinary results,* which among other items includes brand licensing income, income from associates, rental income and net gains from the disposal of financial investments from the available-for-sale portfolio, went up by 5% to CHF 53 million.

Adjusted operating expenses went up by 14% to CHF 1,840 million. At 5,247 full-time equivalents (FTEs), the total number of employees at the end of 2014 was down by 3%, or 143 FTEs, from the end of 2013. However, the monthly average number of employees still increased by 17% year on year given that 2013 had started with 3,721 FTEs. The increase in 2013 was mainly attributable to the transfer of the IWM businesses, which started in February of that year, whereas the decrease during 2014 was the net result of the restructuring and rightsizing-related redundancies outstripping the increase in staff stemming from further IWM transfers, the consolidation of GPS and new hires elsewhere in the business. Following the IWM integration-related rightsizing, the number of relationship managers declined by 42 to 1,115 FTEs, of which 316 formerly from IWM (down from 365 at the end of 2013). As a result of these developments, adjusted *personnel expenses* went up by 20% to CHF 1,182 million. Adjusted *general expenses* rose by 7% to CHF 573 million. This included a net charge of CHF 60 million for valuation allowances, provisions and losses (2013: CHF 46 million).

As a result, the adjusted *cost/income ratio*[2] improved to 69.9% (2013: 71.3%), just inside the 65-70% range that the Group had set as a target to be reached from 2015 onwards.

Adjusted *profit before taxes* improved by 21% to CHF 706 million. The related income taxes increased to CHF 121 million, representing a tax rate of 17.1% (2013: 17.7%). *Adjusted net profit* – reflecting the underlying operating performance which allows a meaningful comparison of underlying results over time – grew by 22% to CHF 586 million, and adjusted *earnings per share* by 20% to CHF 2.68.

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 113 million, almost entirely related to IWM, down from CHF 199 million in 2013) as well as the amortisation of intangible assets related to acquisitions (CHF 123 million, up from CHF 101 million in 2013). Additionally, in 2013 the adjusted operating expenses excluded a provision of CHF 29 million (net of taxes: CHF 22 million) that had been taken in relation to the guarantee payments that Swiss banks were obliged to provide under Swiss law as part of the withholding tax agreement between Switzerland and the UK. Including the above items, as presented in the IFRS results in the Group's Consolidated Financial Statements 2014, net profit improved by 96% to CHF 367 million, as the aforementioned UK-related provision did not recur and as the improvement in operating results and the reduction in the IWM-related integration and restructuring expenses more than offset the expected increase in the amortisation of acquisition-related intangible assets. On the same basis, EPS grew to CHF 1.68, an increase of 92% from the CHF 0.88 achieved in the same period a year ago.

Balance sheet and capital developments
Total assets rose by CHF 9.7 billion, or 13%, to CHF 82.2 billion. Client deposits went up to CHF 61.8 billion, an increase of CHF 10.3 billion, or 20%. The total loan book grew by CHF 6.1 billion, or 22%, to CHF 33.7 billion (comprising CHF 25.5 billion of Lombard loans and CHF 8.1 billion of mortgages), resulting in a loan-deposit ratio of 0.54, compared with 0.53 at the end of 2013. Over the same period, total equity rose by CHF 0.3 billion to CHF 5.3 billion.

At 31 December 2014, total capital amounted to CHF 4.0 billion, of which CHF 3.7 billion tier 1 capital. With risk-weighted assets at CHF 17.0 billion, this resulted in a *BIS total capital ratio* of 23.4% and a *BIS tier 1 capital ratio* of 22.0%, well above the Group's target ratios of 15% and 12% respectively.

Increased ordinary dividend proposed
The Board of Directors intends to propose to the AGM on 15 April 2015 an increase in the ordinary dividend by 67% from CHF 0.60 to CHF 1.00 per share. As was the case in the last four years, it is proposed that the dividend will be paid out of the share premium reserve. The distribution would therefore not be subject to Swiss withholding tax and, for Swiss individual investors who hold their shares as private assets, not be subject to income taxes.

IWM: Integration essentially completed – 2014 rightsizing targets fully realised
By the end of 2014, the IWM integration was essentially completed, with the applicable local closings of the transaction in Ireland and the Netherlands having taken place in the first half of the year and in France in the second half. Since the start of the IWM integration process on 1 February 2013, a total of 17 IWM locations have now completed the transfer process. This leaves only the transfer of the business in India, which is currently expected to take place towards mid-year 2015, after which the IWM integration process will be finished.

At the end of 2014, based on asset values at the applicable transfer dates, AuM reported from IWM stood at CHF 54 billion (end of 2013: CHF 53 billion), of which CHF 51 billion were booked on the Julius Baer platforms and paid for (end of 2013: CHF 40 billion). At year-end market values, IWM AuM reported stood at CHF 60 billion and AuM booked at CHF 58 billion.

During 2014 there was significant progress in the productivity of the IWM business. The former IWM relationship managers already started to contribute substantially to net new money, and the extrapolated gross margin on the IWM AuM advanced to a level just above the 2015 target of 85 bps.

The previously communicated restructuring following the completion of the majority of the IWM asset transfers proceeded as planned. While in the course of the year a further 166 employees transferred from IWM to Julius Baer, the integration-related rightsizing led to 564 employees leaving the Group, resulting in a net integration-related reduction of 398 FTEs in 2014, in line with the synergy targets.

In relation to IWM, a further CHF 109 million of transaction, restructuring and integration costs were incurred in 2014, taking the total booked since the start of the transaction to CHF 353 million. As announced in July 2014, the previous estimate of approximately CHF 455 million for total transaction, restructuring and integration costs has been revised down to approximately CHF 435 million.

Renewing IT platforms globally
Julius Baer has decided to proceed with renewing its IT platforms globally. The aim of the project is to deliver improved client experience, operating efficiency and flexibility through the harmonisation of processing platforms. The Group has selected Temenos to initiate planning of its core banking platform replacement, while retaining flexibility to select the optimal providers for additional components and applications.

The project will be launched in Asia first, which is a fast-growing and dynamic region with volumes representing close to 25% of the Group's business and thus serves as an ideal template for future implementation in other regions after its anticipated completion in 2017. In parallel, selected enhancements will be carried out in Switzerland in line with the scope of the project.

The process will be managed within the normal operating and financial planning of the Group and is not expected to negatively impact the target cost/income ratio during the implementation period. It is envisaged to result in improved efficiency upon completion.

Swiss franc appreciation: Initiating comprehensive measures to defend profitability
While the integration of the IWM business has substantially improved Julius Baer's revenue and cost currency mismatch, the existing relative imbalance means that measures are required to mitigate the impact on the Group's profitability of the strong appreciation of the Swiss franc in January 2015.

In response, Julius Baer has launched an efficiency programme to reduce the cost base by approximately CHF 100 million on a run rate basis, of which more than half should be effective in 2015. Personnel expenses will be decreased by a combination of a controlled hiring and resource reallocation as well as the reduction of approximately 200 positions through natural attrition and staff reductions predominantly in mid- and back-office functions, partly also affecting the integrated IWM business. The planned savings of general expenses will be achieved through the short- and medium-term improvement of processes across the Group as well as through lower marketing spending.

Paul Man-Yiu Chow nominated for Board of Directors
Paul Man-Yiu Chow, from Hong Kong, has been nominated for election to the Board at the next AGM. He is currently Chairman of the Board of the Hong Kong Cyberport Management Company as well as Independent Non-Executive Director at Bank of China and China Mobile. In his distinguished career in the financial industry in Asia, he has held positions such as CEO and

Executive Director of the Hong Kong Exchanges & Clearing Limited as well as CEO of HSBC Asset Management, Asia Pacific (ex Japan).

[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, as well as in 2013 the charge in relation to the withholding tax treaty between Switzerland and the UK.
[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. (CET). All documents (presentation, Business Review 2014, Consolidated Financial Statements 2014 and this media release) are available on www.juliusbaer.com.

Contacts

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Important dates

20 February 2015:	Publication of Annual Report 2014
15 April 2015:	Annual General Meeting 2015, Zurich
17 April 2015:	Ex-dividend date
20 April 2015:	Record date
21 April 2015:	Dividend payment date
19 May 2015:	Publication of four-month Interim Management Statement
20 July 2015:	Publication and presentation of 2015 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 396 billion at the end of December 2014, including CHF 291 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]

	2014 CHF m	2013 CHF m	Change in %
Consolidated income statement			
Operating income	2,546.7	2,194.7	16.0
Adjusted operating expenses	1,840.3	1,611.5	14.2
Profit before taxes	706.4	583.3	21.1
Adjusted net profit	585.8	479.8	22.1
Adjusted EPS (CHF)	2.68	2.24	19.7
Cost/income ratio[2]	69.9%	71.3%	-
Pre-tax margin (basis points)	25.9	25.5	-

	31.12.2014	31.12.2013	Change in %
Client assets (CHF bn)			
Assets under management	290.6	254.4	14.2
Average assets under management	272.2	229.0	18.9
Net new money	12.7	7.6	-
Assets under custody	105.8	93.3	13.3
Total client assets	396.4	347.8	14.0
Consolidated balance sheet (CHF m)			
Total assets	82,233.8	72,522.1	13.4
Total equity	5,337.8	5,038.6	5.9
BIS total capital ratio	23.4%	22.4%	-
BIS tier 1 capital ratio	22.0%	20.9%	-
Return on equity (ROE)	16.3%	13.4%	-
Personnel			
Number of employees (FTE)	5,247	5,390	-2.7
of whom Switzerland	*3,076*	*3,264*	*-5.8*
of whom abroad	*2,171*	*2,126*	*2.1*
Capital structure			
Number of registered shares	223,809,448	223,809,448	-
Weighted average number of registered shares outstanding	218,451,680	214,241,756	-
Share capital (CHF m)	4.5	4.5	-
Book value per registered share outstanding (CHF)	24.6	23.5	4.8
Market capitalisation (CHF m)	10,253	9,588	6.9
Moody's rating Bank Julius Baer & Co. Ltd.	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 audited IFRS financial statements the integration and restructuring expenses, the amortisation of intangible assets related to previous acquisitions or divestments and in 2013 a CHF 29 million (net of taxes: CHF 22 million) provision in relation to the withholding tax treaty between Switzerland and the UK.

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