

Julius Bär

20

20

ALTERNATIVE PERFORMANCE MEASURES

Including reconciliation to IFRS measures

2019 full year results

19

INTRODUCTION

The Business Review and other communication to investors contain certain financial measures of historical and future performance and financial position that are not defined or specified by IFRS.

Management believes that these alternative performance measures (APMs) provide useful information regarding the Group's financial and operating performance. These APMs should be regarded as complementary information to, and not as a substitute for, the IFRS performance measures.

The purpose of this document is to provide the definitions of APMs used by Julius Baer Group Ltd. in its communication to investors, together with reconciliations to the most directly reconcilable IFRS line items.

APMs as defined and used by the Group may not be comparable to similarly titled APMs reported by other companies.

ADJUSTED RESULTS

Julius Baer Group Ltd. defines adjusted results as follows:

Adjusted results are derived by excluding from the IFRS financial results the operating expenses related to acquisitions or divestments (M&A) and the taxes on those respective items.

These excluded items related to M&A can include adjustments to each of the five reported IFRS expense lines (personnel expenses; general expenses; depreciation of property and equipment; amortisation of customer relationships; amortisation and impairment of intangible assets).

The M&A-related adjustments can represent inter alia items such as amortisation of acquired customer relationships; goodwill impairment charges; M&A-related restructuring costs (examples of which include employee termination benefits that relate directly to the restructuring; contract termination costs; onerous contract provisions; consulting fees that relate directly to the restructuring; expected costs from when operations cease until final disposal); fees paid to advisers on the planning, execution or financing of M&A transactions; integration-related IT or other general expenses; additional provisions set up for litigation or the recovered amount from the seller.

Reconciliations to the most directly reconcilable IFRS line items are provided below:

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	464.8	121.7	343.1	735.4	291.6	443.8
Non-controlling interests	0.2	0.4	-0.2	-0.1	-0.1	-
IFRS net profit	465.0	122.1	342.9	735.3	291.6	443.8
Total adjustments to personnel expenses	2.9	0.9	2.0	2.6	1.5	1.1
Total adjustments to general expenses ^{1,2}	167.5	160.3	7.2	7.1	4.2	2.9
Total adjustments to amortisation of customer relationships	81.2	38.0	43.2	73.5	37.4	36.2
Total adjustments to amortisation and impairment of intangible assets ³	99.2	99.2	0.0	0.0	0.0	0.0
Total adjustments to operating expenses and profit before taxes^{2,3}	350.7	298.4	52.3	83.2	43.0	40.2
Impact of total adjustments on income taxes	-43.7	-39.0	-4.7	-8.9	-4.6	-4.3
Adjustments to net profit	307.0	259.4	47.6	74.3	38.5	35.9
Adjusted net profit	772.0	381.5	390.5	809.7	330.0	479.6
Adjusted non-controlling interests	0.9	0.8	0.1	-0.1	-0.1	-
Adjusted net profit attributable to shareholders of Julius Baer Group Ltd.	771.1	380.7	390.4	809.7	330.1	479.6

¹ Please see detailed financial statements in the Annual Report 2019

² Includes CHF 152.9 for "BvS case"

³ Includes CHF 99.2m for Kairos goodwill impairment

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS personnel expenses	1,616.2	781.4	834.8	1,621.4	774.4	847.0
Adjusted personnel expenses	1,613.3	780.5	832.8	1,618.8	772.9	845.9
Total M&A-related adjustments	2.9	0.9	2.0	2.6	1.5	1.1

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS general expenses	850.8	526.9	323.9	688.5	368.2	320.3
Adjusted general expenses	683.3	366.6	316.7	681.4	364.0	317.4
Total M&A-related adjustments	167.5	160.3	7.2	7.1	4.2	2.9
o/w Total BvS-related adjustments	152.9	152.9	-	-	-	-

Note: General expenses including provisions and losses.

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS provisions and losses	213.9	191.6	22.3	15.7	13.5	2.2
Adjusted provisions and losses	61.2	38.9	22.3	13.7	11.5	2.2
Total M&A-related adjustments	152.7	152.7	-	2.0	2.0	-
o/w Total BvS-related adjustments	152.7	152.7	-	-	-	-

Note: In December 2019, Julius Baer booked a CHF 153 million (CHF 119 million net of taxes) provision related to the claim by the Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS) (against Bank Julius Baer & Co. Ltd. as successor to Bank Cantrade Ltd., which was acquired in 2005) in relation to alleged unauthorised withdrawals between 1990 and 1992 from a Cantrade account.

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS amortisation of customer relationships	81.2	38.1	43.2	73.8	37.4	36.4
Adjusted amortisation of customer relationships	0.0	0.0	0.0	0.3	0.0	0.3
Total amortisation of customer relationships adjustments related to previous acquisitions	81.2	38.0	43.2	73.5	37.4	36.2
o/w ING	16.3	8.2	8.2	16.3	8.2	8.2
o/w IWM	40.6	17.6	23.0	36.3	18.2	18.2
o/w GPS	3.8	1.9	2.0	4.1	1.9	2.1
o/w Kairos	8.9	4.5	4.5	9.0	4.5	4.5
o/w Commerzbank Luxembourg	1.7	0.8	0.8	1.7	0.8	0.8
o/w Leumi and Fransad	1.9	1.0	1.0	1.9	1.0	1.0
o/w Wergen	0.8	0.4	0.4	0.8	0.4	0.4
o/w WMPartners	1.4	0.7	0.7	1.4	0.7	0.7
o/w Reliance	3.3	1.6	1.7	2.0	1.7	0.3
o/w NSC Asesoires	2.5	1.5	1.0	-	-	-

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS amortisation and impairment of intangible assets	168.5	137.7	30.7	51.8	27.8	23.9
Adjusted amortisation and impairment of intangible assets	69.3	38.6	30.7	51.8	27.8	23.9
Total amortisation and impairment of intangible assets adjustments	99.2	99.2	-	-	-	-
o/w Kairos goodwill impairment charge	99.2	99.2	-	-	-	-

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS operating expenses	2,816.7	1,535.2	1,281.5	2,473.9	1,227.7	1,246.2
Adjusted operating expenses	2,465.9	1,236.8	1,229.2	2,390.7	1,184.7	1,206.1
Total M&A-related adjustments	350.7	298.4	52.3	83.2	43.0	40.2
o/w adjustments to personnel expenses	2.9	0.9	2.0	2.6	1.5	1.1
o/w adjustments to general expenses	167.5	160.3	7.2	7.1	4.2	2.9
o/w adjustments to amortisation of customer relationships	81.2	38.0	43.2	73.5	37.4	36.2
o/w adjustments to amortisation and impairment of intangible assets	99.2	99.2	0.0	0.0	0.0	0.0

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS profit before taxes	566.2	148.7	417.5	893.9	351.4	542.6
Adjusted profit before taxes	916.9	447.1	469.8	977.1	394.4	582.7
Total M&A-related adjustments to personnel expenses and general expenses	-170.4	-161.2	-9.1	-9.6	-5.6	-4.0
Total M&A-related adjustments to amortisation and impairment	-180.4	-137.2	-43.2	-73.5	-37.4	-36.2

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS income taxes	101.2	26.6	74.6	158.6	59.8	98.8
Adjusted income taxes	144.9	65.7	79.3	167.4	64.4	103.1
Total M&A-related adjustments to personnel expenses and general expenses	34.5	34.0	0.5	0.7	0.4	0.3
Total M&A-related adjustments to amortisation and impairment	9.2	5.0	4.2	8.1	4.1	4.0

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS net profit	465.0	122.1	342.9	735.3	291.6	443.8
Adjusted net profit	772.0	381.5	390.5	809.7	330.0	479.6
Total M&A-related adjustments to personnel expenses and general expenses	-135.8	-127.2	-8.6	-8.9	-5.2	-3.7
Total M&A-related adjustments to amortisation and impairment	-171.2	-132.2	-39.0	-65.4	-33.2	-32.2

CHF m	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
IFRS net profit attributable to shareholders of Julius Baer Group Ltd.	464.8	121.7	343.1	735.4	291.6	443.8
Adjusted net profit attributable to shareholders of Julius Baer Group Ltd.	771.1	380.7	390.4	809.7	330.1	479.6
Total M&A-related adjustments to personnel expenses and general expenses	-135.8	-127.2	-8.6	-8.9	-5.2	-3.7
Total M&A-related adjustments to amortisation and impairment	-170.5	-131.8	-38.7	-65.4	-33.2	-32.2

CHF	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
EPS attributable to shareholders of Julius Baer Group Ltd.	2.1	0.6	1.6	3.4	1.3	2.0
Adjusted EPS attributable to shareholders of Julius Baer Group Ltd.	3.55	1.75	1.79	3.72	1.51	2.20
Total adjustments	-1.41	-1.19	-0.22	-0.34	-0.18	-0.16

In %	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
Adjusted cost/income ratio	71.1%	71.1%	71.0%	70.6%	74.3%	67.3%
Operating income (CHF m)	3,382.9	1,683.9	1,699.0	3,367.8	1,579.0	1,788.8
Adjusted operating expenses excl. adjusted provisions and losses (CHF m)	2,404.8	1,197.9	1,206.9	2,377.0	1,173.2	1,203.9
o/w Adjusted operating expenses (CHF m)	2,465.9	1,236.8	1,229.2	2,390.7	1,184.7	1,206.1
o/w Adjusted provisions and losses (CHF m)	61.2	38.9	22.3	13.7	11.5	2.2

In bp	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
Gross margin	81.7	80.2	83.2	85.5	79.6	91.5
Operating income (CHF m)	3,382.9	1,683.9	1,699.0	3,367.8	1,579.0	1,788.8
Average assets under management (CHF bn)	414	420	408	394	397	391

In bp	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
Adjusted expense margin	58.1	57.1	59.1	60.4	59.2	61.6
Adjusted operating expenses excl. adjusted provisions and losses (CHF m)	2,404.8	1,197.9	1,206.9	2,377.0	1,173.2	1,203.9
o/w Adjusted operating expenses (CHF m)	2,465.9	1,236.8	1,229.2	2,390.7	1,184.7	1,206.1
o/w Adjusted provisions and losses (CHF m)	61.2	38.9	22.3	13.7	11.5	2.2
Average assets under management (CHF bn)	414	420	408	394	397	391

In bp	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
Adjusted pre-tax margin	22.1	21.3	23.0	24.8	19.9	29.8
Adjusted profit before taxes (CHF m)	916.9	447.1	469.8	977.1	394.4	582.7
Average assets under management (CHF bn)	414	420	408	394	397	391

<i>In %</i>	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
Return on common equity Tier 1 (RoCET1), adjusted	27%	27%	28%	30%	24%	36%
Adjusted net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	771.1	380.7	390.4	809.7	330.1	479.6
Average CET1 capital (CHF m)	2,820	2,857	2,784	2,682	2,704	2,660

<i>In %</i>	2019	H2 2019	H1 2019	2018	H2 2018	H1 2018
Return on tangible equity (RoTE), adjusted	24%	24%	25%	28%	22%	33%
Adjusted net profit attributable to shareholders of Julius Baer Group Ltd. (CHF m)	771.1	380.7	390.4	809.7	330.1	479.6
Average equity attributable to shareholders of Julius Baer Group Ltd. (CHF m)	6,094	6,129	6,059	5,860	5,914	5,807
- Average goodwill and other intangible assets (CHF m)	-2,939	-2,922	-2,955	-2,919	-2,934	-2,904
Average tangible equity (CHF m)	3,155	3,207	3,104	2,942	2,980	2,903

ASSETS UNDER MANAGEMENT, NET NEW MONEY, CLIENT ASSETS

Assets under management include all bankable assets managed by or deposited with the Group for investment purposes. Assets included are portfolios of wealth management clients for which the Group provides discretionary or advisory asset management services. Assets deposited with the Group held for transactional or safekeeping/custody purposes, and for which the Group does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Nonbankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with discretionary mandate are defined as assets for which the investment decisions are made by the Group, and cover assets deposited with Group companies as well as assets deposited at third-party institutions. Other assets under management are defined as assets for which the investment decision is made by the client himself. Both assets with discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Group.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money flows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of a Group subsidiary or business are stated separately. Generally reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management which are managed by or deposited with associates of the Group are not considered assets managed by or deposited with the Group and are therefore not included in the respective numbers.

Assets under management are disclosed according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Client assets are defined as all bankable assets managed by or deposited with the Group companies for investment purposes and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided.

Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

OTHER ALTERNATIVE PERFORMANCE MEASURES

GROSS MARGIN	Operating income divided by monthly average assets under management. ¹
COST/INCOME RATIO	Operating expenses excluding provisions and losses, divided by total operating income.
ADJUSTED COST/INCOME RATIO	Adjusted operating expenses excluding adjusted provisions and losses, divided by operating income.
ADJUSTED EXPENSE MARGIN	Adjusted operating expenses, excluding adjusted provisions and losses, divided by monthly average assets under management. ¹
ADJUSTED PRE-TAX MARGIN	Adjusted profit before taxes divided by monthly average assets under management. ¹
ADJUSTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO SHAREHOLDERS OF JULIUS BAER GROUP LTD.	Adjusted net profit attributable to shareholders of Julius Baer Group Ltd., divided by the weighted average number of shares outstanding for diluted earnings per share.
RETURN ON TANGIBLE EQUITY	Adjusted net profit attributable to shareholders of Julius Baer Group Ltd., divided by (half-yearly) average of shareholders' equity less goodwill and other intangible assets. ¹
RETURN ON COMMON EQUITY TIER 1 (RoCET1)	Adjusted net profit attributable to shareholders of Julius Baer Group Ltd., divided by the (half-yearly) average CET1 capital. ¹
NET NEW MONEY GROWTH RATE	Net new money as a percentage of assets under management at the end of the previous period. ¹
LOAN-TO-DEPOSIT RATIO	The balance sheet loans position divided by the balance sheet due to customers position.
DIVIDEND PAY-OUT RATIO	Total dividend distribution amount divided by adjusted net profit attributable to shareholders of Julius Baer Group Ltd.
TOTAL SHAREHOLDER RETURN	The change in a company's share price over a period plus any dividends paid by the company in this period, divided by the company's share price at the start of the period.

¹ If the reported period is not a full year (e.g. a half year), the result will be made comparable to a full-year equivalent.