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MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 3 February 2020

Presentation of the 2019 full-year results for the Julius Baer Group

Stable operating income – Satisfactory net new money from core business – IFRS net profit impacted by provision related to 2005 acquisition and significant goodwill impairment charge

- **Assets under management (AuM) CHF 426 billion, an increase of 12%, supported by strong market performance and net new money.**
- **Net new money CHF 10.6 billion, or 2.8%, impacted by significant outflows at Kairos. Excluding Kairos, the Group's net new money growth rate was 4.1%.**
- **Gross margin 82 basis points (bp) (2018: 86 bp), adjusted expense margin 58 bp (2018: 60 bp), adjusted cost/income ratio 71% (2018: 71%), and adjusted pre-tax margin 22 bp (2018: 25 bp).**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. CHF 465 million and IFRS earnings per share (EPS) CHF 2.14.**
- **IFRS results impacted by**
  - **provision of CHF 153 million (CHF 119 million net of taxes) related to claim by the Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS) against Bank Julius Baer & Co. Ltd., in relation to alleged unauthorised withdrawals between 1990 and 1992 at a bank acquired in 2005 (as communicated in December 2019),**
  - **CHF 99 million non-cash goodwill impairment charge (not tax-deductible) related to the acquisition of Kairos (as communicated in November 2019).**
- **Net profit adjusted for acquisition-related items decreased 5% to CHF 772 million, impacted by increase in provisions and losses related to other legacy legal cases.**
- **Adjusted EPS attributable to shareholders of Julius Baer Group Ltd. down 4% to CHF 3.55.**
- **BIS CET1 capital ratio 14.0% and BIS total capital ratio 22.1%, well above minimum regulatory requirements and Group's own floors. Adjusted return on CET1 capital 27% (2018: 30%).**
- **Unchanged ordinary dividend of CHF 1.50 per share proposed for financial year 2019.**

Alternative performance measures and reconciliations

This media release and other communications 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 (APM), including adjusting the results consistently for items related to M&A activities, provide useful information regarding the Group's financial and operating performance. These APM should be regarded as complementary information to, and not as a substitute for, the IFRS performance measures. The definitions of APM used in this media release and other communications to investors, together with reconciliations to the most directly reconcilable IFRS line items, are provided in the Alternative Performance Measures document available at www.juliusbaer.com/APM.

AuM up 12%, supported by strong recovery in global markets and continued net inflows
Assets under management increased by 12%, or CHF 44 billion, to CHF 426 billion. The growth in AuM was supported by a strong recovery in global markets, as well as net new money of CHF 11 billion (net new money growth rate 2.8%) and the first-time consolidation of NSC Asesores, which added CHF 3 billion.

Net new money was impacted by outflows at Italian asset and wealth management subsidiary Kairos, following underperformance in its funds in 2018 and a number of management departures in 2019. Excluding Kairos, net inflows for the Group developed at a net new money growth rate of 4.1%, with strong inflows from clients domiciled in Asia and Europe. This was achieved despite the impact of a number of client exits in the context of the client documentation review project (which was completed by the end of 2019), as well as modest outflows following a wider application of negative interest rates to large cash holdings in affected currencies.

Including assets under custody of CHF 73 billion, total client assets grew by 12% to CHF 499 billion.

Operating income stable – Gross margin declined to 82 bp – Realignment of line items
Operating income increased slightly to CHF 3,383 million (2018: CHF 3,368 million). As monthly average AuM increased to CHF 414 billion (up 5%), the gross margin declined to 82 bp (2018: 86 bp).

The financial accounting treatment of interest expense as well as the former line items 'interest income on trading portfolios' and 'dividend income on trading portfolios' was changed to bring it more in line with common market usage. As a consequence, the former line items 'net interest and dividend income' and 'net trading income' are no longer in use and have been replaced by the new line items *net interest income* and *net income from financial instruments measured at FVTPL*[1], and the results for 2018 have been realigned accordingly. The realignment had no impact on the other operating income line items or on total operating income.

Net commission and fee income grew by 1% to CHF 1,923 million. This was driven by a modest increase in advisory and management fees, partly offset by a decline in brokerage commissions and income from securities underwriting following a moderate year-on-year decrease in client transaction volumes.

Net interest income decreased by 2% to CHF 792 million. The benefit of growth in interest income on loans (on higher average rates) and interest income on debt instruments at FVOCI[2] (on a higher average volume despite a decrease in volume towards the end of the period), was more than offset by an increase in interest expense on amounts due to customers (following a year-on-year increase in the average volume of US dollar non-current account deposits).

Net income from financial instruments measured at FVTPL declined by 4% to CHF 618 million following a year-on-year decrease in market volatility.

Other ordinary results grew by CHF 40 million to CHF 59 million.

[1] Fair value through profit or loss
[2] Fair value through other comprehensive income

Operating expenses impacted by significant goodwill impairment charge and increase in provisions

Operating expenses according to IFRS went up by 14% to CHF 2,817 million. This increase was driven by a 24% rise in *general expenses* to CHF 851 million, a 225% rise in *amortisation and impairment of intangible assets* to CHF 168 million, a 10% rise in *amortisation of customer relationships* to CHF 81 million, and a 160% rise in *depreciation of property and equipment* to CHF 100 million. *Personnel expenses* decreased slightly, by CHF 5 million, to CHF 1,616 million. The first-time application of IFRS 16 (Leases) resulted effectively in a shift of CHF 64 million from general expenses to depreciation.

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 expenses. In 2019, acquisition-related integration and restructuring expenses amounted to CHF 18 million (2018: CHF 10 million) and acquisition-related amortisation of intangible assets to CHF 81 million (2018: CHF 74 million). In addition, the adjusted operating expenses exclude a CHF 153 million 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 Julius Baer acquired in 2005 through the acquisition of Bank Ehinger & Armand von Ernst Ltd. from UBS AG) in relation to alleged unauthorised withdrawals between 1990 and 1992 from a Cantrade account, as well as a CHF 99 million non-cash goodwill impairment charge related to the Group's investment in Kairos, which was acquired in steps between May 2013 and January 2018. The reconciliations to the respective IFRS line items are provided in the Alternative Performance Measures document available at www.juliusbaer.com/APM.

Adjusted operating expenses rose by 3% to CHF 2,466 million.

Adjusted personnel expenses declined by CHF 5 million to CHF 1,613 million. The slight decrease in adjusted personnel expenses was achieved despite the inclusion of CHF 19 million of one-off severance costs related to the cost-reduction programme and a 3% increase in the monthly average number of employees. Even with the first-time inclusion of 75 full-time equivalents (FTEs) at NSC Asesores and the internalisation of 112 FTEs who were formerly external employees, however, the number of FTEs was down 1% year on year to 6,638 at the end of 2019 as a result of the 2019 cost-reduction programme. The base of relationship managers (RMs) declined by 2% to 1,467 FTEs, with 20 RMs joining through NSC Asesores. The average AuM per RM increased by 14% to CHF 290 million.

Adjusted general expenses increased by CHF 2 million to CHF 683 million and *depreciation of property and equipment* by CHF 62 million to CHF 100 million. Both these lines were impacted by the first-time application of IFRS 16 (Leases), however, which resulted effectively in a shift of CHF 64 million from general expenses to depreciation. Had this shift not happened, adjusted general expenses would have increased by CHF 66 million to CHF 747 million (and depreciation would have declined by CHF 2 million to CHF 36 million). This CHF 66 million is to a large extent explained by a CHF 47 million increase in provisions and losses, related to legacy legal cases. The remaining increase of CHF 18 million, or 3%, was largely driven by a rise in external staff costs for the finalisation of the client documentation review project and a rise in non-capitalised IT spend.

Adjusted amortisation and impairment of intangible assets grew by 33% to CHF 69 million, reflecting the rise in IT-related investments in recent years.

The *adjusted cost/income ratio* (which excludes adjusted provisions and losses) was 71% (2018: 71%). The *adjusted expense margin* (also excluding adjusted provisions and losses) improved to 58 bp (2018: 60 bp).

IFRS net profit down 37% – Adjusted net profit down 5%
IFRS *profit before taxes* declined by 37% to CHF 566 million. As income taxes fell by 36% to CHF 101 million, *net profit* as well as net profit attributable to shareholders of Julius Baer Group Ltd. decreased by 37% to CHF 465 million, and EPS also by 37% to CHF 2.14.

Adjusted profit before taxes decreased by 6% to CHF 917 million, and the adjusted pre-tax margin declined by 3 bp to 22 bp. The related income taxes fell by 13% to CHF 145 million, representing a tax rate of 15.8%, compared to 17.1% in 2018.

Adjusted net profit for the Group receded by 5% to CHF 772 million (2018: CHF 810 million). After considering adjusted non-controlling interests of CHF 1 million (negligible in 2018), adjusted net profit attributable to shareholders of Julius Baer Group Ltd. declined by 5% to CHF 771 million, and adjusted underlying EPS attributable to shareholders by 4% to CHF 3.55.

The adjusted return on CET1 capital (RoCET1) was 27% (2018: 30%).

Balance sheet development – Increase in Lombard loans
Total assets declined by 1% to CHF 102.0 billion. *Loans* grew by 7% to CHF 48.4 billion – comprising CHF 39.5 billion of Lombard loans (+10%) and CHF 8.9 billion of mortgages (-5%). As the *due to customers* position (deposits) increased by 2% to CHF 72.9 billion, the loan-to-deposit ratio increased from 63% to 66%. *Equity attributable to shareholders of Julius Baer Group Ltd.* increased by 2% to CHF 6.2 billion.

Solidly capitalised – CET1 ratio 14.0% – Share buy-back programme continuing
BIS CET1 capital rose by 5% to CHF 2.9 billion. In June 2019, the Group placed CHF 350 million of perpetual Additional Tier 1 (AT1) subordinated bonds. As a result of the increase in BIS CET1 capital and the AT1 bond issue, BIS tier 1 capital grew by 12% to CHF 4.4 billion and total capital by 13% to CHF 4.5 billion.

Risk-weighted assets (RWA) receded by 4% to CHF 20.5 billion. This decline was driven by a decrease in RWA of credit risk positions and lower RWA of market risk positions, following a year-on-year decline in market volatility.

As a result, the *BIS CET1 capital ratio* strengthened to 14.0% (end 2018: 12.8%) while the *BIS total capital ratio* improved to 22.1% (end 2018: 18.7%). The leverage exposure declined by 1% to CHF 101 billion, resulting in a Tier 1 leverage ratio of 4.4% (end 2018: 3.9%).

At these levels, the Group's capitalisation continued to be solid: the CET1 and total capital ratios remained well above the Group's own floors of 11% and 15%, respectively, and significantly in excess of the regulatory minimums of 8.2% and 12.4%, respectively. The Tier 1 leverage ratio continued to be comfortably above the 3.0% regulatory minimum.

On 20 November 2019, the Group commenced the execution of the announced programme to buy back Julius Baer Group Ltd. shares up to a purchase value of CHF 400 million by the end of February 2021. At the end of 2019, 755,000 shares had been repurchased at a total value of CHF 36 million (average value of CHF 47.80 per share).

Unchanged ordinary dividend of CHF 1.50 per share proposed

The Board of Directors of Julius Baer Group Ltd. will propose an ordinary dividend of CHF 1.50 per share for the financial year 2019. Subject to shareholder approval at the AGM on 16 April 2020, the total proposed distribution amount is CHF 336 million, equivalent to 44% of adjusted net profit attributable to shareholders of Julius Baer Group Ltd. Following the changes in Swiss tax law, generally 50% of the dividend will be paid out of retained earnings, subject to a 35% Swiss withholding tax, and the balance out of the statutory capital reserve, not subject to Swiss withholding tax.

The results conference will be webcast at 9.30 a.m. (CET). All documents (presentation, Business Review 2019, Consolidated Financial Statements 2019, spreadsheets, Alternative Performance Measures document, and this media release) are available at www.juliusbaer.com.

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Important dates

23 March 2020:	Publication of Annual Report 2019 including Remuneration Report 2019
23 March 2020:	Publication of Corporate Sustainability Report 2019
16 April 2020:	Annual General Meeting, Zurich
20 April 2020:	Ex-dividend date
21 April 2020:	Record date
22 April 2020:	Dividend payment date
19 May 2020:	Publication of Interim Management Statement for first four months of 2020
20 July 2020:	Publication and presentation of 2020 half-year results, Zurich

About Julius Baer

Julius Baer is the leading Swiss wealth management group and a premium brand in this global sector, with a focus on servicing and advising sophisticated private clients. At the end of 2019, assets under management amounted to CHF 426 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 Leader Index (SLI), comprising the 30 largest and most liquid Swiss stocks.

Julius Baer is present in over 25 countries and more than 60 locations. Headquartered in Zurich, we have offices in key locations including Dubai, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Mexico City, Milan, Monaco, Montevideo, Moscow, Mumbai, São Paulo, Singapore and Tokyo. Our client-centric approach, our objective advice based on the Julius Baer open product platform, our solid financial base and our entrepreneurial management culture make us the international reference in wealth management.

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]

	2019 CHF m	2018 CHF m	Change in %
Key operating data			
Operating income	3,382.9	3,367.8	0.4
Adjusted operating expenses	2,465.9	2,390.7	3.1
Adjusted profit before taxes	916.9	977.1	-6.2
Adjusted net profit for the Group	772.0	809.7	-4.7
IFRS net profit for the Group	465.0	735.3	-36.8
Adjusted cost/income ratio	71.1%	70.6%	-
Adjusted pre-tax margin (basis points)	22.1	24.8	-

	31.12.2019	31.12.2018	Change in %
Assets under management (CHF bn)			
Assets under management	426.1	382.1	11.5
Net new money	10.6	17.4	-
Consolidated balance sheet (CHF m)			
Total assets	102,035.2	102,898.3	-0.8
Total equity	6,189.4	6,041.9	2.4
BIS total capital ratio	22.1%	18.7%	-
BIS CET1 capital ratio	14.0%	12.8%	-
Return on tangible equity (RoTE), adjusted	24%	28%	-
Return on common equity Tier 1 (RoCET1), adjusted	27%	30%	-
Personnel (FTE)			
Number of employees	6,639	6,693	-0.8
Number of relationship managers	1,467	1,501	-2.3
Capital structure			
Number of shares	223,809,448	223,809,448	-
Market capitalisation (CHF m)	11,175	7,836	42.6
Moody's rating Bank Julius Baer & Co. Ltd.			
Long-term deposit rating	Aa2	Aa2	
Short-term deposit rating	Prime-1	Prime-1	

[1] The document Alternative Performance Measures available at www.juliusbaer.com/APM provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.