Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 2 February 2023

Ad hoc announcement pursuant to Art. 53 LR

Presentation of the 2022 full-year results for the Julius Baer Group

All targets for 2020–2022 strategic cycle achieved – Second-highest net profit in Group's history – Significant net inflow acceleration towards year-end – Dividend unchanged at CHF 2.60 per share

Financial targets for 2020–2022 cycle fully achieved:

- **2022 adjusted cost/income ratio 65.9% (target: <67%)**
- **2022 adjusted pre-tax margin 27 bp (target: 25–28 bp)**
- **2022 adjusted return on CET1 capital 34% (target: >30%)**
- **Average annual growth in adjusted profit before taxes over cycle 10.3% (target: >10%)**

Second-highest result in history of Julius Baer Group Ltd., amidst challenging operating environment:

- **Operating income stable, as benefit from higher interest rates offset impact from market-driven decline in assets under management (AuM) and lower client activity, resulting in higher gross margin of 87 basis points (bp) (2021: 82 bp).**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. CHF 950 million (-12%) and IFRS earnings per share (EPS) CHF 4.56 (-10%).**
- **Adjusted net profit (excluding M&A-related items) CHF 1,050 million (-8%) and adjusted EPS attributable to shareholders of Julius Baer Group Ltd. CHF 5.04 (-6%).**

Recovery in net new money generation partly offsetting market-driven decline in assets under management:

- **AuM CHF 424 billion, down 12% following significant corrections in global stock and bond markets.**
- **Net new money inflows of CHF 9 billion for 2022, with strong rebound from deleveraging at start of year, and significant acceleration towards year-end.**

Prudent approach to capital management and shareholder distributions:

- **Solidly capitalised: BIS CET1 capital ratio 14.0% and BIS total capital ratio 21.7%, well above minimum regulatory requirements and Group's own floors.**
- **Unchanged ordinary dividend of CHF 2.60 per share proposed for financial year 2022.**
- **Ongoing share buy-back programme expected to be completed by end of February 2023 at maximum approved amount of CHF 400 million.**

Philipp Rickenbacher, Chief Executive Officer of Julius Baer Group Ltd., said: “We are closing the 2020–2022 strategic cycle with the second-best result ever. Across the period we have fundamentally transformed our business, mastered various challenges in the operating environment, and achieved all the financial targets we had set ourselves three years ago. We have accomplished the shift to sustainable profit growth across market cycles, sharpened the value proposition for our targeted high net worth and ultra-high net worth clients, and accelerated the modernisation of Julius Baer. This puts us on a strong footing from which we have already started the work for the upcoming three-year cycle, through our strategic programme FOCUS – SCALE – INNOVATE.”

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.

Net new money recovered after initial outflows and accelerated towards year-end

Net new money of CHF 10 billion in the second half of the year more than compensated for the client credit-deleveraging-driven net outflows of CHF 1 billion in the first half of the year. The full-year net new money inflow result of CHF 9 billion reflects a 2% growth rate, relative to AuM at the end of 2021, while the annualised growth rate for the second half relative to AuM at the end of June was 5%. Close to CHF 6 billion of the net inflows materialised in the last two months of the year.

Clients domiciled in Europe and the Middle East contributed meaningfully to the net new money result, with particularly strong inflows from clients domiciled in key markets Germany, the UK & Ireland, and the Iberian Peninsula, as well as Qatar, where Julius Baer opened its third Middle East advisory office towards the end of the year.

Net new money inflows from clients domiciled in Asia turned positive in the second half of the year, partly offsetting the net outflows registered in the first half, when a number of large clients reacted to the environment of increased uncertainty by de-risking their investment portfolios and reducing leverage. Net new money from clients domiciled in Latin America was slightly negative despite strong inflows from Mexican clients.

Market corrections impacted AuM development

Assets under management decreased by CHF 58 billion (12%) to CHF 424 billion. This decline was mostly attributable to significant corrections in global equity and bonds markets, following the significant interest rate hikes by central banks around the world, as well as a net negative currency impact, mainly stemming from a further weakening of the euro and British pound against the Swiss franc.

The AuM impact from corporate divestments amounted to CHF 7 billion, primarily the result of the completion of the sale of Wergen & Partner Wealth Management Ltd. (Wergen), announced in January 2022, and Fransad Gestion SA (Fransad), announced in June 2022, as well as the deconsolidation of NSC Asesores, S.A. de C.V., Asesor en Inversiones Independiente (NSC), following the reduction of Julius Baer’s participation from 70% to 19.9%, announced in February 2022.

Including assets under custody (AuC) of CHF 67 billion (a decrease of 16%), total client assets declined by 13% to CHF 491 billion.

Proactive management of Russia-related risks and exposure
Since Russia's invasion of Ukraine in February 2022, Julius Baer has applied all relevant national and international sanctions and has not onboarded new clients with Russian residence. The Group has credit exposure to a single-digit number of clients subject to these sanctions. The exposure is in the form of mortgage loans at conservative lending values against residential properties in prime locations in Western Europe, as well as a marginal Lombard credit exposure fully covered by pledged liquid assets collateral. To date, Julius Baer has not recorded any credit losses directly related to the Russia/Ukraine conflict.

Julius Baer's market risk exposure to Russia is insignificant and tightly managed. Julius Baer has closed down its advisory subsidiary in Moscow.

By the end of 2022, CHF 2.2 billion of AuM had been reclassified to AuC primarily due to asset freezes and restricted client relationships as a consequence of Russia's invasion of Ukraine.

At the end of 2022, approximately 0.7% of Julius Baer's AuM were related to Russian persons neither entitled to residency in the European Economic Area nor in Switzerland. Under sanctions imposed by the European Union and Switzerland, the acceptance of deposits in excess of EUR 100,000 from such clients is prohibited.

Benefit of higher rates offset impact from market corrections and lower client activity
Operating income declined marginally, by CHF 5 million, to CHF 3,853 million. Net interest income and net income from financial instruments measured at FVTPL[1] increased on the back of higher interest rates. This increase essentially compensated for the combined impact of a decline in net commission and fee income (following the market-driven fall in AuM and more muted client activity), a decrease in other ordinary results, and a slight uptick in net credit losses on financial assets. As monthly average AuM decreased by 6%, the gross margin improved to 87 bp (2021: 82 bp).

Net commission and fee income shrank by 15% to CHF 1,962 million. Recurring income decreased, mainly through a 6% decline in advisory and management fees to CHF 1,550 million, in line with the reduction in monthly average AuM. A slowdown in client activity drove a 32% decline in brokerage commissions to CHF 575 million, the impact of which was partly offset by a 17% decline in commission expense to CHF 224 million.

Net income from financial instruments measured at FVTPL grew by 19% to CHF 1,051 million as the significant benefit from higher rates on treasury swap income more than offset a decline in structured-products-related income.

Net interest income rose by 31% to CHF 823 million following the sharp rise in interest rates during the year. Despite a decrease in average loan balances, interest income on loans grew by 57% to CHF 946 million. The combination of higher rates and increased volumes drove a significant rise in income from the treasury portfolio: the sum of net interest income on debt instruments at FVOCI[2] and interest income on debt instruments at amortised cost rose by 107% to CHF 238 million. The cost of deposits rose too, as clients reallocated cash from current accounts to call and time deposits, resulting in interest expense on amounts due to customers going up by CHF 266 million

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

to CHF 274 million. In the second half of the year, the era of negative interest rates came to an end. For the full year 2022, negative interest paid on financial assets fell by 7% to CHF 49 million and income from negative interest received on financial assets fell by 42% to CHF 23 million, in both cases mostly accounted for in the first half of the year.

Other ordinary results declined by 37% to CHF 33 million, mainly as a result of lower dividend income.

Operating income was only marginally affected by credit provisions of CHF 16 million booked as *net credit losses on financial assets* (2021: CHF 2 million), which were mainly related to model factor changes to IFRS 9 assumptions. These continued low levels reflect the Group's careful management of credit risks and the high quality of its exposure.

Underlying expense growth from hirings and in aftermath of COVID-19 curbed by disciplined cost management

Operating expenses according to IFRS were CHF 2,770 million, an increase of 7%. They include a one-off impact of CHF 112 million from two previously disclosed items: the CHF 55 million charge under provisions and losses (in general expenses) from the settlement of a legacy litigation case related to a claim by the liquidator of a Lithuanian corporation, as well as the further impairment of M&A-related goodwill and amortisable customer relationships connected to the Group's investment in Kairos Investment Management SpA (Kairos), resulting in a CHF 57 million combined amortisation and impairment charge.

Personnel expenses increased by 1% to CHF 1,686 million, *general expenses* by 14% to CHF 775 million, *amortisation and impairment of customer relationships* by 7% to CHF 62 million, and *amortisation and impairment of intangible assets* by 51% to CHF 154 million. *Depreciation of property and equipment* declined by 2% to CHF 94 million.

As in previous years, in the analysis and discussion of the results in the media release and the Business Review, *adjusted operating expenses* exclude M&A-related expenses (CHF 116 million in 2022 and CHF 70 million in 2021). M&A-related amortisation and impairment of customer relationships increased to CHF 62 million (2021: CHF 58 million) and M&A-related amortisation and impairment of other intangible assets to CHF 43 million (2021: none), mainly reflecting the impairment related to Kairos. Other M&A-related expenses decreased to CHF 11 million (2021: CHF 12 million). 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 5% to CHF 2,654 million. Excluding provisions and losses, adjusted operating expenses increased by 3% to CHF 2,541 million.

Adjusted personnel expenses grew to CHF 1,684 million, up 2%, in line with the year-on-year increase in the monthly average number of employees. Performance-related remuneration fell, and while salaries grew in line with the rise in the average number of staff, other personnel expenses increased faster, partly driven by higher recruitment- and pension fund-related costs. At the end of 2022, the Group employed 6,891 full-time equivalents (FTEs), up by 164, mainly driven by the further internalisation of formerly external staff. This included 1,248 relationship managers (RMs), a net decline of 26 FTEs. The disposals of Wergen and Fransad and the deconsolidation of NSC led to 112 FTEs leaving the Group, including 36 RM FTEs. Excluding the latter impact, the total number of RMs grew by 11 FTEs in 2022.

Adjusted general expenses increased by 14% to CHF 766 million, mainly as the result of a CHF 47 million rise in provisions and losses to CHF 114 million (of which CHF 55 million related to the settlement mentioned above). Excluding provisions and losses, adjusted general expenses went up by 8% to CHF 652 million. This latter increase was driven predominantly by higher costs related to travel and client events following the lifting or relaxation of COVID-19-related restrictions in many key jurisdictions as well as a rise in IT-related expenses.

While *depreciation of property and equipment* declined by 3% to CHF 93 million, *adjusted amortisation and impairment of intangible assets* grew by 9% to CHF 111 million, mainly reflecting the rise in IT-related investments in recent years.

The *adjusted cost/income ratio* (which excludes adjusted provisions and losses) increased to 65.9% (2021: 63.8%), thereby clearly meeting the 2022 target of <67%. The *adjusted expense margin* (also excluding adjusted provisions and losses) went up to 57 bp (2021: 52 bp).

All targets for 2020–2022 strategy cycle met – Second-highest net profit in history of Julius Baer Group Ltd., amidst challenging market environment
IFRS profit before taxes decreased by 14% to CHF 1,083 million. As income taxes fell by 24% to CHF 134 million, *net profit* declined by 12% to CHF 949 million. Net profit attributable to shareholders of Julius Baer Group Ltd. also declined by 12%, to CHF 950 million, and EPS by 10% to CHF 4.56.

Adjusted profit before taxes decreased by 10% to CHF 1,199 million and the adjusted pre-tax margin by 1 bp to 27 bp, towards the upper end of the 25–28 bp target range for 2022. Over the 2020–2022 strategic cycle, adjusted profit before taxes grew by 10.3% on average, ahead of the >10% target.

The related income taxes fell by 19% to CHF 149 million, representing a tax rate of 12.4% (2021: 13.9%).

Both *adjusted net profit for the Group* and adjusted net profit attributable to shareholders declined by 8% to CHF 1,050 million, and adjusted EPS attributable to shareholders by 6% to CHF 5.04.

Notwithstanding the impact of the aforementioned larger one-off expense items, both the IFRS and the adjusted results represent the second-highest net profit in the history of Julius Baer Group Ltd. and were achieved despite the challenging market environment encountered in 2022.

The adjusted return on CET1 capital (RoCET1) was 34% (2021: 34%), thereby clearly beating the >30% target for 2022.

Balance sheet developments
Mainly driven by an 8% decline in the *due to customers* position (client deposits) and a 20% decline in the *financial liabilities designated at fair value* position (issued structured products), the size of the balance sheet shrank by 9% to CHF 106 billion. *Loans* declined by 12% to CHF 45 billion – comprising CHF 37 billion of Lombard loans (-14%) and CHF 8 billion of mortgages (-1%), resulting in the loan-to-deposit ratio dropping to 58% (end 2021: 61%). *Cash,* largely held at central banks in Europe and Switzerland, declined by 40% to CHF 12 billion.

Until the end of 2021, the positions held in the treasury portfolio were all recorded as *financial assets measured at FVOCI* (in 2022 up 1% to CHF 13 billion). Starting in 2022, and with a view to limiting the potential future fluctuations in capital, a significant number of newly acquired positions in this portfolio were for the first time recorded as *other financial assets measured at amortised cost* (CHF 4 billion at the end of 2022). Taken together, the treasury portfolio positions increased by 29% to CHF 17 billion (end 2021: CHF 13 billion).

Equity attributable to shareholders of Julius Baer Group Ltd. declined by 7% to CHF 6.3 billion.

Solidly capitalised
BIS CET1 capital declined by CHF 0.3 billion, or 8%, to CHF 3.0 billion, as the benefit of net profit generation was more than balanced by the combined effect of the dividend accrual, the share buy-back programme, and the impact of year-to-date changes in the value of financial assets measured at FVOCI (treasury portfolio). The latter impact was largely driven by the effect of the market declines in 2022 on the value of the bonds held in the treasury portfolio. This impact will reverse over the next years as the bonds mature.

As a result of the CET1 capital development as well as the redemption and successful new issuance of perpetual tier 1 bonds during the year, BIS tier 1 capital decreased by 3% to CHF 4.6 billion and BIS total capital by 3% to CHF 4.7 billion.

Risk-weighted assets (RWA) grew by CHF 1.4 billion, or 7%, to CHF 21.7 billion. Credit risk positions rose marginally to CHF 13.0 billion, operational risk positions by 4% to CHF 6.2 billion, market risk positions by 121% to CHF 1.9 billion, and non-counterparty-related risk positions by 18% to CHF 0.6 billion.

As a result, at the end of 2022 the *BIS CET1 capital ratio* stood at 14.0% (end of 2021: 16.4%) and the *BIS total capital ratio* at 21.7% (end of 2021: 24.0%).

As the leverage exposure fell by 10% to CHF 106 billion, the tier 1 leverage ratio strengthened to 4.3% (end of 2021: 4.0%).

At these levels, the Group's BIS CET1 and BIS 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.

Proposed ordinary dividend of CHF 2.60 per share for 2022, unchanged from 2021
Under the Group's capital distribution policy, Julius Baer targets an ordinary dividend payout ratio of approximately 50% of adjusted net profit attributable to shareholders. Under the same policy, in the absence of significant events, the per-share ordinary distribution is intended to be at least equal to the previous year's ordinary dividend per share.

Consequently, despite the decline in adjusted net profit attributable to shareholders, for the financial year 2022 the Board of Directors of Julius Baer Group Ltd. will propose an unchanged ordinary dividend of CHF 2.60 per share. Subject to shareholder approval at the Annual General Meeting of shareholders (AGM) on 13 April 2023, the dividend will be paid on 19 April 2023. The dividend will be subject to 35% Swiss withholding tax.

Share buy-back update

On 2 March 2022, Julius Baer launched a 12-month programme to buy back up to CHF 400 million purchase value of Julius Baer Group Ltd. shares. By the end of 2022, a total of 5,724,572 shares had been repurchased at an aggregate cost of CHF 276 million. The Group currently expects to complete the buy-back programme by the end of February 2023 at the maximum approved amount of CHF 400 million.

The cancellation of the 7,423,208 shares repurchased under the previous share buy-back programme (launched in March 2021 and completed in December 2021) was executed effective 27 June 2022. Following this cancellation, the registered share capital of Julius Baer Group Ltd. amounts to CHF 4,276,024.80, divided into 213,801,240 registered shares with a par value of CHF 0.02 each.

The results conference will be webcast at 9.30 a.m. (CET). All documents (presentation, Business Review 2022, Consolidated Financial Statements 2022, time series spreadsheets, Alternative Performance Measures document, and this media release) are available at www.juliusbaer.com.

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Important dates

20 March 2023:	Publication of Annual Report 2022 including Remuneration Report 2022
20 March 2023:	Publication of Sustainability Report 2022
13 April 2023:	Annual General Meeting, Zurich
17 April 2023:	Ex-dividend date
18 April 2023:	Record date
19 April 2023:	Dividend payment date
23 May 2023:	Publication of Interim Management Statement for first four months of 2023
24 July 2023:	Publication and presentation of 2023 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. In all we do, we are inspired by our purpose: creating value beyond wealth. At the end of 2022, assets under management amounted to CHF 424 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 around 60 locations. Headquartered in Zurich, we have offices in key locations including Bangkok, Dubai, Dublin, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Madrid, Mexico City, Milan, Monaco, Mumbai, Santiago de Chile, São Paulo, Shanghai, Singapore, Tel Aviv 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]

	2022 CHF m	2021 CHF m	Change in %
Consolidated income statement			
Operating income	3,853.3	3,857.8	-0.1
Adjusted operating expenses	2,654.4	2,528.9	5.0
Adjusted profit before taxes	1,198.9	1,328.9	-9.8
Adjusted net profit for the Group	1,049.7	1,143.9	-8.2
IFRS net profit for the Group	949.1	1,082.7	-12.3
Adjusted cost/income ratio	65.9%	63.8%	-
Adjusted pre-tax margin (basis points)	27.0	28.2	-

	31.12.2022	31.12.2021	Change in %
Assets under management (CHF bn)			
Assets under management	424.1	481.7	-12.0
Net new money	8.7	19.6	-
Consolidated balance sheet (CHF m)			
Total assets	105,643.7	116,305.8	-9.2
Total equity	6,289.7	6,743.3	-6.7
BIS total capital ratio	21.7%	24.0%	-
BIS CET1 capital ratio	14.0%	16.4%	-
Return on tangible equity (RoTE), adjusted	28%	29%	-
Return on common equity Tier 1 capital (RoCET1), adjusted	34%	34%	-
Personnel (FTE)			
Number of employees	6,891	6,727	2.4
Number of relationship managers	1,248	1,274	-2.0
Capital structure			
Number of shares issued	213,801,240	221,224,448	-
Market capitalisation (CHF m)	11,515	13,535	-14.9
Moody's rating Bank Julius Baer & Co. Ltd.			
Long-term deposit rating	Aa3	Aa3	
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.