Julius Bär

MEDIA RELEASE

Julius Baer Group Ltd.

Zurich, 25 July 2022

Ad hoc announcement pursuant to Art. 53 LR

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

Resilient performance in light of significant market corrections and slowdown in client activity – Net new money recovery since end April – Initial rate hikes benefit net interest income – Well-positioned to capitalise on a potential market recovery as well as to navigate further headwinds

- **Assets under management (AuM) CHF 428 billion, as market corrections drove a decrease of 11% in H1.**
- **Meaningful recovery in net new money of CHF 1.5 billion since end April limited total net outflows in H1 to CHF 1.1 billion.**
- **Stronger net interest income partly compensated for a decline in transaction- and trading-driven operating income.**
- **Proactive management of risk and exposure related to Russia validated by limited impact on AuM and no associated credit losses to date.**
- **Gross margin 81 basis points (bp), adjusted cost/income ratio 67%, adjusted pre-tax margin 24 bp, adjusted return on CET1 capital 30%.**
- **IFRS net profit attributable to shareholders of Julius Baer Group Ltd. down 26% year on year to CHF 451 million and IFRS earnings per share (EPS) down 24% to CHF 2.15.**
- **Adjusted net profit (excluding M&A-related items) down 25% to CHF 476 million and adjusted EPS attributable to shareholders of Julius Baer Group Ltd. down 23% to CHF 2.27.**
- **IFRS net profit and adjusted net profit were impacted by a CHF 55 million final charge (CHF 44 million net of taxes) related to the settlement of legacy civil litigation as previously announced.**
- **Solidly capitalised: BIS CET1 capital ratio 15.0% and BIS total capital ratio 23.4%, significantly above minimum regulatory requirements and Group's own floors.**

Philipp Rickenbacher, Chief Executive Officer of Julius Baer Group Ltd., said: “We look back at a historical six-month period of unprecedented geopolitical events that had a deep impact on asset valuations and client sentiment. I would like to thank our staff for their strong performance in working closely with clients to help them navigate the current difficult environment and in ensuring the unwavering strength of Julius Baer at all times. We remain focused on achieving our targets for the strategic cycle ending in 2022, accelerating cost discipline across the Group, doubling down on efforts to create value for clients and opportunities to hire front-office talent. As such, we are already establishing the prerequisites to deliver on the longer-term growth commitments outlined at our strategy update earlier this year."

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.

Market corrections impact AuM development

In the first half of 2022, *assets under management* declined by CHF 54 billion (11%) to CHF 428 billion. This decrease was driven by the significant corrections in global equity and bond markets, in one of the worst six-month periods for capital markets in decades. This negative development was only partly tempered by a small net positive currency impact resulting mainly from a strengthening of the US dollar against the Swiss franc, the benefit of which more than offset the negative currency effect of a weaker euro and British pound.

AuM related to corporate divestments represented CHF 6 billion, primarily the result of the completion of the divestments 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 68 billion, total client assets declined by 12% to CHF 496 billion.

Net new money recovered meaningfully after initial net outflows

Net new money of CHF 1.5 billion since the end of April partly compensated for the CHF 2.7 billion net outflows recorded in the first four months of 2022 (as reported in the Interim Management Statement for the first four months of 2022). As a result, the Group recorded CHF 1.1 billion of net outflows in the first six months of 2022 (H1 2021: net inflows of CHF 10 billion). Clients domiciled in Western Europe, especially in Germany, Luxembourg, and the UK, continued to contribute meaningfully to inflows throughout the period, and net new money from clients domiciled in the Middle East turned positive after April. Earlier in the half-year period, a number of mainly Asian-domiciled clients started reacting to the environment of increased uncertainty by de-risking their investment portfolios and reducing leverage. The impact on net new money from this deleveraging peaked in March 2022, after which it diminished significantly. Based on the outlook at this time, net new money is currently expected to normalise further in the second half of the year.

Proactive management of Russia-related risks and exposure minimised impact

Since Russia's invasion of Ukraine, 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 situation.

Julius Baer's market risk exposure to Russia is not significant and is tightly managed. Julius Baer has initiated the wind-down of its advisory subsidiary in Moscow, in compliance with local regulations and contractual agreements. The net asset value of this entity on 30 June 2022 was CHF 1.2 million.

In the first six months of 2022, CHF 0.9 billion of AuM were reclassified to AuC following the asset freezes resulting from sanctions imposed on clients in connection with Russia's invasion of Ukraine.

At the end of June 2022, approximately 1.6% 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.

Stronger net interest income partly compensated for decline in transaction- and trading-driven income

Operating income decreased by 6% to CHF 1,865 million. The development of operating income benefitted from higher net interest income, increased advisory and management fees, and lower commission expenses. However, this benefit was more than outweighed by the combined impact of a decline in brokerage commissions, lower net income from financial instruments measured at FVTPL[1], a decrease in other ordinary results, and a small increase in net credit losses on financial assets. Towards the end of the period, the revenue support from rising US interest rates was more than offset by the effect on transaction- and trading-driven operating income from a more pronounced slowdown in client activity compared to the start of the period. As monthly average AuM were virtually unchanged year on year, the gross margin declined to 81 bp (H1 2021: 87 bp).

Net interest income increased by 11% to CHF 342 million, reflecting the initial benefits of the first rises in US interest rates. Despite a slight decrease in average loan balances, interest income on loans grew by 18% to CHF 342 million. Higher interest rates also benefitted income from the treasury portfolio: the sum total of interest income on debt instruments at FVOCI[2] and interest income on debt instruments at amortised cost rose by 39% to CHF 79 million. At the same time, due to an increase in average cash balances deposited with the Swiss National Bank, negative interest paid on financial assets went up by 98% to CHF 44 million. Interest expense on amounts due to customers rose by CHF 12 million to CHF 16 million, while income from negative interest received on financial liabilities remained at CHF 20 million.

Net commission and fee income fell by 10% to CHF 1,045 million, as a rise in recurring income was more than offset by a decline in client activity-driven income. Recurring income increased, as advisory and management fees rose by 1% to CHF 789 million and commission and fee income on other services by 4% to CHF 40 million. Lower client transaction-driven income was reflected in a 29% decline in brokerage commissions to CHF 335 million, the impact of which was partly offset by a 14% decline in commission expense to CHF 118 million.

Net income from financial instruments measured at FVTPL declined to CHF 474 million, a decrease of 6% from the very strong first half of 2021. The benefit from a rise in treasury swap income was more than offset by a decline in structured products-related income.

Other ordinary results decreased by CHF 17 million to CHF 12 million.

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

Despite the sharp deterioration in global markets in the first half of 2022, the development in operating income was only minimally affected by credit provisions of CHF 7 million booked as *net credit losses on financial assets* (H1 2021: CHF 1 million), reflecting the Group's careful management of credit risks and the high quality of its exposure.

Continued cost discipline limits expense growth in line with post-pandemic recovery
Operating expenses according to IFRS rose by 5% to CHF 1,352 million. *Personnel expenses* decreased by 1% to CHF 842 million, *general expenses* increased by 23% to CHF 391 million (impacted by a rise in provisions and losses) and *amortisation and impairment of intangible assets* rose by 21% to CHF 50 million. *Depreciation of property and equipment* declined by 8% to CHF 45 million and *amortisation and impairment of customer relationships* by 16% to CHF 24 million.

Operating expenses were impacted by a significant increase in provisions and losses following the settlement of a legacy litigation case, as previously announced: on 30 June 2022, Bank Julius Baer & Co. Ltd. resolved a claim by the liquidator of a Lithuanian corporation filed with the first instance court in Geneva in 2019, related to matters dating back more than ten years. The claim was for a total amount in dispute of EUR 335 million plus 5% interest per annum since December 2011. Approximately half of the settlement of EUR 105 million was covered by provisions in place prior to 2022. The balance of CHF 55 million was charged against the 2022 half-year financial results, under provisions and losses (in general expenses).

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 29 million in H1 2022 and CHF 35 million in H1 2021). M&A-related amortisation and impairment of customer relationships decreased to CHF 24 million (H1 2021: CHF 29 million), while other M&A-related expenses decreased to CHF 5 million (H1 2021: CHF 6 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 6% to CHF 1,323 million. Excluding provisions and losses, adjusted operating expenses increased by 2% to CHF 1,249 million.

Adjusted personnel expenses declined by 1% to CHF 842 million. While the monthly average number of employees increased by 2% year on year, performance-related remuneration decreased. At the end of June 2022, the Group employed 6,798 full-time equivalents (FTEs), up by 71 from the end of 2021, mainly driven by the further internalisation of formerly external staff. The disposals of Wergen and Fransad and the deconsolidation of NSC led to 112 FTEs leaving the Group.

Adjusted general expenses increased by 24% to CHF 387 million, mainly as the result of a CHF 43 million rise in provisions and losses to CHF 74 million (largely driven by the settlement mentioned above). Excluding provisions and losses, adjusted general expenses went up by 11% to CHF 313 million. This latter increase was driven predominantly by a rise in IT-related expenses, as well as modestly higher costs related to travel and client events following the lifting or relaxation of Covid-related restrictions in many key jurisdictions.

While *depreciation of property and equipment* declined by 8% to CHF 45 million, *adjusted amortisation and impairment of intangible assets* grew by 21% to CHF 50 million, mainly reflecting the rise in IT-related investments in recent years.

The *adjusted cost/income ratio* (as always excluding adjusted provisions and losses) increased to 67% (H1 2021: 61%) and the *adjusted expense margin* (also excluding adjusted provisions and losses) to 55 bp (H1 2021: 53 bp).

Net profit declined from record-high level achieved in H1 2021
The net-of-taxes impact on IFRS net profit and adjusted net profit of the aforementioned final CHF 55 million charge related to the settlement of a legacy claim was CHF 44 million.

IFRS *profit before taxes* declined by 27% to CHF 513 million. As income taxes fell by 38% to CHF 63 million, IFRS *net profit* decreased by 26% to CHF 450 million. IFRS net profit attributable to shareholders of Julius Baer Group Ltd. also decreased by 26%, to CHF 451 million, and IFRS EPS by 24% to CHF 2.15.

Adjusted profit before taxes declined by 27% to CHF 542 million and the adjusted pre-tax margin by 9 bp to 24 bp. The related adjusted income taxes fell by 38% to CHF 66 million, representing an adjusted tax rate of 12.1% (H1 2021: 14.3%).

Adjusted net profit for the Group decreased by 25% to CHF 476 million, adjusted net profit attributable to shareholders of Julius Baer Group Ltd. also by 25% to CHF 477 million, and adjusted underlying EPS attributable to shareholders by 23% to CHF 2.27.

The adjusted return on CET1 capital (RoCET1) declined to 30% (H1 2021: 38%).

Strong and liquid balance sheet
In the first half of 2022, *total assets* remained essentially unchanged at CHF 116 billion. *Loans* declined by 6% to CHF 47 billion – comprising CHF 39 billion of Lombard loans (-7%, reflecting the deleveraging observed in the period) and CHF 8 billion of mortgages (marginally lower). As the *due to customers* position (client deposits) increased marginally to CHF 83 billion, the loan-to-deposit ratio fell to 57% (end 2021: 61%). *Cash*, largely held at central banks in Europe and Switzerland, declined by 1% to CHF 20 billion.

Until the end of 2021, the positions held in the treasury portfolio were all recorded as *financial assets measured at FVOCI* (up 4% to CHF 14 billion). Starting this year, and with a view to limiting the potential future fluctuations in capital, a significant number of newly acquired positions in this portfolio are recorded as *other financial assets measured at amortised cost* (CHF 3 billion on 30 June 2022). Taken together, the treasury portfolio positions increased by 27% to CHF 17 billion (end 2021: CHF 13 billion).

Equity attributable to shareholders of Julius Baer Group Ltd. declined by 10% to CHF 6.1 billion.

Share buy-back update
On 2 March 2022, Julius Baer launched a new 12-month programme to buy back up to CHF 400 million purchase value of Julius Baer Group Ltd. shares. By the end of June, a total of 2,522,072 shares had been repurchased at an aggregate cost of CHF 122 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.

Robust capitalisation
In the first half of 2022, BIS CET1 capital declined by CHF 0.2 billion, or 7%, to CHF 3.1 billion, as the benefit of net profit generation was more than balanced by the combined effect of the dividend accrual (in line with the recently updated dividend policy), the start of the new share buy-back programme, and the impact of year-to-date changes in the value of financial assets measured at fair value through other comprehensive income (treasury portfolio). The latter impact was largely driven by the effect on financial assets measured at FVOCI from the fall in bond valuations in H1.

On 20 April 2022, Julius Baer redeemed all of the outstanding perpetual Tier 1 bonds (AT1 bonds) issued in October 2016 at par value plus accrued interest. The bonds, with a coupon of 5.75% per annum, were issued by Julius Baer Group Ltd. in the aggregate nominal amount of SGD 325 million.

On 1 June 2022, despite a challenging fixed-income market environment, Julius Baer successfully placed AT1 bonds in the aggregate nominal amount of USD 400 million. The bonds carry a coupon of 6.875%, payable semi-annually, and have a First Reset Date on 9 December 2027.

As a result of the CET1 capital development and the AT1 bond redemption and new issuance, BIS tier 1 capital decreased by 1% to CHF 4.7 billion and BIS total capital by 1% to CHF 4.8 billion.

Risk-weighted assets (RWA) grew by CHF 0.3 billion, or 1%, to CHF 20.5 billion. While credit risk positions remained essentially unchanged at CHF 13.0 billion, market risk positions increased by 14% to CHF 1.0 billion, operational risk positions by 2% to CHF 6.1 billion, and non-counterparty-related risk positions by 7% to CHF 0.5 billion.

As a result, at the end of June 2022 the *BIS CET1 capital ratio* stood at 15.0% (end of 2021: 16.4%) and the *BIS total capital ratio* at 23.4% (end of 2021: 24.0%).

As the leverage exposure fell by 1% to CHF 117 billion, the Tier 1 leverage ratio remained at 4.0%.

At these levels, the Group's capitalisation remains robust: 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 7.9% and 12.1%, respectively, applicable at the end of June 2022. The Tier 1 leverage ratio continued to be comfortably above the 3.0% regulatory minimum.

The results conference will be webcast at 9.30 a.m. (CEST). All documents (presentation, Business Review First Half 2022, Half-Year Report 2022, spreadsheets, Alternative Performance Measures document, and this media release) are available at www.juliusbaer.com.

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

Important dates

21 November 2022:	Publication of Interim Management Statement for first ten months of 2022
2 February 2023:	Publication and presentation of 2022 full-year results, Zurich
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

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 June 2022, assets under management amounted to CHF 428 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 in 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]

Consolidated income statement	**H1 2022** *CHF m*	H1 2021 *CHF m*	H2 2021 *CHF m*	*Change to H1 2021 in %*
Operating income	1,865.0	1,992.9	1,864.9	-6.4
Adjusted operating expenses	1,323.0	1,250.8	1,278.1	5.8
Adjusted profit before taxes	542.0	742.2	586.8	-27.0
Adjusted net profit for the Group	476.3	636.3	507.5	-25.1
IFRS net profit for the Group	450.3	606.0	476.7	-25.7
Adjusted cost/income ratio	67.0%	61.2%	66.6%	-
Adjusted pre-tax margin (basis points)	23.7	32.3	24.3	-

	30.06.2022	30.06.2021	31.12.2021	Change *to 31.12.2021 in %*
Assets under management (CHF bn)				
Assets under management	427.9	485.9	481.7	-11.2
Net new money (in period)	-1.1	9.9	9.7	-
Consolidated balance sheet (CHF m)				
Total assets	115,835.2	113,578.3	116,305.8	-0.4
Total equity	6,087.7	6,725.6	6,743.3	-9.7
BIS total capital ratio	23.4%	22.8%	24.0%	-
BIS CET1 capital ratio	15.0%	16.7%	16.4%	-
Return on tangible equity (RoTE) annualised, adjusted (in period)	25%	32%	25%	
Return on common equity Tier 1 capital (RoCET1), adjusted (in period)	30%	38%	29%	
Personnel (FTE)				
Number of employees	6,798	6,667	6,727	1.1
Number of relationship managers	1,203	1,341	1,274	-5.5
Capital structure				
Number of shares issued	213,801,240	223,809,448	221,224,448	-
Market capitalisation (CHF m)	9,416	13,514	13,535	-30.4
Moody's rating Bank Julius Baer & Co. Ltd.				
Long-term deposit rating	Aa3	Aa3	Aa3	-
Short-term deposit rating	Prime-1	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.