Julius Bär

SPEECHES

at the Annual General Meeting 2019
of Julius Baer Group Ltd.

Zurich, 10 April 2019

Chairman's address

Daniel J. Sauter
Chairman of the Board of Directors

Address

Bernhard Hodler
Chief Executive Officer

Check against delivery.

Address by

Daniel J. Sauter, Chairman of the Board

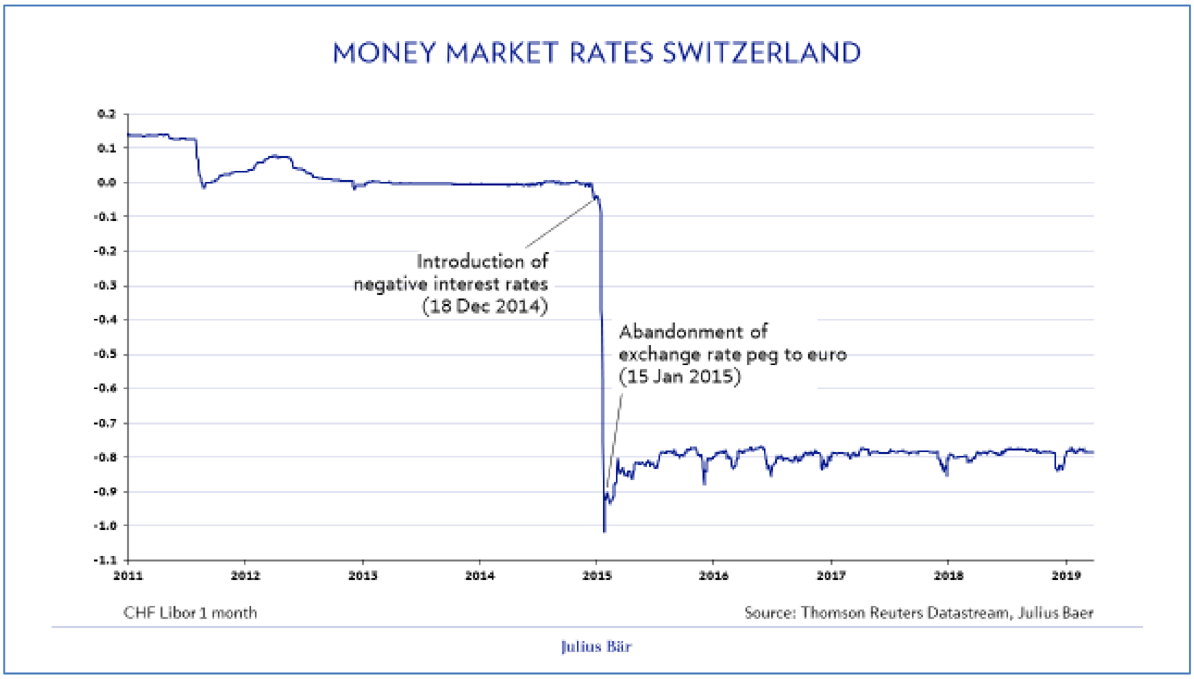
Dear shareholders, guests, fellow members of the Board of Directors, and employees of the Julius Baer Group

At today's Annual General Meeting, I will not only look back at a challenging 2018 but will also reflect on my 12 years as a member of the Board of Directors, the past seven of which as its Chairman. At this, my final Annual General Meeting, I therefore want to take stock of this exciting and challenging time at Julius Baer and conclude by giving you a small glimpse of the future.

Today is also special for another reason: After almost 20 years in the Swiss Market Index (SMI), our stock has now switched to the SMI Mid Cap. With the Novartis spin-off Alcon, a substantially larger capitalised company was added to the SMI. The SMI comprises the 20 largest companies in terms of market capitalisation and share liquidity. This index adjustment therefore is based solely on the criterion of size, not quality. The inclusion of Julius Baer in the SMI Mid Cap, which brings together the next 30 largest Swiss companies, will make our company a heavyweight in this important stock index for investors.

Let us take a look back to autumn 2005. At that point, investors and equity prices had recovered somewhat from the trauma of the Internet bubble collapse in 2000; the global economy was running smoothly again; and Julius Baer announced the 6 billion Swiss franc takeover of three private banks and a specialised asset manager from UBS. This transaction marked the beginning of Julius Baer's transformation from a purely Swiss private bank to a globally active wealth management bank. Incidentally, the demanding and very successful integration of these acquired banks at the time was headed by our current CEO, Bernhard Hodler. The favourable economic environment and booming markets around the globe provided a welcome tailwind.

When I was elected to the Board of Directors at the Annual General Meeting in April 2007, the situation seemed like a carefree and comfortable ride in the express train of Switzerland's largest pure wealth manager. But things turned out differently.



No one at the time had imagined that the speculatively bloated US real estate market could impact the international banking sector so strongly.

Today, over ten years after this crisis, this sector has still not fully recovered:

- The bailout of innumerable banks caused a massive rise in public debt. In Europe, the loss of confidence in the markets further escalated until 2009, triggering an unprecedented debt and euro crisis. The emergency bailout of Greece by the euro countries is still clear in our memories. The resulting appreciation pressure on the Swiss franc prompted the Swiss National Bank (SNB) to stabilise the exchange rate at 1.20 Swiss francs per euro as of 2011. Countering this pressure turned out to be increasingly difficult for the SNB. Negative interest rates were introduced at the end of 2014, and the exchange rate peg was abandoned overnight in mid-January 2015. These negative interest rates still weigh on the Swiss banking sector and make it nearly impossible to generate positive returns for clients who have little appetite for risk.

LEGACY US CROSS-BORDER BUSINESS

5 FEBRUARY 2016

Settlement with US Justice Department

4 FEBRUARY 2019

Termination of Deferred Prosecution Agreement, complete dismissal of all charges

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- The United States did not go easy on the banks. Baer Stearns was forcibly sold, while Lehman Brothers was pushed into bankruptcy. Non-US banks were relentlessly investigated for unfair business practices – regardless of Swiss banking secrecy. Julius Baer was able to move past this episode in 2016, and it definitively and successfully closed out this chapter about three months ago: all the charges lodged in 2016 were formally dismissed after expiration of the agreed three-year period.

TAX TRANSPARENCY IN CROSS-BORDER BUSINESS

13 MARCH 2009

Adoption of OECD standards for administrative assistance in tax matters

MAY 2014

Fundamental agreement to automatic exchange of information in tax matters

AUTUMN 2018

First exchange of data with partner countries

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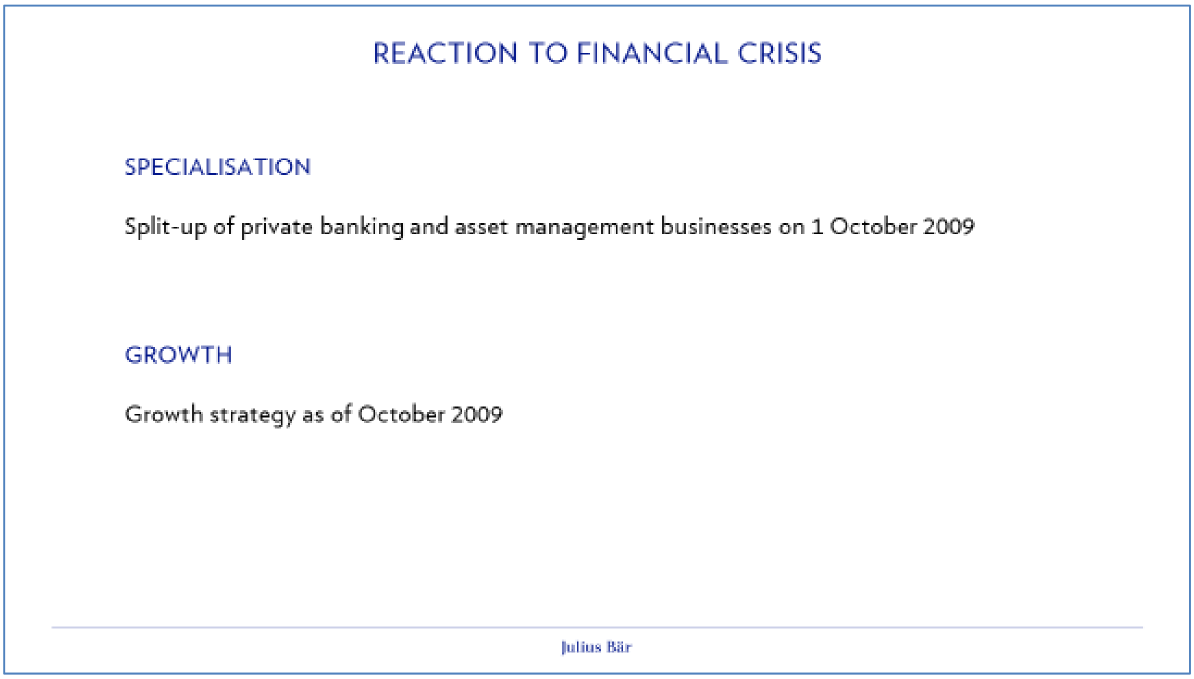
- In 2009, the OECD threatened to place Switzerland on the tax haven blacklist. Switzerland responded by adopting the OECD standards for international administrative assistance in tax matters that same year and by agreeing to the automatic exchange of information in tax matters in 2014. In autumn of last year, the first exchange of data took place with partner countries. Since then, there has been complete tax transparency in the cross-border wealth management business.

During this severe financial crisis, good risk management enabled Julius Baer to successfully avoid lending and investment losses. At no time whatsoever did Julius Baer need to ask for support from the government, and it earned substantial profits throughout the crisis years. I and the entire Group are very proud of this.

We realised that the industry was facing fundamental change. Apart from increased transparency, the crisis brought a flood of new regulations – primarily aimed at client protection – which entailed enormous costs.



To remain successful under these circumstances and to confront the rising margin pressure, we decided to focus the Bank exclusively on pure wealth management and to concentrate our efforts on up-and-coming growth markets in addition to our core markets. Over the past ten years, we have been very successful at this:

- Thanks to *specialisation* in wealth management for private clients by splitting up the private banking and asset management businesses in early October 2009.

This move put us ahead of the curve by eliminating the conflict between these two business areas in the interest of our clients.

- And thanks to the nearly simultaneous acquisition of private bank ING Bank (Switzerland), kicking off a successful and sustainable *growth strategy*, accompanied by the systematic development of our range of offerings for wealthy private clients and by the aforementioned geographic expansion in up-and-coming growth markets.

In April 2012, on recommendation by my colleagues I was elected by you, dear shareholders, as Chairman of the Board of Directors. My predecessor Raymond Baer remained – and remains – closely tied to the Group as its Honorary Chairman. With this step, the ongoing shift from a traditional family firm to a pure public company thus formally came to an end.

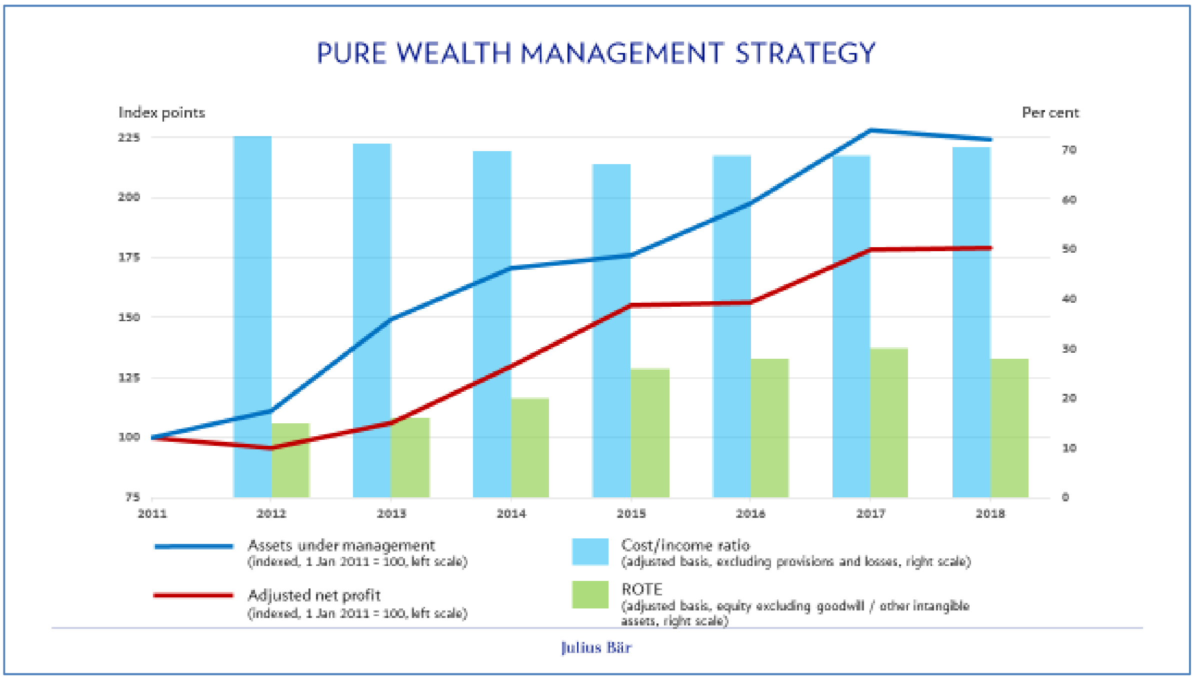
From a business perspective, however, the most difficult part of the transformation of the Julius Baer Group was still ahead of us.

During the boom years prior to the financial crisis, internationally active banks had built up substantial cross-border private banking operations. Given the strongly increased regulatory requirements, however, many of these businesses were no longer able to be run profitably because of their sub-critical mass. Noteworthy wealth management units were subsequently sold off by these banks, which offered us excellent growth opportunities.

On 13 August 2012, we thus announced the acquisition of Merrill Lynch's international wealth management business outside of the United States and Japan. What was viewed in the market as a bold and initially risky move turned out to be a very successful quantum leap for our Group.

Through this transaction, we were able to substantially boost our Group's presence in established markets as well as in new growth markets. The addition of thousands of clients with a total of 59 billion Swiss francs of assets under management also provided significant economies of scale for us.

Our commitment and courage paid off! The complex integration was successfully concluded at the end of January 2015, meeting the objectives and targets we had set.



We have stayed true to our pure wealth management strategy through all the years, and this steadfast approach has more than paid off. Hence, our assets under management (represented by the blue line in the chart above) have steadily risen since the Merrill Lynch transaction, stagnating last year as a result of market conditions. Parallel to this, our adjusted net profit (represented by the red line in the chart above) has continuously increased, reaching a record level in 2018. Despite the costs as a result of growing regulation, the over 3 000 new jobs created worldwide, the rising investments in digitalisation and the massive expansion of our product offering, we managed to keep the cost/income ratio (represented by the blue column in the chart above) in a narrow range that was lower than that of our competitors. At the same time, we generated an attractive return on tangible equity (represented by the green column), also compared to our peers.

We can all be proud of the Group! We skilfully and safely navigated it through the turbulence of the past years.

Glimpse of the future

Following this review, allow me to now provide a glimpse of the future.

The consequences of the financial crisis are still lingering. The expansive monetary policy of the major central banks and the unchecked rise in debt – at the expense of future generations – are making investors ever more cautious. The cheap money seems increasingly indispensable, not only for nations with record-high public debt but also for companies for which a rise in interest rates could substantially reduce profits.

These factors have made investors more wary in recent months, especially regarding investment in financial industry stocks. This is clearly reflected in the performance of bank shares.

We also cannot ignore the fact that Swiss banks are true export champions. For example, services that are still produced largely in Switzerland in our Bank generate revenues mainly in US dollars and euros, the currencies in which our clients hold most of their wealth. A strong Swiss franc thus has just as negative an impact here as on the Swiss watch and machine industries.

Julius Baer has successfully met this challenge, however, by further focusing the Group, by constantly adapting and optimising processes and by employing new technologies to continuously boost efficiency. Economies of scale and structural cost reductions are the key instruments and measures to sustainably secure and increase the profitability of the Group.

The digital penetration of ever more fields of application will undoubtedly continue to increase. Be that as it may, this development has been less disruptive than feared up to now. Instead of competition, we are seeing cooperation. Many start-ups specialised in financial or regulatory areas are developing interesting niche applications or niche products. Through the *F10 FinTech Incubator & Accelerator*, for example, Julius Baer is closely connected with this new ecosystem and has already tested various solutions and implemented them.

An application that would make wealth managers like Julius Baer obsolete, however, is not in sight. Nevertheless, in a few years from now the wealth management business will most likely to look very different than it does today.

Julius Baer is moving firmly forward with technology and digital transformation. But one element will never exist in digital form: the personal interaction and relationship with our clientele and the resulting mutual trust. We therefore view our business model of individual and very personal, comprehensive wealth management as timeless, so we are investing not only in digital solutions but also very heavily in our employees. This improves the client experience and thus promotes strong client loyalty in the long run.

Technology will also have unforeseen effects on the economy in general and the global division of labour in particular. Advancing automation in conjunction with artificial intelligence, machine learning and unlimited networking will revolutionise entire industry and service sectors around the world. These developments are impacting a global economy that is at the zenith of the first globalisation wave – and that is struggling with its consequences. The lower middle class of western industrialised nations has recently garnered much political attention as the losers of globalisation. The trade policy attacks of US President Trump firmly attest to this.

China will sooner or later acquiesce in the recent trade dispute with the United States. The United States is too important as a sales market. And the justifiably criticised one-sided transfer of technology has gone on long enough to move China forward in this regard. Meanwhile, Asia and especially China are in the lead in many areas of advanced digital technology. Asia should be the prime beneficiary of this second, technologically driven globalisation wave, while the West will continue to struggle with some aspects of these changes. Added to this is a geopolitical component. Through the global infrastructure project *One Belt, One Road*, China has already gone beyond the boundaries presumably to be set by the trade agreement with the United States. The growing economic dominance is accompanied by the exertion of ideological influence. Since the fall of the Iron Curtain, world supremacy has never been so strongly contested as today.

Many more future-related topics can be mentioned, from economic, social and geopolitical to climate change and its consequences for the planet and humanity.

The question is how will Julius Baer fare in this dynamic environment?

The scrap for economic and geostrategic dominance will impact the expected investment returns and thus place high demands on our investment strategy. Our clients have a right to expect guidance and professional management of risks from us, upping the challenge for our advisory and solution capabilities. A consequence of the greater complexity will be that we must decide even more clearly than up to now in which markets we will offer what solutions and how strongly we want to and can be present there. Our corporate strategy is already focused on this.

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I am convinced that Julius Baer is in good shape to successfully master the challenges of the future. This confidence is based firmly on our experienced management team under the leadership of CEO Bernhard Holder as well as on our remarkable staff around the world. In the name of the entire Board of Directors, I extend my deepest thanks to the Executive Board and the over 6 500 employees for their outstanding performance in 2018. I am very proud of what we have achieved together and I firmly believe that Julius Baer will continue to evolve successfully in the future.

Ladies and gentlemen, dear shareholders, I thank you for your strong loyalty and devotion to our company, as well as to me over the past 12 years. I have greatly appreciated this constructive teamwork and I very much hope that you will extend the same support to my successor.

Now let me hand the floor over to our CEO, Bernhard Hodler.

Address by

Bernhard Hodler, Chief Executive Officer

Ladies and Gentlemen

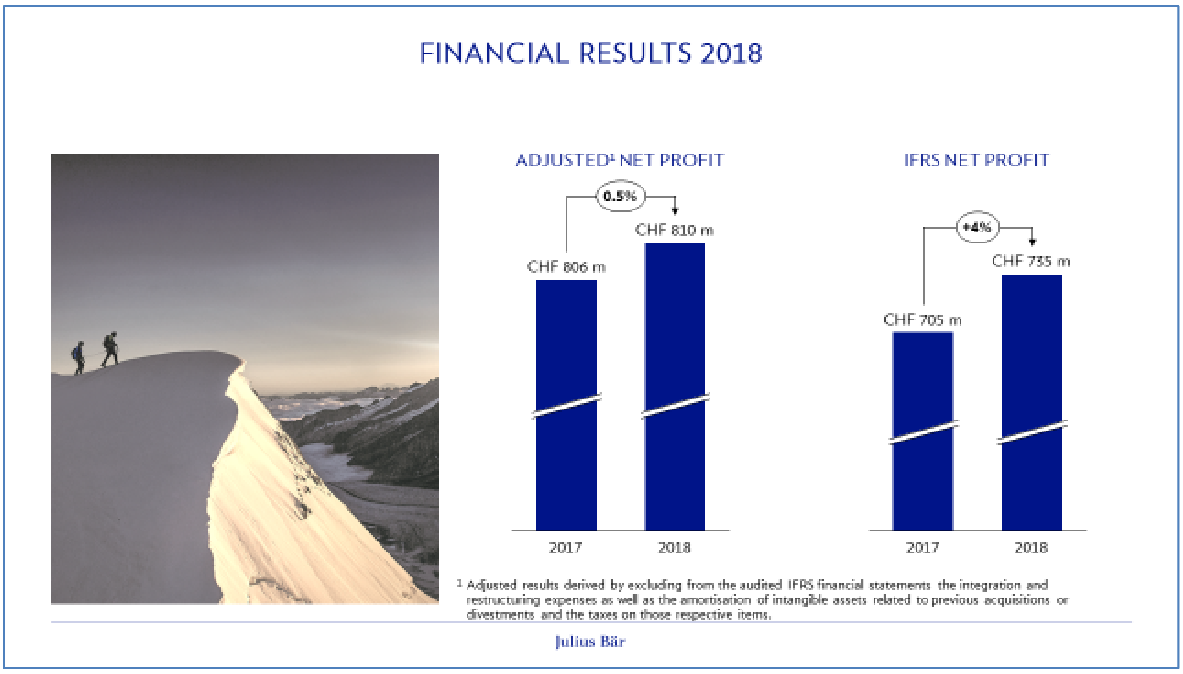
2018 was a challenging year for the whole financial industry. In this environment of increasingly volatile financial markets, Julius Baer performed very well:

- In 2018, we achieved the highest profit in the company's history,
- we continue to be one of the most profitable wealth managers in the world
- and we had the pleasure of net new money of CHF 17 billion, a very respectable figure compared with the market.

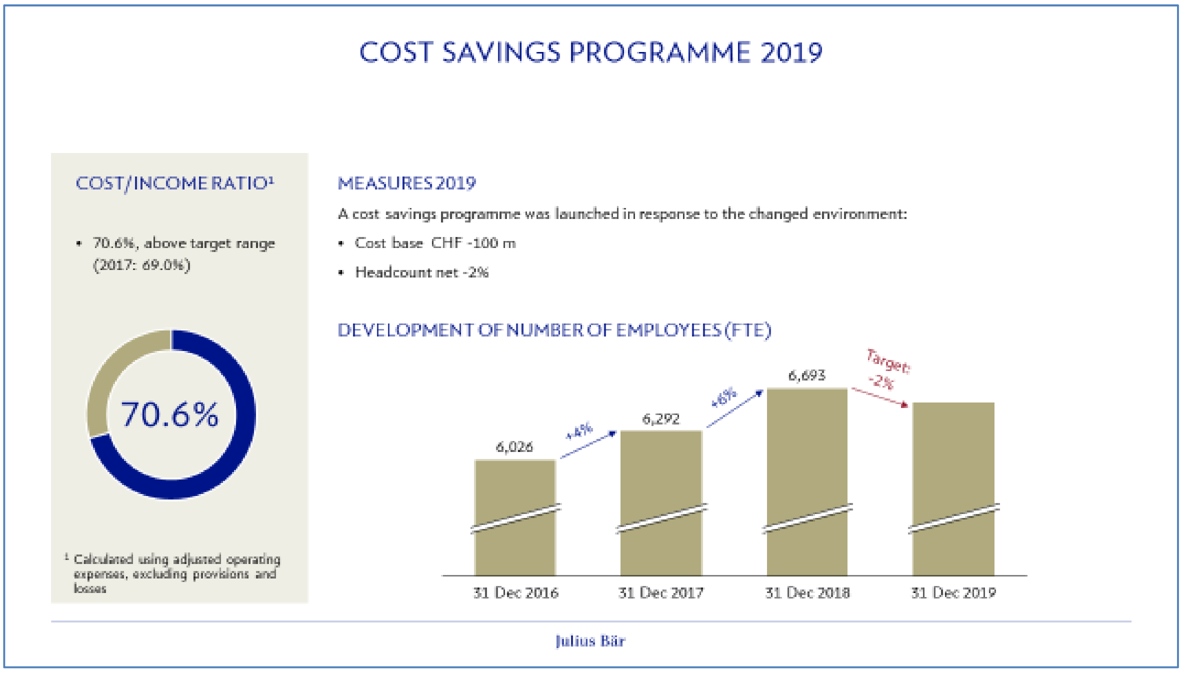
We can be proud of this achievement.

Let us take a closer look at these results:

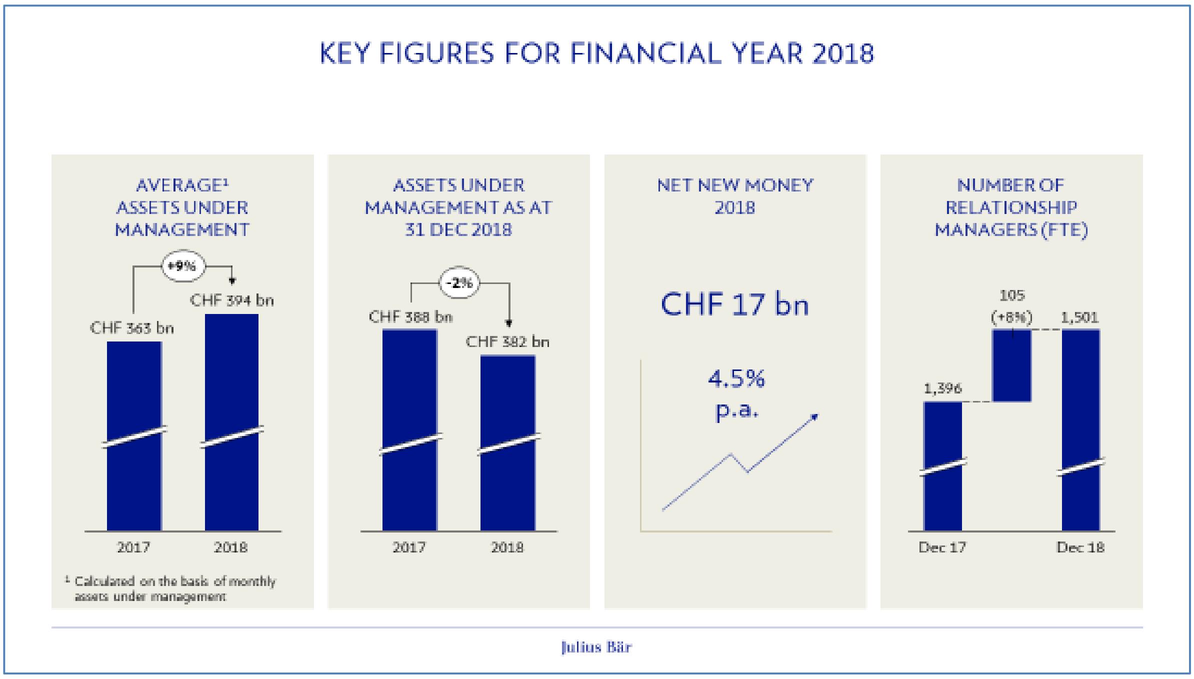
Financial results 2018



- We earned an *adjusted net profit* of 810 million Swiss francs in 2018. This represents a slight increase of 0.5% compared to 2017. *According to IFRS accounting*, net profit grew by 4% to 735 million Swiss francs.



- The negative market environment, however, especially in the second half of the year, did weigh on the profitability of the Group. The cost/income ratio for the entire year was 70.6%, exceeding our target range. This reflects the sharp decline in *transactional income* in the second half of the year.
- We already responded to this trend in 2018 through cost reduction measures. In addition, we launched a structural cost savings programme at the beginning of 2019 that will lower our cost base by 100 million Swiss francs within a year. We will achieve part of this through organisational and operational efficiency measures, while the remainder will be realised by reducing our personnel by a net 2%.



- Compared to our transactional income, our *asset-based income* held up well in 2018 with a decline of only 1%. Excluding the markedly lower contributions from our Italian asset manager Kairos, it would have even risen by 8%, in line with the increase in average assets under management.
- This rise in average assets under management contrasts with the *assets under management at year-end,* which decreased by 2% to 382 billion Swiss francs. The main reason for this was the decline in the equity markets, especially in December 2018.
- Our assets under management benefitted from *robust net new money inflows*. These inflows remained very resilient throughout the year, despite the volatile financial markets, and exceeded 17 billion Swiss francs. This is the second highest inflow figure in the history of Julius Baer. The net new money was well balanced across the mature European markets and growth markets.
- This gratifying trend underscores the healthy mix of markets we serve and the strength of our brand, as well as the attractiveness of Julius Baer as the employer of choice for top private banking talents. Thus, in 2018 as in previous years, we were able to further build up our base of experienced relationship managers, by 105 individuals or nearly 8%.

STRONG CAPITAL BASE

BIS CORE CAPITAL RATIO: 12.8%

- Own floor: 11%
- Regulatory minimum: 8.1%

BIS TOTAL CAPITAL RATIO: 18.7%

- Own floor: 15%
- Regulatory minimum: 12.3%

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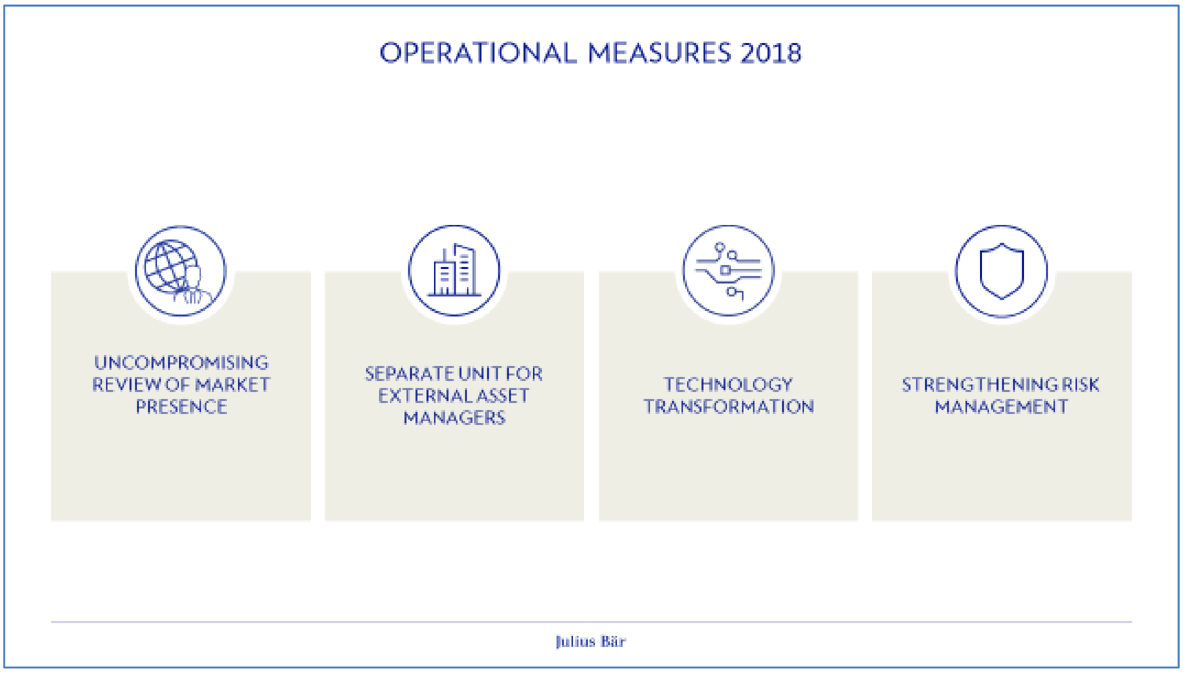
- Sustainable and profitable growth remains our objective. In this pursuit, we can rely on a strong capital base. At the end of December 2018, our BIS core capital ratio was 12.8%, and our BIS total capital ratio was 18.7%. At these levels, the capital ratios comfortably surpassed the Group's own floors of 11% and 15% and highly exceeded the regulatory minimums of 8.1% and 12.3%.

Operational measures 2018



Operationally, we moved forward in 2018 with *focusing* the geographical presence of Julius Baer, our offering for clients and the technology transformation of our Group.

We therefore conducted an *uncompromising review* of the markets we serve. On the one hand, through investments and building partnerships we further strengthened our position in strategic markets like Brazil, Germany, the UK, Thailand and Japan. On the other hand, we discontinued our physical presence in locations such as Amsterdam, Panama and Peru. We thus reduced complexity and freed up capacity. I will comment further on our market coverage in a moment.

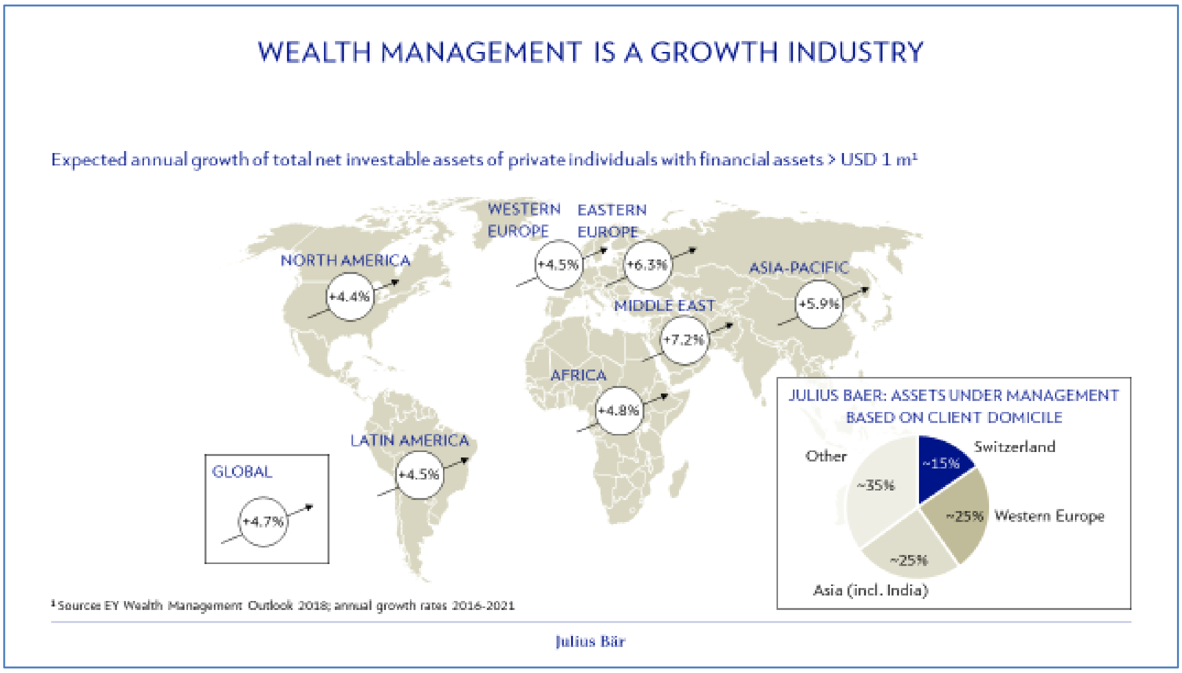
In addition, with the creation of a separate *unit for external asset managers* in 2018, we bundled our forces for serving this important segment. Through a specialised offering, we will further strengthen our leading position in this segment and its contribution to the growth of Julius Baer.

Thirdly, we reached a number of milestones in our *technology transformation* road map. The most prominent of these is the successful replacement of the core banking platform in Asia. It is the cornerstone for our future growth in this region. Furthermore, we continue to intensively invest in digital interfaces with our clients and the tools for our relationship managers. This will remain a priority well into the future.

Risk management remains an important issue. At the end of 2019, the ongoing two-year upgrading of the documentation of all client dossiers will be completed. This will enable us to control risk even more effectively in line with the highest quality standards of our industry. At the same time, it will pave the way for data-driven, more targeted client servicing and advisory.

Implementation of the corporate strategy

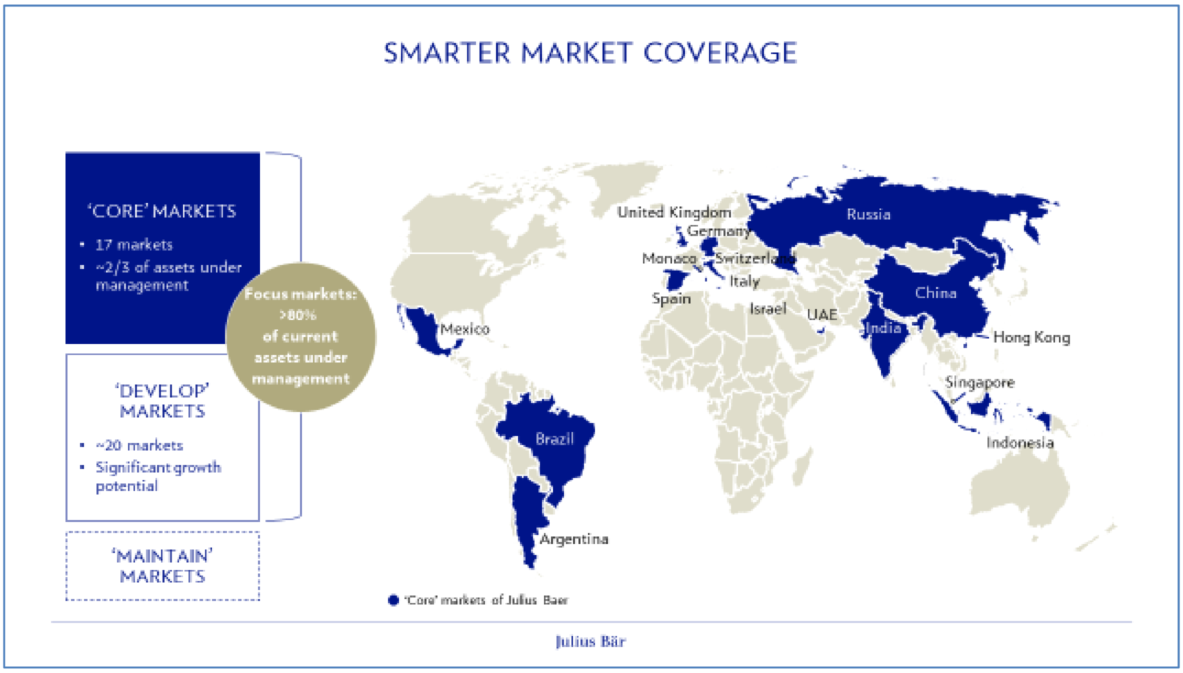
With this and additional steps, in 2018 we laid the foundation for the implementation of our strategy for the next three years, which I would like to take a closer look at.



Wealth management is and remains an *international growth industry*. It is expected to globally grow by 4.7% per annum, with growth in emerging markets expected to be higher. Julius Baer is in an excellent position to benefit above average from this growth.

To achieve this, we are concentrating on three elements. The first element is

Smarter market coverage



One of the greatest strengths of Julius Baer is our proximity to our clients, as recently confirmed by client surveys in various markets. This client proximity enables client relationships that are personalised, nuanced and long lasting. Such relationships are selective by nature – they require targeted decisions about where investments produce the greatest benefits.

We have therefore divided the markets we serve into three categories:

The *first category* comprises our core markets. The 17 markets presently in this category account for approximately two thirds of our assets under management. They contain substantial pools of wealth, which we want to capture with a local Julius Baer presence and a comprehensive offering tailored to the country-specific needs of clients. In some core markets, such as in Switzerland, Germany and the UK, we are already very far advanced. In others, we still have more work to do.

The *second category* comprises approximately 20 markets that we want to further develop. We consider them attractive in terms of size and growth rates, or because we see substantial, untapped potential. These can be mature markets, like Japan, or growth markets, like Thailand. Our position in these countries is not as strong as in the core markets, so we must find the most effective way to affirm it – via strategic partnerships, joint ventures with local providers or simply through a solid tailored cross-border strategy.

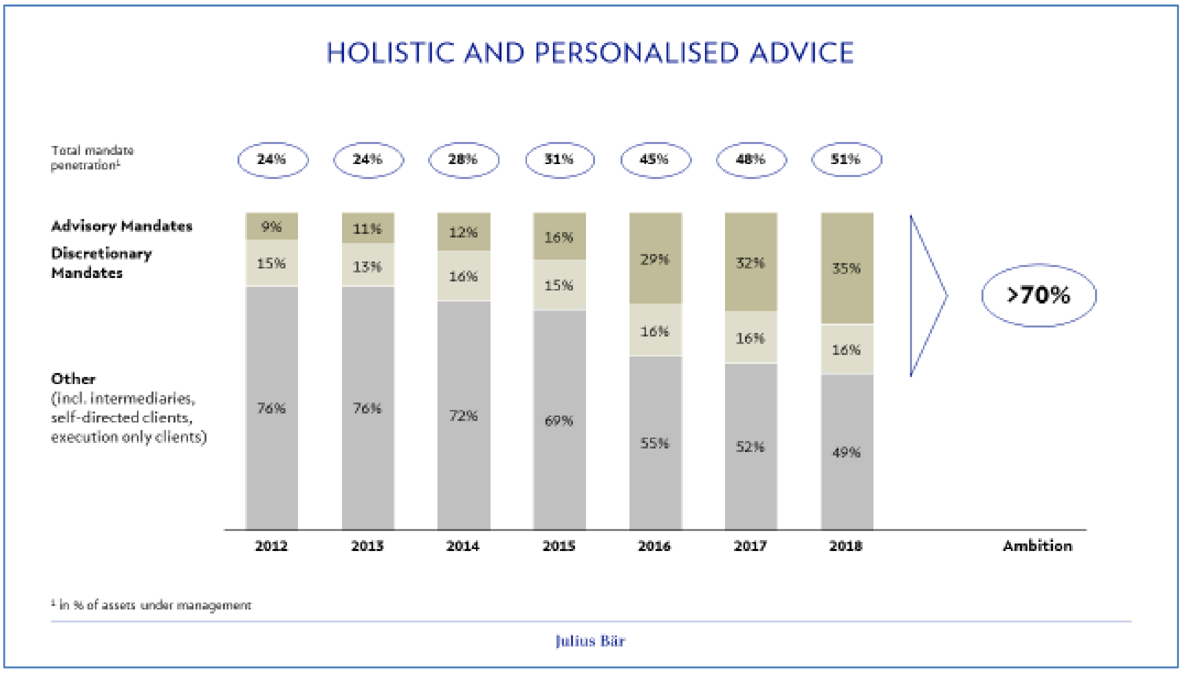
We will hopefully be able to develop some of these markets into core markets in time. Together, these first two market categories make up our *focus markets*. They already today represent over 80% of our assets under management.

The *third category* ultimately comprises markets in which we want to maintain our position. Here, we profit from long-standing client relationships. They remain important and valuable, and we will continue to provide our clients with dedicated service. In these markets, however, we will increasingly employ a standardised offering.

We will continuously review our market coverage to ensure that we apply our resources where it is most sensible for our Group as a whole and where it is most relevant for our clients.

The second element of our strategy encompasses

Holistic and personalised advice



Our client relationships are characterised by high quality and intensity. Our detailed knowledge of and our privileged access to our clients enables us to provide holistic advice that comprises wealth planning, wealth management and financing solutions. This advice is tailored to clients and their specific life situation and considers their future plans and challenges. The resulting client satisfaction instils loyalty to us. The consequent willingness of clients to deepen their cooperation with us and to recommend our services to others is a growth engine that we intend to systematically use as we move forward.

A sign of this is the rising penetration of discretionary and advisory mandates, which grew from 47.5% at the end of 2017 to 51% at the end of 2018. By the end of 2021, this penetration should rise to over 70%. This is an ambitious but feasible target that will further improve the earnings quality of the Group.

The third element of our strategy is ultimately

Technology and digital transformation

This third dimension of our strategy is the true fountain of youth of Julius Baer. New technology and digital possibilities open up new ways to support front units, to automate processes and to more efficiently structure the organisation. Technology plays a key role in a unique client experience increasingly shaped also by digital channels. At the same time, it enables us to keep our Group flexible, innovative and adaptable in all aspects.

These digital capabilities do not come free of charge, however. In the past five years, we have invested over a billion Swiss francs in technology and digitalisation. But these investments in the future are paying off. One example of this is our digital advisory platform. We have taken the stricter regulatory requirements of the EU with respect to client information and product documentation as an opportunity to build a robo-assistant. For each individual client, this platform generates investment recommendations that

- are tailored,
- comply with the latest regulatory requirements and
- incorporate the current market situation.

Specific investment recommendations are automatically generated, are transparently described, are provided to the client via the preferred channel and are automatically documented internally. From the advisory up to the execution, this results in a time savings of approximately 75%. This platform clearly sets us apart from other banks of our size, especially in Europe. Our clientele welcomes this type of advisory, viewing it as innovative. We have consciously chosen to employ robo-assistants instead of robo-advisors because, even in the more digital world of the future, we want to keep personal contact at the centre of our business.

This is just one of many examples of how on our three global IT platforms – in Asia, in Luxembourg and in Switzerland – we are preparing our Group for the digital future in a flexible, regionally harmonised and thus client-focused manner.

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To sum up, I am convinced that Julius Baer is pursuing the right strategy to achieve our ambitious growth and profitability targets. Through the described cost savings programme, we have responded promptly to the market-related revenue fluctuations.

The cost savings programme will not affect our investments in the future. These investments ensure that we are able to offer our clients in our focus markets holistic advice covering all of life's stages. By bundling our capabilities in wealth planning, wealth management and wealth financing into comprehensive solutions, we offer our clients substantial added value.

The increasing digitalisation reflects our clients' wishes on the one hand. We thus registered more than a million interactions in our E-banking for the first time in 2018. On the other hand, digital tools strengthen the quality and relevance of our advice, relieve the relationship managers from administrative work, ensure highest compliance standards and increase the flexibility and scalability of our business on the whole.

With this in mind, however, personal client relationships – relationships spanning generations – will still remain at the heart of our business as we move toward the future. To realise this, we count on motivated employees who work tirelessly, in direct client contact and behind the scenes, to provide exceptional advice to our clientele. I would therefore like to thank all of our more than 6,500 employees worldwide for their dedication and daily commitment to our clients.

A clear focus on attractive markets, holistic and personal advice and targeted investments in technological progress and digital transformation – these are the elements of our strategy with which we all work together to ensure that Julius Baer will continue to grow profitably and remain unique in the future.

This brings me to the end of my comments. Thank you very much for your trust and support. Thank you very much!