Julius Bär

SPEECHES

at the Annual General Meeting 2017
of Julius Baer Group Ltd.

Zurich, 12 April 2017

Chairman's address

Daniel J. Sauter
Chairman of the Board of Directors

Address

Boris F.J. Collardi
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.

I am pleased to welcome you to the Annual General Meeting of Julius Baer Group Ltd.

2016 was yet another in a long series of very challenging years. At the same time, however, it may perhaps also be viewed as the beginning of a new era. This statement refers to various political developments which together have the potential to bring lasting change to the global geopolitical and economic landscape. Although the financial markets showed high volatility as expected in the wake of last year's Brexit decision in the UK and the presidential election outcome in the USA, they recorded surprisingly robust performance on the whole in 2016. This gave us ample opportunity to do what we do best: stand by our clients with sound advice and provide perspective and context on the often fully new constellations. Financial market volatility reflects uncertainty, and this uncertainty had a dampening effect on the activities of our clients as well as on our income. Nevertheless, we are pleased and proud to say that Julius Baer successfully mastered 2016, generating a healthy adjusted net profit of 706 million Swiss francs and a 12% rise in assets under management to a record 336 billion Swiss francs. Boris Collardi will take a closer look at our 2016 business results in his speech.

At the beginning of 2016, following years of demanding negotiations, we reached a final settlement with the *US Department of Justice* in connection with the Group's legacy US cross-border business. Already provisioned for in 2015, it had no impact on the financial result or the capital ratios of 2016. This settlement signalled the end of a long phase of uncertainty.

2016 also provided us with a unique chance to profit from special industry and competitive dynamics. Since diversified banking groups are active in very different business areas simultaneously, they frequently lack the focus and critical mass needed to operate profitably in private wealth management. The resulting uncertainty among the staff of many such competitors gave us the opportunity to recruit an above-average number of experienced relationship managers to Julius Baer. This success impressively documents the advantages of our client-centric business model, focused purely on private banking, as well as its attractiveness for all our staff. We also clearly profited from the high recognition of the Julius Baer brand, our Group's strong position in its chosen markets as well as our solid financial base driven by high earning power. Underscoring this latter point, in 2016 the external rating agency Moody's affirmed the solid Aa2 rating (third-highest level) – with a stable outlook – for Bank Julius Baer.

The significant number of new hires during the reporting period had some impact on our Group's cost/income ratio. However, the increase in our experienced relationship managers by more than 14% to nearly 1400 persons already had a positive effect on our business results in the final quarter. In the coming years, we expect this new population to make a significant contribution to the growth and profitability of our Group.

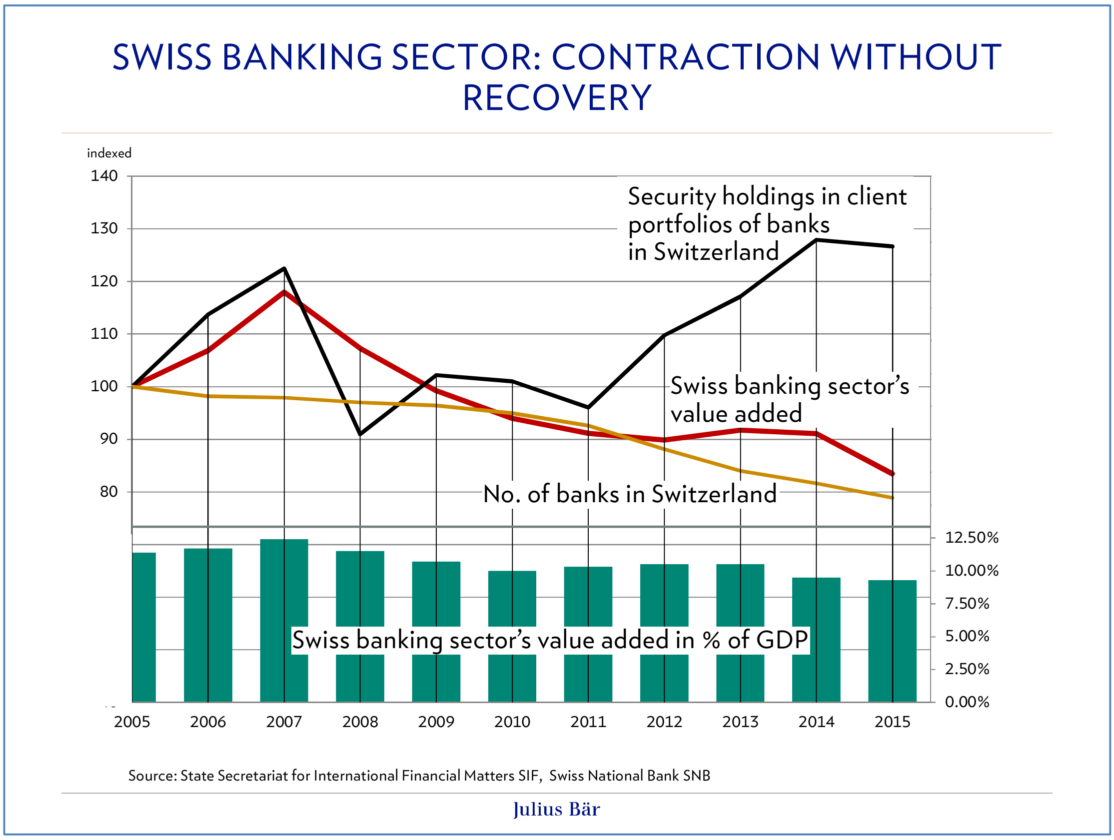
In the second half of 2016, we gave our Group's organisational structure a clearer regional focus while further investing in the breadth and quality of our advisory services, in our investment management expertise and in the technological transformation of our Group.

To sum up, I am pleased to say that we mastered 2016 despite some difficult circumstances. At the same time, we decisively exploited the opportunities offered to us by the ongoing structural changes in our industry. Our proactive and entrepreneurial attitude has enabled our Group to emerge stronger than ever from the global financial crisis and all other crises in recent years.

Swiss banking sector contracting

The financial crisis has passed, they say, but the fallout is far from over. It revealed many systemic weaknesses and led to distortions in the real economy. The financial sector itself *had to and has to* implement and put into practice a large number of new, stricter regulations at both the national and international levels. The undisputed need for corrective measures and new safeguards has led to a steadily growing and increasingly close-knit web of regulations, with declining benefits for clients and taxpayers but rising costs for the financial industry.

In addition to this increased cost base, the income side of the equation has been progressively eroded by the strong Swiss franc, negative interest rates and reduced client activity. The result is margin pressure that threatens the capital base of many financial service providers.



It is no surprise that the Swiss banking sector has changed massively in the past ten years. To simplify the presentation, all three time series have been indexed to 100 in the upper portion of the diagram. The good news is the development of the security holdings in client portfolios of banks in Switzerland. It is shown in black in the diagram. After the peak of the financial crisis in 2008, the assets under management stabilised in the subsequent years and began to rise steadily as of 2012. This increase presumably relates not only to the higher valuation of the financial markets but also in large part to the inflow of new client money.

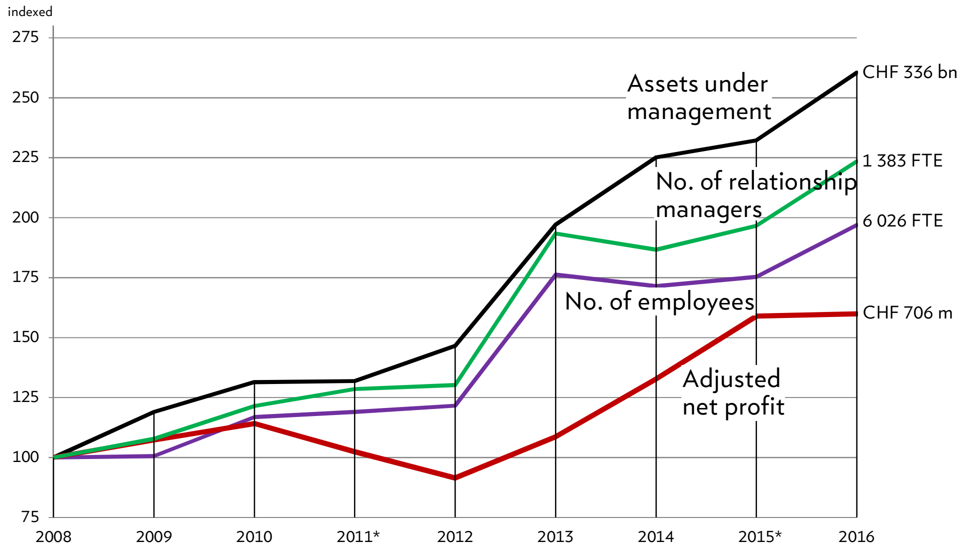
The stated structural changes in the banking sector (orange line) have resulted over the past 10 years in a reduction in the number of banks in Switzerland by around one fourth to only 266 institutions. In 2015 alone, 10 institutions disappeared. Parallel to this, the banking sector's value added (denoted by the red line in the diagram) has trended downward and fallen in absolute terms. Even though presumably the weakest or most poorly positioned competitors vanished from the market or were consolidated, the average profitability of the remaining financial service providers did not stabilise. As a consequence of this, the banking sector's value added as a percentage of gross domestic product (represented by the green bars in the lower portion of the diagram) has trended lower in the past years, from 12.4% in 2007 to just 9.3% in 2015.

Countless companies in Switzerland are struggling with the strength of the Swiss franc – still suffering following abandonment of the minimum exchange rate versus the euro – and things are no different for the international asset management banks domiciled in Switzerland. Products and services are crafted in Switzerland and sold mostly abroad. Since client assets are mostly held not in Swiss francs, but in US dollars and euros, the holdings and revenues in these currencies decline as the currencies depreciate. The Swiss financial industry is thus in the same boat as the rest of the Swiss export sector.

When the margin sinks, our industry responds each time with cost cutting. But that is not enough! We need to concentrate on our own strengths and continuously adapt our strategy to the changing circumstances. The digitisation of our key processes with the aid of our new platform JB 2.0 will allow us to further increase the efficiency of our business model and thus boost our productivity and profitability. New advisory models we have developed with an eye to the regulatory requirements will increase our value proposition and client retention. As one of the leading pure private banks worldwide, we are able to leverage economies of scale and thus stabilise or even lower costs.

A glance at the past reveals the successful development of our Group:

JULIUS BAER: SOLID PROGRESS ON THE PATH OF PROFITABLE GROWTH



* Adjusted net profit excluding payments for the settlements with Germany in 2011 and with the USA in 2015

Source: Annual Reports Julius Baer Group Ltd.

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As in the previous diagram, the four time series are indexed at 100. Our targeted and indeed realised growth is clearly evident in this diagram. The steadiest rise is in the assets under management (represented by the black line). The sharp increase in 2012 is attributable to the successful acquisition of Merrill Lynch’s International Wealth Management business. Contrary to the opinions of a few doubters, this acquisition had a sustained positive effect on the trend of the Group’s adjusted net profit in the subsequent years (shown in red in the diagram). We also expect to see a similar impact from the aforementioned investments in expanding our base of experienced relationship managers (denoted by the green line).

Julius Baer’s chosen path since 2009 has been the right one. Our Group has successfully positioned itself as the international reference in private banking, enabling us to further grow our business from a position of strength. At the same time, we still face a challenging environment. At Julius Baer, however, we view challenges as opportunities and we seize them proactively and vigorously.

Age of uncertainty

AGE OF UNCERTAINTY

At the beginning of a new geopolitical and economic era

- Peaking globalisation
- Hope of fiscal stimulus
- The beginning of the end of ultra low interest rates
- Volatile financial markets

Regulation and competitive situation blurred

- Extreme regulation questioned
- Diminishing supranational consensus
- Fintech sector on the rise
- Digitisation bursting with possibilities

Julius Bär

Our research department speaks of the beginning of an *age of uncertainty* for the world economy. The nationalistic tendencies underlying the decision in the UK and the election outcome in the USA will have as yet unforeseeable consequences for global trade. But the trend towards globalisation of the world economy may have already peaked. The prioritisation of national interests has stirred great hopes of government investment programmes to strengthen national industries, which will inevitably lead to higher public debt and growing budget deficits. This could banish deflation fears and result in at least a gradual normalisation of interest rates as inflation trends upward. Such a scenario is likely to materialise more quickly in the USA than in Europe, which is facing its own political agenda of uncertainty in view of the looming elections in the major EU countries of France and Germany. The monetary and exchange rate policy of the Swiss National Bank cannot defy the impact of these events, and the euro could weaken further.

The financial markets will remain volatile and the investment environment demanding. If the expected returns on investments improve at the same time, then our clients can profit from this and continue to rely on our outstanding advisory and investment management expertise.

Following years of regulatory tightening, the pendulum could swing in the other direction in the coming years. The US administration recently ordered a review of US financial system regulations, which according to the prevailing rhetoric can only mean less strict and exhaustive, but still effective regulation. We would greatly welcome a streamlining and simplification of today's very complex regulations. On the whole, however, the regulatory consensus between the USA and Europe is likely to diminish, thus eroding the influence of supranational agreements and leading to the emergence of a growing number of independent regulatory systems once more.

Regulatory easing is also already a reality in Switzerland. For example, since mid-March 2016 the Swiss Financial Market Supervisory Authority (FINMA) has facilitated video and online client identification. This initial concession granted to the fintech industry will soon be followed by a *licensing light* category, with less extensive requirements than are currently applicable under Swiss banking law for fintech providers operating in a limited capacity. This development is appropriate and essential in our opinion.

Digitisation also affects Julius Baer very strongly, basically in two ways. The first is the disruptive pressure on our industry caused by new competitors. Digitisation is bursting with possibilities that can and presumably will touch nearly each individual element of the traditional value chain of a bank. What has not happened up to now, however, is the complete digital replacement of banks. From our perspective as a private bank, this is not surprising since the qualitative element of our business model still rests firmly on the personal bond of trust between client and relationship manager built on sound advice. As such, we view the growing fintech scene more as an enrichment of our industry, whose solutions also hold potential for helping to simplify our business activity. To keep pace with these developments, in autumn 2016 Julius Baer became one of the first members of the Swiss *F10 FinTech Incubator and Accelerator Association*.

The second and, for us, more important side of digitisation is the resulting possible renewal of our Group from within by transferring entire functions or individual processes to the digital world. With the renewal of our core banking system, the existing platform is gradually being brought into the modern world.

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Ladies and Gentlemen

The basic features of our Group's strategy have remained constant since 2009. We have revised and refined their contours, however, to adapt them to the requirements of an ever more rapidly changing environment. But in so doing, we have not and will not lose sight of our clearly defined goals:

- Being a competent and reliable partner for our clients for all aspects of private asset management, wealth planning and asset structuring.
- Being an attractive employer for our employees in an exciting industry, combined with opportunities for personal development and growth.
- Being a solid investment for our investors, offering an attractive sustainable return in line with our long-term strategy.

Our loyal clientele, our dedicated employees and you, dear shareholders, deserve our considerable thanks for your continuing support of and faith in our company.

Thank you for listening.

Address by

Boris F.J. Collardi, Chief Executive Officer

Ladies and Gentlemen

Against a backdrop of improving growth prospects for the global economy, continuing ample liquidity supplied by central banks and increasing outright political shocks, investors shifted their focus from deflation fears to political fears in 2016. These developments paved the way for volatile but relatively robust financial markets, giving us ample opportunity to support and advise our clients in what was often fully uncharted territory.

We were able to take full advantage of market conditions and our standing as the leading pure private banking group in 2016, by investing significantly in the recruitment of experienced relationship managers. Most of these additions came in Switzerland, Asia and Monaco, with the pace of recruitment rising in the second half of the year. Following the initial positive effect, these new hires should have a significantly stronger impact on our business performance moving forward and make a decisive contribution to the growth prospects of our Group and its future profitability.

2016 proved to be a challenging year which we mastered very well, validating the strength of our Group. This is also reflected in our Group’s solid operating performance.

SOLID OPERATIONAL PERFORMANCE

CHF m	2016	2015	Change
Assets under management (bn)	**336.2**	299.7	12.2%
Adjusted net profit[1]	**705.5**	279.2	152.7%
excluding 2015 US provision[2]	**705.5**	701.5	0.6%
Operating income	**2,852.4**	2,694.4	5.9%
Adjusted operating expenses[1]	**2,004.8**	2,385.4	-16.0%
Cost/income ratio (%)[3]	**68.9**	67.2	-
Return on tangible equity (ROTE)[4]	**28.2%**	10.2%	-
Number of employees (FTE)	**6,026**	5,364	12.3%
Number of relationship managers	**1,383**	1,217	13.6%
BIS CET1 capital ratio	**16.4%**	18.3%	-
Moody's Rating Bank Julius Baer & Co. Ltd.	**Aa2**	Aa2	-

1 Excluding integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments.
2 Excluding in 2015 the CHF 422.3 million impact on net profit of the USD 547.25 million settlement amount provisioned in connection with the final settlement with the US Department of Justice reached on 5 February 2016 concerning Julius Baer's legacy US cross-border business.
3 Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.
4 Adjusted net profit attributable to shareholders/(half-yearly) average shareholders' equity less goodwill and other intangible assets.

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Assets under management grew by 12%, or 36 billion Swiss francs, to a record 336 billion Swiss francs. This increase in AuM was primarily attributable to positive market performance of 13 billion Swiss francs and net new money of 12 billion Swiss francs, reflecting a year-on-year growth rate of 4%. An additional 11 billion Swiss francs resulted from the first-time consolidation of 80%-owned Kairos Investment Management SpA as at 1 April 2016 and the acquisition of Commerzbank International S.A. Luxembourg, or CISAL in brief, on 4 July 2016.

After a modest start, net new money gradually accelerated during the year, strongly supported by inflows from clients domiciled in Asia, the Middle East and Western Europe (especially Monaco). This more than offset the weakness in flows from Latin America and Central and Eastern Europe.

Operating income rose by a solid 6%. Accounting for slightly over 60% of operating income, the net commission and fee income was up by 3%. Underlying this were contrasting developments: the proportionately more significant asset-based income (primarily advisory and management commissions from the wealth management business) increased by 4% and thus more than compensated for the 6% decrease in brokerage commissions driven by a year-on-year decline in client transaction volumes.

The underlying net interest and dividend income climbed by 20%. This growth was mainly attributable to a 6% rise in loans as well as higher lending margins. Net trading income in the narrower sense declined by 9%, primarily as a result of sharply lower foreign exchange volatility and trading volumes year on year.

Now, allow me to turn to operating expenses. To facilitate year-on-year comparison, the 2015 US provision of 521 million Swiss francs has been excluded from the positions it influenced in 2015. The final settlement with the US Department of Justice announced at the beginning of February 2016 had no further impact on the financial results for the reporting period.

On this comparable basis, the adjusted operating expenses went up by 8%. The large investments in recruiting relationship managers were reflected in both the rise in personnel expenses by 14% and the increase in general expenses by 9%. Taking into account the positive effect of changes to the Swiss pension fund plan in the first half of 2016, the adjusted personnel expenses rose by just 9%, in line with growth of the average number of employees on a monthly basis.

As a result, the adjusted cost/income ratio increased from 67.2% to 68.9%, on par with our expectations. Excluding the positive contributions from the aforementioned changes to the Swiss pension plan and from the fair value adjustment related to our increased ownership in Kairos, the adjusted cost/income ratio rose to 72%. This figure is clearly outside of our target range of 64% to 68% and strongly reflects the number of new hires. I will come back to this point in a moment.

Adjusted net profit for the Group rose by 1% to 706 million Swiss francs on a comparable basis in 2016. From an operating perspective, we consider this adjusted figure more relevant since it allows a meaningful comparison of underlying results over time. Also excluded – or adjusted – are expenses that are recognised in the current accounting period but relate mainly to earlier transactions as well as to the acquisition of Merrill Lynch's International Wealth Management business (completed in 2015). In brief, these expenses are the price for our investments in the future of our company.

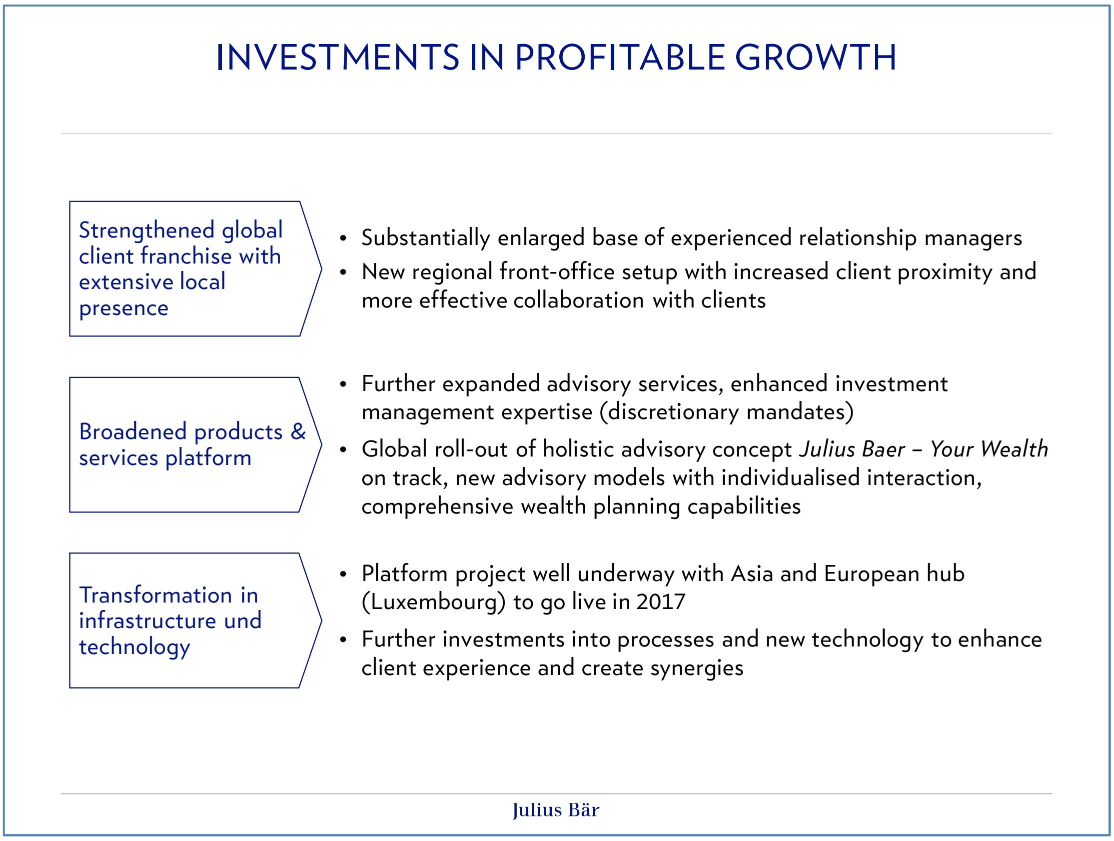
What is truly of interest to you as shareholders in our Group, as well as to the financial analysts and the broader public, is the performance of our actual operating business from year to year on as comparable a basis as possible. A consequence of such presentation, however, is that the net profit according to the International Financial

Reporting Standards (IFRS), as it is stated in our Group's 2016 annual report, turns out to be lower than the adjusted net profit. But with the Group's 2016 IFRS net profit increasing five-fold to 622 million Swiss francs, the difference between these two figures narrowed significantly in 2016.

Well positioned for profitable long-term growth

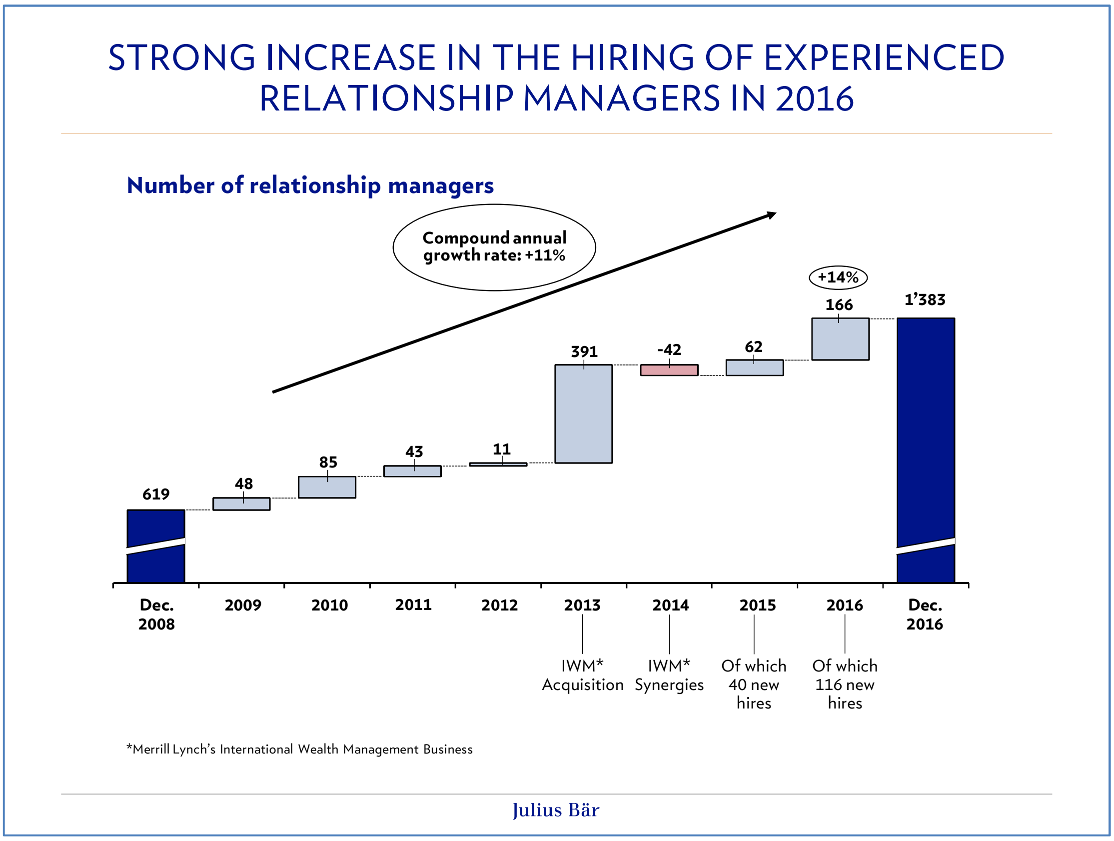
We began preparing the Julius Baer Group in 2016 for a new phase of business development and transformation. This brought some significant initial investments, mainly in the following three areas:

- Our global client franchise.
- Our global products and services platform.
- Our backbone of infrastructure and technology.



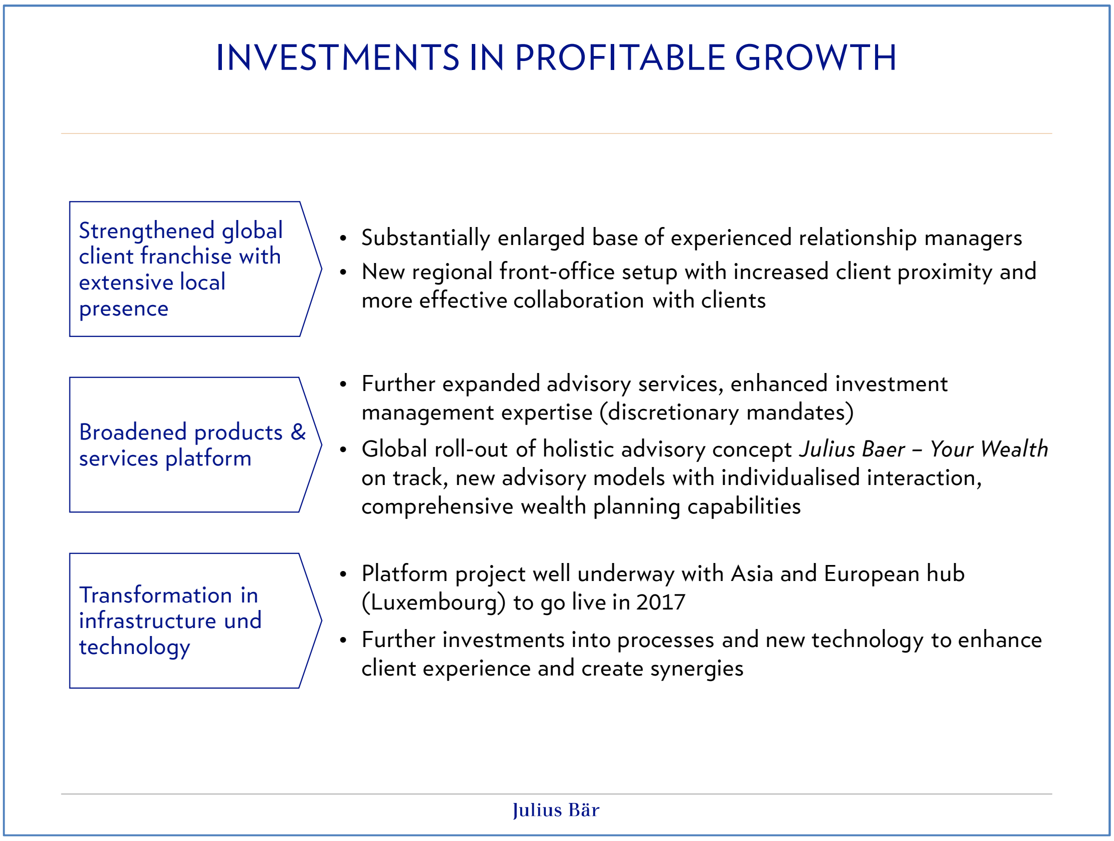
We have invested heavily in recent years in our global footprint and client proximity. With the exception of the USA, we are now present everywhere that high-net-worth individuals can be found. We have systematically increased our coverage of markets expected to show the largest growth in wealth in the coming years, namely in Asia, the Middle East, Eastern Europe and Latin America. In addition, we cover European markets offering attractive business opportunities in view of their wealth concentration and growing demand for comprehensive wealth management.

The structural adjustments going on in global private banking for a number of years now are not yet complete. Slowed economic growth in emerging economies, exacerbated by strong setbacks in the equity markets at the start of 2016, exposed weaknesses in the business models of many private banking providers and caused uncertainty among their staff. We actively exploited these market dynamics by recruiting a substantial number of experienced relationship managers in the past year.



To give you an idea of the dimensions we are talking about, Julius Baer added 166 relationship managers in 2016. Excluding the 50 relationship managers who joined us in Italy via Kairos and in Luxembourg via CISAL, we are still looking at an increase of 116 relationship managers, or around a 10% jump in the total of the previous year. To put it another way, our normal pace of hiring around 40 relationship managers per year nearly tripled this past year. As already explained, this did not come without consequences for the cost/income ratio. The outlier beyond the target range can be viewed as the price for this investment in the future profitable growth of our Group. Our substantially enlarged base of relationship managers already made a noticeable contribution in this regard in 2016, and their impact should strengthen considerably over the next 24 months. Assuming no significant deterioration in financial market conditions, we expect the cost/income ratio to move much closer to the target range already in 2017 and to return to a level within this range in 2018.

Our recruitment success underscores the attractiveness of our client-centric business model focused purely on private banking. We expect to have the opportunity to welcome many additional experienced relationship managers to Julius Baer in the coming years. In fact, we are targeting net growth of around 80 relationship managers per year. This is a third less than in 2016 but still twice as much as in the preceding years. Parallel to expanding our client base, we increased front-office productivity and gave our Group's organisational structure a clearer regional focus.



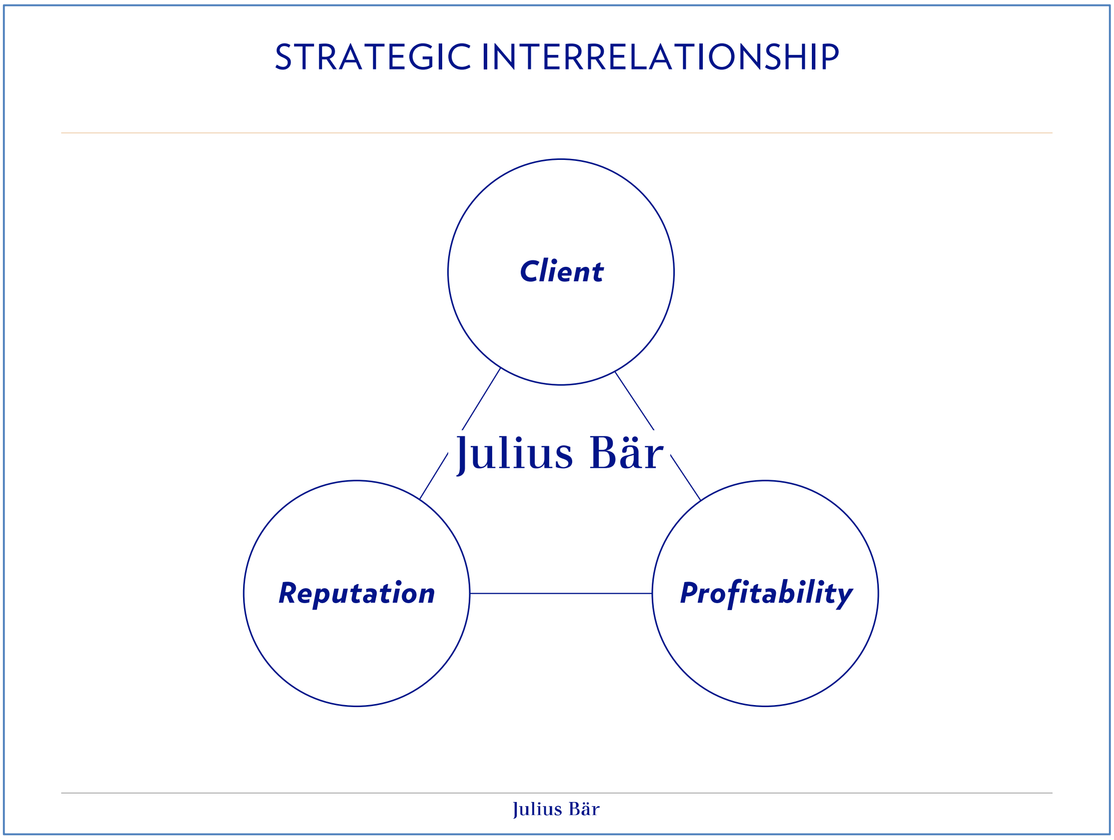
In the second area, our actual offering, we further invested in our advisory services and in our investment management expertise in 2016. Parallel to the aforementioned geographic reorganisation, we completely redirected the focus of the former Investment Solutions Group to delivering the expanded Julius Baer client experience *Julius Baer – Your Wealth*. The resulting new Advisory Solutions unit complements the Investment Management unit created at the start of 2016 to concentrate on discretionary wealth management. Together, these two units endeavour to further strengthen our commitment to achieving steadily solid investment results for our clients. Advisory Solutions, Investment Management and our Markets unit (specialising in trade processing and structured products) work closely with the front-office units to provide our discerning clientele in all geographic regions with access to competitive products and services. This range of offerings is able to satisfy all client needs, up to and including the complex demands of very wealthy individuals and families.

Already last year, dear shareholders, I briefly touched on the above-mentioned comprehensive initiative *Julius Baer – Your Wealth*. In short, through *Julius Baer – Your Wealth* we offer bespoke structured advice that considers all facets of the client's situation, in other words all financial, social and personal aspects and goals. The launch phase is currently underway. In Switzerland, the new advisory mandates have been put into effect for nearly 90% of our clientele. By 2018, the vast majority of our clientele should be able to profit from this. When we speak of comprehensive or holistic advice, we are talking about all services that cover the entire cycle of a client relationship, specifically from wealth, retirement and succession planning to wealth structuring as well as all aspects of the actual wealth management.

The third major area of investment is in the technical transformation of our Group. In 2016, we invested the largest amount in the history of our organisation. In terms of our Group's cost/income ratio, however, these investments are cost neutral since they are planned and budgeted for each respective period. I already informed you last year about our global multiyear project to replace our core banking platform. The initial concrete implementation of this multistage project is scheduled for mid-year 2017 for our booking platforms in Asia. Following this, the project will concentrate on the new Group location in Luxembourg, where the same system as Julius Baer's target platform is already in operation. We will use the Luxembourg platform as a European hub for the optimisation of our business model in Europe as well as the other booking centres in the region.

The remaining international locations will be switched over in 2018, ultimately followed by replacement of the platform in Switzerland. Preparations are currently underway, also in our home market, but we are essentially working from front to back here since we are starting by upgrading the front applications that are already useful for our clientele. Hence, among other things, we launched a modern Internet banking platform in 2016 that was complemented by a new mobile banking solution at the end of February of this year. Furthermore, we are taking advantage of the rapid growth of technological possibilities to replace or restructure our processes. For example, in their daily monitoring of client portfolios our relationship managers are now supported by automated algorithms incorporating detailed investment- and client-related criteria – or by robo-advisors as they are better known these days.

Ongoing transformation of our Group



The fundamental direction of our Group's long-term strategy has remained constant since 2009. Given the speed at which our operating environment is changing and putting added pressure on us to adapt, however, flexibility and targeted renewal are decisive for maintaining the strategic course. To sustain the momentum built up in our Group in recent years, towards the end of 2016 we launched a formal programme for the further transformation of Julius Baer. This programme channels various existing and new initiatives in a structured process aimed at securing Julius Baer's leadership position in our industry in terms of the strategic interrelationship between client, reputation and profitability.

In brief, the programme comprises the following core elements:

- *Enhancing the Group's market focus and regionalisation* while realigning the organisation to the evolving market-specific client needs.
- *Strengthening the client-centric management structure and the client knowledge framework*, encompassing all existing and anticipated future regulatory requirements.
- *Enhancing Julius Baer's holistic Your Wealth offering* through the further and wider roll-out of Julius Baer's advisory model and the strengthening of Julius Baer's investment management (discretionary mandates) capabilities.
- *Increasing the productivity and efficiency* through investing in the Group's technology platform and processes and strengthening the emphasis on its target clients.
- *Further establishing Julius Baer as the global leader in private banking* and building on the Group's attractive employee value proposition.

As you can see, this programme is very comprehensive, targeting the further development of all performance areas of our Group. We have intentionally chosen such an ambitious course for two reasons: (1) because in our operating environment a comfortable approach nearly ensures falling behind the market, and (2) because we have a strong organisation that has proven it can rise to meet ambitious goals and often exceed expectations. We are thus laying the foundation for further value creation.

Allow me to summarise my thoughts: Julius Baer has taken advantage of the various financial and other crises of the past years to successfully establish itself as the international reference in private banking:

- Thanks to the size we have reached in the meantime, today we can profit from economies of scale that enhance our Group's competitiveness and, in combination with the current digitisation trend, still offer substantial efficiency potential.
- Thanks to our global footprint, we are exceptionally close to our clients and we offer them a unique client experience built around our comprehensive service offering and our focus on understanding their individual needs as well as possible.
- Thanks to our pure private banking business model, we are the first choice for ambitious employees. The best proof of this is the impressive increase in experienced relationship managers at Julius Baer in 2016. We have thus invested significantly in the growth potential and the future profitability of our Group, and we will continue to do so.

We therefore firmly intend to remain on our chosen path of profitable growth, through a healthy mix of cost consciousness, investments in the further development of our Group and maintaining the earning power of our activities. As we move forward, we know we can count on our employees, who have continued to show great effort and exemplary commitment in recent months. I would therefore like to take this opportunity to thank you once again, dear colleagues, for your dedication.

This brings me to the end of my comments. Thank you for listening.