Julius Bär

Shareholder Information

Extraordinary General Meeting
on 19 September 2012

Julius Baer Group Ltd.

Chairman's letter

Dear Shareholders

On 13 August 2012, Julius Baer announced the proposed acquisition of Merrill Lynch's International Wealth Management business (IWM) based outside the United States and Japan from Bank of America (BofA), Merrill Lynch's parent company. As of 30 June 2012, the IWM business had approximately CHF 81 billion (USD 84 billion) of assets under management (AuM) and over 2000 employees, including more than 500 financial advisors.

The transaction includes a combination of legal entity acquisitions and business transfers that are expected to be completed over the next two years. At the completion of this integration period, Julius Baer anticipates a transfer of between CHF 57 billion and CHF 72 billion of AuM, of which approximately two thirds are expected to be from clients based in growth markets. Assuming the targeted level of CHF 72 billion AuM transferred, Julius Baer's existing AuM as of 30 June 2012 would increase by approximately 40% to CHF 251 billion and its total client assets to CHF 341 billion, both on a *pro forma*-basis.

The Board of Directors of Julius Baer Group views this transaction as a rare opportunity to acquire an international pure-play wealth management business of significant size that will add substantial scale to our business in Europe and in key growth markets in Asia, Latin America and the Middle East. Due to its strong presence in strategic growth markets and its attractive business characteristics, we believe that IWM is an excellent strategic, cultural and geographic fit for Julius Baer.

While the bulk of IWM's business is in locations where Julius Baer is already present, such as Geneva, London, Hong Kong, Singapore, Dubai and Montevideo, the acquisition would also add new locations in Bahrain, the Netherlands, India, Ireland, Lebanon, Luxembourg, Panama and Spain to Julius Baer's existing network. Post integration, Julius Baer will be present in more than 25 countries and 50 locations globally. At the targeted level of CHF 72 billion AuM transferred, the proportion of AuM derived from growth markets is expected to increase from over a third today to almost half, on a *pro forma*-basis.

Through this acquisition we will:

- take a major step forward in implementing Julius Baer's growth strategy, considerably strengthen its leading position as provider of choice in global private banking and create a powerful offering for all clients of the combined businesses;
- add substantial scale to Julius Baer's existing locations both in growth markets and in Europe and add presence in a number of new locations;
- reinforce Julius Baer's attractiveness as the employer of choice in private banking; and
- expect to significantly reduce Julius Baer's net currency exposure to the Swiss franc as a result of the geographic currency diversification.

The agreed transaction price is 1.2% of AuM transferred, payable only as and when AuM transfer to Julius Baer. Therefore, at CHF 72 billion AuM transferred, Julius Baer would pay approximately CHF 860 million for IWM whilst requiring approximately CHF 300 million of regulatory capital to support the incremental risk-weighted assets on our balance sheet. In addition, the total restructuring, integration and retention costs required to transfer the business to the Julius Baer platform are expected to amount to up to approximately CHF 400 million (after tax CHF 312 million). Separately, BofA will assume up to an additional USD 125 million of defined restructuring and integration costs.

Principal closing is expected to occur towards the end of 2012 or in early 2013, subject to applicable regulatory and shareholder approvals and other closing conditions. The integration process is expected to be completed over a two-year period following principal closing, with the majority of the business expected to be transferred within the first 12 months. The parties will work closely together prior to principal closing to develop a detailed separation and integration plan for each of the acquired businesses.

The acquisition is expected to be earnings accretive from the first full steady-state year following integration. Based on the latest share price prior to announcement of the acquisition on 13 August 2012 and assuming that the amount of AuM transferred ultimately falls within the expected range of CHF 57 billion and CHF 72 billion, the earnings per share (EPS) accretion based on adjusted net profit[1] is targeted to reach approximately 15% in 2015.

From the first full steady-state year following the integration, Julius Baer envisages the following targets for the new enlarged group:

- net new money of 4–6% p.a.;
- cost/income ratio of 65–70%; and
- pre-tax profit margin of 30–35bps.

In addition, given the imminent convergence of the approaches to calculating capital ratios used by the Bank of International Settlement (BIS) and by the Swiss Financial Market Supervisory Authority (FINMA) in 2013, the minimum required BIS total capital ratio will be reduced from 14% to 12%. Therefore, Julius Baer adjusts its BIS total capital ratio target from the current 16% to 15%, which represents a 3% (thus far 2%) buffer over the regulatory minimum requirement. The 12% BIS tier 1 target ratio will remain unchanged. In the proposed capital planning, Julius Baer's capital ratios are expected to remain above target levels at all times during and after the integration process, taking into consideration all currently known non-transaction related impacts on our capital base. The previously announced share buyback programme will not be undertaken.

As part of the acquisition, Julius Baer and BofA have agreed to enter into a cooperation agreement whereby BofA will provide certain products and services to Julius Baer, including the provision of global equity research, product offerings and structured and advisory products. In addition, there will be cross-referral of clients between both organisations.

The Board intends to put funding in place at a level that is sufficient to support the acquisition of up to CHF 72 billion AuM. At that level, the acquisition is expected to be funded by a combination of up to CHF 530 million from existing excess capital, raise at least CHF 200 million in the form of new hybrid instruments, and CHF 740 million of new share capital, of which CHF 240 million is to be issued or transferred to BofA as part of the consideration, and CHF 500 million to be raised via a proposed rights offer.

1 Adjusted net profit excludes integration and restructuring expenses and amortisation of intangible assets.

At the Extraordinary General Meeting on 19 September 2012, the Board will propose the creation of authorised share capital in the aggregate nominal amount of CHF 750,000 through the issuance of a maximum of 37.5 million new shares to be used exclusively for the purpose of the partial financing of the IWM transaction. Up to 30 million shares are expected to be issued in a proposed rights offer. The remainder of up to 7.5 million shares will be available to be issued or transferred to BofA or affiliated companies as partial consideration for the IWM transaction. In respect of the shares to be issued or transferred to BofA or affiliated companies, the pre-emptive subscription right of the existing shareholders will be excluded.

At current estimates, BofA is expected to own approximately 3–4% of the issued shares in Julius Baer following completion of the IWM transaction.

In view of the importance of the acquisition and given that the proposed creation of authorised share capital is an important precondition for this transaction to materialise, we ask for your support at the Extraordinary General Meeting by approving the creation of the required authorized share capital. The Board strongly believes that the acquisition and thus the creation of the authorised share capital are in the best interest of all our shareholders and the Company.

In addition, we are delighted that BofA will take part in the capital raising as a new shareholder, thus underlining its strong confidence into the success of the new, enlarged Julius Baer Group. As it is customary in transactions like this, the participation is subject to a lock-up period of 12 months as specified in more detail in the acquisition agreement.

On behalf of the Board, I would also like to take this opportunity to thank you for the support you have afforded Julius Baer and its management and we would be grateful to count on your continued ownership of Julius Baer in the future as well.

Yours sincerely,

Daniel J. Sauter
Chairman

Zurich, 24 August 2012

Disclaimer

This document is intended to provide the shareholders of Julius Baer Group Ltd. (the "Company" or "Julius Baer") with information relating to the proposed increase of the Company's authorized share capital for the purposes of (1) a rights issue of shares and (2) an issuance of further shares to be used as consideration for Merrill Lynch & Co. Inc. and its affiliates in the context of the acquisition by Julius Baer of Merrill Lynch's International Wealth Management Business outside the United States, to be resolved by the Extraordinary General Meeting on 19 September 2012.

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This document includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the transaction described herein, the financing thereof, potential synergies and the Company's and the combined group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, opportunities and the industry in which the Company operates. Forward-looking statements involve all matters that are not historical fact. The Company has tried to identify those forward-looking statements by using the words "will", "expect", "estimate", "believe", "target", "intends", "envisages" and similar expressions or their negatives. 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.

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