Julius Bär

SPEECHES

at the Annual General Meeting 2015
of Julius Baer Group Ltd.

Zurich, 15 April 2015

Chairman's address

Daniel J. Sauter
Chairman of the Board of Directors

Address

Boris F.J. Collardi
Chief Executive Officer

Check against delivery.

Chairman's address
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. We are here today to conclude a successful financial year, one that was both challenging and exciting in many respects:

- Faced with a growing number of geopolitical threats, the global economy showed surprising resilience in 2014. Despite falling energy and commodity prices, however, it did not gain any added momentum. In response to this sluggishness, the central banks maintained low interest rates or even further loosened monetary policy, helping the financial markets reach an attractive performance level.
- Aided by the favourable environment as well as by strong net new money inflows, Julius Baer recorded new record-high assets under management. This asset growth also benefitted from the first-time consolidation of our Brazilian subsidiary GPS and from our rapid progress in integrating IWM, the International Wealth Management business of Merrill Lynch outside the USA, whose acquisition was formally brought to a close at the end of January this year.
- As a consequence of our progress, the Julius Baer Group now has a broader international presence than ever before in its 125-year history. This enables us to tackle the changes in the economic and regulatory environment from a position of strength. At the same time, we can continue pursuing our growth strategy as a pure private bank, both organically and through participation in the ongoing consolidation of the financial industry. A recent example of this is our acquisition of Leumi Private Bank AG's business in Switzerland.

- Given the Group's strong growth, we were able to sharply increase operating income. Thanks to our continued focus on cost discipline as well as to our organisation's high operating efficiency despite the integration efforts, we maintained good control of expenditures. All in all, this enabled us to improve profitability and to achieve a very gratifying net profit for the Julius Baer Group in 2014. We also managed to boost the adjusted return on equity by nearly another three percentage points to over 16%. We thus created significant added value for our shareholders in excess of the Group's capital costs. This is also reflected in our Group's capital base: with a core capital ratio of 22% (BIS definition), we hold a top position compared to our competitors. Boris Collardi, CEO of our Group, will take an in-depth look at the 2014 business results and the strategy of Julius Baer following my address.

Shortly before we published our annual financial results, Switzerland's economy faced another key turning point: precisely three months ago today, the Swiss National Bank (SNB) surprisingly abandoned the cap on the Swiss franc against the euro and lowered the interest rate on sight account balances by a further 50 basis points into negative territory. I will refrain from commenting on the reasoning of the SNB. Following my remarks, Boris Collardi will explain how Julius Baer has responded to the strength of the Swiss franc. But I would like to take a look at our country against the backdrop of the SNB's decision.

Switzerland: a special case

The SNB's decision on 15 January to immediately abandon the cap on the Swiss franc against the euro swept like a shock wave across our country. Each industry, each company and all of us were in some way affected directly or indirectly by this decision. This gave rise to a sense that we are all sitting in the same boat and are confronted with the same problem. And this has spurred a dialog focused primarily on getting the job done:

- Despite consternation, there have been no demands for government programs.

- In the corporate sector, after already overcoming the seemingly strong Swiss franc at 1.20 to the euro, people have rolled up their sleeves to look for further efficiency potential and other operational measures to protect profitability.
- In the public debate, an entire package of practical approaches is being discussed, ranging from reducing bureaucracy to simplifying the implementation of flexible working hours.

First, however, we need to put the strength of the Swiss franc in perspective. The appreciation trend of the Swiss franc is nothing new and exists since the advent of floating exchange rates in 1971. Since then, our currency has appreciated from 4.30 to below parity versus the US dollar and from 10.50 to around 1.40 Swiss francs at present versus the British pound. At the introduction of the euro as 'book money' at the start of 1999, one euro was worth 1.61 Swiss francs, compared with about 1.05 Swiss francs today. This massive appreciation of our currency, however, has not eroded the industrial base of our country or brought exporters to their knees. Quite the contrary is true. Whereas the Swiss franc has appreciated by 50% on a trade-weighted basis over approximately the past about 40 years, Switzerland's real industrial production has more than doubled. That is impressive performance.

This makes Switzerland a success story. The country's economic strength combined with political stability, fiscal caution and correspondingly low public expenditures and public debt has turned it into an admired special case. This also includes our overcoming the strong Swiss franc. In keeping with our mentality, we have resisted the temptation to proclaim ourselves world champions in this category, but we have gotten used to solid economic growth almost regardless of the exchange rate trend. Or has Switzerland gone so far as to take success for granted and developed a tendency towards complacency?

The fact is that Switzerland is currently a victim of its own success. Thanks to stability in nearly all public, social and economic areas, our country comes across as a safe haven in uncertain times, especially since the onset of the financial crisis in 2007. Switzerland has therefore attracted an enormous amount of capital, due to the aura of safety, but also due to the productive investment opportunities driven by innovation, the education standards and cultural openness. This has brought us above-average growth, above-average prosperity and the prospect of a seemingly unlimited, bright future.

And this is where the danger of complacency comes into play: even in Switzerland, prosperity is not static but changes over time. If economic performance declines, prosperity tends to decline. And if the driving forces of sustained economic performance are undermined from within, regression looms. As we learned in January, but really knew all along, we cannot indefinitely dictate the exchange rate of the Swiss franc. And besides, the foreseeable dampening effect of the strong Swiss franc on economic activity will have a corrective impact on the currency's value. But we can still decide for ourselves how flexible our labour market should remain, how many protection mechanisms we want to impose on consumers previously considered sophisticated, how many regulatory costs we want to and still can pile on our domestic production (from the financial industry to the industrial sector), and to what extent we let our sense of national pride get in the way of recruiting key personnel resources from abroad.

Both individuals and companies enjoy many freedoms in Switzerland. If a sense of powerlessness spreads in the face of too many aggressive market interventions, excessive regulation and growing government control, then the final act of freedom would be to avoid Switzerland as a place to live, work and locate companies, or to exit the country. We cannot let things get this far. The number of new companies locating here has fallen sharply throughout Switzerland, and specialised consulting firms receive more inquiries today regarding companies moving **out** than companies moving **in**. We complain about the strong Swiss franc relative to the euro, but we are threatened by the rise of Asia. China is preparing to make the jump from a cheap production site to a manufacturer of innovative products. And in the Shanghai region alone, 3.6% of the economic output is being invested in research, a record figure worldwide. Unsurprisingly, 80% of the global growth in the middle class in the next 15 years is expected to take place in Asia, which will benefit from this group's high purchasing power.

Switzerland is thus neither unchallenged nor invulnerable as a business location. It is therefore all the more important that the SNB's wake-up call is followed by constructive actions to shape a successful future, on all political levels and also regarding the current legislative initiatives aimed in the opposite direction – so that Switzerland's success formula is not threatened.

Strong militia political system, strong Switzerland

This is naturally easier said than done, and we are all called upon to make a contribution, as individuals and as companies. We need to focus on the strengths that distinguish Switzerland's political system. I am thus referring to direct participation, i.e. personal engagement in the best sense of the Swiss militia political system, which is far from the current growing flood of initiatives from the attention-hungry political parties.

When we speak of scarce resources, then the scarcest of all are farsighted citizens who, through the strength of their knowledge, their background and their life experience, not only see Switzerland's viable paths into the future but also help to shape these paths through active participation in the political process and at all levels of government. Julius Baer actively supports this militia tradition and has created its own charter in this regard. This is not merely a well-intentioned, toothless paper tiger, but rather a declaration of intent to which we have bound ourselves. We thus want to honour and encourage the civic engagement of our employees in Switzerland.

WE SUPPORT POLITICAL AND SOCIAL ENGAGEMENT

1. We actively contribute to promoting a constructive and respectful **dialog between society, politics and the economy**.
2. Stability and social cohesion in Switzerland are the result of the **personal engagement of citizens** who get involved in political and civic life in their spare time.
3. We therefore explicitly approve of our **employees' decisions to take political office** or participate in charitable organisations.
4. We appreciate such engagement and **support these employees as much as possible** (through a special arrangement for crediting civic time to work hours, through the provision of working materials and also through taking such activity into account in the internal performance evaluations, etc.)
5. Our politically and civically active **employees meet at least once a year with top management to share experiences and ideas**.

Julius Bär

Apart from encouraging people to serve in political offices or engage in local community service, we also very concretely support employees who are involved in charitable organisations or civic life: through a special arrangement for crediting civic time to work hours, through the provision of working materials and also through taking such activity into account in the internal performance evaluations.

To stay on top of developments, our politically and civically involved employees meet at least once a year with top management to share experiences and ideas. In addition, we support studies of the Swiss political system that could lead to possible improvements. Through these measures, Julius Baer is striving to make a small but democratically tangible contribution to strengthening the political and social systems in our country and thus to ensuring that Switzerland, which we as a company have stayed true to for 125 years, remains a liveable, cosmopolitan and attractive business location.

Julius Baer celebrates 125 years

125 years – our Group will mark this anniversary in 2015. In our fast-paced times, 125 years seems like half an eternity. And indeed, this span encompasses the shift into two new centuries and even one new millennium, phases of great economic boom and bust, and times in which humanity has been locked in fierce military conflict as well as those in which it has joyfully hailed major scientific achievements. To prosper as a company over such a long time frame is an outstanding accomplishment that cannot be lauded enough.

In the case of Julius Baer, no less than four generations of the Baer family participated in the development of the company over a period of more than 120 years. Their business acumen, their family values and, last but not least, their strong belief in the future – along with a healthy dose of courage and determination – paved the way for Julius Baer to successfully enter the modern era. As with world history itself, this path was anything but linear, but it was all the more marked by the willpower and impressive foresight of those involved. Without touching on the many important milestones individually, I will briefly summarise the steps that turned out to be key turning points in hindsight.

Julius Baer literally went public in 1980, an unusual and tremendously progressive step for a Swiss private bank at the time. The company thus raised fresh capital to finance further growth. However, the majority of voting rights remained within the Baer family pool. Retaining the family influence at the executive management level was very important for Julius Baer's attractiveness as a private bank in that era.

The profound changes in nearly every respect over the subsequent two decades – from globalisation and the exponential growth of the financial markets to the demands of modern corporate governance – increasingly exposed the limits of the closed ownership structure. Once again, it was foresight and bold determination which put Julius Baer on the path that the company is still on today. For the family, relinquishing its voting majority in early 2005 was certainly no easy move, but it was ultimately the right step for the good of the company.

The resulting increased flexibility in the capital structure was almost immediately put to use: three private banks were acquired in the same year, nearly doubling Julius Baer's private banking business in one stroke. This also marked the beginning of targeted expansion into the promising growth markets.

In 2009, after two tough years of financial crisis, the time was ripe to place Julius Baer's focus exclusively on the private banking business – almost as if in the spirit of founder Julius Baer. In a rather unorthodox step, the private banking business was separated from the asset management and fund business. This gave us the opportunity, in the new age of complete tax transparency and the growing dominance of emerging countries and regions, to position our Group as a pure private bank focused exclusively on the interests of its clients. With the conclusion of the Merrill Lynch integration – with great success and the expected results – we have nearly completed this repositioning.

Through this final step, we brought a transformative decade for our company to a close and laid the foundation for the successful future development of Julius Baer. With so much hindsight, we can ask whether the Julius Baer of today is even still comparable with the company of 50 years ago. The answer is yes and no. Based on the international presence, the sheer size and the related complexity of management and compliance, today we are in a completely different league. As a result of this, however, we have access to a much broader range of development opportunities that we intend to systematically exploit as we pursue our growth strategy as an independent provider focused exclusively on private banking. In so doing, we can rely on our strong entrepreneurial creativity, which has been a distinguishing feature throughout the history of Julius Baer and drives our company forward today as dynamically as 125 years ago. We have also maintained the manoeuvrability and adaptability of a much smaller company, which are extremely important abilities in today's world of permanent challenges.

When it comes to our self-perception and our self-image, however, Julius Baer has remained Julius Baer. This is reflected in:

- our unparalleled client focus;
- our objective advice centred completely on the needs of our clients;
- our corporate values of Care, Passion and Excellence;
- our conservative stance that is aimed at ensuring the long-term welfare of the company; and
- our willingness to take our future development into our own hands and shape it ourselves through openness, foresight, courage and innovation.

It is a great honour for me, as part of the current leadership generation of Julius Baer, to be able to pay tribute to the many visionary and courageous leaders who left their mark on the development of Julius Baer over the past 125 years. All of us may be proud of what has been achieved.

Dividend increase

The most important thing, however, is and remains what lies ahead of us. Julius Baer is very well positioned to successfully master the future challenges of our industry. You should participate in this confidence in our future – and the significantly increased earnings power of our Group – through a higher dividend payout. The Board of Directors therefore proposes to you today a dividend of one Swiss franc per share, an increase of two thirds.

Through this initial step, we are also fulfilling a promise we made when we announced the Merrill Lynch acquisition: at the time, we pledged to review the Group's capital management and dividend policy upon completion of the integration. For a conclusive overall assessment, we are unfortunately still lacking one key element, namely the conclusion of the proceedings with the USA regarding legacy tax matters and the financial impact that an agreement with the US authorities will have on the Group. We have nevertheless revised the dividend policy, as promised, in spite of the still unresolved issue with the USA.

Julius Baer is currently at an advanced stage of talks with the relevant US authorities and is confident and determined that it will soon reach a solution in the interest of all stakeholder groups and conclude this matter. As you know, we began cooperating early and actively with the US authorities to resolve this legacy tax issue and have been acknowledged by them for this. At the same time, we did our homework early and have cleaned up our client base. We are convinced that we will be among the next banks to conclude this chapter.

A few words on good intentions and achieving the goals of regulation

Allow me now to briefly look at the changes in the legal and supervisory environment. The regulatory marathon of the past years also continued in 2014, with a trend towards even higher hurdles and clearly broader international enforcement. With the revised *Markets in Financial Instruments Directive*, known as MiFID in short, the EU has set forth a framework for strengthening the protection of banking clients. In order to prevent further jeopardising Swiss financial service providers' market access to the EU, the Federal Financial Services Act (FFSA) was launched in Switzerland based on the MiFID regulations. Even though the Swiss Federal Council toned down some critical points after the recent consultation phase, the generally good intentions clearly shift the risk profile of the bank-client relationship in the EU and in Switzerland to the disadvantage of the banks. Not least for reasons of self-protection for the banks, the contractual agreements between the client and the bank will become even more extensive and complex than up to now. The already high compliance costs of the banks will thus tend to keep rising. The result will be even further restricted markets and a shift in the range of offerings towards the simplest possible, standardised advisory mandates suited to the risk profiles of the clients.

More conducive to achieving the stated goals, though no less complicated, is the trend towards complete tax transparency that has meanwhile taken on global dimensions. The unilateral US tax law FATCA has been a reality for natural persons since mid-2014 and for legal persons since the start of 2015 in dozens of countries around the globe, including Switzerland. Even more comprehensive and based on reciprocity is the agreement that Switzerland and the EU initialled a month ago regarding the introduction of the global standard for the automatic exchange of information in tax matters. Switzerland and the 28 EU member states intend to collect account data from 2017 and exchange it from 2018 once the necessary legal basis has been created. To enjoy unrestricted reciprocity in the case of the USA, the current agreement will have to be transformed into a new one. In any event, all of these efforts are conducive to bringing the phase of uncertainty regarding the tax legacy of our industry to a definitive end in the foreseeable future and to creating a level international playing field for the management of client assets. As previously mentioned, Julius Baer has already largely resolved the legacy tax issue on its own.

In 2014, the Ordinance Against Excessive Compensation in Listed Companies entered into force in Switzerland. Already at last year's Annual General Meeting, dear shareholders, we outlined our Group's amended compensation system, and it received very positive feedback. We have therefore retained the cornerstones of our compensation model for 2014 and merely adapted some subsections to the latest developments, which I will address in greater detail under agenda item 4. All in all, the transparency of our compensation system was thus further increased. The objective of our compensation system remains to support our business and Group strategy in a responsible way, thus promoting the ongoing development of our company and ensuring the creation of added value for all stakeholder groups as we move forward.

This brings me to the end of my comments. Julius Baer has performed well thus far in the 2015 financial year despite the currency turmoil. Unexpected and pivotal events such as the SNB's decision also provide an opportunity to gauge the true effectiveness of an organisation in day-to-day business. Julius Baer passed this test with flying colours, not least thanks to capable risk management and a motivated staff. Our employees responded as confidently as they did throughout all of 2014: with skill, energy and much understanding for the concerns of our clientele. For this, they have earned my utmost thanks.

I also wish to express my gratitude to our Executive Board, which has remained stable for years now and done outstanding work in implementing our business strategy. And I again acknowledge all the Group's employees, whose outstanding and tireless efforts have made our achievements possible. My thanks additionally go out to all of our clients for their loyalty as well as their trust in us.

Dear shareholders, thank you for taking time today for the Annual General Meeting of Julius Baer and for your faithful support as our investors.

Address by Boris F.J. Collardi, Chief Executive Officer

Ladies and Gentlemen

Considering the financial market environment in 2014, we enjoyed another gratifying financial year marked by the successful development of Julius Baer – and this statement applies without restriction to all the geographic regions in which we operate. In terms of the economic and geopolitical climate, 2014 was also a challenging year that gave us ample opportunity to closely support our clients as well as to seek out attractive investment opportunities for them in an environment of low and further falling interest rates since the start of the year.

ASSETS UNDER MANAGEMENT AT NEW RECORD HIGH – SOLID FINANCIAL RESULT

CHF mn	**2014**	2013	Change
Assets under management (bn)	**290.6**	254.4	14.2%
Average assets under management (bn)	**272.2**	229.0	18.9%
Adjusted net profit[1]	**585.8**	479.8	22.1%
Operating income	**2,546.7**	2,194.7	16.0%
Adjusted operating expenses[1]	**1,840.3**	1,611.5	14.2%
Cost/income ratio (%)	**69.9**	71.3	-
Number of employees (FTE)	**5,247**	5,390	-2.7%
No. of relationship mgrs. (incl. from IWM: 316)	**1,155**	1,197	-3.5%
BIS tier 1 capital ratio	**22.0%**	20.9%	-
Market capitalisation (bn)	**10.3**	9.6	6.9%
Moody's Rating Bank Julius Baer & Co. Ltd.	**A1**	A1	-

[1] Excluding amortisation of intangible assets, integration and restructuring costs as well as in 2013 the provision for UK withholding tax. Including these positions, the net profit was CHF 367 million in 2014, up 96% from CHF 188 million in 2013.

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Against this backdrop, the Julius Baer Group produced a solid result for the year under review. Assets under management increased by 36 billion Swiss francs, or 14%, to a record level of 291 billion Swiss francs at the end of 2014. This rise includes very positive net new money inflows of 13 billion Swiss francs, reflecting a year-on-year growth rate of 5%. A further 6 billion Swiss francs are attributable to our Brazilian subsidiary GPS, which was consolidated for the first time after we increased our ownership from 30% to 80% in April 2014. And finally, the positive market performance contributed 6 billion Swiss francs and the positive currency impact added slightly more than 11 billion Swiss francs. But the beneficial currency effect has been strongly mitigated since the Swiss National Bank's decision in mid-January, as we shall see in a moment. The 291 billion Swiss francs of assets under management include 60 billion Swiss francs – valued at year-end 2014 – that were transferred from IWM to Julius Baer during the two-year integration phase.

The very positive net new money was attributable to continued inflows from all growth markets as well as to our local business in Germany and, I am very pleased to say, to our business here in Switzerland. At the same time, the inflows from the cross-border European business were more than offset by the outflows resulting from self-declarations. The former relationship managers of Merrill Lynch have already contributed more than 2 billion Swiss francs to net new money inflows, thus clearly exceeding the expectations for 2014.

Operating income was up sharply, though slightly less strongly than the average assets under management. Net commission and fee income, which accounts for 60% of operating income, kept pace with the growth in average assets under management and increased by 19%. In contrast, net trading income was marked by the long period of subdued volatility in the currency area. Together with the decline in interest income on trading portfolios, this resulted in only a modest rise of 13% in the underlying net trading income.

Nevertheless, we were able to improve the Group's profitability through rapid implementation of the restructuring and rightsizing measures relating to the IWM integration. This progress is reflected in the below-average increase in adjusted operating expenses, whose 14% growth was significantly less than the 19% rise in average assets under management.

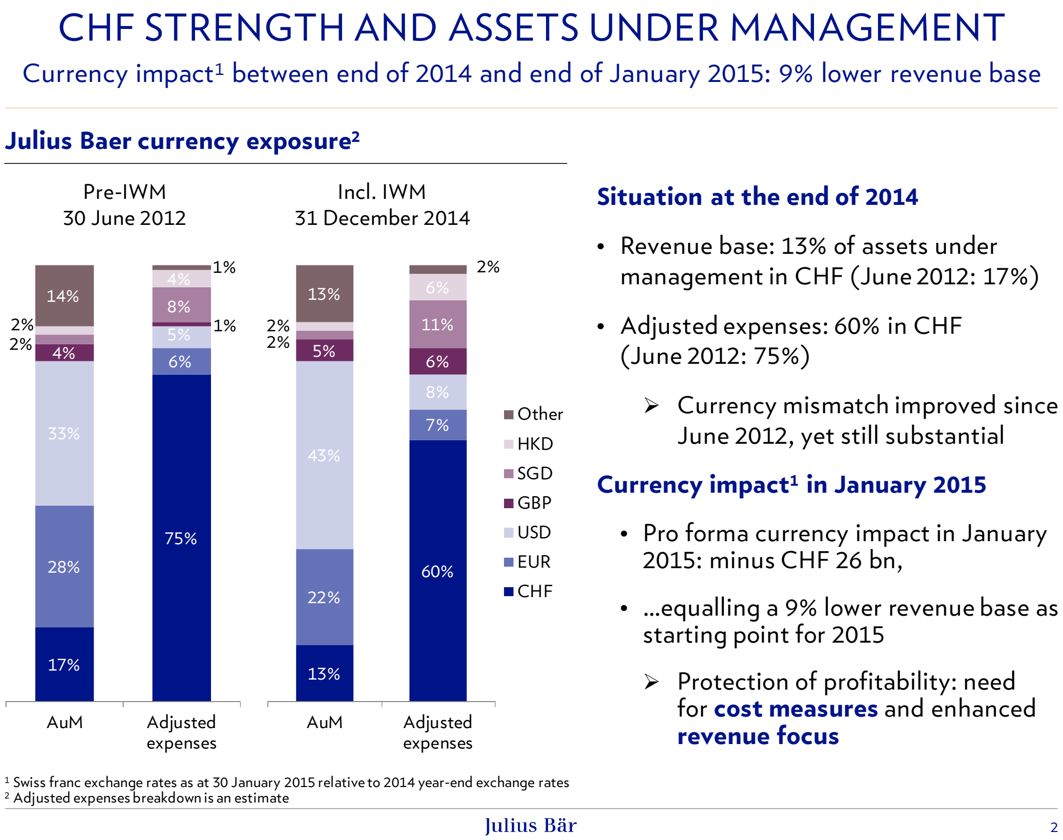
Thanks to the IWM synergies, the adjusted cost/income ratio improved to just below 70%. We have thus reached our stated target range of 65% to 70% already a year earlier than expected, and this ratio showed even further improvement to 69% in the second half of 2014.

Adjusted net profit increased year on year by 106 million Swiss francs, or a gratifying 22%, to 586 million Swiss francs. When we talk about adjustment, we mean the exclusion of a number of expenses that are recognised in the current accounting period but relate mainly to earlier transactions, and also to the IWM acquisition. In brief, these expenses are the price for our investments in the future of our company. But what truly interests you as shareholders in our Group, as well as the financial analysts, is the performance of the actual operating business. Only in this way is a meaningful comparison of the underlying results over time possible. A consequence of this approach, however, is that the net profit according to the International Financial Reporting Standards (IFRS), as it is stated in our Group's 2014 annual report, turns out to be lower than the adjusted net profit and exhibits greater fluctuation, which is particularly striking in 2014 with a rise of 96%.

As I have already mentioned, all of our geographic regions did outstanding work in 2014, significantly further strengthening their market position and client base in many instances. This resulted in positive net new money inflows in all regions across the board. The sustained quality and relevance of our products and services is also reflected in the many awards we once again received in the different regions. Given this positive picture, I will forgo my customary discussion of our regional activities and instead turn my attention to a few other important topics.

The first such topic is the abandonment of the cap on the Swiss franc against the euro by the Swiss National Bank. In the blink of an eye, this surprising step created a new economic reality for the Swiss economy and thus also for Julius Baer.

The impact of currency movements on the earnings power of the Group is especially evident in the case of our commission income on assets under management, which accounts for around 60% of our operating income. Changes in currency relationships produce a significant leverage effect here. To illustrate this, I will compare the situation in mid-2012, before the IWM acquisition, with that at the end of 2014.



Due to our increased internationalisation, the share of Swiss franc-denominated assets declined from 17% to 13% during this period (represented by the dark-blue fields in the left-hand bars for the respective dates). Parallel to this, the cost block in Swiss francs decreased from 75% to 60% (the dark-blue fields in the right-hand bars for the respective dates). Looking at both figures in relationship to each other, we see that the currency discrepancy has diminished on the whole as a result of the IWM integration, which is positive.

Nevertheless, the level of disparity remains large. The strong appreciation of the Swiss franc had a direct quantitative impact on the 87% share of the assets under management that were not denominated in Swiss francs at the end of 2014. Comparing the situation on 31 December 2014 with that on 30 January 2015, we estimate that the Swiss franc's surge cost us 26 billion Swiss francs as at the latter date and thus also lowered our revenue base – that amount is twice as much as the entire net new money inflows recorded in 2014. The Swiss franc has since weakened slightly relative to the euro, but the effect is still strong and calls for countermeasures.

To put us in a position to continue achieving our profitability targets, we have adopted a set of measures to mitigate the currency translation impact:

- On the cost side, we have initiated an efficiency program that should lower the current expenses by 100 million Swiss francs over the next two years. This program encompasses new hiring restrictions, the redistribution of resources as well as the phasing out of 200 jobs through natural fluctuation and staff reductions. As for the general expenses, short- and medium-term improvements in processes across the entire Group as well as cutbacks in travel and marketing expenditures will help to lower costs.
- On the income side, the measures focus on the pricing of our services, on even further intensifying our advisory activity as well as on increasing the degree to which the transferred IWM assets mirror the diversity of Julius Baer's product platform, including structured products, portfolio management services and credit offerings.

The Swiss franc shock, as it is commonly referred to, is undoubtedly a major additional challenge for Switzerland in general and for the banks in particular. For Julius Baer, it simultaneously represents an opportunity to become even more efficient, to scrutinise our workflows in an international context and to systematically add even greater balance to the currency mix of our business, which has already benefitted from the IWM integration. These adopted and swiftly implemented measures will help us to ultimately emerge from the currency turmoil in stronger shape.

Allow me now to shift my focus and talk briefly about the major topic of the past year. It is THE big topic that has occupied us for nearly a thousand days, challenged us and driven us to new performance heights: the IWM transaction we announced on 12 August 2012.

EXTERNAL VIEW ON THE IWM TRANSACTION

Comments by media and financial analysts

"Der mühsame Weg zur Viertelbillion"
(Finanz und Wirtschaft, August 2012)

"La complexité d'une bonne acquisition"
(L'AGEFI, August 2012)

"Bär schluckt IWM rascher"
(Finanz und Wirtschaft, October 2012)

"Strategic buyout expands Swiss bank's Asia profile"
(THE STRAITS TIMES, March 2013)

"Julius Baer feels benefit of Merrill Lynch acquisition"
(The Wealth Net, July 2014)

"Julius Bär in rasanter Fahrt"
(Neue Zürcher Zeitung, February 2015)

"Baer delivered good news by showing better performance from IWM"
(Deutsche Bank, July 2014)

"IWM margins continue to increase as the business gets integrated into Baer and more productive"
(Morgan Stanley, November 2014)

"The execution of the IWM acquisition has been successful so far which boosted management credibility"
(Berenberg, February 2015)

"Growing confidence on IWM integration"
(Morgan Stanley, February 2015)

"Execution upside on the recently acquired business (IWM)"
(Goldman Sachs, February 2015)

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The size and complexity of this undertaking initially prompted many positive reactions as well as some critical ones from the markets, in the media and among analysts. For Julius Baer, the acquisition represented a rare opportunity to significantly increase our international footprint in one stroke and especially boost our presence in the growth markets – even if this meant placing a major additional burden on our Group for years to come due to the integration. From the outset, we were firmly convinced that our organisation would be able to cope successfully with such an immense project.

You, dear shareholders, supported our reasoning at the Extraordinary General Meeting of mid-September 2012 and approved the capital increase needed to finance the acquisition. And today, two and a half years later, we can proudly tell you that the transaction is largely complete. Thousands of clients, tens of thousands of accounts and hundreds of thousands of securities have been successfully transferred at 17 out of a total of 18 locations. That leaves only the transfer of the business in India this year; the preparations for this are already quite advanced.

The objectives we set at the outset, and that you supported as our investors, have been achieved: we have successfully established Julius Baer as the international reference in private banking. Our Group now has an exposure to growth markets of close to 50% of assets under management. Half of this amount, i.e. approximately 25% of total assets under management, is attributable to Asia alone. We have been able to significantly expand our presence in both new and existing markets in this region, making it the Group's largest market today after Europe.

We have also reached our quantitative targets:

- With 60 billion Swiss francs valued at year-end 2014, the volume of transferred assets is within the target range.
- The restructuring and rightsizing process already announced at the beginning of the acquisition is nearly complete. This step was important to bring about the necessary synergies and thus to generate the added value envisaged through the transaction for you, our shareholders.
- The cultural and business fit between the acquired entities and Julius Baer has been excellent. The potential of the enlarged Group has therefore become accessible earlier than expected, from the magnitude of the product penetration to the gratifying net new money inflows and the profit contribution of our new colleagues.

After two and a half years, we can say without exaggeration that the IWM acquisition was a courageous step, risky but clearly worth taking. This brings us to the question of where does Julius Baer currently stand and where is our Group heading.

Looking ahead, we intend to maintain our growth strategy. The IWM transaction was part of this plan, as was the gradual expansion in Brazil and the recently completed integration of Leumi Private Bank AG's business in Switzerland, complemented by a comprehensive cooperation agreement with Bank Leumi. We will continue on this path of profitable growth, through opportunistic participation in the ongoing consolidation of the financial industry, through further cooperation agreements and targeted acquisitions as well as through hiring additional highly qualified relationship managers to achieve organic expansion. In this latter connection, the IWM acquisition further strengthened Julius Baer's reputation around the globe as an employer of choice. Thanks to this top-notch standing, we have a considerable advantage in the competition for the best talents.

At the same time, however, the IWM integration did not prevent us in 2014 from achieving further improvement in our actual core competence – offering our clients first-class advice and investment solutions – whether through even more structured advisory processes, through the expansion of our product platform or, last but not least, through attractive performance.

The renewal of the core banking platforms over the coming years represents another quantum leap in this area. The objective of this recently initiated project is to further improve client care, operating efficiency and flexibility through harmonisation of the Group's platforms. We have deliberately chosen a modular approach for the implementation, both geographically and technically:

- The project will be implemented first in the swiftly growing, dynamic and key region of Asia, which accounts for around a fourth of Julius Baer's business volume. This initial implementation will then be rolled out globally as a model solution.
- Technically, the core of the platform will come from Swiss provider Temenos. But we have reserved the right to choose suitable providers for additional components and applications, thus giving us maximum flexibility to respond to technical innovations or changing needs.

The financing of the significant expenditures will be covered through the current account and is unlikely to impact our profitability targets. Towards the end of the project, we also expect efficiency gains.

To summarise, in its 125th year of existence Julius Baer is more broadly based and closer to its clients than perhaps any other private bank. We are thus in an outstanding position to profit from the large growth potential of the international wealth management business.

We therefore all have reason to look positively to the future. The flair, courage and confidence with which Julius Baer has successfully shaped and mastered the past years and decades will also enable us in the future to systematically exploit arising development opportunities. Despite the strong Swiss franc, we will not turn our backs on Switzerland, but rather continue to invest in the local business and in the domestic booking centre. All in all, however, we will continue to invest strongly in areas outside of Switzerland in the future.

Our confidence in Julius Baer's future rests on the following:

- A strong operating foundation whose capability our Group masterfully demonstrated again in the past 36 months.
- A strong financial base that far exceeds all regulatory and internal minimum requirements and gives us sufficient financial leeway for the further development of the Group.
- A workforce that has also distinguished itself in the past months through exemplary dedication and utmost commitment, earning a heartfelt thanks once again.
- A loyal clientele whose satisfaction is both our goal and incentive each day.
- A long-term oriented shareholder base whose support we greatly appreciate.

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