

# Julius Bär

Zurich, 22 March 2021

Dear Shareholder,

The Annual General Meeting (AGM) of Julius Baer Group Ltd. is scheduled to take place on Wednesday, 14 April 2021. In light of the ongoing COVID-19 pandemic, the meeting agenda, which you will find enclosed, will be limited to legal and statutory topics and, **regretfully, the AGM will have to be held without the live attendance of our shareholders.**

As we have always appreciated the opportunity to maintain direct contact with our shareholders at our AGMs, we sincerely hope that once the current health emergency has abated we can return to our long-held tradition of meeting and hosting you in person.

## STRATEGIC PROGRESS AND FINANCIAL PERFORMANCE IN 2020

Our leadership team and staff successfully delivered on the first part of the three-year transformation strategy presented in February 2020. This strategic plan is based on our strengths as a leading, focused, and global wealth manager. It is built on three pillars:

- **Shifting the focus** from a primarily asset-gathering approach to a holistic view on sustainable profit growth
- **Sharpening the value proposition** for high-net-worth and ultra-high-net-worth clients
- **Accelerating investments** in human advice and technology.

Our financial results for 2020 show that the structural productivity and revenue measures embedded in our strategy are already having a positive impact. COVID-19 has in fact accelerated many of the trends and industry challenges we anticipated a year ago when we defined our strategy. It therefore provides a clear roadmap for the years to come: we will stay our course and remain fully focused on achieving the 2022 targets we have set out for ourselves.

In early 2020, COVID-19 hit a world that was largely unprepared, resulting in great disruptions to societies and economies globally. Our first priority was to protect the health of our clients and employees. We swiftly embraced the challenges imposed by the virus by accelerating investments in our ongoing digital transformation. This allowed us to connect with clients and employees safely, and with even greater frequency and relevance.

Thanks to the resilience of our operations and the dedication and energy of our employees, Julius Baer's performance in 2020 was very solid in both quantitative and qualitative terms. I firmly believe that our results reflect the strength of our wealth management business model and the trust clients place in us. Against the backdrop of heightened market volatility, the combination of a strong improvement in our gross margin and a clear focus on cost management led to a significant increase in profitability (IFRS net profit up 50%, adjusted<sup>1</sup> net profit up 24% year on year). Our advice provided our clients with orientation amidst rapidly changing circumstances, and the confidence in our capabilities translated into gratifying inflows of new assets from existing and new clients.

### Julius Baer Group Ltd.

Bahnhofstrasse 36, P.O. Box, 8010 Zurich, Switzerland,

T +41 (0) 58 888 1111, F +41 (0) 58 888 5517

[www.juliusbaer.com](http://www.juliusbaer.com)

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The financial year 2020 was also marked by our resolute efforts to strengthen our risk culture and risk management framework, building on a comprehensive remediation programme. We have taken further steps to resolve the remaining legacy regulatory matters in cooperation with the relevant authorities, such as the agreement in principle with the US Department of Justice to close the investigation of the Bank's role in corruption events around the world football federation FIFA. The related regulatory proceeding by the Swiss Financial Market Supervisory Authority FINMA, also covering the events relating to the Venezuelan oil company PDVSA, was closed in February 2020. The underlying shortcomings have essentially been remediated through the programme mentioned above.

We are confident that the measures we took are in the best interest of all our stakeholders: they allow us to focus on the future and do not have an impact on the delivery of our strategy nor on the success of our business.

In response to FINMA's conclusions, we have enforced the compensation deferral and forfeiture concepts already in place and further improved our compensation governance processes, covering the identification of key risk takers (KRT), the implementation of a new deferral structure, and an amended disciplinary policy and process.

## REMUNERATION ALIGNED TO STRATEGY

As part of our pay-for-performance principles, it is critical that our system of variable compensation reflects current year achievements and contributions to our strategic objective of sustainable profit growth. The increase in the variable compensation pool for 2020 takes those achievements and contributions into account.

In particular, I would like to highlight the role of the Group's restructured Executive Board (EB), which has been in office since 1 January 2020. Five new members with oversight over our regions and investment solutions division joined the EB in 2020, thereby consolidating the two previously separate executive boards of the Group and the Bank into one. This combination led to a more efficient bundling of market responsibilities and competences, reducing the overall leadership personnel from 15 to nine employees, with an overall reduction in executive board and senior management compensation costs.

The 2020 disclosure of executive board remuneration reflects this structural change to an EB with direct and broader regional and divisional oversight, and joint accountability for Group results. I encourage you to read our Remuneration Report, which is available on our website and provides further details. In order to ensure you have sufficient information for your decision-making on the 'say-on-pay' agenda item at the upcoming Annual General Meeting of the Shareholders (AGM agenda item number 4, approval of the compensation of the Board of Directors and of the Executive Board), we have included a summary booklet in this invitation.

In 2020, we also adapted the compensation framework for our relationship managers (RMs) to align it with our updated strategy, harmonising the historically diverse models we had in place. The new framework assesses performance in a more holistic manner, targeting sustainable profit growth over asset growth while taking into account more non-financial criteria. It is transparent for RMs, and at the same time, it encourages the development of our business in a risk-appropriate manner. This framework has been applied in Switzerland, Asia, and parts of the Middle East since 1 January 2021, and will be largely rolled out to our remaining jurisdictions by the end of the year.

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## DIVIDEND AND SHARE BUY-BACK

In view of our strong capital generation, we reaffirm our dividend and capital return framework. With the proposed dividend of CHF 1.75 per share, we will distribute 41% of 2020's adjusted<sup>1</sup> net profit to our shareholders. A large part of the dividend (CHF 1.11 per share) is to be paid out of statutory capital reserves and will therefore not be subject to Swiss withholding tax.

We also launched a new share buy-back programme in March 2021. The previous one was suspended early last year at the request of FINMA due to the COVID-19 pandemic and completed at the end of February 2021. The capital reduction related to the shares bought back between November 2019 and February 2021 is covered in the AGM agenda item number 8. The new programme will run until the end of February 2022, with a volume of up to CHF 450 million, subject to market conditions. It will give us the flexibility to return to our shareholders excess capital not required for investments in growth.

All the details on the Board's dividend proposal can be found in the enclosed AGM agenda.

## SUBMITTING YOUR VOTE FOR THIS YEAR'S AGM

In order to ensure you can fully exercise your shareholder rights, we strongly recommend that you **vote your shares using the electronic voting tool** "Nimbus ShApp®" (Shareholder Application). Such votes will be delegated to the independent shareholder representative. The information included in the appendix "Information for electronic voting instructions" provides the necessary details on the registration and voting process.

Alternatively, you may **provide your voting instructions via the enclosed "Authorisation Form"**. In this way, your votes will also be delegated to the independent shareholder representative. Please add your voting instructions and return the duly signed form to the shareholders' registry of Julius Baer Group Ltd. in the enclosed envelope.

Both alternatives ensure that your votes will be counted for this year's AGM on 14 April 2021.

On behalf of the Board of Directors, I hope we have been able to facilitate your decision-making and would like to thank you for your ongoing support.

Yours sincerely,



Romeo Lacher  
Chairman of the Board

Enclosures

<sup>1</sup> The document Alternative Performance Measures available at [www.juliusbaer.com/APM](http://www.juliusbaer.com/APM) provides a reconciliation of adjusted performance measures to reported results under IFRS as well as definitions of adjusted performance measures and other alternative performance measures.

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