Julius Bär

SPEECHES

at the Annual General Meeting 2024
of Julius Baer Group Ltd.

Zurich, 11 April 2024

Chairman's address

Romeo Lacher
Chairman of the Board of Directors

Address

Nic Dreckmann
Chief Executive Officer a.i.

Check against delivery.

Chairman's address

Romeo Lacher
Chairman of the Board of Directors

Ladies and Gentlemen,
Dear Shareholders,
Dear fellow members of the Board of Directors,
Dear members of the Executive Board,
Dear employees of Julius Baer,

I am very pleased to welcome you to today's Ordinary General Meeting of Julius Baer Group Ltd.

We can look back on another eventful year, with no shortage of challenges – from both an economic and a geopolitical perspective, but also in terms of developments in the Swiss financial centre and at Julius Baer itself.

A challenging year in 2023

Alongside Russia's ongoing war with Ukraine, we now have another military conflict in the Middle East, with the potential to escalate beyond the region. This has triggered a certain sense of unease and uncertainty around the world – and probably in each one of us.

In terms of monetary policy, central banks maintained their restrictive stance well into last year in the face of stubborn inflation and raised key interest rates significantly. These rate hikes weighed increasingly on growth prospects for the global economy.

However, a recession was avoided. The volatility in global equity markets generally eased over the course of the year, and prices mostly trended upwards. Despite this, our clients stayed on the sidelines rather than engaging in the markets.

Overall, financial markets coped astonishingly well with the various uncertainties of last year. The same can be said of the Swiss financial centre. Switzerland remains the leader in the international cross-border wealth management business. Its strength and its attractiveness are undiminished – supported by the political stability of our country, the solidity of our currency, the broad-based ecosystem of around 200 banks, and – in particular – the quality of the workforce that is instrumental in delivering this attractive service offering.

Julius Baer's holistic service and solution offering proved particularly relevant in 2023, given all the challenges it brought. We focused intensively on serving our clients and meeting their wealth management needs.

Robust financial result for 2023

Client satisfaction remained strong, as evidenced by the total net new money inflow of 12.5 billion francs. If we exclude deleveraging in client portfolios, the net new money inflow was as much as 16.2 billion francs, which equates to growth of 3.8%. As of the end of 2023, assets under management amounted to 427 billion francs, mainly reflecting the impact of the strong Swiss franc, which offset the positive effect of the market performance of equities and bonds.

Excluding the full loan loss allowance of 586 million francs on the largest single commitment in our Private Debt loan book – which I will talk about in more detail shortly – the Group's underlying adjusted net profit in 2023 was 947 million francs. This is a solid level.

Adjusted net profit including the loan loss allowance amounted to 472 million francs.

Solid financial foundations

The Group's balance sheet and capitalisation remained extremely solid in 2023, demonstrating the high level of capital generated with our business model. Based on the reported results – i.e. including the substantial loan loss allowance in the Private Debt business – the Tier 1 capital ratio was 14.6% at the end of 2023, while the total capital ratio was 24.0%. Both ratios are still well above our own floors and significantly above the regulatory minimum requirements. This also allows us to propose an unchanged dividend of 2.60 francs per share for the 2023 financial year. In doing so, we are seamlessly continuing the distribution policy to which we are committed and are underlining our confidence in Julius Baer's future.

Please allow me to now explain in more detail the background and consequences of the credit event and the lessons we have learned from it.

Isolated credit event at Julius Baer: consequences and lessons

At the end of November 2023, we announced a loss allowance on the largest single commitment in our Private Debt loan book.

The Private Debt business was developed relatively recently to meet client expectations. It comprised financing solutions provided against future cash flows or securities from unlisted companies. We saw it as an extension of our proven and highly successful credit business for our ultra-high net worth (UHNW) clients – but we moved ahead with its development without paying sufficient attention to properly establishing the necessary framework.

The non-performing credit position relates to three loans to various units of a European conglomerate involved in the property and luxury retail sector. When we published our annual results on 1 February 2024, we announced the full loss allowance on this lending commitment. This had a significantly adverse impact on our net profit for 2023. But thanks to this stringent and conservative approach, we have eliminated any uncertainty as to how this commitment might affect future financial results. Our primary focus now is on recovering as much as possible financially from the collateral of the individual positions.

The Board of Directors and the Executive Board of Julius Baer deeply regret this incident and its scale. We are aware that this isolated case has caused uncertainty – among the public, among you, our valued shareholders, among our valued clients, and of course among our employees. And we realise that trust in Julius Baer has been affected too.

I would like to take this opportunity to make it clear that no regulatory provisions or internal directives were infringed as a result of this incident. It is more a case of an ill-judged business decision that never should have happened. I wish to offer my sincerest apologies, on behalf of Julius Baer, to you, our valued shareholders, our clients, and our employees.

Following the credit event in question, we asked an independent external expert to assess the quality of the rest of the Private Debt loan book. I can assure you that the remaining positions are much smaller and are widely diversified. These loans were duly serviced. At the end of 2023, these outstanding loans amounted to less than 2% of the loan book as a whole.

Taking comprehensive measures to draw a line under the past

When mistakes are made, lessons need to be learned from them. As a company with a history spanning more than 130 years, we know that organisations have to be willing to learn in order to take control of their future and move forwards.

The Board of Directors and the Executive Board have assumed full responsibility for this incident. We are doing everything we can to

- draw a line under this unwelcome and isolated event, and
- learn the necessary lessons from this incident and heed them in the future.

We have therefore decided to exit the Private Debt business and to wind down the outstanding loans in an orderly manner in close cooperation with our clients.

The Group's traditional credit business – with a lending volume of around 40 billion francs – is a key pillar of our success. In future, we will focus exclusively on Lombard lending and the mortgage business that we operate predominantly in Switzerland. Here, we can look back on a long and successful track record across various market cycles.

Changes to the Executive Board and the Board of Directors

Having told you about the operational measures we have taken to address this incident, we can now look at what this means in terms of the bank's leadership. The Board of Directors and the Executive Board have assumed responsibility for this matter and taken appropriate action.

For example, Philipp Rickenbacher, who was Chief Executive Officer from 2019, stepped down on 1 February 2024 by mutual agreement with the Board of Directors. The search for a successor from outside the company is underway. The Board of Directors is convinced that a CEO from outside will bring the kind of fresh impetus we now need as a Group – although the strategic focus will continue to be exclusively on wealth management.

Nic Dreckmann, the previous Deputy CEO and Chief Operating Officer, took over the leadership of the Group on an interim basis. He is one of the most experienced executives at Julius Baer, and I want to thank him again on behalf of the Board of Directors for taking on these duties with such great commitment and a genuine passion for our Group. He will introduce himself in person after my speech and give you some insights into his leadership role.

Alongside the change of CEO, David Nicol, a member of the Board of Directors and Chairman of the Governance and Risk Committee, is not standing for re-election at today's General Meeting.

Consequences for remuneration of the Executive Board and Board of Directors

In addition to the two changes I just mentioned, the incident in the Private Debt business also has implications for the remuneration of the Executive Board and Board of Directors.

Together, we have decided that the five members of the Executive Board who were directly involved in lending decisions, as well as the former CEO, will not receive any variable remuneration for 2023. On the Board of Directors, the members of the Governance and Risk Committee will not receive any share-based payments for the 2023 financial year. That includes me, as a member of this Committee. Please see the remuneration report for further details.

Lessons for the future

So what are the lessons for the future? A robust risk culture is of critical importance in wealth management – and the Board of Directors considers itself responsible for maintaining and reinforcing this culture.

We are therefore assigning the utmost importance to our financial solidity and will do even more to ensure that we act prudently going forward.

We want to draw on the findings from the various analyses relating to the Private Debt business, learn lessons from them, and strengthen our framework for the traditional credit business. We aim to achieve this:

- Firstly, by having altered the composition of the Executive Board-level committee that is responsible for the approval of lending.
- Secondly, by revising the governance and internal directives related to lending and the processes for the approval of loans.
- And thirdly, by refining the framework for credit limits, including the setting of permissible overall limits for each individual counterparty.

All of these measures were coordinated with and agreed upon during regular discussions with our regulator, the Swiss Financial Market Supervisory Authority FINMA.

This concludes my remarks on the Private Debt business. I would now like to move onto the progress we have made in terms of the implementation of our strategy in 2023.

Significant progress in the implementation of our strategy

We made significant progress in the implementation of our strategic priorities in the past year. As you know, 2023 was the first year in our Group's current three-year strategy cycle. The cycle is based on the three pillars *Focus*, *Scale*, and *Innovate*. We are benefiting here from the increased cost efficiency achieved in the previous strategy cycle. This gives us scope to continue investing in the Group's growth during the current strategy cycle. The emphasis is on recruiting the best talent, with a view to further increasing Julius Baer's footprint in our focus markets, as well as on investments in technology and innovation.

In order to support sustainable profitable growth for our Group over the medium term, we intensified the recruitment of relationship managers in 2023. When hiring the 95 new relationship managers who have joined us, we placed an emphasis on quality, particularly in terms of the potential of their respective client books, and market relevance. 90% of our new hires will strengthen our ten focus markets on a targeted basis and are part of our local growth initiatives there.

We have also continued to invest along the whole of the value chain. This is a real priority for us, including in financial terms. Over the three-year cycle as a whole, we are planning to invest a total of 1 billion francs in the transformation of the business and in technology. That is 400 million francs more than in the previous cycle. A central element is the planned harmonisation of Julius Baer's global operational model. The idea is to serve our clients even more effectively than before and further increase efficiency across the entire Group.

Specifically, we have three main aims:

- The first is to continue with our focused investments in our infrastructure and its security in order to accomodate our targeted long-term growth without friction.
- The second is to give our clients easier online access to our entire range of products and services, while delivering the best possible digital experience in a wealth management context.
- And the third is to further support and relieve the pressure on our employees in client-facing roles by purposefully expanding our digital tools and processes. Our goal here is to increase efficiency and provide our clients with even better service.

We have made considerable progress in the digitalisation of our value chain in recent years. This is in line with our commitment to taking a personal, individual approach to relationship management, and it actually complements the provision of high-quality advice with the contemporary digital options our clients are demanding.

Technology is indispensable if we want to ensure that the growth we are targeting is based on sustainable foundations. As already announced, we will also finance the necessary investments through further cost reductions. We have raised the original savings target of 120 million francs to 130 million francs, and we achieved one third of those savings in 2023. We will deliver most of the remaining savings in the course of this financial year.

I would like to point out that the increase in the savings target is unrelated to the credit event I mentioned earlier. The savings programme should be seen as another aspect of our active approach to cost management. Cost efficiency, as measured in terms of the cost/income ratio, is also a target within the current strategy cycle. On an underlying basis, the adjusted cost/income ratio for 2023 rose from 66% to 69%. This increase is the result of our additional investments in relationship managers and in technology. All the same, we will do our utmost to achieve the target of 64% by the end of 2025.

Priorities for 2024

With this General Meeting, we want to draw a line under last year's credit event. This year, we will work intensively to implement the measures I outlined – winding down the Private Debt business and strengthening the governance and organisation of our lending activities – to enable our management team to turn its full attention as soon as possible to developing our business.

Our industry continues to offer attractive growth opportunities for Julius Baer as a pure-play wealth manager. We will selectively seize those opportunities as part of our forward-looking strategy, which is systematically focused on achieving sustainable profitable growth. Our main objective remains unchanged: we want to create value by protecting and growing our clients' wealth and supporting them in the transfer of that wealth to the next generation. This promise to create value is driven by our holistic advisory approach, which comprises three elements: wealth planning, investment, and financing solutions that promote the diversification of assets.

Julius Baer is well positioned to master future challenges. As part of our ongoing strategy, we will consistently look to develop further, capture the potential for growth, and increase efficiency, while remaining true to our strategic priorities *Focus*, *Scale*, and *Innovate*.

I would like to express my sincerest thanks, on behalf of my fellow members of the Board of Directors, to all those who continue to support us – through their trust, their hard work, and their capital. And in doing so, I want to thank you, our valued shareholders, first and foremost, but also our clients, and last but not least our employees.

This concludes my speech. I will now hand you over to our CEO ad interim Nic Dreckmann. Thank you for your attention.

Address

Nic Dreckmann
Chief Executive Officer a.i.

Thank you very much, Romeo.

Dear Shareholders,

I would also like to thank you for attending this year's General Meeting of your company, Julius Baer Group Ltd, in such large numbers.

And I wish to express my gratitude to the Board of Directors for the trust it has placed in me by appointing me as CEO ad interim.

I am aware of the great responsibility I have been handed. My focus is on ensuring that the leading independent Swiss wealth management group can put the recent incident behind us and emerge from this challenging period even stronger and more resilient than before, while guaranteeing continuity and stability. We want to do so for the benefit of our clients, our employees and, of course, you, our valued shareholders.

I would like to echo the words of Romeo Lacher and reaffirm that we are moving ahead with the necessary improvements to the organisation and its processes, and directives, while also making sure that all our relationship managers and service units remain focused on delivering sustainable profitable growth. Our main priority here is to ensure the success of the Group.

I have been with Julius Baer for 20 years. During that time, I have held various positions, with responsibility for clients, technology, operations, and strategy – both in Asia and in Europe. I have witnessed the steady development of the company, day after day, to become what is now Switzerland's second-largest exchange-listed banking group.

You could say that Julius Baer is close to my heart. In all those years, I have always worked with great passion for the Group.

Our company's history spans more than 130 years. I feel – and have always felt – honoured to be part of this ongoing success story, which has now begun a new chapter. Together with the Board of Directors, the Executive Board, and all our employees, I am committed to continuing this success story – and to creating value for all our stakeholders.

We have achieved a great deal in the past and have repeatedly shown that as a team, we can master substantial challenges, achieve major goals, and thus further strengthen the Group.

I would like to illustrate this through the following five points:

1) Since 2004, we have grown from a Group with 60 billion francs in private client assets under management to become the largest independent Swiss wealth manager with assets under management of 427 billion francs. This was possible thanks to both organic and inorganic growth, as well as genuine collaboration and the tremendous team spirit of our employees.
2) One milestone was the integration of Merrill Lynch's international wealth management business, which I headed from 2012. This merger marked an extraordinary step forward for Julius Baer and enabled us to establish Asia as our second home market.
3) We have further expanded our investment expertise and the associated processes for the benefit of our existing clients. We are now one of the top market participants in this area. This continues to be confirmed by the various internationally recognised awards received by Julius Baer.

4) With the support of our intermediaries, we have successfully developed our external asset manager client segment and, in so doing, have created a substantial business area for the Group.
5) Since 2016, we have made significant progress in the area of digitalisation and have gradually renewed our process landscape. We will continue to do so.

As Romeo Lacher showed in his speech, Julius Baer is a rock solid and forward-looking company, with a healthy capital position and a very liquid balance sheet.

Self-reflection is also part of our DNA. This means that we learn lessons from past decisions that later proved wrong and take action to address them.

The time has now come for us to focus on our strategic priorities and to take a leap forward – concentrating fully on what really matters. This means:

- The strong relationship we have with our clients in the high net worth (HNW) and ultra-high net worth (UHNW) segment.
- The prominent position we hold in our focus markets across four continents, particularly in Switzerland and our second home market of Asia.
- Our unique range of products and services in the areas of wealth planning and wealth management, as well as financing.
- And our first-class service model driven by expertise and talent and underpinned by cutting-edge technology – across our front and back office operations.

With all this in mind, I have taken time to speak with and listen to as many stakeholders as possible in recent weeks, particularly clients and employees.

Although they were briefly unsettled by recent events, and understandably so, most of the people I have met value Julius Baer as a partner and continue to support us – albeit with some justified criticism.

Our clients continue to show us great support and trust. Our relationship managers, the quality of our services, and Julius Baer's independence are highly appreciated. So we can proudly say: Julius Baer is an excellent brand. And this is something for us to build on.

Our focus on wealth management sets us apart from our competitors. We have consistently demonstrated this unique selling point and our related skill set over our 130-year history.

We will, of course, continue to further strengthen the exceptional quality of our services and aim to get even closer to our clients.

That said, we cannot be satisfied with Julius Baer's current market valuation, but we do have the key levers needed to ensure a fair valuation: cost management, technology, and our risk culture. Overall, we have the potential to further enhance our profile by setting the right priorities in a careful and controlled manner and strengthening our growth.

In doing so, we will be guided by these principles:

- A culture of responsibility and solidarity: We want to embed this culture even more deeply within our organisation by weighing up risks with greater precision and rigour and strengthening any associated accountability.
- A balance between tradition and transformation: We will take nothing for granted. We must preserve tried-and-tested approaches, but also challenge the status quo and be agile in the way we think and act. If we manage this, we will retain our strong roots, but also create fertile ground for future growth.

- Important investments in our sustained future success: We will continue to make significant investments in staff development, technology as well as organisational and process efficiency to ensure we can compete successfully in current and future macroeconomic environments.

Only truly targeted measures will be fully effective. Over the next few months, we will sharpen our efforts in the following areas:

- Targeted growth initiatives in our focus markets;
- The transformation of our business model and our IT landscape;
- The further enhancement of our recurring revenues; and
- The more rigorous implementation of our cost programme, by focusing on structural measures.

In the ten weeks since I took over as CEO ad interim, we have already taken a series of measures. We have sharpened our aim to grow and accelerated some of our existing initiatives.

As you have heard from my remarks: I want to actively shape the future of Julius Baer Group together with my esteemed colleagues on the Executive Board. I am convinced that we can seize opportunities for growth, attract new clients, and convince future generations of our strengths. This is what we have stood for since 1890 and will continue to stand for in the future – with a simple, powerful, and convincing business model.

Before I finish, my sincere thanks go to all my colleagues at Julius Baer. The contribution made by each individual employee counts. After more than two decades, I never cease to be impressed by the passion and commitment shown by our employees each day, be it in client-facing roles or behind the scenes.

I want to promote this attitude and this way of doing things, in close collaboration with the Board of Directors. This is the foundation of our future success. And it is important to me that you, our valued shareholders, continue to participate in that success.

Thank you for your trust in Julius Baer. I hope that you will remain at our side on this journey.