

Julius Bär

Julius Baer Group
2009 Business Review



Key figures Julius Baer Group¹



	2009 CHF m	2008 CHF m	Change in %
Consolidated income statement			
Operating income	1 586.1	1 662.3	-4.6
Operating expenses	1 025.8	1 121.0	-8.5
Profit before taxes	560.3	541.4	3.5
Net profit	473.2	441.4	7.2
Cost/income ratio	63.1%	65.3%	-
Pre-tax margin (basis points)	39.1	36.8	-
	31.12.09	31.12.08	Change in %
Client assets (CHF bn)			
Assets under management	153.6	129.1	19.0
Average assets under management	143.2	147.3	-2.8
Net new money	5.1	17.0	-
Assets under custody	87.3	63.6	37.2
Total client assets	240.9	192.7	25.0
Consolidated balance sheet (CHF m)			
Total assets	42 729.0	42 676.4	0.1
Total equity	4 191.8	3 484.6	20.3
BIS tier 1 ratio	24.2%	14.8%	-
Return on equity (ROE) for the full year	17.4%	19.6%	-
Personnel			
Number of employees (FTE)	3 078	3 060	0.6
<i>of whom Switzerland</i>	2 430	2 469	-1.6
<i>of whom abroad</i>	648	591	9.6
Information per registered share (CHF)			
Market capitalisation (CHF m)	7 517	-	-
EPS for the full year	2.29	-	-
Book value	20.5	-	-
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	
Capital structure			
Number of registered shares	206 630 756	-	-
Weighted average number of registered shares outstanding	206 601 420	-	-
Share capital (CHF m)	4.1	4.1	-
Listing			
Zurich, Switzerland	SIX Swiss Exchange, part of the Swiss Market Index SMI and the Swiss Leader Index SLI		
Ticker symbols			
Bloomberg	BAER VX		
Reuters	BAER.VX		
Swiss securities number	10 248 496		

¹Financial figures representing Julius Baer Group Ltd. as if it had already existed on 1 January 2008. For detailed accounts, see pages 5 and 7. Excluding integration and restructuring expenses and the amortisation of intangible assets in relation to the 2005 UBS transaction, as well as mainly one-off charges related to the separation and the ING transaction in 2009. Including these positions, the net profit attributable to shareholders was CHF 389 million in 2009, after CHF 357 million in 2008, an increase of 9%. These results do not include the acquisition of ING Bank (Switzerland) Ltd, which closed after the 2009 year-end.



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Front cover: Detail of a photograph by Swiss artists Peter Fischli and David Weiss, from the printed collection *Sichtbare Welt* ("Visible World"), Edition Koenig 2000, compiled on the occasion of the photo exhibition in the Museu d'Art Contemporani de Barcelona in the same year; part of the art collection of Bank Julius Baer.



Dear Reader

Against the backdrop of a stabilising global financial services industry, a tightening regulatory environment and tentatively improving financial markets, 2009 was a transformational year for Julius Baer. The culmination was the separation of the private banking and asset management businesses of the former Julius Baer Holding Ltd. Thus by refocusing on our core strengths – providing private banking and investment advisory services for private clients, family offices and external asset managers based on a truly open product platform – we established Julius Baer as the leading Swiss private banking group.

Despite implementing strategic changes, we were able to maintain strong organic business momentum throughout the year, resulting in a pleasing financial performance for our Group in 2009. First and foremost, Julius Baer remained well in favour with existing and new clients, a fact that was further evidenced by the number and calibre of awards we received. On top of that, we delivered on our promise of selective external growth through the acquisitions of Alpha SIM in Milan and ING Bank (Switzerland) Ltd, with the latter closed as of mid-January 2010. Both are perfect matches with regard to cultural and strategic fit.

Thanks to our Group's very sound financial base, clear strategic direction and comprehensive footprint in Switzerland and abroad, Julius Baer is well positioned to cope with what we perceive is a fundamentally changing business environment facing our industry. In addition, we can count on a strong pool of available talent, a fact which allowed us to fill all Senior Management appointments internally in 2009. Following an extensive review of our business model, we refined our Group's strategic priorities accordingly: We aspire to become the premier private bank in Switzerland; we will develop Asia as our second home market, and in Europe we will focus on offerings adapted to the new regulatory environment for all our target markets, beside maintaining the momentum in our other important markets.

“By refocusing on our core strengths in 2009, we established Julius Baer as the leading Swiss private banking group.”

Total client assets of the Julius Baer Group amounted to CHF 241 billion at the end of 2009. Assets under management totalled CHF 154 billion, up 19% from CHF 129 billion at the end of 2008. This increase primarily reflects the recovery of most investment categories since the second quarter of 2009. In addition, assets under custody amounted to CHF 87 billion. Average assets under management remained slightly below last year's levels, however, and continued to weigh on operating income. Yet thanks to our relentless efforts to contain costs, this resulted in a 7% higher net profit* for our shareholders of CHF 473 million for 2009.

In adhering to the payout policy of the former Julius Baer Holding Ltd., the Board of Directors proposes to the Ordinary Annual General Meeting on 8 April 2010 a dividend of CHF 0.40 per registered share, representing a dividend payout of CHF 83 million. We remain committed to returning excess capital to our shareholders in the most efficient way. However, in light of the continuously high level of consolidation in our industry, and thus in order to maintain our strategic flexibility, we currently do not envisage launching a share buyback programme. With a BIS tier 1 ratio of 24.2% at the end of 2009, our Group continues to clearly exceed the target ratio of 12%.

In 2009, we put all the necessary ingredients in place to succeed as an international private banking provider of choice. In doing so, we received excellent feedback from our clients and could count on the consent of our shareholders and the full commitment of our dedicated employees. All our stakeholders thus deserve our sincere thanks for the trust they placed in our Group. We look forward to their continued support in 2010.



Raymond J. Baer
Chairman



Boris F.J. Collardi
Chief Executive Officer

* Excluding integration and restructuring expenses, the amortisation of intangible assets as well as one-off charges, cf. footnote 1 to the key figures

Financial performance in 2009

Against the backdrop of a stabilising global financial services industry, a tightening regulatory environment and tentatively improving financial markets, the Julius Baer Group achieved a pleasing financial performance in 2009. Assets under management increased by 19% to CHF 154 billion with net new money contributing CHF 5 billion or 4%. With average assets under management 3% lower year on year, operating income declined by 5% to CHF 1 586 million. Operating expenses were managed down 8%, resulting in an adjusted net profit* increasing by 7% to CHF 473 million.

Total client assets amounted to CHF 241 billion at the end of 2009. Assets under management increased by 19% to CHF 154 billion compared with the CHF 129 billion at the end of 2008. This increase was the result of a positive market performance impact of CHF 20 billion driven by positive returns for most asset classes during 2009, net new money of CHF 5 billion, the acquisition of Alpha SIM in Milan, which added CHF 0.6 billion, and a minor negative currency impact of CHF 0.7 billion. Net new money development, within the targeted 4–6% range, was the result of continued strong inflows from emerging markets and in particular Asia, being partly offset by outflows due to the Italian tax amnesty and the announced phased exit from the US business.



Dieter A. Enkelmann, Chief Financial Officer

“Given the continued challenging environment, the Julius Baer Group achieved a pleasing financial performance in 2009.”

Of total assets that were declared by clients taking advantage of the Italian tax amnesty, some 60% remained with Julius Baer. The reported assets under management do not include the CHF 14 billion year-end assets under management resulting from the acquisition of ING Bank (Switzerland) Ltd, which closed in January 2010. Assets under custody ended the year at CHF 87 billion after CHF 64 billion at the end of 2008, an increase of 37%, reflecting positive market performance as well as CHF 13 billion in net new custody assets.

Operating income declined by 5% to CHF 1 586 million, driven by 3% lower average assets under management and a slightly lower gross margin of 111 basis points. Net fee and commission income declined by 15% to CHF 819 million on the back of decreased average asset levels, a lower level of actively managed assets, and a changed asset mix

Consolidated income statement¹

	2009 CHF m	2008 CHF m	Change %
Net interest income	466.5	454.4	2.7
Net fee and commission income	818.7	967.8	-15.4
Net trading income	298.5	341.7	-12.6
Other ordinary results	2.4	-101.6	-
Operating income	1 586.1	1 662.3	-4.6
Personnel expenses	683.1	743.7	-8.1
General expenses ²	295.7	340.2	-13.1
Depreciation and amortisation	47.0	37.1	26.7
Operating expenses	1 025.8	1 121.0	-8.5
Profit before taxes	560.3	541.4	3.5
Income taxes	87.1	99.9	-12.8
Net profit	473.2	441.4	7.2
Attributable to:			
Shareholders of Julius Baer Group Ltd.	472.6	441.1	7.1
Non-controlling interests	0.6	0.3	-
Earnings per share (CHF)	2.29	-	-
Key performance ratios			
Cost/income ratio ³	63.1%	65.3%	-
Gross margin (basis points)	110.8	112.9	-
Pre-tax margin (basis points)	39.1	36.8	-
Tax rate	15.5%	18.5%	-

	31.12.09 CHF bn	31.12.08 CHF bn	Change %
Client assets			
Assets under management	153.6	129.1	19.0
<i>Change through net new money</i>	5.1	17.0	-69.9
<i>Change through market appreciation</i>	18.8	-46.6	-
<i>Change through acquisition</i>	0.6	-	-
Assets under custody	87.3	63.6	37.2
Total client assets	240.9	192.7	25.0
Average assets under management	143.2	147.3	-2.8

¹Financial figures representing Julius Baer Group Ltd. as if it had already existed on 1 January 2008. Excluding integration and restructuring expenses and the amortisation of intangible assets in relation to the 2005 UBS transaction, as well as mainly one-off charges related to the separation and the ING transaction in 2009. Including these positions, the net profit attributable to shareholders was CHF 389 million in 2009, after CHF 357 million in 2008, an increase of 9%. These results do not include the acquisition of ING Bank (Switzerland) Ltd, which closed after the 2009 year-end.

²Including valuation adjustments, provisions and losses

³Operating expenses less valuation adjustments, provisions and losses/operating income

based on private clients' more conservative investment stance. Net interest income rose by 3% to CHF 467 million, the result of higher average deposit levels, decreased average lending to private clients, and net interest margins which were relatively high in the first half of 2009 but, as expected, contracted in the second half of the year to more normal levels. While average lending to private clients decreased year on year, the second half of 2009 saw a turnaround in loan volumes compared with the first half. Net trading income declined by 13% to CHF 299 million as the decrease in client-driven foreign exchange trading volumes was only partly offset by an increase in client-driven fixed income trading. Other ordinary results, in 2008 negatively impacted by market-related position squaring in the investment portfolio, turned positive again.

“With a BIS tier 1 ratio of 24.2% the Julius Baer Group continues to enjoy a very strong capital base.”

Operating expenses were managed down a further 8% to CHF 1 026 million. Notwithstanding the continued investments in growth, in particular through the further expansion of the base of relationship managers by net 48 to 667, the increase in the overall number of employees remained limited to 1%, taking the total staff level to 3 078. Despite this increase, personnel expenses were reduced by 8% to CHF 683 million, mainly on the

back of lowered performance-related compensation and a decrease in share-based payments. General expenses, including valuation adjustments, provisions and losses, were down by 13% at CHF 296 million. As a consequence, the cost/income ratio for 2009 improved from 65.3% to 63.1%.

Accordingly, profit before taxes increased by 3% to CHF 560 million, representing a pre-tax margin of 39 basis points. Income taxes declined to CHF 87 million, representing an effective tax rate of 16%, which compares to 18% in 2008. As a result, the adjusted net profit* improved by 7% to CHF 473 million, and earnings per share came to CHF 2.29.

Total assets were unchanged at CHF 42.7 billion. Client deposits went up by CHF 1.7 billion to CHF 27.3 billion, and lombard lending and mortgages increased by CHF 0.6 billion to CHF 10.4 billion, thus resulting in a continued conservative loan-to-deposit ratio of 0.38, underlining the sound liquidity situation of the Group. Total equity was up by 20% to CHF 4.2 billion, and BIS tier 1 capital grew to CHF 2.7 billion. With a strong BIS tier 1 ratio of 24.2% the Julius Baer Group continues to enjoy a very solid capital base and is well positioned to be a driving force in the industry consolidation.

Consolidated balance sheet

	31.12.09 <i>CHF m</i>	31.12.08 <i>CHF m</i>	Change %
Assets			
Due from banks	6 598.2	8 626.4	-23.5
Loans to customers ¹	10 431.2	9 876.8	5.6
Trading assets	2 735.1	1 269.1	115.5
Financial investments available-for-sale	15 011.5	12 171.3	23.3
Goodwill and other intangible assets	1 705.3	1 748.6	-2.5
Other assets	6 247.7	8 984.0	-30.5
Total assets	42 729.0	42 676.4	0.1
Liabilities and equity			
Due to banks	3 962.4	3 605.4	9.9
Deposits from customers	27 284.7	25 564.6	6.7
Financial liabilities designated at fair value	3 942.7	2 510.0	57.1
Other liabilities	3 347.4	7 512	-55.4
Total liabilities	38 537.2	39 191.8	-1.7
Equity attributable to shareholders of Julius Baer Group Ltd.	4 190.1	3 483.1	20.3
Non-controlling interests	1.7	1.4	22.9
Total equity	4 191.8	3 484.6	20.3
Total liabilities and equity	42 729.0	42 676.4	0.1
Key performance ratios			
Loan-to-deposit ratio	0.38	0.39	-
Leverage ratio ²	17.2	24.6	-
Book value per registered share outstanding (CHF) ³	20.5	-	-
Return on equity (ROE) ⁴	17.4%	19.6%	-
BIS statistics			
Risk-weighted assets	10 970.4	13 250.5	-17.2
Eligible tier 1 capital	2 656.4	1 963.0	35.3
Tier 1 ratio (%)	24.2%	14.8%	-

¹Mostly lombard lending and mortgages to clients

²Total assets/tangible equity

³Based on total equity

⁴Net profit/average equity less goodwill

Business development in 2009

Despite the volatile markets and the intensifying regulatory climate, the Julius Baer Group was able to successfully retain its strong competitive standing and to achieve a pleasing business performance in 2009. Most importantly, Julius Baer remained well in favour with existing as well as new clients, thus capitalising on the Group's superior business model, strong market position, clear value proposition and skilfully executed long-term growth strategy.

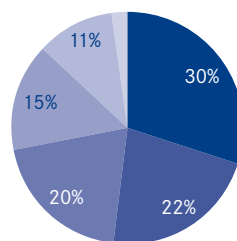
In the past twelve months, developments in the banking sector continued to be heavily influenced by the aftermath of the financial crisis, its negative effects on the real economy globally, and the increasing regulatory pressures across continents. The financial downturn undermined banking clients' trust in many an institution, resulted in lower trading activity and prompted clients to favour more conservative asset classes. After markets began to improve in the second quarter of 2009, trading activity picked up, but remained at more subdued levels than prior to the crisis. At the same time, the intensifying regulatory environment made it imperative for many banks to fine-tune their strategic approach and to divest part of their non-core operations.

A reliable partner also in difficult times

Julius Baer's exclusive focus on providing private banking and investment advisory services to private clients from around the globe, combined with prudent risk management, has served the Group's clients well in this demanding business environment. The Julius Baer Group, with Bank Julius Baer & Co. Ltd. as its main operating entity, continued to attract healthy inflows across all regions in 2009, albeit at a slower pace than in the previous year. Inflows from its Asia-Pacific operations were again particularly gratifying. Together with generally improving financial markets, this spurred a year-on-year increase in assets under management by 19% to CHF 154 billion at the end of 2009.

Parallel to maintaining strong organic business momentum, the Julius Baer Group delivered on its promise of selective external growth. In October

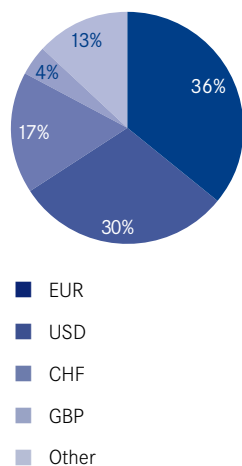
Breakdown of assets under management by asset mix



- Bonds/convertibles
- Equities
- Third-party funds
- Client deposits
- Money market instruments
- Other 2%

2009 it announced the acquisition of private bank ING Bank (Switzerland) Ltd (“ING Bank”). This transaction offers significant benefits from a financial and cultural point of view. At the end of 2009, ING Bank employed some 300 staff and managed about CHF 14 billion of assets. It will double Julius Baer’s presence in Geneva and add booking centre capability in Monaco. In addition to significantly broadening Julius Baer’s business in selected European core markets, it will also increase the business volume in Central and Eastern Europe, Russia and other growth markets. Following regulatory approval, the transaction was closed in mid-January 2010. The technical integration process is expected to be completed in summer 2010. Already in May 2009, Julius Baer announced the acquisition of Milan-based Alpha SIM, a specialised investment manager focused on serving high-net-worth individuals (HNWIs), then managing assets of around CHF 600 million.

Breakdown of assets under management by currency



Switzerland

Looking at the developments in the Group’s various target markets, the domestic market of Switzerland remained a key growth driver for the Group. It is Julius Baer’s home market and offers attractive expansion potential, both through organic growth as well as through financial sector consolidation. As a consequence and as one of the Group’s major strategic priorities, Julius Baer aims to become the premier private bank in Switzerland. In order to efficiently manage all strategic Swiss initiatives of Bank Julius Baer towards this single aim, Executive Board member Bernard Keller was appointed Head of Switzerland as of 1 January 2010. He was succeeded in his previous function as Head of the market region Ticino and Italy by his deputy Giovanni Flury.

In the year under review, Julius Baer undertook a number of initiatives in Switzerland, by further aligning its already well-established pan-Swiss presence and service offering. With a new team dedicated to covering the region south of Lake Constance that joined Julius Baer at the end of 2009, an office in Kreuzlingen will be opened in early summer 2010. Additional investments were made in meaningful technological enhancements to many of the front-end tools, with the aim of facilitating the daily work of the relationship managers. Julius Baer also expanded its competitive range of products and services for the Swiss market. The comprehensive offering of straight residential mortgages was particularly highlighted.

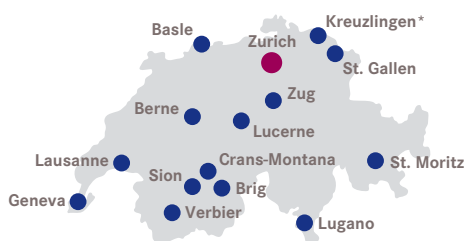
Asia

Given Asia's rapidly increasing importance for the Group and the tremendous growth potential still present there (cf. box on page 15), Julius Baer reconfirmed the strategic priority for this promising region, aspiring to develop its Asian operations into its "second home market" beside Switzerland. Already now, around 350 employees are based at Bank Julius Baer's hubs in Singapore and Hong Kong – several times the number of four years ago. With the Julius Baer brand swiftly gaining recognition and augmenting the Group's superb reputation in the region, the Bank is continuing to recruit high-calibre personnel in client-facing, back-office, and product-specialist functions. To underscore the commitment to this market, Thomas R. Meier, CEO Asia and Middle East, relocated to Singapore in mid-2009 to lead the daily operations from there. Preparations are currently underway to extend the Bank's booking capabilities in Asia by upgrading the Group's presence in Hong Kong to a full branch of Bank Julius Baer.

Europe

As the overall second largest HNWI market in the world and the natural neighbouring region to Julius Baer's home base, Europe remains a key strategic market for the Group. Also as part of the Group's main strategic priorities, the focus in Europe will be on establishing offerings mirroring the changed regulatory environment for all of the Group's target markets, offered either out of Switzerland or locally if necessary. In 2009, the onshore presence in the German market was further expanded at the beginning of November by opening a new location in Munich. It was the culmination of a successful year for the Group in this important market that saw the number and calibre of relationship managers as well as Bank Julius Baer's standing with clients rising steadily, resulting in very satisfactory asset inflows.

As announced in May 2009 (cf. page 9), Julius Baer also increased its presence in Italy by the acquisition of the Milan-based wealth manager Alpha SIM. Following the necessary regulatory approvals received at the end of September, Alpha SIM is currently



● Head Office

* To be opened in early summer 2010



being merged with Julius Baer's existing private client operations in Milan, Julius Baer SIM. The local set-up in Italy has served as an effective means to retain assets impacted by the recent Italian tax amnesty. Of total assets that were declared by clients taking advantage of the tax amnesty, some 60% remained with Julius Baer. In addition, the Group was able to capture asset flows from third parties that were either lacking suitable structures or services.

Americas

Latin America has also remained an important chapter in Julius Baer's growth story. In 2009, the Group expanded its presence there with new offices in Santiago de Chile (Chile), Lima (Peru) and Caracas (Venezuela). At the same time, the office in Colombia was closed as a result of a strategy review. Separately, the Julius Baer Group initiated a phased exit from its US business.

A solid base to build on

Parallel to the slight overall increase in the number of employees by 1% to 3 078 at the end of 2009, Julius Baer continued to hire high-calibre relationship managers and teams. With 108 relationship managers joining Julius Baer, the total number rose by net 48 to 667 relationship managers at the end of 2009, thus further improving the overall productivity.

The impact of permanent, active cost management as well as the pre-emptive implementation of many efficiency measures in the early stages of the financial crisis on Julius Baer's bottom line was considerable in 2009. While the cost-conscious approach was further extended into the entire organisation during the twelve months under review, it will remain one of the Group's top priorities going forward, yet without compromising the service levels provided to clients or the determined exploitation of growth opportunities.



2009 was a year of many anniversaries at Julius Baer: the Group celebrated 30 years in the Bahamas, 20 years in Germany, 15 years in the Channel Islands, 10 years in Lausanne, and marked the 20th anniversary of its External Asset Manager (EAM) business. As an important core activity, Julius Baer's EAM business further strengthened its position in Switzerland. In addition to the desks in Zurich, Geneva, Lugano and Basle, the Group offers independent asset managers fully dedicated desks also in Singapore, Nassau and Guernsey. They serve as one-stop shops, providing independent asset managers with access to the full range of Julius Baer's investment and advisory services, even across time zones. Ongoing investments into this segment ensure excellent service during all stages of an independent asset manager's business development.

Open product platform as a key success factor

With Julius Baer firmly established as an independent trusted advisor, the Group's service offering was further aligned with clients' interests and broadened across all areas of investment advice and financial expertise. In doing so and following a thorough reorganisation, the Investment Solutions Group (ISG) gained rapid traction during 2009, with its structures, management team and interfaces proving very effective. Ensuring utmost continuity of service, an internal appointment was made for the position of Head ISG, with Yves Robert-Charrue (former Head of Funds and Product Management) having assumed this function as of 1 January 2010.

In shaping the Group's truly open product platform into an important differentiating factor and an elementary source to add value to clients' portfolios, the funds and product selection unit was streamlined and the product universe it covers significantly broadened. Furthermore, various new product initiatives were successfully launched to accommodate clients' demands from all regions.

“Julius Baer's exclusive focus on providing private banking and investment advisory services has served its clients well.”

Given the challenging market environment, the ongoing and active exchange of opinions and advice on financial markets and investment opportunities between clients and the Group's investment specialists has become increasingly important. This was reflected in the considerable increase in asset volume in the Investment Advisory Mandates in 2009. The Investment Advisory unit has continuously demonstrated the Bank's in-house investment and market expertise through a constant flow of investment ideas.

Investment and advisory competence

To further strengthen the position of Bank Julius Baer as a preferred provider of investment advice, Venktraman Anantha-Nageswaran (also known as Dr VAN) was appointed as the Bank's Chief Investment Officer in March 2009. In this function, Dr VAN has been successfully steering the Bank's investment policy. Furthermore, to provide clients with regular insights into financial market developments, the Research team extended its coverage and launched new client publications such as the new flagship *Horizons* (quarterly), *Insights* (monthly), and the *Daily Wire*.

A very satisfactory performance both in absolute and in relative terms was achieved in 2009 by all Discretionary Mandate types as well as by the Julius Baer Strategy Funds. Portfolio Management Consulting was successfully rolled out, serving as a dedicated interface between the portfolio managers and clients. Moreover, continuing to provide state-of-the-art solutions to the Group's ultra-high-net-worth clientele, a specialised team was successfully established to provide structured Discretionary Mandate solutions that cater to the semi-institutional requirements of this important client segment.

Amid the challenging legal environment of today, the in-house specialists from the Wealth & Tax Planning unit, together with a selected network of external partners, successfully met an increasing demand for expert advice, providing clients with sophisticated solutions across jurisdictions and booking centres.

Markets & Custody

The Markets unit, providing market execution, trading support and structuring expertise for the Group's front units as well as selected external clients, saw the sales volume of its structured products steadily increase during the year on the back of investors gradually regaining their confidence and risk appetite. At the same time, notable progress was made in the listed warrant business, where volume and open interest contributed strongly to the top line result. As a consequence, Bank Julius Baer's share in the Swiss-listed derivatives market was also substantially increased. Meanwhile, however, the declining volatility in the currency markets and the associated drop in client orders held down revenues in the foreign exchange business. Investments in technology in this area culminated in the roll-out of the Singapore-Zurich order routing platform, which in turn significantly improved transaction efficiency. The Markets unit's standing with institutional clients increased notably during the year, with a large share of the very good business flows arising from the growing interest in foreign exchange-related structured products. To further expand this promising client segment, additional teams were recruited in the areas of fixed income brokerage services and over-the-counter trading in unlisted traditional funds.

The Global Custody business continued to grow successfully, driven by consistent market demand. Bank Julius Baer, a leading provider of Global Custody services in Switzerland, was entrusted with CHF 87 billion of assets under custody at the end of December 2009, up 37% or CHF 24 billion year on year, of which a larger share was attributable to the former asset management business of Julius Baer Holding Ltd. Thanks to its comprehensive range of services, including customised solutions for the settlement of stock exchange transactions worldwide as well as securities administration, tailored reporting and safekeeping, Julius Baer Custodian Service is well positioned for further growth. In order to maximise synergies, Global Custody was fully integrated and put under joint leadership next to the Markets unit as of 1 January 2010.

Excellence at Julius Baer

Julius Baer aims to be the private banking provider of choice and thus continuously keeps a finger on the pulse of its clients and their developing needs in order to provide an impeccable banking experience for them. It is therefore pleasing to see that the Group's efforts to maintain and constantly improve the level of service excellence are positively received by its clients. The latest client survey conducted to assess the level of client satisfaction shows that nine out of ten clients are happy with their relationship with Bank Julius Baer.

As one of many ways to make the experience of banking with Julius Baer even more pleasant, the client reception and meeting zone at the Zurich

headquarters was considerably expanded. Building on the successful concept applied during the complete overhaul of the original reception and client area, the spacious new area extending over two levels was designed with the same elegance in mind, featuring intriguing displays of art and plants, with a tranquil pond as its centrepiece.

“Julius Baer aims to be the private banking provider of choice and trusted partner of its clients, evidenced in an impeccable banking experience anytime, anywhere.”

In its effort to be the employer of choice, Julius Baer continued nurturing its internal talent and introduced a number of continuing education programmes designed to augment the skills of its current and future leaders. The scope and quality of talent available to the Group across all management levels and functions was further underlined by the fact that all Senior Management appointments could be filled with internal candidates in 2009. In the present environment of strict cost optimisation and with the aim of providing the Group's organisation with increased flexibility while retaining essential know-how and experience, a full array of innovative labour management measures was introduced. The many possibilities to alter the individual work-life balance were widely welcomed by employees.

Julius Baer also showed its passion for event sponsorship, providing leading support to cultural events such as the St. Moritz Art Masters and the annual Lucerne Festival at the Piano. Furthermore, it sponsored prestigious sporting events such as Polo on Snow in St. Moritz and the Julius Baer Challenge regatta on Lake Geneva.

The number and calibre of awards received by Bank Julius Baer during 2009 was an acknowledgement of the Group's strategic efforts and its successful positioning as a reliable partner internationally. In December 2009, the leading German financial publication *Fuchsbriefe* named Bank Julius Baer the "Best Asset Manager 2010" in German-speaking Europe based on its thorough annual mystery testing. Also at the end of 2009, *FinanceAsia* distinguished Julius Baer, for the second consecutive year, with its prestigious house award for "Best Private Bank". The *Financial Times Group* presented Julius Baer with the "Best Strategy for Growth" award, while *Private Banker International* named Julius Baer the "Outstanding Private Bank – Customer Relationship Skills". For the second year in a row, *Asiamoney* magazine named Julius Baer the "Best Boutique Bank" in the region Asia-Pacific, and Swiss business magazine *Bilanz* picked Julius Baer as the top private bank in its mystery shopping competition evaluating the quality of wealth management advice.

Separately, Julius Baer was also distinguished by *Bilanz* as the company with the best corporate governance among the 20 blue chip companies listed in the SMI.



Asia – dynamic region, promising markets for Julius Baer

Asia is the world's single largest continent, covering 30% of the earth's land area and hosting 60% of the world's population. Including economic powerhouses such as China, India, Japan, Indonesia and Singapore, Asia has firmly established itself as the world's workshop and growth engine.

Generally less severely affected by the financial crisis than western economies, Asia is expected to stage an impressive economic rebound in 2010, outpacing the growth rates of advanced economies many times over. This dynamic development will not only result in China replacing Japan as the world's second largest economy behind the USA but will also lead to sustained creation of both real and financial assets. Not surprisingly, the *World Wealth Report 2009** forecasts the region Asia-Pacific will overtake North America as the largest region for HNWI financial wealth by 2013.

Julius Baer has actively targeted Asia as one of its major growth markets since 2006. Thanks to its strong brand, attractive service offering and dedicated employees, the Group has gained a strong standing in the region. With more than 10% of the Group's workforce now operating in Asia, growing this solid base into Julius Baer's "second home market" beside Switzerland is a natural next stage.

* Merrill Lynch / Capgemini

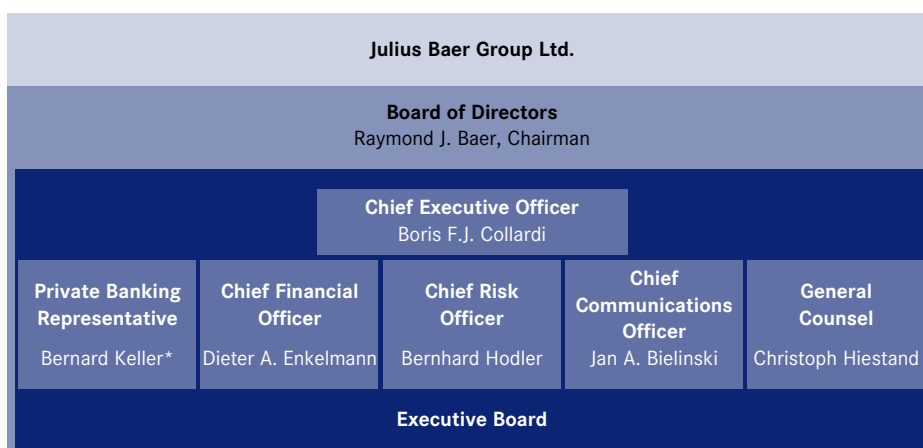
Julius Baer the Company

Julius Baer Group Ltd. is the leading Swiss private banking Group, with the renowned Bank Julius Baer & Co. Ltd. as its principal operating company. The Julius Baer Group combines a comprehensive service offering, a broad international presence and a treasured Swiss heritage into a unique private banking experience for discerning clients from around the globe. Our complete independence in each and every aspect of our business – from our focused business model and sound financial foundation to our dedicated investment management, open product and service platform, and proprietary research – makes us a trusted partner of choice.

Private banking has been our core business and our passion for the past 120 years. This single-mindedness is evident in every detail. Our relationships with private clients, family offices and independent asset managers are built on partnership, continuity and mutual trust. Comprehensive advice and experienced relationship managers form the basis for individually tailored

solutions. To ensure that contact with our clients is based on optimal linguistic and cultural localisation, the client-facing organisation follows geographic markets.

“Know your client” is not just a slogan for us, but an imperative driving us each day to meet and exceed the expectations of our discerning clientele, for generations of clients. Hence, our relationship managers endeavour to understand their clients’ financial needs as well as their private and cultural considerations. There is no substitute for being in close contact with clients. With some 40 locations in over 20 countries and six booking centres as diverse as Switzerland, Germany, Guernsey, Monaco, Singapore and the Bahamas, we are a truly international private bank.



* Effective 1 January 2010

The organisational structure of the Julius Baer Group fulfils all the demands of modern corporate governance as well as the requirements of efficient management. The Group's key functions – risk, legal & compliance, finance & accounting, communications and investor relations in addition to the core business of private banking – are directly represented in the Executive Board. This six-member body, headed by the Chief Executive Officer, has broad and profound management experience in the international financial services industry.

As an employer of choice, we can draw on a vast pool of dedicated experts in all areas of contemporary wealth management. More than 3 000 employees, of which close to 700 relationship managers, are available around the clock to serve our clientele. They manage and monitor the assets placed in our care, analyse the financial markets and world events, identify trends, and devise innovative investment strategies and solutions based on these insights.

Perfectly matching our independent investment stance, Julius Baer Group's truly open product platform provides us with access to in-house as well as leading external specialists, allowing for an unrestricted choice of the best services and products available for the benefit of our clients.



Origins of Julius Baer

From the beginning of the company in the nineteenth century, its development has been driven by an entrepreneurial spirit, cultural openness and an intimate understanding of its clients' needs. This timeless business approach is reflected in the enduring motto of Julius Baer, the founder and namesake of the Group: "If contact between people is based on trust and absolute integrity, then it is of benefit for both sides."

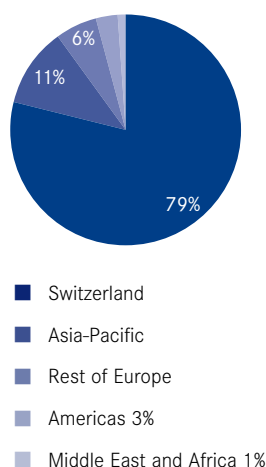
The Group emerged in its current form as a result of the former Julius Baer Holding Ltd. separating its private banking and asset management businesses completed at the end of September 2009. With the aim to unlock the full strategic potential of each business, the separation has further sharpened the focus on private banking as the core business of the Julius Baer Group to the point of outright exclusivity.

Well positioned and well regarded

The Julius Baer Group is also one of the leading publicly listed financial companies in Switzerland. As a financial holding company, it unites under its umbrella all the specialised companies essential to providing our international clientele with a full array of modern wealth management services. The largest of these companies and the main operating entity of the Group is Bank Julius Baer & Co. Ltd., headquartered in Zurich.

The shares of Julius Baer Group Ltd. are listed on the SIX Swiss Exchange. They form part of the Swiss Market Index (SMI), which comprises the 20 largest and most liquid blue chip companies traded on the SIX Swiss Exchange, as well as the Swiss Leader Index (SLI). The market capitalisation as of 31 December 2009 was CHF 7.5 billion.

Julius Baer employees by geography 2009 (FTE)



Moody's assigns an Aa3 long-term obligations rating and a B- bank financial strength rating to Bank Julius Baer & Co. Ltd., together with the highest possible rating for short-term debt, Prime-1. In addition, Moody's assigns an A1 issuer rating to Julius Baer Group Ltd.

Our employees

In 2009, the number of full-time employees of the Group marginally increased from 3 060 to 3 078. Despite the opening of new locations and the strengthening of various functions in our home market of Switzerland, its share in the geographic distribution of staff continued to decline from 81% to 79%. While the shares of the Americas (3%) and of the Middle East and Africa (1%) remained broadly unchanged, the relative importance of the region Asia-Pacific increased from 10% to well over 11% and that of the rest of Europe from 5% to 6%.

Not surprisingly given the Group's dynamic development, the proportion of colleagues who joined Julius Baer in the past five years rose to 64% in 2009 from 60% a year ago. In comparison, the age distribution of the Group's employees shows a result very much in line with what can be expected from a dedicated wealth manager relying on both excellence and expertise: 68% of employees were between 31 and 50 years old in 2009, up from 67% in 2008.

The Julius Baer Foundation

Julius Baer is highly committed to social responsibility and supports many charity projects with its foundation. The Julius Baer Foundation was established in 1965 on the occasion of the 75th anniversary of Bank Julius Baer and had assets of foundation of CHF 11 million at the end of 2009. Since 2001, the main focus has been on projects addressing the topic of youth, with particular emphasis on social integration and the prevention of violence. In addition, the Julius Baer Foundation sponsors selected scientific and charitable projects, along with the support it provides to artists, institutions and events in all cultural fields.

In order to maximise the impact of the 2009 year-end donations of the Group, of which a considerable amount was sponsored by the individual market regions, the Board of Directors and the Executive Board decided to focus on larger donations that will have a strong impact. The task of selecting charitable projects around the globe was assigned to the Julius Baer Foundation.

Focusing on international projects for the benefit of children, youths and young adults, a total of six projects on four continents were selected – Kyrgyzstan: fighting hidden hunger; Thailand: dormitory construction for remote secondary schools (cf. box); Switzerland: midnight sports and Open Sunday; Ivory Coast: helping child soldiers to overcome war trauma; Peru: job readiness training for disabled people; Argentina: school material support in rural and remote areas.



Julius Baer Foundation supports dormitory construction in Thailand

Many ethnic minorities living in the mountains of Thailand are undocumented and considered “stateless”. As a result, restricted mobility outside their communities is the order of the day, further aggravated by a severe lack of access to public services such as education and health care.

For example, it is not unusual to find only a single secondary school serving one large area. As a consequence, many students from remote areas have to walk long distances to attend school. This is a challenging and sometimes even dangerous undertaking, especially during the rainy season. These restrictions prevent many children from attending school and finishing their secondary education.

Alternatives such as staying overnight in a dormitory are either non-existent or involve unhygienic or unsafe conditions. The aim of the project supported by the Julius Baer Foundation is to provide proper dormitory accommodation such as the Maedaed Noi Boarding House pictured above, which was completed on 6 January 2010. The project is professionally coordinated on site by Child’s Dream, a charity organisation dedicated to unconditional help for underprivileged children in the mountainous areas of Northern Thailand.

Important dates

Date of 2010 Ordinary Annual General Meeting: 8 April 2010

Interim Management Statement: 11 May 2010

Publication of 2010 half-year results: 21 July 2010

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This brief report is intended for informational purposes only and does not constitute an offer of products or an investment recommendation. We also caution readers that risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved.

The Annual Report 2009 of Julius Baer Group Ltd. containing the audited financial accounts of the Julius Baer Group for the year 2009 is available at www.juliusbaer.com.

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The Julius Baer Group is present in over 40 locations worldwide. From Zurich (Head Office), Buenos Aires, Dubai, Frankfurt, Geneva, Guernsey, Hong Kong, London, Lugano, Milan, Moscow, Nassau to Singapore.