Business Review **2011**
Julius Baer Group

Key figures Julius Baer Group[1]

	2011 CHF m	2010 CHF m	Change in %
Consolidated income statement			
Operating income	1 752.7	1 794.4	-2.3
Adjusted operating expenses	1 279.1	1 191.9	7.3
Profit before taxes	473.6	602.5	-21.4
Adjusted net profit	400.5	503.9	-20.5
excluding Germany settlement[2]	451.8	503.9	-10.3
Adjusted EPS (CHF)	1.98	2.45	-19.2
excluding Germany settlement[2]	2.23	2.45	-8.8
Cost/income ratio[3]	68.0%	65.4%	-
Pre-tax margin (basis points)	28.2	35.3	-

	31.12.11	31.12.10	Change in %
Client assets (CHF bn)			
Assets under management	170.3	169.7	0.4
Average assets under management	167.7	170.7	-1.8
Net new money	10.2	8.8	-
Assets under custody	87.8	97.6	-10.1
Total client assets	258.1	267.3	-3.4
Consolidated balance sheet (CHF m)			
Total assets	52 928.7	46 286.6	14.3
Total equity	4 310.2	4 484.0	-3.9
BIS total capital ratio	23.9%	24.3%	-
BIS tier 1 ratio	21.8%	23.8%	-
Return on equity (ROE)	12.2%	15.8%	-
Personnel			
Number of employees (FTE)	3 643	3 578	1.8
of whom Switzerland	*2 747*	*2 763*	*-0.6*
of whom abroad	*896*	*815*	*9.9*
Capital structure			
Number of registered shares	206 630 756	206 630 756	-
Weighted average number of registered shares outstanding	202 586 951	205 969 204	-
Share capital (CHF m)	4.1	4.1	-
Book value per registered share outstanding (CHF)	21.1	21.8	-3.3
Market capitalisation (CHF m)	7 592	9 050	-16.1
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	

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
Share buyback programme second trading line (BAERE.SW)	12 664 577

[1] Adjusted results derived by excluding from the audited IFRS financial statements the integration and restructuring expenses and the amortisation of intangible assets related to previous acquisitions or divestitures as well as the impact of the cost reduction plan announced on 14 November 2011.

[2] On 14 April 2011, it was announced that German authorities and Julius Baer had agreed on a one-off payment by the latter of EUR 50 million to end the investigations against Julius Baer and unknown employees regarding tax matters in Germany.

[3] Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

Front cover: *Untitled (Tree) no. 4*, 2010; by Swiss artist Arnold Helbling, acrylic, textile, paper and plastic on canvas, 122 x 153 cm; part of the Julius Baer Art Collection.

Julius Baer owns one of the largest corporate collections of Swiss contemporary art. As the works are not accessible to the public outside exhibitions, a fine and growing selection of them can be explored in the virtual museum at: www.museum.juliusbaer.com

Contents

Dear Reader

With the global economy still severely hampered by the ongoing deleveraging on multiple levels, economic prospects deteriorated further in the past twelve months, particularly in the developed world. This, in addition to generally rising austerity, resulted in very volatile financial markets and currency developments. We were able to maintain our Group's business momentum in most dimensions in 2011 and seize opportunities, thus capitalising on our singular focus on private banking, broad international presence and strong capital base.

The shifting patterns of wealth generation and distribution globally as well as the legal and regulatory frameworks affecting them call for continuous and swift change. In the past months, we adjusted through a number of initiatives that yielded both refined and enlarged geographic coverage. These included the creation of a 'region Switzerland', inroads into the local Brazilian market and a cooperation on investment banking services to complement our local offering in Asia. Our full-fledged product and service offering combined with our unrelenting drive to be close to our clients helped strengthen and deepen client relationships. Yet with expected market returns set to remain low and clients' strong focus on capital preservation, the traditional view on relative performance may need to be fundamentally revised industry-wide.

All in all, we achieved a gratifying net new money inflow of 6%. Its impact, however, was countered by adverse market and currency developments, so assets under management remained basically unchanged at CHF 170 billion. Total client assets, including assets under custody, amounted to CHF 258 billion at the end of 2011. At the same time, the demanding environment of 2011 limited our ability to generate revenues. In order to further protect our profitability, we announced a cost reduction plan and a related one-off restructuring charge. The tightening of industry regulation and its implication for our cost base remained a major influencing factor. The regulatory visibility, however, has started to improve, not least thanks to the ongoing efforts of the Swiss government to foster tax agreements. With the aim of avoiding lengthy legal proceedings, German authorities and Julius Baer agreed on a one-off payment of EUR 50 million. Excluding non-recurring items, the underlying net profit* would have amounted to CHF 452 million in 2011, down 10% from the previous year.

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

“We were able to maintain our Group’s business momentum in most dimensions in 2011 and seize opportunities.”

Julius Baer is ideally positioned to capture the strong wealth creation dynamics of growth markets while further penetrating the high wealth concentration of our core European markets. In addition and provided strict criteria are met, we aim to play an active role in the continuing industry consolidation. Our Group’s strong capital base has proven once again to be a key differentiating factor and business enabler. In order to further diversify the Group’s capital structure, we successfully raised CHF 250 million of lower tier 2 capital. The BIS total capital ratio amounted to 23.9% and the BIS tier 1 ratio to 21.8% at the end of 2011, comfortably exceeding both current and expected future requirements. Based on this and to ensure shareholders’ continuing participation in the financial success of the Group, the Board of Directors proposes to the Ordinary Annual General Meeting on 11 April 2012 an unchanged dividend of CHF 0.60 per share and a special dividend of CHF 0.40. The total dividend payout amounts to CHF 199 million. Through year-end 2011, we repurchased 7 592 954 own shares in the amount of CHF 254 million in the current share buyback programme. Following its completion, a new share buyback programme of up to CHF 500 million is envisaged, to be executed flexibly over the next two years.

To successfully withstand the gravitational forces of the financial and debt crisis and at the same time relentlessly advance our business across the globe is an achievement. This is largely owed to our esteemed employees, whose dedication and great contribution we highly appreciate. With equal gratitude, we extend our thanks to our loyal clients and shareholders for their continued trust and support.

Raymond J. Baer
Chairman

Boris F.J. Collardi
Chief Executive Officer

Financial performance in 2011

Julius Baer's financial results in 2011 were mainly influenced by the strong Swiss franc and continued cautious client investment behaviour, impacting both the Group's asset base and profitability. Assets under management remained broadly stable at CHF 170 billion, masking gratifying net new money inflows of CHF 10 billion or 6%. The negative currency impact and the one-off Germany payment caused adjusted net profit* to decline to CHF 401 million (CHF 452 million excluding this payment, down 10%). All in all, we were able to maintain our Group's business momentum in most dimensions in 2011.

Dieter A. Enkelmann, Chief Financial Officer

Total client assets declined by 3% to CHF 258 billion at the end of 2011. *Assets under management* ended the year at CHF 170 billion, basically unchanged from the end of 2010. This was the result of net new money of CHF 10.2 billion, a negative market performance impact of CHF 8.1 billion and a negative currency impact of CHF 1.4 billion. The net new money rate of 6% was at the top end of the targeted range. While all regions contributed positively, the majority of inflows stemmed from the growth markets – Asia, Russia, Eastern Europe, the Middle East and Latin America. The Group's local businesses in Switzerland and Germany also delivered significant inflows. AuM levels fluctuated considerably during the year as a result of the significant market and currency volatility experienced in 2011. Consequently, average AuM (calculated on the basis of monthly AuM levels) decreased by 2% to CHF 168 billion. *Assets under custody* ended the year at CHF 88 billion after CHF 98 billion at the end of 2010.

Operating income declined by just over 2% to CHF 1 753 million, which, together with the aforementioned almost 2% decline in average AuM, translated into a gross margin of 104.5 bps, after 105.1 bps in 2010. *Net fee and commission income* decreased by 4% to CHF 942 million, impacted by overall lower transaction-based income. *Net interest income* increased by 17% to CHF 533 million, partly on higher dividend income on trading portfolios, which for accounting reasons is included in net interest income. Excluding the trading portfolios-related dividend income, which increased from CHF 66 million in 2010 to CHF 101 million in 2011, underlying net interest income grew by 11% to CHF 431 million, driven mainly by an increase in loan volumes. *Net trading income* fell by 19% to CHF 269 million, partly due to the aforementioned dividend reporting impact. When adjusted on the same basis as for net interest income above, the underlying net trading income decreased by 7% to CHF 370 million. In the fourth quarter, clients turned particularly cautious, leading to very subdued client trans-

* Cf. footnote to the table on the next page

Consolidated income statement[1]

	2011 CHF m	2010 CHF m	Change %
Net interest income	532.6	455.4	17.0
Net fee and commission income	942.0	980.4	-3.9
Net trading income	268.7	332.3	-19.1
Other ordinary results	9.4	26.3	-
Operating income	**1 752.7**	1 794.4	-2.3
Personnel expenses	787.4	790.8	-0.4
General expenses[2]	425.4	344.7	23.4
Depreciation and amortisation	66.3	56.4	17.6
Adjusted operating expenses	**1 279.1**	1 191.9	7.3
Profit before taxes	**473.6**	602.5	-21.4
Income taxes	73.1	98.6	-25.9
Adjusted net profit	**400.5**	503.9	-20.5
excluding Germany settlement[3]	451.8	503.9	-10.3
Attributable to:			
Shareholders of Julius Baer Group Ltd.	400.3	503.1	-20.4
Non-controlling interests	0.2	0.8	-
Adjusted EPS (CHF)	1.98	2.45	-19.2
excluding Germany settlement[3]	2.23	2.45	-8.8
Key performance ratios			
Cost/income ratio[4]	68.0%	65.4%	-
Gross margin (basis points)	104.5	105.1	-
Pre-tax margin (basis points)	28.2	35.3	-
Tax rate	15.4%	16.4%	-

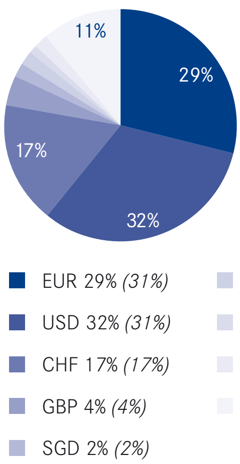
	31.12.11 CHF bn	31.12.10 CHF bn	Change %
Client assets			
Assets under management	170.3	169.7	0.4
Change through net new money	*10.2*	*8.8*	-
Change through market and currency impacts	*-9.5*	*-6.2*	-
Change through acquisition	-	*13.5*	-
Assets under custody	87.8	97.6	-10.1
Total client assets	**258.1**	267.3	-3.4
Average assets under management	**167.7**	170.7	-1.8

[1]Adjusted results derived by excluding from the audited IFRS financial statements the integration and restructuring expenses and the amortisation of intangible assets related to previous acquisitions or divestitures as well as the impact of the cost reduction plan announced on 14 November 2011.
[2]Including valuation allowances, provisions and losses
[3]On 14 April 2011, it was announced that German authorities and Julius Baer had agreed on a one-off payment by the latter of EUR 50 million to end the investigations against Julius Baer and unknown employees regarding tax matters in Germany.
[4]Calculated using adjusted operating expenses, excluding valuation allowances, provisions and losses.

action and trading activities. *Other ordinary results* declined to CHF 9 million, after CHF 26 million in 2010.

Adjusted operating expenses increased by 7% to CHF 1 279 million, mainly as a consequence of an agreement between German authorities and Julius Baer which led to a one-off payment of EUR 50 million (CHF 65 million, or CHF 51 million net of tax) by the latter on 14 April 2011, ending the investigations against Julius Baer and unknown employees regarding tax matters in Germany. Excluding the impact of this payment, the underlying operating expenses increased by 2% to CHF 1 214 million. At year-end, the total number of employees was 3 643, up 2% from a year ago, but down 1% since the end of June 2011, with the latter being the result of cost reduction steps initiated during the year. The number of relationship managers grew by 43 to 795. Despite the increase in overall staff levels, a decrease in performance-related payment accruals and pension fund expenses meant that adjusted *personnel expenses* were down slightly to CHF 787 million. Adjusted *general expenses*, including valuation allowances, provisions and losses, increased by 23% to CHF 425 million, mainly due to the one-off Germany payment. Excluding this latter item, the underlying general expenses increased by 4% to CHF 360 million.

Breakdown of assets under management by currency as at 31 December 2011
(31 December 2010)



The large majority of expenses are in Swiss francs, while operating income – similar to AuM – has a strong foreign currency exposure, especially to the euro and the US dollar. Whereas the value of the euro and the US dollar by year-end was not much different from the value at year-end 2010, the average exchange rates still reflected the significant strengthening of the Swiss franc, with the euro weakening by 10% on that basis compared to the average in 2010, and the US dollar by 15%. This is the main reason the adjusted *cost/income ratio* increased from 65.4% to 68.0%.

Including the one-off Germany payment, adjusted *profit before taxes* declined by 21% to CHF 474 million. The related income taxes fell by 26% to CHF 73 million, representing a tax rate of 15.4%. *Adjusted net profit** consequently decreased by 21% to CHF 401 million, and adjusted earnings per share came to CHF 1.98, down 19% from CHF 2.45 in 2010.

Excluding the one-off Germany payment, the underlying profit before taxes was down by 11% to CHF 539 million (representing a pre-tax margin of 32.1 bps of average AuM). The related income taxes dropped by 12% to CHF 87 million, representing a tax rate of 16.1%. The underlying net profit

* Cf. footnote to the table on the previous page

Consolidated balance sheet

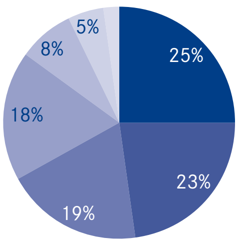
	31.12.11 CHF m	31.12.10 CHF m	Change %
Assets			
Due from banks	10 048.1	6 586.6	52.6
Loans to customers[1]	16 408.4	14 570.4	12.6
Trading assets	4 920.2	3 752.0	31.1
Financial investments available-for-sale	12 168.0	13 885.1	-12.4
Goodwill and other intangible assets	1 706.9	1 797.8	-5.1
Other assets	7 677.1	5 694.7	34.8
Total assets	**52 928.7**	46 286.6	14.3
Liabilities and equity			
Due to banks	5 670.2	4 251.8	33.4
Deposits from customers	34 841.2	28 846.7	20.8
Financial liabilities designated at fair value	3 494.6	4 160.6	-16.0
Other liabilities	4 612.5	4 543.4	1.5
Total liabilities	48 618.4	41 802.6	16.3
Equity attributable to shareholders of Julius Baer Group Ltd.	4 308.3	4 481.8	-3.9
Non-controlling interests	1.9	2.2	-13.4
Total equity	4 310.2	4 484.0	-3.9
Total liabilities and equity	**52 928.7**	46 286.6	14.3
Key performance ratios			
Loan-to-deposit ratio	0.47	0.51	-
Leverage ratio[2]	20.3	17.2	-
Book value per registered share outstanding (CHF)[3]	21.1	21.8	-3.3
Return on equity (ROE)[4]	12.2%	15.8%	-
BIS statistics			
Risk-weighted assets	**12 810.5**	12 060.5	6.2
Eligible tier 1 capital	**2 788.5**	2 873.4	-3.0
BIS total capital ratio	**23.9%**	24.3%	-
BIS tier 1 ratio	**21.8%**	23.8%	-

[1]Mostly Lombard lending and mortgages to clients
[2]Total assets/tangible equity
[3]Based on total equity
[4]Adjusted net profit/average equity less goodwill

thus declined by 10% to CHF 452 million and the underlying earnings per share declined by 9% to CHF 2.23.

As in previous years, in the analysis and discussion of the results in the Business Review, adjusted operating expenses exclude the amortisation of intangible assets related to acquisitions or divestitures as well as integration and restructuring expenses, with the latter in 2011 mainly comprising the CHF 50 million one-off charge related to the restructuring programme announced on 14 November 2011. Including these items, as presented in the IFRS results in the Annual Report, the net profit to shareholders was CHF 258 million in 2011, down 27% from CHF 352 million in 2010.

Breakdown of assets under management by asset mix as at 31 December 2011
(31 December 2010)



- Equities 25% *(26%)*
- Bonds/convertibles 23% *(22%)*
- Investment funds 19% *(20%)*
- Client deposits 18% *(15%)*
- Money market instruments 8% *(9%)*
- Structured products 5% *(6%)*
- Other 2% *(2%)*

Total assets increased by 14% to CHF 52.9 billion. Client deposits were up by CHF 6.0 billion to CHF 34.8 billion, partly the result of a shift from money market investments to deposits, and to some extent confirming the trend towards increased client cautiousness during the year. The loan book rose by CHF 1.8 billion to CHF 16.4 billion, of which CHF 11.8 billion were Lombard loans and CHF 4.6 billion mortgages, resulting in a year-end loan-to-deposit ratio of 0.47. Mainly as a result of the share buyback, total equity declined by CHF 0.2 billion to CHF 4.3 billion. BIS total capital increased by CHF 0.1 billion to CHF 3.1 billion, helped by the issuance of CHF 250 million of lower tier 2 capital towards year-end, while BIS tier 1 capital decreased by CHF 0.1 billion to CHF 2.8 billion. Helped by a conservative repositioning of the treasury portfolio towards year-end, risk-weighted assets stood at CHF 12.8 billion, barely changed from the level of CHF 12.7 billion at the end of 2010 pro forma for Basel 2.5, which was implemented on 1 January 2011. As a result, at year-end the *BIS total capital ratio* stood at 23.9% and the *BIS tier 1 ratio* at 21.8%, well above the Group's targeted medium-term capital ratio floors of 16% and 12% respectively.

At the end of 2011, Julius Baer had no treasury exposure to Greek, Spanish, Portuguese or Irish issuers, while Italian exposure was reduced to one single position of CHF 9 million. This last position was paid back to Julius Baer in January 2012.

Business development in 2011

The Julius Baer Group successfully refined and enlarged its geographic coverage in 2011, thus adapting to the shifting patterns of wealth generation and distribution globally. Thanks to our exemplary product and service offering combined with our unrelenting drive to be close to our clients, we were able to strengthen and deepen client relationships. The continued difficult market environment called for ever more operational flexibility.

The year 2011 was heavily influenced by the Japanese tsunami and nuclear catastrophe, the first-ever credit rating downgrade for the USA and the continuation of the Greek drama, which led to a European sovereign debt crisis and a renewed liquidity crunch. As the year progressed, economic prospects in the developed world receded further, contrasting with persistent growth dynamics in developing countries. The banking sector continued to suffer from balance sheet restructuring and margin pressure, which further accelerated consolidation also in the private banking industry. All in all, this resulted in very volatile financial markets, making it particularly challenging to provide our clients with guidance and advice in navigating through these turbulent waters.

Strategy and structure

Julius Baer is the leading Swiss private banking group. We strive to position our Group, with Bank Julius Baer & Co. Ltd. (Bank) as its main operating entity, at the forefront of the global wealth management industry. Independent in all aspects of our business activities, we pursue a corporate strategy based primarily on five cornerstones:

- a pure business model solely dedicated to private banking
- a distinct value proposition and service excellence focus
- a truly open and actively managed product platform
- a client-centric management culture
- a strong brand name

As a result, Julius Baer's business activities have low risk characteristics. These cornerstones are complemented by prudent financial and risk management, resulting in a very strong capital base. As evidenced by our more than 120 years of corporate history, we aim at sustainable and industry-leading profitable growth. We consider this an essential precondition to remain competitive and thus highly attractive for our clients, for the relationship managers taking care of them, for all other employees and for our Swiss and international shareholder base.

Our strategic priorities centre on capturing the strong wealth creation dynamics of growth markets and on further penetrating the high wealth concentration of our core European markets (cf. box on page 15), thus living up to our motto of being 'big enough to matter yet small enough to care'. In addition to fostering organic growth and broadening its base of highly qualified relationship managers, Julius Baer is also open to opportunistic, value-enhancing acquisitions. The strategic direction of the Group and the means of achieving the targets are reviewed regularly in a revolving strategy process.

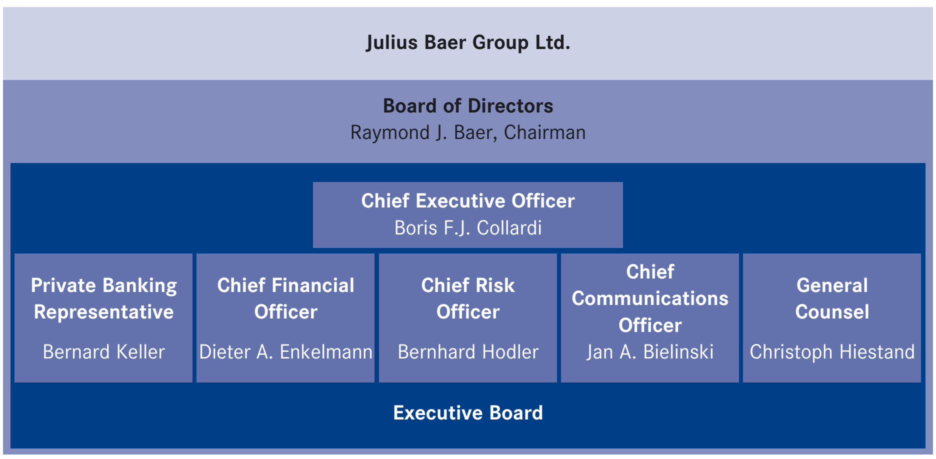
In order to further strengthen the Bank's organisation, Bernhard Hodler, member of the Executive Boards of Julius Baer Group and Bank Julius Baer, was appointed as the Bank's new Chief Operating Officer (COO) effective 1 April 2011. By streamlining vital functions and bundling them into the newly created COO area, we are continuing to align the Bank's business model with the changing private banking landscape and to provide the framework and resources for the implementation of our growth strategy: identifying opportunities to increase efficiency and align projects, budgets, resources and timelines with the overall strategy. This also includes periodic review of the current IT strategy to consider the possible introduction of a package software solution.

On the regulatory side, Switzerland has reached final withholding tax agreements with Germany as well as the UK (pending ratification) and is discussing similar agreements with other countries. We kept a close eye on the developments and initiated a number of strategic projects to ensure readiness for possible implementations. As to the ongoing discussions between the USA and Switzerland on tax matters, we are actively supporting the efforts of the Swiss government to find a solution for the financial industry while also cooperating with the US authorities within the confines of applicable laws.

The Group also continued to enhance its compliance framework as well as the training of client-facing staff, including mandatory certification programmes for all core European markets.

Our employees

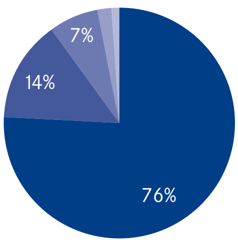
The total number of employees amounted to 3 643 at the end of 2011, an increase of 2% compared to the previous year, primarily reflecting the rising share of front-related staff. Attracting and retaining highly qualified relationship managers remained a key cornerstone of our Group's growth strategy. While their performance continued to be assessed on an ongoing basis, their total number rose to 795, up from 752 at the end of 2010.



As part of our goal to remain employer of choice and to complement Julius Baer Academy's comprehensive training offerings for employees, Julius Baer launched a leadership development programme for senior managers which allows them to improve their understanding of how their own behaviour and that of others affects the functioning of their organisation.

In addition to our ongoing efforts to contain costs, we finally also had to announce a reduction of around 150 positions in all businesses globally. By making use of employee fluctuation and by not filling all vacancies, however, we were able to limit the number of redundancies. Affected employees benefited from Julius Baer's attractive social plan, exceeding industry standards.

Julius Baer employees (FTE) by geography as at 31 December 2011
(31 December 2010)



- Switzerland 76% *(77%)*
- Asia-Pacific 14% *(13%)*
- Rest of Europe 7% *(7%)*
- Americas 2% *(2%)*
- Middle East and Africa 1% *(1%)*

Our business activities

Switzerland

Effective 1 July 2011, the hitherto regionally managed private client business in Switzerland was brought under the single leadership of Yves Robert-Charrue (former Head Investment Solutions Group). This step aims at fully exploiting the attractive growth potential of the Group's important home market by further leveraging the recently upgraded product and service platform dedicated to the particular requirements of Swiss-domiciled clients. The success of this strategy was mirrored in the *Best Private Bank in Switzerland* award we received from *The Banker* and *Professional Wealth Management* for the second year in a row. The opening of the Ascona branch added another contact point to the Italian-speaking and highly attractive tourist region of the country. In Geneva, we celebrated our 25-year anniversary.

The ongoing political discussions on tightening inheritance tax in Switzerland heightened the awareness of this topic, resulting in rising business momentum. As we have been addressing this aspect of estate planning for years, many of our clients are well positioned, with their successors already having been introduced and become clients of the Bank. With real estate investments in the Greater Zurich Area and Eastern Switzerland still well sought-after, there was high demand for mortgage offerings from our private clients.

Our business with external asset managers (EAMs) maintained its good market positioning. We offer the full range of investment and advisory services to independent asset managers, primarily from our main desks in Switzerland and Singapore, complemented by several other booking centres. In order to enhance our service quality, new user-friendly IT solutions for EAMs were rolled out at these locations, and further investments in staff and compliance were made in order to help EAMs cope with the particular challenges they face.

Europe

In Europe, a number of steps were taken to significantly expand our service and product offering for our clients. In Germany, we established offices in Kiel and Würzburg and strengthened our locations in Frankfurt, Hamburg and Stuttgart. As a result, the domestic Germany business continued to be successful in attracting new clients, resulting in healthy net new money inflows. Our strong standing in this important market and our related investment competence were reflected in the third top position in a row we received in the leading independent German financial publisher's *Fuchsbriefe* yearly mystery testing.

On 14 April 2011, German authorities and Julius Baer agreed on a one-off payment by the latter of EUR 50 million. This ended the investigations against Julius Baer and unknown employees regarding undeclared assets of persons who are subject to taxation in Germany, allowing us to continue to fully concentrate on building and further expanding our business with German clients.

In Italy, the awareness for the Julius Baer brand in the industry continued to grow fast in 2011. The LPS license for cross-border banking services received from the Italian regulator

- Head Office
- Location
- Booking centre
- GPS, strategic minority participation of 30%

* Opening expected for H1 2012

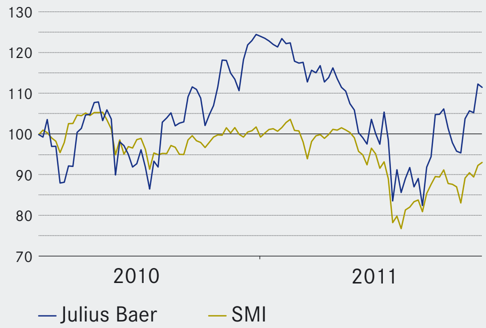
allows us to serve the Italian market both domestically and out of other locations.

Asia

Firmly established as the Group's second home market, Asia is an important part of the ever-growing global investment universe. As a result of the continuous rapid growth, regional management functions and organisational structures were further strengthened. By entering into a strategic partnership with Macquarie Group Ltd., we can now refer clients in need of investment banking services to Macquarie, which in turn will refer clients who require private banking services to Julius Baer. In acknowledging the consistency of the Bank's approach in building its private banking franchise in Asia, the Bank was recognised twice as *Best Boutique Private Bank in Asia*, firstly by *The Asset Magazine* (for the second consecutive year) and secondly by *Asian Private Banker*, and was lauded as the region's *Best Private Bank – External Asset Manager's Choice*.

In China, we were granted an investment quota under the QFII licence – the first such allowance given to a private bank. Based on this quota, we launched a China fund which closed oversubscribed. It allows clients to directly access the growing domestic equity and bond markets. This new fund will complement the recently expanded renminbi-denominated product offering, including conversion services, accounts, currency-linked investments and bonds. And with the representative office in Shanghai and the trust company in Singapore now opened, we are well on track to deepen our understanding of the

Performance of Julius Baer registered share (indexed)



Julius Baer on the stock exchange

The Julius Baer Group is one of the leading publicly listed financial companies in Switzerland. The largest company and the main operating entity of the Group is Bank Julius Baer & Co. Ltd., headquartered in Zurich. It is complemented by a number of specialised companies essential to providing our international clientele with a full array of modern wealth management services.

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 at 31 December 2011 was CHF 7.6 billion.

The international rating agency Moody's assigns an Aa3 long-term obligations rating to Bank Julius Baer & Co. Ltd., together with the highest possible rating for short-term debt, Prime 1.

strategically important Chinese market and the growth prospects it offers. The publication of our first *Julius Baer Wealth Report* focusing on Asia, in cooperation with CLSA, provided an exclusive and widely noticed analysis of the HNWI landscape in this region.

“We are well on track to deepen our understanding of the strategically important Chinese market.”

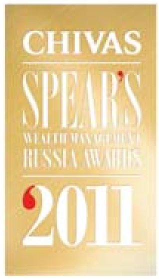
Furthermore, Asian strategies such as Asia Fixed Income and Asia Equity were also made available on the Swiss booking platform, and recommendations were constantly enhanced through solutions allowing the clients to participate in the growth of other Asian countries and themes.

Eastern Mediterranean and Middle East

This very promising region is managed out of locations in Geneva, Zurich and London as well as on the ground from Dubai, Abu Dhabi, Cairo and Istanbul. Thanks to additional relationship managers covering the area business momentum clearly picked up and resulted in an enlarged client base and very healthy net new money inflows. Julius Baer’s undiluted focus on private banking and its open product platform have proven to be a key differentiating factor.

Latin America

On 3 May 2011, Julius Baer acquired a 30% minority stake in GPS, the largest independent domestic wealth manager in Brazil. As a result, we now serve the region from our locations in Buenos Aires, Santiago de Chile, Lima, Montevideo and Caracas, in addition to the two GPS locations in São Paulo and Rio de Janeiro. Furthermore, with investment conferences held in both Chile and the Bahamas, focusing on Next Generation* investment themes and attracting clients and EAMs alike, Julius Baer increased its brand awareness on the continent. Despite the difficult market environment, this region saw attractive net new money inflows.



Russia, Central & Eastern Europe

With this large region becoming increasingly attractive, it is now also served by a new team out of Vienna, in addition to dedicated Russian desks in Zurich, Geneva, Monaco, London and Singapore and a local presence in Moscow. Furthermore, an array of possibilities for cooperation agreements is currently being explored in various countries to further expand the Bank’s business, parallel to the development of the EAM segment. The rising reputation of Julius Baer in this region was not only reflected in the *Chivas Spear’s Wealth Management Russia* award won for the second time, but also in very healthy net new money inflows.

In order to tap into the potential of the attractive Israeli market, we plan to open a local presence in the country’s financial centre, Tel Aviv, in the first half of 2012, thereby increasing the local awareness for the Julius Baer brand and the range of services offered to Israeli clients.

* www.juliusbaer.com/nextgeneration

Julius Baer's scope of investment, advisory and execution competence

Providing clients with timely information, expert advice as well as value-adding investment and execution competence remained a key focal point of our Group, its importance further magnified by the demanding market and economic environment.

The Investment Solutions Group (ISG), Julius Baer's investment and service competence centre, was brought under the leadership of new Chief Investment Officer Hans F. Lauber, who joined Bank Julius Baer on 1 September 2011 as a member of the Executive Board. Following a review of ISG's structure, processes and competencies, also in light of the persistently altered investment parameters across asset classes, a number of changes will be introduced in the first half of 2012. Their aim is to better serve relationship managers by further increasing the consistency and relevance of all services rendered, parallel to pursuing a systematically more active and risk-diversifying asset allocation process.

Research and Investment Advisory
With economic and geopolitical developments calling for constant attention in 2011, Research provided a multitude of short-term assessments as well as insights into longer-term consequences.

Client demand for constantly high quality advice led to a strong asset inflow into Investment Advisory Mandates. The recently introduced Investment Service Mandate was complemented by a risk-monitoring-based solution adapted to smaller accounts.

Growing importance of growth markets for Julius Baer

In light of shifting patterns of wealth generation and distribution globally, capturing the strong wealth creation dynamics of growth regions from Asia to Eastern Europe and Latin America is increasingly gaining in importance for Julius Baer.

Despite being very different by nature, growth markets have several characteristics in common: fast-growing economies reflected in buoyant job creation, supporting a strong rise in consumption; increasing living standards resulting in higher demand for infrastructure; the attraction of more foreign capital; and the emergence of entrepreneurs. With these countries closing the economic gap to their developed peers, this naturally leads to a growing number of high-net-worth individuals looking for proven and high-quality private banking services.

Julius Baer has successfully increased its business in growth markets over the last few years by establishing Asia as our second home market, expanding our footprint in Latin America and leveraging our coverage of Eastern Europe by teams out of Vienna and other locations of the Group as well as a network of partners. While these markets are consistently contributing a substantial percentage to net new money inflows, their share of assets under management has already surpassed the mark of one-third.

Managed accounts and solutions
Given the challenging market environment, Fixed Income Focus Mandates contributed substantially to an excellent net inflow into Discretionary Mandates and Portfolio Funds. The fact that all mixed Julius Baer Strategy Funds across reference currencies outperformed their benchmark was further proof of the Bank's solid investment policy.

The demand for Asymmetric Return Solutions continued to grow as they provide utmost flexibility, strict risk management, liquidity and transparency during times of significant market swings and dislocations.

The Bank's unique global fund offering, including nearly 300 actively analysed and monitored funds from roughly 70 different providers, has been further optimised to more closely mirror clients' various investment profiles and better meet different regional needs, taking regulatory and tax requirements into consideration.

Wealth & Tax Planning
The growing wealth management markets in Asia, Latin America and the Middle East as well as the regulatory changes in various European countries increased demand from wealthy clients for sophisticated advice in the areas of estate, tax and holistic wealth planning. Julius Baer's Wealth & Tax Planning unit (WTP) met the demand by offering a comprehensive range of services and products, either by providing in-house expertise and solutions or through our unique global network of external partners and providers.

Markets & Custody
The Markets unit focuses on trade execution and product structuring as well as on foreign exchange, precious metals and securities trading services for the Group's private banking clients and certain direct client segments. The volatile markets resulted in higher client trading volumes in currencies and precious metals, with the latter triggering particular client interest due to the Bank's comprehensive capabilities.

Thanks to the product mix, demand for structured products remained intact throughout the year despite overall reduced risk appetite. Efficient transaction tools rolled out globally in the Group's private banking units supported this product line.

Julius Baer is also a leading provider of global custody services in Switzerland and was entrusted with CHF 88 billion of assets under custody at the end of December 2011. The global custody team provides best-in-class services to pension funds, corporations, family offices and investment funds including private label funds. It enjoys a growing reputation in its well-defined areas of specialised expertise covering the full range of international securities administration, portfolio analysis and tailored reporting.

Julius Baer community engagement

Julius Baer engages in international projects for the benefit of children and young adults through its Julius Baer Foundation. In Asia, a roof rail in Bali, a school building in Burma and the construction of dormitory accommodations in Northern Thailand were supported. In Africa, the Foundation continued to help former child soldiers in the Ivory Coast to overcome war trauma. In Latin America, the Foundation helped disabled people in Peru to lift them out of poverty and provided primary school materials in isolated locations throughout Argentina, while in Chile, it facilitated underprivileged children to experience a theatre play. In Switzerland, an advice centre for sexually exploited children and holidays for underprivileged children were supported (cf. box on the right-hand side), while in Europe the Foundation helped building bridges with books.

Separate from the Foundation, Julius Baer employees successfully organised the first internal Julius Baer Charity event to collect donations for drinking water projects in northern Thailand.

And finally, as part of our engagement in cultural events and long-standing commitments in the arts and in classical music, Julius Baer continued to back the Swiss Exhibition Award and the |Art|42 Basel, supported the Prix de Lausanne (ballet) and sponsored a new production of Bellini’s tragic opera *Norma* at the Zurich Opera House. In autumn, we again supported the Verbier Festival and its Chamber Orchestra, as well as the Lucerne Festival at the Piano.

Julius Baer Foundation supports holidays for unprivileged children

Poverty is not just a phenomenon of emerging market countries, but also exists in Europe and even in Switzerland. In the summer of 2011, 450 children from former Eastern Germany and France spent close to three weeks summer holidays with guest families in Switzerland. Another 24 children from Switzerland enjoyed an adventure week on the lake of Zug. These two projects were organised by Kovive, a Swiss Children’s Fund, which the Julius Baer Foundation has been supporting since 2010.

It is the goal of Kovive, active since 1954, to give socially underprivileged children from Switzerland and abroad the possibility to spend at least a couple of weeks holidays every year. Here they can forget the tiny living conditions and monotone social activities at home at least for a while and instead enjoy active recreation, tranquillity, leisure time and playing.

Origins and scope of the Julius Baer Foundation

The Julius Baer Foundation was established in 1965 on the occasion of the 75th anniversary of the Bank. Over the years, both the scope of activities and the geographic reach have changed. Today, the topic of youth is the main guiding principle, inspiring projects in Switzerland and around the world. In 2011, the Foundation supported ten charity projects in twelve countries.

Important dates

Ordinary Annual General Meeting: 11 April 2012
Publication of Interim Management Statement: 15 May 2012
Publication of 2012 half-year results: 23 July 2012

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This brief report also appears in German. The English version is prevailing.

The Annual Report 2011 of Julius Baer Group Ltd. containing the audited IFRS financial accounts of the Julius Baer Group for the year 2011 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), Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Milan, Monaco, Montevideo, Moscow to Singapore.