

Julius Bär

Business Review **2010**
Julius Baer Group



Key figures Julius Baer Group¹

	2010 CHF m	2009 CHF m	Change in %
Consolidated income statement			
Operating income	1 794.4	1 586.1	13.1
Operating expenses	1 191.9	1 025.8	16.2
Profit before taxes	602.5	560.3	7.5
Net profit	503.9	473.2	6.5
EPS (CHF)	2.45	2.29	-
Book value (CHF)	21.8	20.5	-
Cost/income ratio	65.4%	63.1%	-
Pre-tax margin (basis points)	35.3	39.1	-
	31.12.10	31.12.09	Change in %
Client assets (CHF bn)			
Assets under management	169.7	153.6	10.5
Average assets under management	170.7	143.2	19.3
Net new money	8.8	5.1	-
Assets under custody	97.6	87.3	11.9
Total client assets	267.3	240.9	11.0
Consolidated balance sheet (CHF m)			
Total assets	46 286.6	42 729.0	8.3
Total equity	4 484.0	4 191.8	7.0
BIS tier 1 ratio	23.8%	24.2%	-
Return on equity (ROE)	15.8%	17.4%	-
Personnel			
Number of employees (FTE)	3 578	3 078	16.2
of whom Switzerland	2 763	2 430	13.7
of whom abroad	815	648	25.8
Capital structure			
Number of shares	206 630 756	206 630 756	-
Weighted average number of shares outstanding	205 969 204	206 601 420	-
Share capital (CHF m)	4.1	4.1	-
Market capitalisation (CHF m)	9 050	7 517	-
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	

¹Financial figures representing Julius Baer Group Ltd. as if it had already existed on 1 January 2008 (cf. 'Origins of Julius Baer' on page 19). For detailed accounts, see pages 5 and 7. Excluding integration expenses and amortisation of intangible assets. For 2010 additionally excluding restructuring expenses. Including these positions, the net profit was CHF 353 million in 2010, after CHF 389 million in 2009, a decrease of 9%.



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Front cover: *Boulder*, 2005; digital compilation by Swiss artists Monica Studer and Christoph van den Berg, thermo-inkjet print on photo paper, mounted on aluminium; 140 x 140 cm; part of the art collection of Bank Julius Baer.



Dear Reader

With the world economy on the path to a sustained yet multi-speed recovery, 2010 turned out to be another eventful year for financial markets and our industry. The sovereign debt crisis in the eurozone and related weakness of the euro revealed structural deficits. But thanks to Julius Baer's focused business model and strong capital base, we have been in an excellent position to swiftly address the challenges arising from a fundamentally shifting global business environment and at the same time to capitalise on the many opportunities it has revealed. Overall, our Group progressed well in 2010 and achieved a solid financial performance.

In addition to the operational improvements this year and the successful integration of ING Bank (Switzerland) Ltd (ING Bank), we further enlarged the Swiss and global footprint of our Group, thus securing Julius Baer increased access to the world's key growth markets. In parallel, the Investment Solutions Group, the investment competence and service centre of Julius Baer, further expanded its international scope and depth, firmly building on a unique, truly open and actively managed product platform. This successful bridging of geographic regions, cultures and investment universes under the Julius Baer brand was reflected in healthy net new money inflows particularly from growth markets, which steadily gained momentum during the year, as well as the record number of high-calibre industry awards we received in the Group's key markets. In summary, total client assets amounted to CHF 267 billion at the end of 2010, of which CHF 170 billion were assets under management.

The regulatory and legal environment remained challenging, primarily driven by international efforts to bolster the stability of the financial system, but also by national austerity measures. Amid a crisis-torn Europe, Switzerland's reliability and qualities as a stronghold of economic and political stability and currency strength became even more evident and made the country the envy not only of its direct neighbours. Moreover, Switzerland as a financial centre has proven highly adaptive to the many financial crisis-induced external threats and

“Julius Baer progressed well in 2010 and achieved a solid financial performance.”

changes. Contrary to prophecies of doom, the Swiss private banking industry has been able to protect and re-emphasise the many qualities for which Switzerland is renowned and has remained in good favour with clients from all over the world.

The Group's net profit* increased by 6% to CHF 504 million in 2010. With a BIS tier 1 ratio of 23.8% at the end of 2010, our Group continues to be strongly capitalised to meet both the currently applicable and the expected future capital and solvency requirements. Based on this, the Board of Directors proposes to the Ordinary Annual General Meeting on 7 April 2011 a dividend of CHF 0.60 per share, an increase of CHF 0.20 or 50% compared to a year ago. The dividend payout amounts to CHF 124 million. The Board will also put forward a share buyback programme of up to 5% of the outstanding share capital and with a maximum value of CHF 500 million, to run until the Ordinary Annual General Meeting in 2012.

In the past twelve months, the Julius Baer Group lived up to its aspiration to overcome the turbulent events of recent years unscathed and to emerge among the leaders of its industry. This achievement would not have been possible without our Group acting as one, with all employees contributing solidly to our shared goal of providing private banking at its purest. Their commitment is highly appreciated and deserves our profound gratitude. We also thank our Group's loyal clients and shareholders for their trust placed in us and look forward to their continued support.



Raymond J. Baer
Chairman



Boris F.J. Collardi
Chief Executive Officer

Financial performance in 2010

In coping with the aftermath of the financial crisis, markets in general and the currency sector in particular proved challenging. Despite this, the Julius Baer Group achieved a solid financial performance in 2010. Assets under management increased by 10% to CHF 170 billion, with the inclusion of ING Bank contributing CHF 14 billion and net new money CHF 9 billion or 6%. As a result, the net profit* increased by 6% to CHF 504 million in 2010.

Total client assets amounted to CHF 267 billion at the end of 2010. Assets under management (AuM) increased by 10% to CHF 170 billion compared with CHF 154 billion at the end of 2009. This rise consisted of CHF 14 billion in AuM from the acquisition of ING Bank, net new money of CHF 9 billion, a positive market performance impact of CHF 8 billion and a very significant negative currency impact of CHF 14 billion that principally resulted from the strong decline in the value of the euro and the US dollar relative to the Swiss franc. Net new money totalled 6% of the start-of-year AuM compared to 4% in 2009 and was thus at the top end of the target range. It especially benefited from strong inflows in the growth markets, particularly in Asia, Russia, Central & Eastern Europe, and Latin America, as well as from the Group's domestic German business. Assets under custody ended the year at CHF 98 billion after CHF 87 billion at the end of 2009, an increase of 12%, supported by CHF 7 billion in net new custody money.



Dieter A. Enkelmann, Chief Financial Officer

Operating income grew by 13% to CHF 1 794 million, the result of a 19% increase in average AuM and a decline in the gross margin from 111 to 105 basis points. Net fee and commission income increased by 20% to CHF 980 million, in line with the rise in average AuM. Even though the overall investment and risk appetite improved, the equity transaction volumes did not change much in 2010. Net interest income fell by 2% to CHF 455 million, with the year-on-year decrease in the net interest margin and a more conservative asset allocation in the treasury portfolio offsetting the increase in average deposit levels and average lending to private clients as well as the increase of CHF 54 million, to CHF 66 million, in dividend income on trading portfolios booked under interest income. Excluding dividend income, the underlying net interest margin recovered somewhat in the second half of 2010 compared to the first half. Net trading income improved by 11% to CHF 332 million, mainly due to the increased volatility in the foreign exchange markets. The increase of net trading income would have been higher considering the aforementioned dividend income on trading portfolios, which is booked under net interest income. Other ordinary results rose to CHF 26 million, including licence fees received from Swiss & Global Asset Management for the use of the Julius Baer brand.

Consolidated income statement¹

	2010 CHF m	2009 CHF m	Change %
Net interest income	455.4	466.5	-2.4
Net fee and commission income	980.4	818.7	19.8
Net trading income	332.3	298.5	11.3
Other ordinary results	26.3	2.4	-
Operating income	1 794.4	1 586.1	13.1
Personnel expenses	790.8	683.1	15.8
General expenses ²	344.7	295.7	16.6
Depreciation and amortisation	56.4	47.0	20.0
Operating expenses	1 191.9	1 025.8	16.2
Profit before taxes	602.5	560.3	7.5
Income taxes	98.6	87.1	13.2
Net profit	503.9	473.2	6.5
Attributable to:			
Shareholders of Julius Baer Group Ltd.	503.1	472.6	6.5
Non-controlling interests	0.8	0.6	-
Earnings per share (CHF)	2.45	2.29	-
Key performance ratios			
Cost/income ratio ³	65.4%	63.1%	-
Gross margin (basis points)	105.1	110.8	-
Pre-tax margin (basis points)	35.3	39.1	-
Tax rate	16.4%	15.5%	-

	31.12.10 CHF bn	31.12.09 CHF bn	Change %
Client assets			
Assets under management	169.7	153.6	10.5
<i>Change through net new money</i>	<i>8.8</i>	<i>5.1</i>	-
<i>Change through market and currency appreciation</i>	<i>-6.2</i>	<i>18.8</i>	-
<i>Change through acquisition</i>	<i>13.5</i>	<i>0.6</i>	-
Assets under custody	97.6	87.3	11.9
Total client assets	267.3	240.9	11.0
Average assets under management	170.7	143.2	19.3

¹ Financial figures representing Julius Baer Group Ltd. as if it had already existed on 1 January 2008. Excluding integration expenses and amortisation of intangible assets. For 2010 additionally excluding restructuring expenses. Including these positions, the net profit was CHF 353 million in 2010, after CHF 389 million in 2009, a decrease of 9%.

² Including valuation adjustments, provisions and losses

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

Operating expenses rose by 16% to CHF 1 192 million, partly due to the first-time consolidation of ING Bank in 2010, which contributed to the increase in the total number of employees by 16% to 3 578 – including 752 relationship managers. As a result of the larger staff base, personnel expenses grew by 16% to CHF 791 million. General expenses, including valuation adjustments, provisions and losses, went up by 17% to CHF 345 million.

“With a BIS tier 1 ratio of 23.8%, the Julius Baer Group continues to enjoy a very solid capital base.”

The large majority of expenses are in Swiss francs, whereas operating income – similar to AuM – has a strong foreign currency exposure, especially to the euro and the US dollar. Partly as a result of the strong Swiss franc and due to the decline in the gross margin, the cost/income ratio increased from 63.1% to 65.4%.

All in all, profit before taxes increased by 8% to CHF 603 million, representing a pre-tax margin of 35 basis points of average AuM. Income taxes went up by 13% to CHF 99 million, representing a tax rate of 16.4% (2009: 15.5%). As a result, the net profit* improved by CHF 31 million or 6% to CHF 504 million, and earnings per share came to CHF 2.45 (2009: CHF 2.29).

As in previous years, in the analysis and discussion of the results in the Business Review, operating expenses exclude integration and restructuring expenses as well as amortisation of

intangible assets related to acquisitions. Including these items, as presented in the unadjusted IFRS results in the Annual Report, the net profit was CHF 353 million in 2010, after CHF 389 million in 2009, a decrease of 9%. This decrease is mainly related to integration and restructuring costs in relation to the ING Bank transaction which closed in January 2010.

The first-time consolidation of ING Bank in 2010 increased total assets by 8% to CHF 46.3 billion and client deposits by CHF 1.6 billion to CHF 28.8 billion. Due to the ING Bank consolidation as well as the expansion of Julius Baer’s lending activities, the loan book (lombard lending and mortgages) rose by CHF 4.1 billion to CHF 14.6 billion. The Group continued to manage its treasury portfolio conservatively, and its exposure to highly rated sovereign issuers/guarantors stood at 34% of total treasury assets at year end.

Total equity was up by 7% to CHF 4.5 billion, and BIS tier 1 capital grew by CHF 0.2 billion to CHF 2.9 billion. Risk-weighted assets increased by 10% to CHF 12.1 billion, resulting in a continued strong BIS tier 1 ratio of 23.8% under Basel II compared to 24.2% at the end of 2009. This small decline was mainly attributable to the fact that the ING Bank acquisition was closed and therefore accounted for in January 2010. The enhancement of the Basel II framework, which was implemented as of 1 January 2011, will mainly impact the market risk weightings. Pro forma for this change, the BIS tier 1 ratio was approximately 22.6% at the end of 2010. Under both BIS tier 1 ratio measurements, Julius Baer is in a position of significant excess capital.

Consolidated balance sheet

	31.12.10 CHF m	31.12.09 CHF m	Change %
Assets			
Due from banks	6 586.6	6 598.2	-0.2
Loans to customers ¹	14 570.4	10 431.2	39.7
Trading assets	3 752.0	2 735.1	37.2
Financial investments available-for-sale	13 885.1	15 011.5	-7.5
Goodwill and other intangible assets	1 797.8	1 705.3	5.4
Other assets	5 694.7	6 247.7	-8.9
Total assets	46 286.6	42 729.0	8.3
Liabilities and equity			
Due to banks	4 251.8	3 962.4	7.3
Deposits from customers	28 846.7	27 284.7	5.7
Financial liabilities designated at fair value	4 160.6	3 942.7	5.5
Other liabilities	4 543.4	3 347.4	35.7
Total liabilities	41 802.6	38 537.2	8.5
Equity attributable to shareholders of Julius Baer Group Ltd.	4 481.8	4 190.1	7.0
Non-controlling interests	2.2	1.7	28.9
Total equity	4 484.0	4 191.8	7.0
Total liabilities and equity	46 286.6	42 729.0	8.3
Key performance ratios			
Loan-to-deposit ratio	0.51	0.38	-
Leverage ratio ²	17.2	17.2	-
Book value per share outstanding (CHF) ³	21.8	20.5	-
Return on equity (ROE) ⁴	15.8%	17.4%	-
BIS statistics			
Risk-weighted assets	12 060.5	10 970.4	9.9
Eligible tier 1 capital	2 873.4	2 656.4	8.2
Tier 1 ratio (%)	23.8%	24.2%	-

¹Mostly lombard lending and mortgages to clients

²Total assets/tangible equity

³Based on total equity

⁴Net profit/average equity less goodwill

Business development in 2010

Amid generally stabilising markets, tighter regulatory requirements and cautiously increasing investor exposure to risky assets, the Julius Baer Group progressed well in 2010 and achieved a solid financial performance. Thanks to its exclusive focus on private banking and its early positioning in promising growth markets, the Group remained well in favour with clients and recorded healthy net new money inflows.

2010 turned out to be yet another eventful year in many respects. While the financial crisis is considered to be over, it is far from overcome. The European sovereign debt crisis, large currency swings, and markets kept flush with liquidity from central banks in the Western world were the most obvious characteristics of a global economy clambering its way back to sustained yet increasingly asynchronous growth. This was particularly reflected in the strong devaluation of the euro and the US dollar. Frequent resurgence of post-crisis cautiousness was accompanied by tighter regulatory requirements and steadily rising legal pressure.

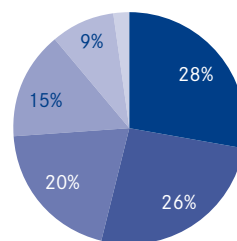
While economic activity in industrialised countries is expected to remain subdued in the next few years, growth is shifting to emerging regions such as Asia and Latin America. Julius Baer identified these powerful and lasting changes at an early stage and decisively repositioned its franchise over the past years, with a rapidly growing share of its business now directly exposed to the major global regions of wealth creation.

Despite a difficult market environment, the Julius Baer Group, with Bank Julius Baer & Co. Ltd. as its main operating entity, continued to focus on excellence in each and every aspect of its advisory and wealth management efforts and achieved a solid financial performance.

Steady progress across activities

Compared to last year, clients remained alert but became somewhat more confident overall. The assets managed by the Julius Baer Group amounted to CHF 170 billion at the end of 2010, up 10% from the end of 2009. While the acquisition of ING Bank (Switzerland) Ltd (ING Bank) added CHF 14 billion, the positive market contribution was more than offset by the negative currency translation impact as a result of the continued decline of the euro and the US dollar against the Swiss franc.

Breakdown of assets under management by asset mix as at 31 December 2010
(31 December 2009)

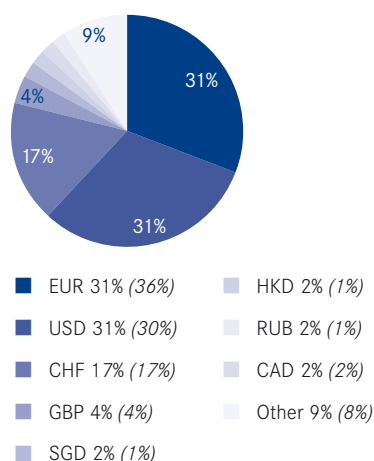


- Bonds/convertibles 28% (30%)
- Equities 26% (22%)
- Investment funds 20% (20%)
- Client deposits 15% (15%)
- Money market instruments 9% (11%)
- Other 2% (2%)

Net new money inflows amounted to CHF 9 billion. With the steady build-up of momentum during the year, this represents an increase of 5.7% compared to the assets managed at year-end 2009 and is at the top end of the Group's 4-6% medium-term target range. Despite outflows due to certain changes in the regulatory environment, the majority of regions contributed positively, with the strongest increases coming from the growth markets of Asia, Russia, Central & Eastern Europe, and Latin America, as well as from the domestic German business.

The acquisition of ING Bank was closed in January 2010. Following an intensive period of restructuring, the integration was completed ahead of schedule in May 2010. The related restructuring costs were booked in the financial results as detailed in the Group's Annual Report. This merger significantly strengthened Julius Baer's European and Latin American client base as well as the Group's operations in Geneva and Monaco.

Breakdown of assets under management by currency as at 31 December 2010
(31 December 2009)



As a consequence of the ING Bank integration, but also due to the steady growth of our Group across markets and services, the number of staff increased by 16% to 3 578 year on year. On a similar note, the number of relationship managers increased to 752 from 667 at the end of 2009. In addition, the constant managing of the relationship managers' performance led to some replacements, aimed at an overall enhancement of service quality for clients while at the same time improving the revenue potential. Attracting and retaining highly qualified relationship managers continues to be an important pillar of the Group's growth strategy, with the pipeline for 2011 looking promising.

The Group's all-encompassing risk management approach effectively addressed the tightening regulatory and legal environment as well as the impact of fast-changing market developments. Possible implications from deteriorating ratings as a result of the sovereign debt crisis in the eurozone were dealt with early and decisively. The changing regulatory environment continued to be monitored closely, and the Group's compliance framework was adapted accordingly in close cooperation with external consultants.

An analysis by independent investment consultant *zCapital Ltd* of the corporate governance of Swiss-quoted companies confirmed Julius Baer's strength in this discipline: for the second consecutive year, it emerged as the leading institution among all SMI-listed financial services companies, thus defying correlation between good corporate governance and company size, business scope or the level of senior manage-

ment compensation. Moreover, the Group received top rankings in its segment in a survey by *Institutional Investor* magazine for its Investor Relations programme.

In addition to the awards mentioned on the following pages, Julius Baer was presented with two global private banking awards in October 2010 from the renowned Financial Times publications *Professional Wealth Management* and *The Banker: Best Private Bank in Switzerland* and *Best Private Bank Strategy for Growth*.

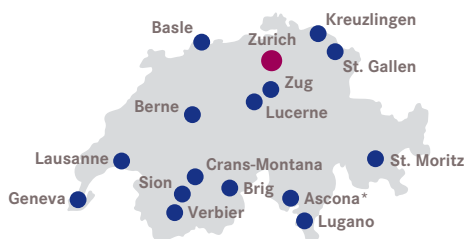
Switzerland

Building on its already excellent reputation and broad geographic presence in Switzerland, Julius Baer launched a strategic initiative to further strengthen its position in the Group's important home market. A comprehensive set of measures has been implemented, including the introduction of a dedicated pan-Swiss management function, locally adapted advertising and media campaigns, along with an enhanced product offering tailored to the requirements of clients who reside in Switzerland.

Specific marketing initiatives have been launched to underscore Julius Baer's domestic competencies in the areas of mortgages, wealth advisory, financial planning and portfolio management mandates, as well as the business with external asset managers (EAMs). Additionally, in mid-October the Bank announced a marketing partnership with ski jumping Olympic gold medallist and world champion Simon Ammann. At the end of November 2010, the leading independent German financial publisher *Fuchsbriefer* named Bank Julius Baer the *Best Swiss Bank 2011* in its yearly testing.

In order to fill in one of the remaining blank spots in the Swiss market, a new branch was opened in Kreuzlingen in mid-June. A further new branch is being planned in Ascona, with the opening scheduled for spring 2011.

Julius Baer's EAM business was able to maintain its strong market standing. Julius Baer offers the full range of investment and advisory services to independent asset managers, primarily from its main desks in Switzerland and Singapore. In order to capitalise on the



● Head Office * To be opened





growing importance of Asia for EAMs, this promising region is now served by a new team based in Hong Kong. Further investments were made in staff, IT and compliance to keep up with market demand and to ensure excellent service during all stages of an independent asset manager's business life.

Europe

Characterised by the tightening regulatory environment and the rising legal complexity in cross-border activity, the European business remained a strong focus of the Bank during 2010. The business scope for the core markets of Germany and Italy as well as those for France, the UK, Spain and Belgium were reassessed and fine-tuned to upgrade the offering out of Switzerland for clients domiciled in these countries. Most of the mandatory training programmes for the relationship managers covering these markets were completed.

Amid a consolidating local private banking industry, Julius Baer's business scope and standing with clients in the important domestic German market continued to grow and resulted in very satisfactory asset inflows in 2010. In order to accelerate the development of the Group's presence in Germany, the Management Board of Bank Julius Bär Europe AG added the new position of Head of Private Banking in Germany and hired an executive with many years of experience in the German private banking sector. In January 2011, more than a dozen high-calibre relationship managers joined the Bank, bringing its total number of staff in Germany to around 100, of which 42 relationship managers. In this context, additional offices in Würzburg and Kiel were opened right at the beginning of 2011.

In Italy, the acquisition of Alpha SIM, announced in the second half of 2009, was completed in early 2010, with its operations subsequently merged with Julius Baer's existing operations in



Milan. Additionally, a new office was opened in Rome in December 2010, further strengthening the Group's presence in Italy and its ties with investors from the central parts of the country.

Russia and Central & Eastern Europe

The markets of Russia and Central & Eastern Europe as well as Israel gained further importance for the Bank. In order to maximise impact, tailored strategies detailing priorities, approaches and goals have been developed for the targeted countries: Russia, Poland, Ukraine and Kazakhstan are first priority markets and the Czech Republic second priority. In the very competitive Russian market, where the Bank has a representative office in Moscow, Julius Baer was recognised as *Foreign Private Bank of the Year* by *SPEAR's Russia Wealth Management*. As a result of the ING Bank integration, Julius Baer's presence considerably broadened in Central Europe. The continuous expansion of the Group's franchise in this important growth region resulted in strong net new money inflows.

Asia

On the back of Julius Baer's strongly growing local operations, Asia is rapidly developing into what the Group has defined as its second home market. Some 450 people, or about 13% of the Group's employees, cover the vast continent out of offices in Singapore, Hong Kong and Jakarta. The booking centres of Singapore and recently upgraded Hong Kong offer the full range of dedicated private banking services including trading operations, research and portfolio management.

Booming economic activity, wealth creation far above the world average, and Julius Baer's rising status as the private banking provider of choice resulted in the Group's local business maintaining its considerable momentum during 2010.

As a further milestone, Julius Baer upgraded its presence in Hong Kong to a branch of the Bank, with fully fledged booking centre capabilities, effective early December 2010. Additionally, a new representative office is currently being planned in Shanghai, targeting the huge growth opportunities of mainland China, as well as a trust company in Singapore, both to be opened in 2011, pending respective regulatory approvals. With state-of-the-art trading and execution being important elements of the Group's local offering, the Singapore trading platform was further strengthened both from a personnel and an infrastructure perspective. Transaction and trading volumes increased across the board.

“The year 2010 put Asia on the map for Julius Baer clients throughout the world.”

The year 2010 put Asia on the map for Julius Baer clients throughout the world. With the initiative labelled Portable Asia, the Bank successfully launched products in Asian equity, Asian fixed income and Asian currencies, all of them guided by Julius Baer's Asian Discretionary Management team. Additionally, the Bank successfully held its first major Asian Investment Conference in Zurich in late June 2010.



A major step was achieved by providing clients with exposure to local Asian investments. In 2010, Julius Baer was one of the very first private banks to introduce a renminbi (RMB) bond fund, which was very well received by clients and coincided with the opening of Bank Julius Baer's new Hong Kong branch. Additionally, similar initiatives were undertaken in the Singapore dollar and the Indian rupee to substantially build up Julius Baer's presence in those markets.

Parallel to further broadening the service and product offering, the Bank's reputation in the region continued to grow, as reflected in the strong net new money inflows and the large number of awards for the Bank: in January 2010, Julius Baer received the prestigious *Best Private Bank* award for 2009 from *FinanceAsia* magazine for the second consecutive year. In September 2010, Asian finance magazine *The Asset* named Julius Baer *Best Boutique Private Bank in Asia*. Later, in October 2010, *Private Banker International* recognised Julius Baer in two categories: *Outstanding Wealth Manager – Customer Relationship Skills*, complemented by the *Outstanding Private Banker – Asia Pacific* accolade for Thomas Meier, CEO Asia and Middle East.

East Mediterranean and Middle East (EM&ME)

In the EM&ME region, Julius Baer operates from locations in Abu Dhabi, Cairo, Dubai and Istanbul and has built a growing reputation in its targeted client base over the past years. The Indian subcontinent is primarily covered by the Group's main hub in the region in Dubai, in addition to the dedicated desks in Zurich and Geneva. In the course of the year, both client-related and specialist functions have been further strengthened. In response to the growing business requirements in Dubai, the Group's local operations moved into new offices at the end of 2010.

Latin America

The dramatic shift in global economic power of recent years has resulted in Latin America emerging as an important growth region, second to Asia. Julius Baer serves the region out of the Group's locations in Buenos Aires, Santiago de Chile, Lima, Montevideo and Caracas. On the back of strong economic growth, rising wealth creation and Julius Baer's growing local reputation, the Group progressed well in 2010, resulting in a strong inflow of net new assets. The continent's biggest country, Brazil, has particularly developed into an economic powerhouse of its own, with rapidly rising standards of living creating attractive wealth management opportunities also for Julius Baer, which still lacks a local presence.

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

Providing clients with excellent performance in each and every aspect of Julius Baer's advisory efforts – from timely market intelligence and value-adding investment solutions to much appreciated expert advice – is one of the Group's core aspirations. To that end, the Investment Solutions Group, Julius Baer's investment competence and service centre, further expanded its international scope and depth, firmly building on a truly open, actively managed product platform. As a result, assets managed in each of the individual areas – Investment Advisory, Portfolio Management, Fund Services and Wealth & Tax Planning – increased significantly in 2010.

Spotting trends that have the potential for lasting influence, validating them in a broad context and extracting value-adding investment opportunities is becoming an increasingly interdisciplinary effort. For this reason, the core research, advisory and investment capabilities of the Group have been linked through one common goal: to reveal what will be the Next Generation of themes and to make them available today for the benefit of clients (cf. box on page 15).

Research and Investment Advisory

In an eventful year with substantial financial market volatility, clients were looking for direct interaction with a professional partner as well as timely information and proactive advice on market developments, associated risks and opportunities tailored to their investment requirements and goals.

In order to further facilitate the process for clients to participate in the investment ideas of the Bank's research and market specialists, an Actively Managed Certificate has been launched. It represents an easily accessible portfolio based on the comprehensive and well-established stock pickers' *Most Preferred Equities* list. The list of internal research publications supporting the Group's relationship managers was further extended during 2010. The first edition of the newly launched *Swiss Equity Quarterly* was published in October 2010, thus emphasising the research capabilities in the Bank's home market.

“The Bank's newly established precious metals capabilities were met with significant client interest.”

Addressing the rising demand for rigorous portfolio monitoring, Investment Advisory launched the new Investment Service Mandate. It is focused on risk supervision in a cost-efficient format and fills the gap between clients requiring simple custodian services and those opting for a fully fledged service with private assistance provided via an Investment Advisory Mandate.

Additionally, the Investment Advisory team continued to broaden the range of regular client publications. A new quarterly issue, *Investment Ideas Collection*, was launched in 2010. It combines the best ideas of Julius Baer's experts with the best-in-class offerings available in the market.

Managed accounts and solutions

Continued healthy inflows were recorded in the Portfolio Management area in 2010 as a result of the pleasing performance results of 2009 and the professionalised acquisition process by the dedicated specialists. In 2010, the performance of the JB Global Strategy Funds (mirroring the Bank's investment policy) as well as the theme- and style-focused mandates NEWO (New Economic World Order) and Special Value (focusing on under-valued quality stocks at a global scale) remained highly competitive, all beating their benchmarks.

The discretionary offering of the unit was streamlined, reshaped and enhanced in order to more closely meet clients' requirements. The new elements in the offering include combinations of various mandate types for tailored investment solutions as well as the Asymmetric Return Mandates. The latter, launched in July, focus on a strict risk-budgeting approach and allow for utmost investment flexibility.

Building on the open, managed platform approach with the aim to select and offer the best possible investment products available in the market place, the Bank's fund research capabilities were further strengthened and broadened to cover Asia as well. In parallel, the scope was extended to include exchange-traded funds and exchange-traded certificates. In order to leverage the use for relationship managers, a specialised advisory function will be implemented, also addressing clients' local requirements and the specific demands from the Group's ultra-high-net-worth clientele.



Next Generation investment themes: growth, planet, people

Under the umbrella Next Generation, Julius Baer introduced a thematic overlay to its existing research, advisory and investment expertise. By applying new viewpoints to pressing investment topics that have potentially far-reaching implications on economic growth, our planet and the progress of mankind, Julius Baer aims at putting the Group at the leading edge of investment culture.

With the intention of providing clients with fresh, uncommon insights along with tangible investment opportunities, Next Generation bundles and leverages the Group's know-how and capabilities into a new, innovative and differentiating approach, with dedicated investment conferences at the centre of each topic.

The first event, held in June 2010, focused on the fact that global economic dominance is shifting eastwards. With Asia serving as the Group's second home market, Julius Baer can leverage on its vast on-the-ground research and local presence in Asia for the benefit of its clients worldwide.

The second Investment Conference, titled *Change for a better world – are green investments sustainable?* and held at the end of January 2011, took a critical look at the landscape of investments in our planet. Further, it analysed whether they are sustainable and can generate attractive returns at the same time. More thematic investment conferences in the series are planned for 2011.

Wealth & Tax Planning

Ongoing regulatory changes in numerous jurisdictions created a challenging operating environment. As a consequence, the demand for holistic and comprehensive advice to cover ever more complex client situations steadily increased during 2010. Julius Baer's Wealth & Tax Planning unit met the local client demands by providing country-specific or international solutions. Extending the already broad in-house know-how, Wealth & Tax Planning added dedicated specialists for all of the Bank's strategic markets and continued building up a unique global partner network in the areas of wealth, tax and estate planning. Additionally, Julius Baer expanded its service offering to cover specific requirements in the field of escrow transactions, pre-IPOs and structured private funds.

Markets & Custody

The Markets unit focuses on trade execution and product structuring as well as on foreign exchange and securities trading services for the Group's private banking clients and certain direct client segments. The volatile macro environment and the associated currency volatility resulted in significantly higher foreign exchange (FX) trading volumes and more client activity, all contributing to strong trading results in 2010. The Bank's newly established comprehensive precious metals capabilities were met with significant client interest, both for physical delivery via coins or bars as well as non-physical products and trading services.

Volumes in structured products increased across all product categories, mirroring investors' rising risk appetite particularly for FX- and commodity-related structures. The product offering was significantly enhanced, with tailor-made solutions meeting strong interest from high-end private clients. In addition, a growing number of products were structured on behalf of or for exclusive distribution by third-party financial institutions. Over-the-counter trading in unlisted traditional funds saw steadily rising demand, primarily from institutional clients, resulting in an unparalleled market position in Switzerland.

Julius Baer, as a leading provider of global custody services in Switzerland, was entrusted with CHF 98 billion of assets under custody by the end of December 2010. This represents an increase of 12% compared to CHF 87 billion at the end of 2009, mainly driven by substantial net new custody money of well over CHF 7 billion. The global custody business continued its successful growth strategy, providing best-in-class services to pension funds, corporations, family offices and investment funds including PLFs. 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. By leveraging its offering with many of the Group's areas of expertise, such as FX trading or securities lending, the global custody business increasingly serves as a one-stop shop for the mutual benefit of its clients and the Group's cross-selling efforts.

Julius Baer the Company

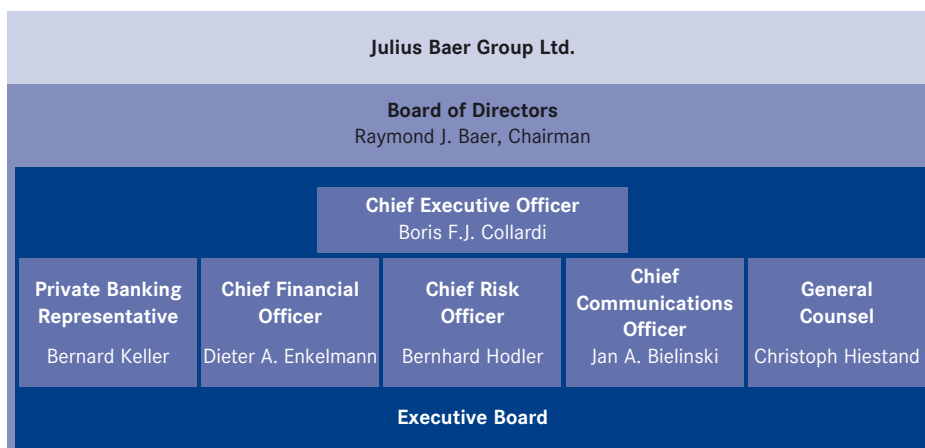
Julius Baer Group Ltd. is the leading Swiss private banking group, with the renowned Bank Julius Baer & Co. Ltd. as its principal operating company. The Julius Baer Group combines a comprehensive service offering, a broad international presence and a treasured Swiss heritage into a unique private banking 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 and actively managed product 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

“Julius Baer – big enough to matter, small enough to care.”

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 more than 20 countries, and seven booking centres as diverse as Switzerland, Germany, Guernsey, Monaco, Singapore, Hong Kong and the Bahamas, we are a truly international private bank.



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. Our more than 3 500 employees, including over 750 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, the Julius Baer Group's unique, truly open and managed 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.

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 at 31 December 2010 was CHF 9.1 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. In addition, Moody's assigns an A1 issuer rating to Julius Baer Group Ltd.

Our employees

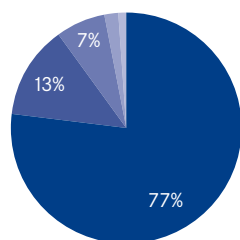
In 2010, the number of full-time employees of the Group increased from 3 078 to 3 578, also by welcoming our new colleagues from ING Bank as a result of the successful completion of the acquisition in mid-January 2010. Despite the opening of a new domestic location and the strengthening of various functions in our home market of Switzerland, its share in the geographic distribution of staff continued to decline from 79% at the end of 2009 to almost 77%. While the shares of the Americas (2%) and of the Middle East and Africa (1%) remained broadly unchanged, the relative importance

of the Asia-Pacific region increased from 11% to almost 13%, and that of the rest of Europe from 6% to 7%.

Despite the Group's dynamic development, the proportion of colleagues who joined Julius Baer in the past five years remained stable at 64% in 2010 compared to the previous year. On a similar note, 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: 67% of employees were between 31 and 50 years old in 2010, slightly down from 68% in 2009.

Parallel to the ongoing educational efforts, a dedicated Leadership Excellence and Performance (LEAP) programme was launched. By addressing the Group's growth strategy and its requirements for leadership capabilities from mid-level managers, numerous workshops, management conferences and education courses supported the Bank's endeavour to nurture its talent pool from within the organisation.

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



- Switzerland
- Asia-Pacific
- Rest of Europe
- Americas 2%
- Middle East and Africa 1%



Origins of Julius Baer

From the beginning of the company in the 19th 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 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.

As part of Julius Baer's commitment as an employer of choice, Swiss-based employees aged 40 and older are entitled to a voluntary free check-up in one of the health centres of our external partner which is also the domestic provider of illness allowance insurance. Additionally, and in line with good industry practice and regulatory requirements, Julius Baer introduced a new deferred compensation model for its senior management and employees in risk-taking positions, with the aim to further enhance the Group's performance and to align incentives with shareholders' interests.

Julius Baer community engagement

As part of its engagement in cultural events and in addition to long-standing commitments such as with the Zurich Opera and the Lucerne Festival at the Piano, Julius Baer entered into partnership with the Verbier Festival in 2010. It sponsored the Festival's 17th instalment of the concert series as well as the autumn concert tour of the Verbier Festival Chamber Orchestra.

In the field of sports, Julius Baer acted as the sponsor of the Polo World Cup on Snow in St. Moritz and of the Cortina Winter Polo Audi Gold Cup on Lake Misurina in Italy. In Switzerland, Julius Baer sponsored the Swiss Polo Championship for the first time as well as the first ever polo tournament in Ticino.

The Julius Baer Foundation

The Julius Baer Foundation, a foundation under Swiss law, primarily supports projects for the benefit of children, youths and young adults, both internationally and in Switzerland. The projects are carefully evaluated, applying strict due diligence criteria, and run in cooperation with experienced and recognised charity organisations which take care of the coordination on site.

While operating independently, the Foundation has close ties with Bank Julius Baer & Co. Ltd., which provides it with financial support as well as administrative assistance. In addition to the substantial funds provided by the individual market regions of the Bank, some projects also receive financial support from the Bank's esteemed clientele. At the end of 2010, the Foundation had an endowment of approximately CHF 11 million.

For its major projects, the Foundation strives to make a lasting impact through the help it provides. In line with this approach, five out of a total of eight charity projects which were supported on four continents in 2010 are ongoing projects. In Asia, the fight against hidden hunger in Kyrgyzstan continued, and the number of dormitory accommodations for secondary school students from ethnic minorities in the mountainous areas of Northern Thailand increased steadily. In Peru, people with disabilities were trained in the field of information and communication technology in order to improve their job readiness and lift them out of poverty. In Argentina, school materials were handed out to support hundreds of rural primary schools in isolated

locations throughout the country. And finally, teaching and learning materials for primary schools were distributed in Côte d'Ivoire in order to help children overcome the war trauma (cf. box).

Furthermore, the Julius Baer Foundation also supported three new projects: in collaboration with the *Future for Children* charity organisation, a small hat and basket production site was established in the mountainous outback of Bali that allows parents to make a living and send their children to school. Help is not just needed abroad, however, but also in our home market of Switzerland despite the country's high standard of living. With 250 000 children living in poverty in Switzerland, the Foundation supports a project that offers unprivileged children holidays so they get the chance for recreation and play, which is in fact a human right according to the United Nations. And finally, the Foundation supports the *Theodora Foundation* in Switzerland, which arranges for clowns to visit children in hospitals and institutions in Switzerland and eight other countries, thus allowing the small patients to forget the austere hospital atmosphere at least for a little while.

Apart from charitable projects, the Foundation is also committed to supporting artists and cultural events. Besides becoming the new partner of the annual Swiss Photo Award, which makes contemporary photography accessible to the general public, the Foundation also presented the main prize at the second Swiss Exhibition Award in collaboration with the Federal Office of Culture. This year, the Kunsthaus Glarus was honoured for its outstanding exhibition displaying Swiss contemporary art.



Julius Baer Foundation helps traumatised children in Côte d'Ivoire to receive basic education

Côte d'Ivoire has been at the heart of a decade of violence and political strife. Children participating in armed conflicts are among the main victims, as they are heavily traumatised. The Julius Baer Foundation supports the efforts of the charity organisation *Save the Children* to improve access to basic education for children in remote areas who do not receive government support.

The five-year programme was launched in 2009 and is an ongoing commitment of the Julius Baer Foundation. The financial support in 2010 allowed this charity project in the region of Bondoukou to distribute learning and teaching materials and to train community teachers on child-centred teaching pedagogy and children's rights, besides providing basic furniture for classrooms.

Origins and scope of the Julius Baer Foundation

The Julius Baer Foundation was established in 1965 by Walter J. Baer (1895 – 1970) 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. Primarily funded by the Bank, the Foundation is an ideal instrument for Julius Baer's long-term community commitment.

Important dates

Date of 2011 Ordinary Annual General Meeting: 7 April 2011

Publication of Interim Management Statement: 12 May 2011

Publication of 2011 half-year results: 22 July 2011

Corporate contacts

Group Communications

Jan A. Bielinski

Chief Communications Officer

Telephone +41 (0) 58 888 5777

Investor Relations

Alexander C. van Leeuwen

Head Investor Relations

Telephone +41 (0) 58 888 5256

Media Relations

Jan Vonder Muehl

Head Media Relations

Telephone +41 (0) 58 888 8888

International Banking Relations

Kaspar H. Schmid

Telephone +41 (0) 58 888 5497

This brief report is intended for informational purposes only and does not constitute an offer of products/services 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 2010 of Julius Baer Group Ltd. containing the audited financial accounts of the Julius Baer Group for the year 2010 is available at www.juliusbaer.com.

JULIUS BAER GROUP

Head Office

Bahnhofstrasse 36

P.O. Box

8010 Zurich

Switzerland

Telephone +41 (0) 58 888 1111

Fax +41 (0) 58 888 5517

www.juliusbaer.com

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