Julius Bär

Speeches

at the Ordinary Annual General Meeting 2012
of Julius Baer Group Ltd.

Zurich, 11 April 2012

Chairman's address

Raymond J. Baer
Chairman of the Board of Directors

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Boris F.J. Collardi
Chief Executive Officer

**Tribute and Farewell to Peter Kuepfer,
Independent Lead Director**

Raymond J. Baer

**Tribute and Farewell to Raymond J. Baer,
Chairman of the Board of Directors**

Peter Kuepfer

Check against delivery.

Chairman's address: «About courage and indignation in Switzerland»
Raymond J. Baer, Chairman of the Board of Directors

Dear shareholders, employees of the Julius Baer Group, guests, colleagues, fellow members of the Board of Directors, and Baer family

Today's Annual General Meeting is in principle an ordinary one, but at the same time a somewhat special Annual General Meeting of the Julius Baer Group. As you meanwhile know, today's event is my last official act in public as Chairman. The transition to my successor is another firm step in the development of our institution, following the IPO in 1980 – the very first one, mind you, by a private bank in Switzerland – and the creation of a single-class registered share and thus the opening up into a true public company in 2005.

In a strong alliance of all stakeholders, we are here today to sum up a financial year which demanded much from us in a challenging environment. The economic and political operating conditions are anything but easy. Our industry is undergoing a profound and sustained transition. It is hardly possible today to engage in any private sector activity without facing imponderable political intervention internally or externally.

I consider it positive that, despite these circumstances, no spectacular changes have taken place in our company. The credit for this belongs to all of you. We may count on faithful investors and clients, committed and loyal employees and a prudent management team.

Before our CEO Boris Collardi informs you about the details of our business development in the 2011 financial year, I would like to look back a few years.

In 2003, you elected me to the Board of Directors as a representative of the fourth generation of the Baer family, and I took on the role of Chairman. There were pivotal decisions to be made, such as the sale of the pan-European brokerage business and our activities in North America. The most important one, however, was the previously mentioned introduction of the single-class registered share. Through this step, the family underscored its confidence in the sustainable independence of the firm. It was clear from the outset that the success of this metamorphosis would depend on rapid implementation and on proceeding without taboos. The nearly simultaneous acquisition of the private banks and GAM from the UBS business portfolio quickly focused our attention again on the road ahead. It swiftly doubled our cash flow and allowed us to access crucial growth markets.

The strategic steps of the past should be judged according to the reasoning at the time. Looking at the acquisition of hedge fund specialist GAM, for example, private clients had been seeking such investments, but they almost completely turned away from them again when the Bernard Madoff scandal struck. The flood of regulation as a consequence of the financial crisis ultimately persuaded us in 2009 to completely separate the asset management business from the private banking business. This focussing of our business as well as the acquisition of ING Bank (Switzerland) soon thereafter were also the right steps in hindsight.

In total, these steps have made Julius Baer what it is today: Switzerland's leading private banking group. This is also reflected in the growth of our private client assets under management. As a consequence of the acquisition in 2005, they doubled from 61 billion to 122 billion Swiss francs and have grown to 170 billion Swiss francs since then. Apart from our private clients, the stock exchange has also honoured this development – the valuation of the Baer stock as measured by the price/earnings ratio has increased from the low single-digit range at the end of 2004 to the current level of around 17.

We have a very sound balance sheet today, enjoy strong new money growth and have 40 branches spread across more than 20 countries. With over 500 employees in Asia, we can refer to this key region as our second home market.

Against this backdrop of constant change, I believe we have maintained important cultural features. Despite all of the institutional challenges, we have always put people first. I am firmly convinced that the following guiding principle is still valid for us today: "Small enough to care, but big enough to matter." When we see today's regulatory requirements in front of us, especially with respect to Europe with the noticeably growing compartmentalisation, I am completely certain that we are big enough to successfully master the tasks ahead. The cost pressure on the one hand and the margin situation on the other hand will unfortunately undermine and clearly reduce the diversity of the Swiss financial centre. A consolidation wave, from which we ultimately can profit, appears unavoidable. Also in this aspect, the Group's firm emphasis on growth while continuously focusing its business was important and correct.

Letting go, Ladies and Gentlemen, is never easy. It is actually one of life's greatest challenges. This farewell is made easier by the fact that I may still serve the Group in the future, as Honorary Chairman, and stand up for the operating conditions of our industry in Switzerland. A solid succession plan also helps. As new Chairman, the Board of Directors intends to elect Daniel Sauter, with whom I had the pleasure of working with for over five years in our governing body. I am convinced that he will lead the Board with much empathy and commitment. Together with our proven management team, under the leadership of Boris Collardi, this transition ensures the greatest possible continuity.

Before we move on to the ordinary agenda items, in keeping with tradition I would like to share a few thoughts with you on our financial centre, on the economy and on Switzerland. I do this as an observer of a development which fills me with some concern. It regards courage and indignation in Switzerland. We have ever less of the former, whereas the latter is on the rise.

Shouldn't we have every conceivable reason in our country to be more courageous? A lack of courage has largely to do with mental limits which have grown in the past decades due to the rising prosperity. This acts as a sedative. An observer of Switzerland once rightly said: "Safeguarding what has been achieved is more important to our nation than discovering and conquering new frontiers." Risk is instinctively perceived today as a threat instead of an opportunity.

The situation was much different when Switzerland was still a pioneer country. The existence of wilful mountain people and the neutrality of the main Alpine passes were convenient for the major powers. Our founding fathers were adept in exploiting this situation. They had the courage to face the unimaginable. Our pioneers handed down the responsibility to us to do more than just manage the legacy. The over 700-year history of Switzerland is based on the historic duty of taking our fate in our own hands.

In a certain sense, Swiss voters reminded the politicians precisely of this again in the recent popular vote on the construction of second homes. The Swiss people fulfilled their role as the highest controlling body in the political system in a remarkable fashion, because the politicians did not pay enough attention to them or address their concerns with enough determination. We business leaders should especially realise with regard to our actions that the highest power in the land is increasingly calling again for politics to take precedence over the economy. The voting results also show that our direct democracy achieves a balance of interests. We are thus well advised to foster a balanced relationship between a self-confident, measured sense of individualism on the one hand and a democratic, lean, but also social state on the other hand.

Against this backdrop, the half-hearted swan song for our direct democracy is completely out of place. Already in the most recent parliamentary elections, the Swiss people rebuffed the extremists and strengthened the centre – a diffuse centre, but still a moderating force.

In contrast to courage, we currently have an abundance of indignation. As an example here, I want to touch on the forced resignation of the Swiss National Bank's chairman. The reporting was unprecedentedly venomous and aggressive. The shifting of the burden of proof, as in the USA, has long since also arrived in Switzerland. People in public life must prove their innocence and are quickly put under general suspicion.

The hunt for media headlines is further exacerbated by the yearnings of a self-righteous pack who have tasted blood. They want the prey they have set their sights on at all costs. And on the role of the pack, consisting of journalists and politicians, Jürg Dedial recently wrote the following in the NZZ: "He who sits so exposed in the glass house of virtue should be very cautious in making accusations. It is curious that so many eyes there have suddenly gone blind."

We all know how important a strong and independent media is as the fourth pillar of government in a democracy. Already in the French Résistance, there were calls for the freedom, integrity and independence of the press. Integrity also means worthy of respect. But he who throws stones is seldom respected. Hessel, a fighter in the French Résistance, calls on citizens in an essay to express their outrage. We follow this call on a daily basis – but in the wrong way. We express our outrage today about this and tomorrow about that; we are in a constant state of outrage.

No scandal is too small to be able to be turned into a moral lynching. German studies specialist Peter von Matt attributes a moral dependency to the politicians. And he says about this: "The goal of all moralising is to produce outrage." He who is master of the outrage has control of it and thus has power over the others. We would be well served in public discourse to return to placing sober facts and open convictions above the artificial moralising.

Of course, we must also say that the accused displayed a poor grasp of public perception and mediocre communication skills. They thus become easy prey. More courage in terms of openness and the willingness to go on the information offensive would be better in such matters.

And what does this development tell us about those who hold a public office? Do we need – in reference to Robert Musil's novel – a "Man Without Qualities" in every leading position? Or may we not also have men and women with many facets to their personality, with charisma and chutzpa?

Our "militia" political system could use precisely those personalities who are committed, take chances and stand out. It is understandable that people in responsible positions must be measured against higher standards. But the fact that these standards are set at levels which qualified candidates can no longer meet must be critically examined.

We should increasingly summon up the courage to follow own, perhaps uncomfortable paths, to stand up for own beliefs and to challenge resistance.

Precisely with respect to our foreign relations, Switzerland regularly falls victim to "Eurovision phobia". We simply cannot understand why we are not loved and receive no points. But the history of international relations is primarily about asserting one's interests and about respect, not about friendships.

As far as our financial centre is concerned – and one would hardly speak of a love affair between the foreign countries and Switzerland – a large amount of sorting out the past still lies ahead of us. We banks have naturally also recognised that the world has changed. That banking secrecy, as we knew it, is history.

Switzerland needs responsible solutions to how it should deal with the history of undeclared assets. The final withholding tax model is inevitable, for the often casual call for the free exchange of information represents no solution for sorting out the past. An exchange of information without taking into account the history would be an illusory solution for sorting out the past and would primarily result in money and jobs leaving Europe. Switzerland's good reputation as a reliable business partner would be damaged if clients did not get a standardised procedure for regularising the past.

One may justifiably express the expectation in public, however, that the financial centre comes up with a lasting, transparent and especially swift solution for the transformation process for these holdover business areas. As a representative of the financial sector, I have understanding for politicians' growing indignation with constantly being confronted with financial centre topics and thus seeing other areas being neglected. However, the endless assignment of blame leads nowhere. This is ultimately about dealing with the past, which came about due to comprehensible historical circumstances. And about rules of the game with which it will be possible for us to continue playing in the Champions League of financial centres. We must focus all of our efforts on achieving the balancing act between successfully sorting out the past and creating sound operating conditions for the future of our financial centre. The entire political spectrum must be aware, however, that we are speaking here not only about high-quality jobs in the Swiss financial centre, but also about the future prospects of the Swiss economy on the whole. The financial industry will make its contribution to this in the interest of the country.

In the next few months, the industry and the politicians will have to work intensively on the detailed framework of the so-called white money strategy. The objectives should be set on a Swiss-wide basis and free from political bias. Global standards should be adopted. Further-reaching Swiss criteria should be tolerated, provided that they allow us to put the past definitively behind us. All in all, however, these stricter Swiss criteria cannot be allowed to result in us shifting high value added jobs abroad. This would be a bitter loss for the entire economy.

In Switzerland, in the financial centre and in our company, we have –from an absolute, but especially from a relative perspective – the best possible prerequisites to be able to successfully master the challenges. Stability, openness and trust are the three underlying pillars of prosperity in Switzerland. Through openness to the concerns of the government and the broad population, we financial institutions should especially put more effort into building trust once again from which we benefitted in recent years. At the same time, we can expect the sorting out of the past to be discussed objectively and separately from the future of the financial centre.

I am optimistic that we will succeed. And I therefore hand over my office in fullest confidence to my successor. With a wink and a quote from Erich Kästner, I would now like to turn to the ordinary items of the meeting:

“Will things get better or will things get worse, we ask each year. Let’s be honest: life’s always life-threatening.”

Thank you.

Presentation of the business development 2011

Boris F.J. Collardi, Chief Executive Officer

Ladies and Gentlemen,

It is my pleasure to speak to you today about the business development of the Julius Baer Group in 2011 and the strategy of our company.

Business momentum maintained despite many headwinds – very strong capital base

CHF m	2010	2011	Change 2011/2010
Operating income	1'794	1'753	-2%
Adjusted operating expenses[1]	1'192	1'279	+7%
Adjusted net profit[2]	504	401	-21%
Underlying net profit (excl. Germany settlement)	504	452	-10%
Cost/income ratio (%)	65.4	68.0	–
Assets under management (CHF bn)	169.7	170.3	+0%
Net new money (CHF bn)	8.8	10.2	+16%
Annual growth rate	6%	6%	–
BIS tier 1 ratio	23.8%	21.8%	–

[1] Including the tax-related one-off payment to German authorities of CHF 65m
[2] Excluding integration and restructuring expenses and amortisation of intangible assets. Also excluding charges related to the demerger and expenses in relation to acquisitions. Including these positions, the net profit was CHF 258m in 2011, down 27% from CHF 353m in 2010.

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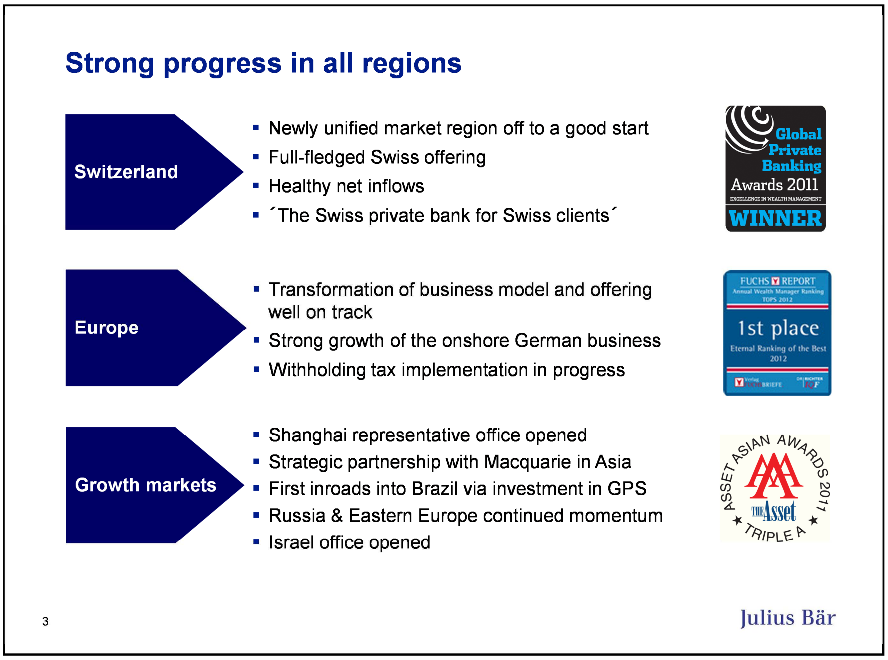
The financial markets, business conditions and regulatory environment during the past financial year posed major challenges for us once again. This made caring for our clients a tricky task. Nevertheless, we were fundamentally able to maintain our Group's good business momentum and capitalise on opportunities.

As in the previous year, our financial results in 2011 were significantly influenced by the strong Swiss franc. The vast majority of the Group's expenses are in Swiss francs, while income – similar to assets under management – has a strong foreign currency exposure. The Group is particularly exposed to the euro and the US dollar, whose value fell on average by 10% and 15%, respectively, in 2011.

A one-off impact resulted from the payment for the settlement reached with Germany. This course of action prevented drawn-out legal proceedings in tax matters. Excluding this payment, the underlying net profit declined by 10% to 452 million francs.

The foreign currency translation effect in 2011 becomes particularly apparent when you look at our cost/income ratio: If the exchange rates of 2010 had remained stable, instead of the increase by nearly three percentage points, the ratio would have improved by around one percentage point. Given the value of 68% at the end of 2011, however, we still hold a top position compared with our industry peers.

In 2011, we generated net new money exceeding 10 billion Swiss francs, or 6%, placing us at the upper end of our target range yet again. All of our geographic regions contributed to this very gratifying result. Nonetheless, our assets under management remained virtually unchanged year on year due to negative market and currency impacts.



In the past year, we continued to carefully adapt the organisational structure and geographic presence of our Group to the changes in global wealth creation and wealth distribution. We thus combined our home market into a unified region Switzerland. Swiss clients now enjoy a full-fledged product/service offering which leaves nothing to be desired. The new organisation got off to a good start and recorded significant new money inflows. It has already received much praise, for example being named as the Best Private Bank in Switzerland by business publication the Financial Times. Our strategic positioning is thus clear: We want to be the private bank of choice for Swiss private clients.

In Europe, we made further progress in adjusting our business model to the changed regulatory environment. This applies to the entire value chain with which we market ourselves and operate in the individual European markets. Our goal is to appeal to those client groups who seek the quality, stability and security of a Swiss private bank such as Julius Baer for the management of their wealth. The strong new money inflows from our European core markets have proved us right. In the important German market, for example, our successful market position and our related investment competence earned us the top spot on the All-time Best List of leading German business publication Fuchsbriefe.

As you know, Switzerland has reached agreements with Germany and the United Kingdom regarding the introduction of a final withholding tax. We are confident that the current ratification processes will be successful. We already launched various strategic projects early on to prepare our Group in a timely manner for possible implementation.

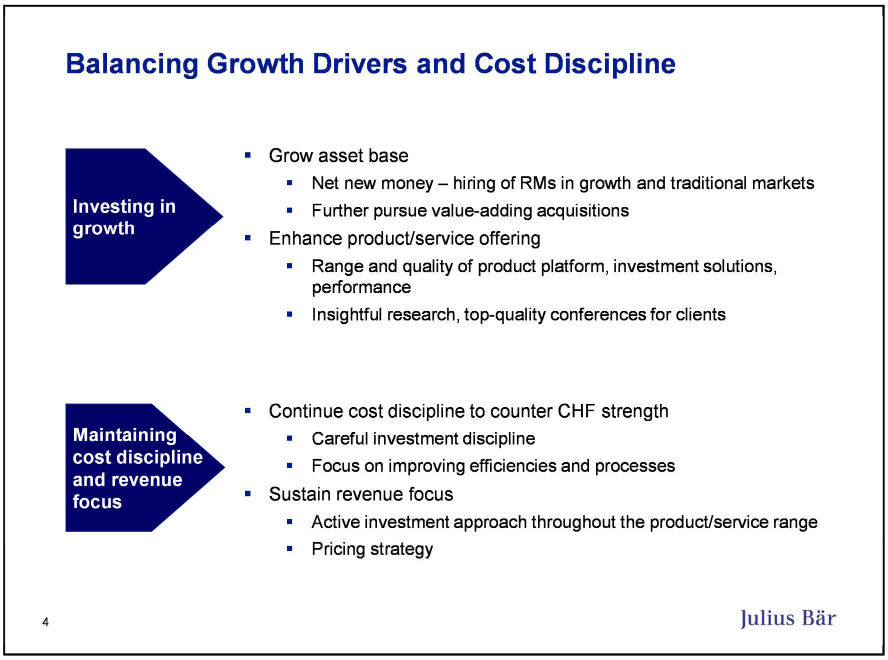
In this connection, please allow me to make a few comments on the current talks on tax matters between Switzerland and the United States: The situation of each bank is different. Julius Baer took an active and cooperative stance early on. We already began in the second half of 2008 to withdraw ourselves from business with US clients and we concluded this process last year. We sought contact with the US authorities at an early stage and are in regular communication with them. In this course, we are strictly observing the applicable Swiss laws and actively supporting the efforts of the Swiss government. We are convinced a mutually agreeable solution for both countries can be reached in the foreseeable future.

Whereas our strategy in Europe focuses on accessing the existing high level of wealth, in the growth markets we aim to profit from the robust creation of new wealth. We have built up our largest foothold in Asia, our second home market. This region already accounts for around 15% of the Group's assets under management and exhibits steadily high new money growth rates. We therefore significantly strengthened the local management in the past year. Parallel to this, we expanded our presence through a representative office in Shanghai, thus allowing us to profit from the enormous potential of the Chinese market. We also further enlarged our product/service range. Hence, through our booking platform in Switzerland, it is already possible today for you to open accounts in the Chinese currency, the renminbi, or to execute transactions in renminbi-based investment products. Through the strategic partnership with Macquarie, our Asian clients gain access to investment banking services, while Macquarie refers its clients with private banking needs to us. In addition, we were able to take over Macquarie's local private client business. This also resulted in awards for Julius Baer in Asia, for example being named once again as the Best Boutique Private Bank by renowned magazine The Asset.

Outside of Asia, we made first inroads into the biggest and most important market in Latin America. The minority stake of 30% in GPS, whose over five billion Swiss francs of assets under management make it Brazil's largest independent wealth manager, gives us the opportunity for an intensive exchange of know-how and experience. Building on this, we already launched the first joint research projects. In Russia and Eastern Europe, we see continuing large demand, and we therefore now also serve this region through a new team based in Vienna. In the very promising region of the Eastern Mediterranean and Middle East, we achieved a significant increase in business activity and new money inflows thanks to additional relationship managers. And ultimately, we opened a local office in the very attractive market of Israel at the beginning of March 2012.

All of these markets have shown continuing strong growth despite the financial crisis and the fragile global economy. All in all, roughly one third of our assets under management are presently attributable to growth markets. Given the current growth rates, we assume this proportion will rise to over 50% by 2015. We are thus not only improving the geographic diversification of our activities but also laying the foundation for future income.

You thus see: Despite the adverse external influence factors, we made solid progress in all of our regions.



And how do we view our future path? The past year has shown that the changes in our industry are profound and permanent. Many of our competitors have disappeared or are struggling with unfavourable market positioning or overcapacity. The difficult environment has also left its mark on Julius Baer, but we have been able to deal with it from a position of strength and seize opportunities. We intend to continue doing this in the coming months while keeping our eye firmly on the goal of achieving profitable growth.

The appeal of the Julius Baer brand, as a private banking provider of choice and as a desirable employer, is unique. We are client oriented. We have the requisite critical mass and simultaneously offer the intimate service which is indispensable for lasting client relationships. Our offering is built on a solid financial foundation, comprehensive in the truest sense of the word, strongly international and yet always has a client-centric, local feel.

These qualities draw a lot of attention, in our targeted client segments as well as among relationship managers. Already in the first few months of the year, we welcomed various teams of high-calibre relationship managers to Julius Baer. The growth markets are a geographic focal point in this process, regardless of whether the additional colleagues work from locations in Europe or directly in the respective markets.

We also remain interested in value-adding acquisitions, provided that key criteria are met. The previously mentioned structural changes in our industry have already triggered various transactions. We have profited indirectly from these through the relationship manager teams who have sought a new future and found one at Julius Baer.

The challenging environment also has lasting consequences for our clients and their needs from us. Advice is in demand more than ever, and the only response to this can be to constantly adjust and expand our offering. Sound investment recommendations, comprehensive solutions, solid performance and innovative research ultimately strengthen client retention. We are very active in all of these areas. We are in the midst of launching a modified, significantly more active investment approach which moves away from the relative index orientation of the past. Investment conferences, such as the one recently held in Zurich with renowned speakers on the topic of People, underscore our competence and the added value we can offer our clients.

Sustained growth does not come at no expense, however. With the continuing strength of the Swiss franc as a major obstacle, we will very carefully consider investments in our company once again this year and make prudent decisions. We already underwent a cost-cutting programme in our organisation last year. Thanks to the bundling of various functions under the newly created Chief Operating Officer position, we can now more efficiently streamline processes and combine strengths. Active cost management has become a permanent task.

At the same time, we must resolutely and comprehensively cultivate revenue sources. The breadth and quality of our product/service range and the added value thus generated for our clients should be reflected in corresponding profitability. With this in mind, we will also introduce a more differentiated pricing structure for products and services.

There is no doubt that the environment will remain demanding and highly competitive for the rest of 2012. Thanks to our outstanding positioning, strong financial base, client-centric product/service range and potent brand, we have everything it takes to be among the winners in our industry. The main reason for this confidence, however, is our qualified and committed staff as well as our experienced management team. We have good reason to be proud of them, and I thank them for their enormous contribution.

I wish to take this opportunity, dear Raymond, to express my sincerest personal thanks to you for the trust and friendship you have given me as well as for the good work together over the past years. I wish you all the best as you pursue your new challenges, and especially in your role as Honorary Chairman of our Group.

Dear Daniel, I look forward to continuing to work with you in your new function and with the newly constituted Board of Directors under your chairmanship.

Ladies and Gentlemen, thank you for listening.

Tribute and Farewell to Peter Kuepfer, Independent Lead Director

Dear Shareholders

As already announced in early February, Mr. Peter Kuepfer, our Independent Lead Director, has decided to no longer stand for re-election after serving for 13 years on our Board of Directors.

Dear Peter, since joining the Board in 1999 and serving on the former Executive Committee and on the current Chairman's & Risk Committee, you have left your mark on the destiny of the Julius Baer Group on a monthly basis. Over this long period, you participated in about 520 official meetings of the various governing bodies of our Group. In addition to this, you took part in countless preparatory meetings and teleconferences which were regularly needed to keep the company competing at the head of the pack. We were all able to benefit from your immense wealth of experience and we always appreciated you as an honest and open discussion partner who, when it came to important topics, always found time for an in-depth conversation and subsequent earnest feedback. The independence required of a member of the Board is something you always exemplified in every situation, regardless of how delicate it may have been. You were always perfectly prepared. You never lost your calm and you thus set a high standard for the composition of the Board of Directors and its work. You can look back with pride on what was accomplished, and we are naturally very reluctant to see you leave.

I thank you from the bottom of my heart, dear Peter, for everything you have done for the Julius Baer Group and for me personally. You clearly left your mark on many important chapters of the metamorphosis of Julius Baer from a former family firm into the current public company. For the future, I wish you all the best, especially good health so that you can live life to the fullest.

Tribute and Farewell to Raymond J. Baer, Chairman of the Board of Directors

Dear Raymond

Thank you for your very kind words as I conclude my eventful and very rewarding time on the Board of Directors of Julius Baer. The fact that I must say farewell to you as Chairman as my final official act is something I would have found hard to imagine. But I am very pleased for the opportunity to do this on behalf of our esteemed shareholders as well as in the name of my current and former colleagues on the Board of Directors.

Your decision to no longer stand for re-election to the Board of Directors came as a surprise for the outside world. But those who are more closely acquainted with you know that this is also a step you did not take lightly and that your decision is well considered and well founded. It is precisely these character traits of unwavering levelheadedness with which you also carried out your duties during your nine years at the head of the Board of Directors and thus largely determined the destiny of the Group.

And the result is impressive: in the most positive sense, today's Julius Baer Group is no longer comparable with the one that existed when you took over as Chairman in 2003. Private client assets under management are now nearly triple what they were then. The Group has more than doubled its geographic footprint, both in Switzerland and abroad. Asia, Russia, the Near and Middle East, and Latin America – these were largely untapped regions for Julius Baer in 2003, but today they are the promising markets for the future of the Group and already account for over one third of assets under management. Under your leadership, Julius Baer transformed itself from a family-controlled firm into a pure public company in 2005, acquired three private banks and a specialised asset manager that same year, split off the asset management business in 2009 and has continued to target further acquisitions since 2010.

It is no exaggeration to say that this metamorphosis of the company could only have been set in motion from within the family. The fact that you seized the initiative and faced the inevitable friction from the family shareholders is in keeping with the best tradition of four generations of entrepreneurship in the Baer family. With courage and determination, you followed through on your firm pledge to resolutely transform the company and make it fit for the future.

The chosen path turned out to be successful and confirmed your view of the future of Julius Baer. After nine years, you have now completed the tasks you set for yourself for the benefit of the company, clients, shareholders and employees. The well-positioned, respected and financially strong public company Julius Baer has arrived in the future and is in the right shape to successfully face the current and future demands. You took a large responsibility on your shoulders and you fulfilled it completely. The possibility thus opened up for you to freely decide to pursue your further career path also outside of Julius Baer. You have now seized this opportunity – taking another courageous step.

Dear Raymond, you are leaving the helm of a solidly built ship under the leadership of an outstanding crew who are on track to successfully navigate through the continuing rough waters. Even without a representative with the same name on board, the name Julius Baer will still be synonymous with the type of quality in private client service which can only stem from a company with a family background and a history of prudent growth over many decades. With your departure, we say goodbye to a business personality who has distinguished himself far beyond the confines of his own institution and the financial industry. Switzerland as a country, its strengths and its future, have always been close to your heart, and you have never hesitated to stand up for Switzerland at all levels. As Honorary Chairman, you will continue to place your broad experience in the financial industry at the disposal of our Group. You are thus ensuring utmost continuity.

Dear Raymond, on behalf of all shareholders and Baer stakeholders around the world, and in the name of the Board of Directors and senior management, I thank you sincerely for your quarter century of service at Julius Baer and for the major contributions which will remain forever linked with your name. I wish you all the best in your many future pursuits in the next phase of your professional life.