Julius Bär

Speeches

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

Zurich, 7 April 2011

Chairman's address

Raymond J. Baer
Chairman of the Board of Directors

Presentation of the business development 2010

Boris F.J. Collardi
Chief Executive Officer

Check against delivery.

Chairman’s address

Raymond J. Baer, Chairman of the Board of Directors

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

Welcome to the 2011 Annual General Meeting of the Julius Baer Group. I thank you for the trust and solidarity that is evident through your capital and your interest in today’s meeting. My special thanks go out to the entire team at the Julius Baer Group for their outstanding work in a challenging environment. You have all done your best once again, thus allowing us today – despite much political uncertainty – to look back with satisfaction and look forward with quite a bit of confidence. I will address this situation from my own personal perspective over the next minutes, concentrating on our operating environment and our company.

At the Extraordinary General Meeting on 30 June 2009, dear shareholders, you approved a decisive strategic focusing of the Group. You thus paved the way for us to build a leading position in Swiss private banking. This revised strategy also involved splitting off the asset management business, which today pursues a successful business model within GAM Holding. From today’s perspective, nearly two years later, we can say that both our stock and that of GAM Holding have performed well and that our return to the roots of our business has paid off in this market phase. Given the rapidly changing operating conditions, I believe it was essential to reduce the complexity of our business model. And we did so successfully. Following my speech, our CEO, Boris Collardi, will comment on the 2010 financial results and the key corporate steps taken in 2010.

I now want to turn my attention to the political environment of our company.

“I know that modesty and self-criticism are typical Swiss virtues. But I wish all of us would have a bit more self-esteem and self-confidence. We will need them. The globalisation of business, technology, communications and transportation has resulted in a series of risks whose magnitude exceeds anything we have witnessed before." With these words, in her New Year's speech the Swiss president set the tone for the citizens of Switzerland for 2011. The source has thus been cited, precluding any hint of plagiarism from the outset!

For once, I can only agree with Ms Calmy-Rey's position. The Swiss ability to downplay one's own efforts and accomplishments astonishes me time and again. We have turned this into a high art form in Switzerland. Self-confidence is truly not a Swiss virtue. But now, more than ever, we really do need it. We must look to the future with self-confidence, i.e. trusting in ourselves instead of longing for the recognition of others. Trusting in our strengths, our position and our potential.

We have decided to go it alone amid a united Europe and nevertheless complain about a lack of support. In reality, we must take it upon ourselves to develop more self-esteem. It is understandable that our European partners stand up for their interests with respect to defining the bilateral path. But we also have our own ones, and we should learn how to fight for them.

Whether or not the bilateral path is a dead end will be borne out by history some day. We should therefore stay on the path to see if it will truly end in the way so many predict. If we reach a point when the sum of the disadvantages outweighs that of the advantages, however, there would be enough time to re-assess our position. For history has taught us one thing: We have always done an outstanding job of adjusting ourselves to new situations when the time is right. Are there reasons to act prematurely? From today's perspective, I do not see any.

It would obviously be misleading to describe the bilateral path of Switzerland as a walk in the park. But in view of the experiences from the euro crisis, and considering the inability and perhaps also the actual impossibility of the EU to establish a sustainable monetary and financial policy up to now, the bilateral path is still more advantageous. It may be that we reach another conclusion some day. That point in time – if it ever comes to pass – is certainly still far in the future.

Our lack of self-confidence is also why we have trouble dealing with criticism from abroad. It always strikes us at our very core. We are a people who yearn for recognition. The culture of airing disagreements, such as exists for our Northern neighbours, is foreign to us. The eagerness to give in due to fear of criticism or grey lists is, in contrast, symptomatic of the Swiss. Switzerland does not make history. It follows history. Depending on the historical period, it does so at a greater or smaller distance. But it does follow. Otherwise, it would not be the economically dynamic country it is today. We march to our own beat, but with the precision of a Swiss watch – and we are mostly reliable. A few unfortunate exceptions, mainly from the recent past, confirm the rule. In addition to reliability, our legal certainty is another major achievement we must take care of.

The fact that we are moving in mostly incremental steps has largely to do with our political system. We are not governed from the top down, but we govern from the bottom up. The Swiss people are deeply conservative on the whole, at least from a relative standpoint. "Outliers" – such as in the recent referendum on the weapons initiative of the "city people" – are regularly brought back into line. What at close view appears to be stagnation is in fact a steadily ongoing evolution. Switzerland adapts to its environment in the same way as an animal adapts to change in its natural surroundings – instead of trying to bend the environment to its own will.

Switzerland's "commendable services" and revered neutrality have been outdated since the end of the Cold War. To put it bluntly, we are a nobody on the global political stage. We do not even have the right to observe at meetings of the self-proclaimed G20 world government. So what? This should not weaken our self-esteem or our will to stand up for ourselves, quite the contrary.

Let me make it perfectly clear: I do not go along with those who, out of a sense of populism and a false defence reflex, want to seal off Switzerland. Let us be realistic: The world around us is changing at an incredible pace. Europe no longer sets the global pace, but follows the lead of the emerging economic regions, especially China. To put it in the words of former German finance minister Hans Eichel during a recent visit to Switzerland: "The continuing integration of Europe is not without alternative. But a break-up of the euro region would have serious consequences. Europe would be marginalised in the world" – or, as some cynics would say, even more marginalised.

We Swiss are thus sitting in the same boat as our neighbouring countries. A strong European economic region is in our best interest. And so is a strong euro. The failure of this grand vision of a common monetary and economic region, or even just a halt on the path to integration, would hit Switzerland particularly hard.

We should not fool ourselves in this respect, either: It is certainly appropriate for us to contemplate our role in the world and our self-image. I at least agree with the view expressed in the book "Helvetische Schlagworte" by Walter Wittmann, former professor of economics at Fribourg University, that we surround ourselves with numerous myths which turn out to be legends and fairy tales upon close inspection of their true content. Wittmann says of this: "There is a growing gap between claims and reality in Switzerland. We claim to be something we decreasingly or no longer are." End quote.

But more self-confidence in the ability to follow our political path on our own terms and to defend our interests more vigorously would be good. This would be a promising starting point for us to be able to unconditionally consider our role, our prospects and the dangers we face.

I now turn to our economic situation.

The historian Jakob Tanner has the following to say about the economic development of Switzerland: "Switzerland became what it is because it always had something to sell that was of interest to others." End quote.

Why does Switzerland have so much to offer? On this barren political ground and – apart from a lot of water – without natural resources, how is Switzerland able to flourish economically in a way unlike most other mature economies? The answer is not despite but precisely because of these conditions. Our political and economic foundations are calculable, stable and transparent. And, for better or worse, we depend on innovation. It is our decisive resource.

We are one of the few countries in Europe that has preserved the fundamental ideas of liberalism and self-responsibility. The public authorities stay out of the way as much as possible, but without fully relinquishing responsibility. The state is not always successful as a partner in the economy. At times, the government lacks composure, good teamwork and vision. Cases such as Swissair and UBS are examples of this. But in view of the recent past, we can say the government does have the ability to learn.

In contrast, the Swiss citizens have proved to be far-sighted business leaders on the whole. No ever-growing welfare state, no plundering of the government coffers, no outrageous expenditure excesses and, all in all, clear votes for continuing a liberal economic system. One might argue that the voters only partially understand the issues being voted on and their consequences. This is an insult. No government in the world can claim to have pursued an equally successful and prosperous economic policy over many decades like the Swiss citizens.

I have great faith in the continuation of this successful course and especially in the correction of faulty economic decisions of the government. In the negotiations on a third round of bilateral treaties, the Swiss negotiators will have to navigate well between the demands of the negotiating partner and the ultimate decision makers in Switzerland in order to reach a solution acceptable to the majority. Let me say one thing up front: The automatic adoption of EU law, as the EU demands, is and never will be acceptable to the majority in Switzerland. Such a request is a direct attack on our sovereignty!

Resistance against such a request is even more likely to form given that a national election date is set for autumn 2011 and that this issue can be expected to accentuate the position of the different political camps. Despite the prospects of a hot autumn, the parties and voters must resist the temptation to get caught up in populist slogans and demands. In the last two legislatures, politicians on the left and on the right have hindered a consensus-oriented approach to finding solutions. If too little was done, then the blame lies with them. The parties in the middle, which have regularly stood up for compromises and have found majorities in various referendums, are regularly losing voters. That is a bad omen.

With the upcoming elections, I nevertheless hope the major economic policy-related issues – welfare structures, health care and value added tax – are addressed swiftly in the new legislature. At the same time, we should avoid economic policy experiments – e.g. the initiative against excessive executive pay, the initiative for equal pay for men and women, public health insurance or income guarantees. The corporations and particularly we banks are especially called on to develop and establish solutions acceptable to the majority on matters of pay. Otherwise, solutions will be forced on us by the voters. If we succeed in this, we will be well positioned for further economic prosperity.

We are justifiably proud of the designation "Swiss Made". Our industrial and consumer goods as well as our services enjoy an excellent reputation worldwide. The mantra of high production costs for the location of Switzerland has lost significance in view of the sharply rising labour productivity and high innovative capacity. Even the expensive Swiss franc has had surprisingly little influence on the demand for the products of the export sector, although the margins are shrinking and the decline in profits can only be offset by larger order volumes. Unsurprisingly, managers complain more frequently about capacity constraints and insufficient qualified workers than about currency-related disadvantages.

I still believe a fair tax competition among the cantons and municipalities is a suitable way to keep the public expenditures under control and encourage moderation in the public sector. This competition is also clearly a relevant aspect for corporations and individuals in choosing a location. But in recent years this competition has sometimes resulted in tax dumping – a phenomenon that is unhealthy in the long run and not a sustainable strategy. I am convinced that sooner or later we will see adjustments in the tax rates to safeguard the public finances and make sure the necessary investments in education, infrastructure and public services are not cut short.

I am also convinced that lump-sum taxation in Switzerland needs to be fundamentally reworked. Otherwise, growing opposition can also be expected here. This does not have to do with an increasing culture of envy, but with a deep-rooted sense of fairness on the one hand and with certain excesses by the cantons on the other hand. If Switzerland is to be kept an attractive location from a tax perspective, the holding company taxation by the cantons must also be addressed. Both of these – lump-sum and holding company taxation – will otherwise soon no longer be acceptable to the majority.

Anyone who is so dependent on the import and export of goods and services, whose prosperity is founded on trade with other countries, must accept the complete consequences. The European reality, with its Aldis and Lidls, has long since found its way into our country – and not only with disadvantages for Switzerland. We are caught somewhat by surprise by tumbling consumer goods prices given that the protection and price control of everyday goods – namely agricultural goods – has siphoned off the purchasing power of average Swiss citizens for decades.

As we all know, the topic of final withholding tax is particularly relevant at the moment regarding the future of Switzerland as a financial centre. Such agreements, specifically the one with European economic powerhouse Germany, are of vital interest to the Swiss financial sector. They should also be of vital interest to all Swiss citizens. An automatic exchange of data on business relationships with foreign banking clients would sooner or later also undermine bank-client confidentiality within Switzerland. The transparent client would then also be a reality in our country.

Let us look back to the beginnings to give us a better understanding of bank client confidentiality: In the past hundred years in Europe and around the world, there have been many understandable reasons to protect one's own, legally acquired wealth against arbitrary access by the government. And such reasons still exist today. The final withholding tax would offer a way that accommodates the demands of the different countries of origin and the needs of the banking clients. For Swiss citizens, the respect of individual privacy is an integral part of the national mentality. I cannot imagine that weakening this principle would be acceptable to the majority in this country. The protection of individual privacy should not be mentioned in the same breath as tax evasion, and the first does not automatically lead to the second. The final withholding tax would in my opinion be a suitable instrument for disentanglement. At the same time, I cannot stress enough that we, as a Swiss banking institution, have no interest in complicity in dubious tax-related actions. Also we are capable of learning with respect to this matter.

The Swiss stance on individual privacy might seem outdated in the age of Google Street View and Facebook. But I can assure you that we cannot overestimate the value of this good. The more individual privacy comes under attack by public authorities and by technological advancements, the greater is the recognition abroad for the protection of individual financial privacy in Switzerland. If we succeed in defusing the suspicion of tax evasion through an anonymous tax assessment and payment, Switzerland can look forward to a promising future as a financial centre.

Let us shift our focus again to another geopolitical area and consider the democratisation process in the Arab world. As hopeful as the political developments may seem: In connection with the so-called potentate money, we should respond in a level-headed manner and act in agreement with the EU. To hastily freeze assets in Switzerland and then pass on lists with names to the media is not the right way. If Switzerland wants to attract money from successful business people from emerging countries in the future, such a rushed approach would certainly be inappropriate. At present, various sovereign funds are also asking themselves whether they would be better off having their security accounts in Singapore rather than in Switzerland. That is a bad sign. At the same time, the banks are called on to do their homework when accepting money from politically exposed persons (so-called PEP money) and to work closely with the Federal Department of Foreign Affairs in Berne.

Lastly, I would like to talk about our company. A year ago, I announced that at today's Annual General Meeting we would again discuss the use of the excess capital. In the past twelve months, we have looked around intensively in our industry for suitable possibilities for external growth. Up to now, none of the many acquisition candidates we have examined has met the required criteria. The fact that a transaction did not get done is mainly attributable to the improved economic and financial market environment. But we continue to actively monitor the market. For now, though, the time has come to give back part of the unneeded excess capital to you, dear shareholders.

First of all, we propose to you a 50% higher gross dividend, which corresponds to a dividend payout of roughly one third of the net profit. The Board of Directors is thus also considering the importance of dividend yield in today's investment environment. If we also take into account the tax-free method of distribution from share premium reserves, then this represents more than a doubling of the gross dividend. We are thus living up to our promise to employ capital as efficiently as possible – or to return it to investors.

Secondly, we plan to launch a share buyback programme of up to 5% of the outstanding share capital and with a maximum value of 500 million Swiss francs, to run until the Annual General Meeting in 2012. Both measures to return capital will in no way weaken our strong capital position. With a core capital ratio of 23.8% at the end of 2010, our Group is very well capitalised. Even taking into account the proposed capital distribution, we still significantly exceed both the current and the expected future regulatory capital and liquidity requirements.

Our strong capital base serves various functions and will also continue to do so in the future. For our clients and our employees, it is firstly a guarantee of corporate financial security, business stability and disciplined action from management. Secondly, it enables the degree of flexibility within the company to react to adverse external influences and to arising opportunities. And thirdly, a strong capital base offers you, dear shareholders, the guarantee of the utmost continuity and future prosperity of your company, Julius Baer.

As I near the end of my comments, I would like to pass on the words of historian Jakob Tanner: "We are so successful because we offer something that interests our clients." First and foremost, this is trustworthiness, credibility and know-how.

I am pleased we are able to move forward together on another stage of our Group's journey. At the same time, I assure you, dear shareholders and esteemed employees, that we will employ your financial and human capital successfully and offer you good prospects of a sustained and appropriate return.

Thank you for listening.

Presentation of the business development 2010

Boris F.J. Collardi, Chief Executive Officer

Ladies and Gentlemen,

I take the opportunity to speak to you today about the business development of the Julius Baer Group in 2010 and about the strategy of our company.

Solid financial results – very strong capital base

CHF m	2009	2010	Change FY 09/10
Operating income	1'586	1'794	+13%
Operating expenses	1'026	1'192	+16%
Net profit (incl. minorities) [1]	473	504	+6%
Cost/income ratio (%)	63.1	65.4	+2.4% pts
Assets under management (CHF bn)	153.6	169.7	+10%
Net new money (CHF bn)	5.1	8.8	+71%
BIS tier 1 ratio	24.2%	23.8%	--

[1] Including amortisation of intangible assets as well integration and restructuring costs, the net profit was CHF 353 million in 2010.

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Julius Bär

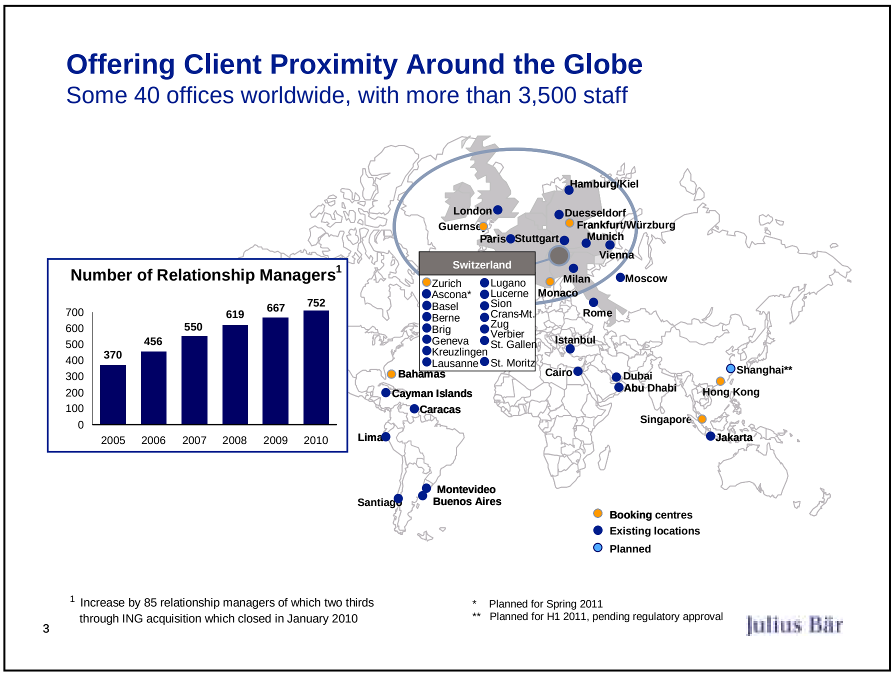
We have every reason to be satisfied with the financial results achieved in 2010. You have already received detailed information on these results in our letter to the shareholders. Allow me, therefore, to touch just briefly on the major points and influence factors: The business environment was challenging again last year. Main themes included the European debt crisis, markets driven by central bank liquidity, and sharp currency fluctuations.

In particular, the strong Swiss franc weighed down the results significantly. But we were still able to maintain profitable growth. Our Group's close proximity to the markets allowed us to actively exploit arising opportunities. Parallel to this, ING Bank was successfully integrated after its acquisition in January of last year. It is consolidated in the 2010 financial statements for the first time.

Net profit on an adjusted basis grew by 6% to 504 million Swiss francs. A majority of the Group’s income is earned in currencies other than the Swiss franc, so these foreign revenues appeared smaller when converted into the strong Swiss currency. Most of the expenses, on the other hand, are incurred in Switzerland and in Swiss francs. The resulting scissors effect is also evident in the cost / income ratio, which rose to 65%. This value still puts us in a very strong position compared with our peers in the financial industry. The strong Swiss franc was responsible for around one percentage point of this increase.

Assets under management were up by 10% to nearly 170 billion Swiss francs. Gratifying net new money contributed approximately 9 billion Swiss francs to this growth, and the acquired ING Bank added 14 billion Swiss francs. The strong Swiss franc also had a considerably negative influence here through the currency translation of the assets.

With a Tier 1 core capital ratio of 23.8%, the Group remains very highly capitalised. We thus more than fulfil all current and expected future capital adequacy requirements. Even considering the planned capital distribution to you, dear shareholders, Julius Baer is still overcapitalised. We will continue to manage the Group’s balance sheet conservatively in the future.



Today's Julius Baer Group is an international organisation with over 3500 employees. As a highly client-oriented private bank, we can be found where our wealthy clientele want us to be: in over 20 countries and at more than 40 locations worldwide, served by over 750 relationship managers.

And as a growth-oriented company, we are present at the locations around the globe where wealth creation is rising most rapidly. The number of staff in Singapore has thus increased over the past six years from 24 to the current level of 345. Together with the approximately 120 colleagues in Hong Kong and Jakarta, around 13% of all of the Group's employees currently work in Asia. The continuing high level of net new money is one indication of the success of this presence. For these reasons, Asia has become a second home market for Julius Baer.

We recorded progress in all of our targeted key markets around the globe. Once more, we succeeded in recruiting additional **relationship managers** to Julius Baer. Thanks to our **unique, open product platform**, we were again able to address the changing needs of our clientele very swiftly and in line with local considerations in 2010.

And we made further investments in the future of our Group in regions that make sense for our clientele and for Julius Baer:

- We largely adapted our offering in the **European markets** to the changed business environment. We are thus now in closer proximity with the local clientele, serving them both from Switzerland and at their locations.

- In **Asia,** the dynamic momentum continued. As noted, Julius Baer was also able to profit strongly from this growth in 2010, especially with respect to new money.

- The same holds true for the growth markets of **Central and Eastern Europe**, for **Russia** and for **Latin America**, in which we have positioned ourselves more strongly.

- In **Switzerland**, we successfully launched a strategic initiative aimed at further strengthening the position of our Group in the important home market.

Pan-Swiss Initiative Successfully Launched

- Refocused positioning in Switzerland achieved; target clientele reconfirmed
- Offering for Swiss-domiciled clients includes
  - Financial / estate / retirement planning
  - Swiss-focused portfolio management mandates
  - Relocation offering
  - Internet banking ready by spring 2011
- ING Bank successfully integrated
- Hirings continued; Ascona office to be opened in spring 2011
- Marketing effort increased
  - Partnership with ski jumping Olympic medallist and world champion Simon Ammann
  - Sponsorship of Verbier Festival

➔ Various awards in 2010, including 'Best Swiss bank' by *Fuchsbriefe*, 'Best Private Bank in Switzerland' by *Global Private Banking*

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Julius Bär

Despite all of the prophecies from abroad predicting the imminent demise of our financial sector, Switzerland remains a very attractive market. Its significance for Julius Baer is underscored by the 16 locations across all regions of the country and the more than 2700 employees. To better access the potential of our home market, we have further refined the positioning of the Group and the offering for clients domiciled in Switzerland – several products and services are listed here.

The acquisition of ING Bank turned us into one of the largest competitors in the Geneva region. And in Ticino, the new branch in Ascona is on the verge of opening.

We strengthened this proximity to our existing and potential clientele through various marketing initiatives. In particular, we want to focus on the segment of up-and-coming private individuals who are currently in the midst of accumulating wealth. Julius Baer is very well known by this segment and highly regarded, but we have not targeted it systematically enough thus far. We have now changed this on all levels of our marketing approach to clients. And thanks to our Swiss brand ambassador, Simon Ammann, we have gained better recognition from this relatively younger client segment – just as Simon Ammann, as a national icon, has largely underscored Julius Baer's deep connection with Switzerland.

Our clients are not the only ones, however, who appreciate Julius Baer's private banking capabilities. Various renowned specialist publications examined the qualities of Julius Baer last year and rated them as excellent.

‘Next Generation’ Investment: Growth, Planet, People

- Early identification of long-term economic and demographic trends in an ongoing volatile environment
- New viewpoints with potentially far-reaching implications for our planet, economic growth and the progress of our own species
- Introduction of thematic overlay to existing research, advisory and investment expertise

➔ Providing clients with insights and recommendations

- ‘Growth’ Conference on Asia in June 2010
- ‘Planet’ conference in January 2011: ‘Change for a better world – are green investments sustainable?’
- ‘Growth’ Conference on Asia in August 2011

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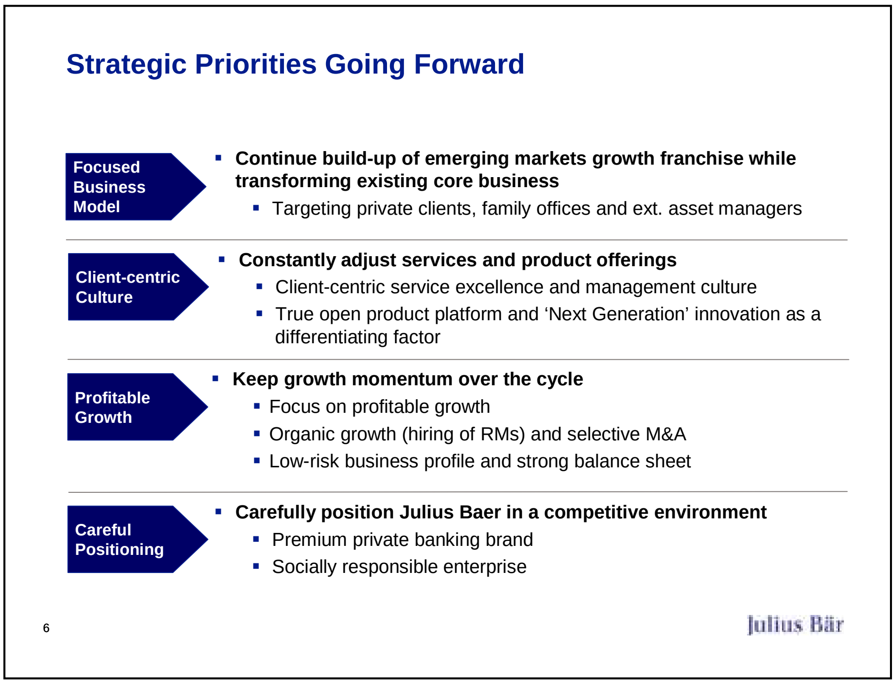
Julius Bär

Our clientele rightly expects outstanding performance from Julius Baer: They expect to receive comprehensive advice and long-term financial planning from us. They also expect us to offer them investment expertise that goes beyond the current market events. We have therefore added a thematic overlay to the Group’s research, advisory and investment expertise, which creates added value:

Through *Next Generation*, we offer diverse viewpoints and innovative outlooks on key topics such as our planet, future economic growth and the future of humanity. These themes are explored in an interesting and informative way through conferences, specialist publications and specific investment recommendations.

The image above shows the cover page for the planet conference held in mid-January of this year, which asks the key question of whether so-called green investments are truly sustainable for our planet. This question was addressed by prominent internal and external speakers. The investment magazine for this conference is sitting at the entrance, so please help yourself. Additional conferences will follow this year. Further information on the future conferences is available to you on Julius Baer’s website.



And how do we see the immediate future of our Group? Briefly summarised, we will remain true to our strategy of pursuing a focused business model, a highly client-oriented corporate culture and the profitable growth driven by this approach.

That means:

- We will remain flexible, adaptable and innovative.

- We will steadfastly continue to serve the most attractive markets and client segments and target new ones.

- Our clientele may continue to expect top performance from Julius Baer. We can draw on a dynamic organisation to achieve such performance. And we stand out from the competition through a completely open product platform as well as through our international character combined with close client proximity. Or, to put it succinctly, Julius Baer is "big enough to matter and small enough to care".

- We want to use these strengths to enable our continuing profitable growth. To this aim, we will further expand our relationship manager base and consider possible acquisitions. At the same time, we recognise the importance of maintaining active risk monitoring and risk controlling as well as a strong, conservatively managed balance sheet.

- The business environment will remain demanding and competitive for the rest of the year. But Julius Baer is very well positioned to successfully master the challenges ahead. We can count on highly qualified employees and a strong management team. And thanks to the allure of the Julius Baer brand, we truly have what it takes to open the door to the world's most attractive private banking markets.

Thank you for your attention.