Julius Bär

Speeches

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

Zurich, 8 April 2010

Chairman's address

Raymond J. Baer
Chairman of the Board of Directors

Presentation of the business development 2009

Boris F.J. Collardi
Chief Executive Officer

Check against delivery.

Chairman's address

Raymond J. Baer, Chairman of the Board of Directors

Dear Shareholders, Julius Baer Group Employees and Guests

I welcome you to the first Ordinary Annual General Meeting of Julius Baer Group Ltd. Today we sum up a financial year that was extraordinary in many respects.

One year ago, I already opened the Annual General Meeting of the former Julius Baer Holding Ltd. with the same assessment. Since then, much has happened again within and surrounding our company. Our private banking and asset management businesses were separated into Julius Baer Group Ltd. and Gam Holding Ltd. You, dear Shareholders, voted in favour of this separation at the Extraordinary General Meeting on 30 June 2009, thus enabling us to create the leading Swiss private banking group.

The "exceptional circumstances" in which we operate are becoming the norm, change a constant. In contrast to 2008, last year was marked primarily by uncertainty in the political, regulatory and legislative realm. At the same time, however, the markets factored in the risks. This gave courageous investors leeway for reasonable return prospects. We may be quite pleased with the performance of our assets under management in 2009. And another barometer, our corporate key figures, indicates the emergence of clear skies and fair weather. But I will let our Chief Executive Officer, Boris Collardi, say more on that later.

Does this now mean that things are going back to normal? I have to say no. The world has changed in the last two to three years. The tremors connected with this change have opened deep rifts. The quasi-bankruptcy of the Greek state is only the tip of the iceberg. Public debt in the EU has increased by more than 11% within a year and is forecast by the EU Commission to rise to 84% of EU GDP by 2011. The same study predicts an EU-wide budget deficit of 6.9% for 2009 and 7.5% for 2010. As a reminder: The Maastricht criteria stipulate public debt of no more than 60% of GDP and a budget deficit of 3% or less.

In view of this messy state of affairs, it is remarkable that Switzerland, in sharp contrast, was able to actually reduce its public debt through a slight budget surplus and debt repayments! Our country is exiting the financial crisis in relatively stronger shape – at least with respect to its finances. For the prudent strategy far removed from any Keynesian economics, our executive branch and central bank deserve our praise.

A dangerous side effect of the sound financial and budgetary policy, however, is that its success is drawing the envy of others. But in the usual Swiss manner, it would be easy to overlook this performance if one paid attention to the laments of the political parties and the distortions in the media.

Many times last year, we felt as if we were taking part in a theatrical production – certainly more of a tragedy than a comedy – laced with intrigue, confusion and vile intent. This brings a particular play to mind: In Friedrich Schiller's Kabale und Liebe, the conniving aristocratic Minister von Walter forces Luise Miller, daughter of the city's music instructor, to write a fake love letter (by arresting her parents without cause) and to swear to break off her relationship with his son Ferdinand and keep the true reasons a secret forever.

Malice and intrigue are actually very frequent themes on the stage. That is no coincidence. There are countless examples in the real world. The cabals in Schiller's play differ little from the current reality. I will leave it up to you, ladies and gentlemen, to imagine who occupies what role today. I only wish to touch on our executive branch in the role of Luise: In contrast to the topic of finances, it certainly does not come off well in this play. It is allowing itself to be pressed into concessions and forced into a corner. The attempt by the OECD to define tax evasion as a precursor to money laundering is just the latest (but certainly not the last) attempt to get rid of Luise. Minister von Walter's intention is obvious: He wants to strengthen his influence and is employing the basest intrigue to do so.

If the EU nations and the USA want to lower their deficits and slow debt growth, they must take drastic measures because the predicted economic recovery will not be able to decisively ease the debt burden. One strategy therefore envisions obtaining money where it is still available, from taxpayers in the respective countries and in Switzerland. Interestingly, parallel to this, illicit employment in Germany is growing to enormous dimensions, just to mention one example. Value added tax increases in Spain are the first signs of this money-raising strategy on the old continent, and in the USA ever more new laws are being passed that undermine the confidentiality rights of globally active account holders. Hence, the home-made North Atlantic problem – the paradox of a globalised world – is also being turned into a problem for our country. France's lament that the economic development of (economically stronger) Germany should be geared to the slower countries is emblematic.

The blunt and well-coordinated attacks against Switzerland as a business location are shocking, but they are the hard reality. I am even more surprised, however, by how we are responding. The weaknesses of our government in a crisis are glaring. Whether this has to do with the particular individuals involved, I refuse to judge. The cause is most likely systemic. Our Luise is caught up in contradictions and is manoeuvring herself increasingly into a hopeless situation as a result of misguided public debates and clumsy tactics.

Many people in our country are very concerned about the damage to our reputation. "Switzerland bashing" – the undifferentiated verbal condemnations of Switzerland – has become an acceptable practice. Europe has discovered Switzerland as the last major payer on the continent. And the greedy demands on Switzerland are growing with each partial success. Hunger, of course, is spurred by eating. It is repeatedly forgotten in all of this, however, that we do not need to be loved, but that first and foremost we should be respected as a sovereign country. Bearing this in mind, it is thoroughly legitimate to vigorously defend one's own economic interests. In a coexistence of Switzerland and the EU, there also has to be space for different legal systems. If we continue to adopt every European law at a fast pace, we become little more than subordinates doing what we are told. Our sovereignty is thus sacrificed.

One thing is clear: In this economic crisis, we are paying a high price for the supposed independence that is becoming less and less of a reality. We will see how long bilateralism remains a positive on the whole, and the Swiss people will have the final word on this. It is difficult to understand why we are unable to close ranks against the phalanx of the foreign financial centres and economic powers. Some circles refer to the current situation as "economic war". But we are not tough enough or familiar enough with the necessary manoeuvring for this. Neither our political right nor our political left (which acts compliant with foreign powers' intentions) is helping Switzerland's cause. Ultimately, both sides are endangering the country's standing as a business location and thus jeopardising many thousands of jobs.

Ladies and gentlemen, Switzerland has significant advantages. Direct democracy, legal certainty, reliability, stability and freedom are the most important of these – and in the future they will continue to be lauded and appreciated in many parts of the world. We would be well advised not to throw these traditional strengths overboard. Swiss bank-client confidentiality, as we have known it, does not exist any longer. There is also a consensus that each citizen should pay taxes and make a contribution to the national finances in line with his or her economic circumstances. But in view of the complex past, opinions differ on whether in individual instances the return to tax honesty should take place with open doors or, for maximum media effect, in handcuffs.

It is also quite debatable why different principles should apply in Switzerland than those valid when providing administrative assistance to foreign authorities. Our justice minister recently kicked off this discussion. But now is not the right time for this. And we should avoid taking the approach of some of our neighbouring countries and placing all our citizens under general suspicion until they have proven their innocence. The fact that some nations employ questionable legal practices in going about this, and even buy data from criminals, shows the dire situation of the rule of law in their respective countries. Our meanwhile unique trusting relationship between citizen and government should be vehemently defended.

Thankfully, the world does not consist of only Europe and the United States. The new powers and markets of Asia, Arabia and Latin America are enormously important for us, and we must therefore continue to develop and foster the existing relationships. Our legendary virtues of political stability as well as reliability and legal certainty are, as already mentioned, core elements of our good reputation. Especially in the emerging regions of the world, these are invaluable virtues. Significant added value, high national product, relatively low unemployment, intact social peace, an excellent educational system and a good economic framework – despite or specifically because of all the surrounding disorientation, we can be proud of these achievements. Switzerland is the number one location for innovation in all of Europe! Who would have thought that? (Source: European Innovation Scoreboard (EIS), see media reports from 17 March 2010)

The dimensions of the so-called tax evasion need to be put in the right perspective for once. A large number of European clients today invest their money with Swiss financial institutions legally, having declared it. In recent years, virtually no new untaxed European money has flowed into Switzerland. I am emphasising "European clients" here because in large areas of the emerging world, the tax systems are so attractive that tax arguments do not even apply. The situation that all European banking relationships which have developed over time are now being labelled as "tax evasion" is materially wrong. What is accurate is that the 20th century brought many painful experiences for Europe. Many relationships which developed were not based on tax considerations. Security and confidentiality were much more important. Two world wars, terrorism in Italy and Germany as well as the nationalisation of private companies in such countries as France and Portugal are historical facts. It is therefore wrong to summarily criminalise all client relationships!

Europe should not slam the doors on all those who are seeking a path to full tax compliance. The recommendation of a withholding tax, accompanied by tax payments to settle the past, is on the table. If Europe were correctly concerned only with tax revenues, the EU would have interest in a solution that separates the privacy of individuals from the obligation to pay taxes. But if Europe is truly interested in "naming & shaming" its own citizens in public, this raises the question of what will happen with the data of these citizens in the future. If the identities of the account holders must be disclosed to the governments, then Europe will run the risk of large amounts of money flowing to Asia and of tax revenues thus definitively being lost. The "transparent citizen" must therefore remain a taboo in Switzerland. This should in no way be viewed as a vote in favour of tax evasion. We as a bank and I as a citizen also firmly oppose such behaviour.

We cannot overlook the fact, however, that the broadsides against the foreign business of the Swiss banks also affect the entire international clientele. These clients must consider whether they want to expose themselves to the unjustified suspicion of tax evasion just because they maintain business relations with a bank domiciled in Switzerland.

I return to the question I asked earlier: Are things going back to normal? Will the markets – and by this I mean mainly the investors – truly learn a permanent lesson? Over the short term, for sure, but in the medium and long run? Investors constantly live in a state between hunger for returns and fear of losses. Investors who think and act rationally and markets that function perfectly are a naive glorification. The reality is characterised by phases of irrationality and driven by emotions. Each investment and every entrepreneurial action represents a bet on the future, weighing countless qualitative and quantitative bits of information. Entrepreneurs and especially bankers are fundamentally positive people. They believe in the future, in sustainable medium-term growth and in opportunities, and they see more than just risks. Regulators should thus carefully consider whether and how strongly they want to intervene in the structure of the markets. The principle "investors must be prepared for losses as well as gains" needs to be emphasised. Whether systemic risks can be permanently lowered through regulation remains to be seen. One thing is clear: The rapidly rising regulatory costs have to be paid by all of us in the end – by providers and by clients. A viable way to get banks and investors to bear responsibility is capital adequacy, in my opinion. We also have some experience with this in Switzerland and have learned our lessons. That is why we as a bank repeatedly stress our high core capital ratio of meanwhile over 24%. In good times, this level of capital adequacy might seem overly cautious and meet with moans regarding return on equity. But in bad times, it is the ultimate guarantee for our continued existence. “Security” must return as a maxim to the very top of the corporate goals in the financial industry.

And I have another urgent concern, dear Shareholders: Calm and level-headedness must finally return to the Swiss financial centre. Even if wrongdoers are present and will continue to exist in the future, it is not right to punish all the specialists in this industry for the behaviour of a few individuals!

The world needs strong financial centres that like ours are embedded in a stable political environment. Switzerland embodies confidentiality, the likes of which has been lost in many countries. It is legitimate to keep this virtue alive with a withholding tax. In a world in which ever more intransparent big governments propagate transparent citizens, the strategy of upholding traditional core values is very promising.

Finally, let me say a few words about the seemingly chaotic pronouncements periodically made by the financial industry: Also here it is high time to speak with one voice. The strategic work has made significant progress. But the fixation of some actors on putting themselves in the limelight damages our reputation and brings little to the public debate.

Following this tour d'horizon, I will now turn my attention to our own company: As a banking group, we performed well in a demanding environment. As you can see from our key figures, our group is in outstanding shape also from a balance sheet perspective. This may make you wonder why the board of directors is proposing the payment of only a moderate dividend to you. The reason for this lies in the assumption that in the near future the market consolidation pressure could give rise to attractive acquisition opportunities. The recently announced and meanwhile completed acquisition of the private bank ING Bank (Switzerland) Ltd. is an example of this. Despite or precisely because of so much excess capital, we must ensure we only engage in a transaction if it is sensible and creates added value on the whole. We will return surplus capital to the shareholders in an efficient manner, whether through higher dividend payouts and/or share buybacks. With some certainty, we will address this topic at the next Annual General Meeting.

As a company free to act independently, we can certainly gain something positive from the difficult environment. But it requires strategic decisions from us at an unprecedented pace. These, in turn, are based on the recognition that we are unable to control the markets but can ensure the existence and prosperity of the company by securing as many options as possible. This is the highest priority of top management. The extreme volatility of all business parameters demands utmost attention from the management crew. Experience has lost some significance in this situation given that insights from the past cannot always be extrapolated into the future. The key attributes are flexibility, a clear idea of abilities and competencies, and belief in the future. With regard to this, we as the top management of the Julius Baer Group aim to serve as an example.

At its core, our business model is based on private banking in the Swiss tradition. By this, we mean a client-centric business based primarily on the premises of honesty, transparency and long-term thinking – entirely independent of where the service is being provided. The “Swiss finish” is not tied to the country’s borders. It actually reflects the mindset of all who represent our company. Significantly, it is our international business, namely in the Asian region and without immediate connection with Switzerland, which has grown the most strongly in terms of client relationships and branches abroad.

Nevertheless, we advocate a strong Swiss financial centre. Without this, an internationally active and successful Swiss private bank would be unable to exist. We are therefore closely following the formulation of a financial centre strategy by the Swiss federal government and are making our own contribution through the Swiss Bankers Association. In my estimation, the main focus should not be on fostering markets, instruments or lines of business, but rather on optimising the basic operating framework in Switzerland. With this in mind, we should return as soon as possible to the path of virtue of earlier years. Indeed, this is the fertile soil in which private banking in the Swiss tradition can thrive – but so too can all other branches of the economy that operate under the quality standard “made in Switzerland”.

I promise you, dear Shareholders, that we – the board of directors, senior management and the entire crew of the Julius Baer Group – will do everything in our power to sustainably develop our company. For your trust, I thank you sincerely. I will close my remarks with a quotation, again from the pen of Friedrich Schiller: “Strive for peace, but through balance, not through the standstill of your activity.”

Thank you.

Presentation of the business development 2009

Boris F.J. Collardi, Chief Executive Officer

Ladies and Gentlemen,

I am pleased to inform you today about the performance of the Julius Baer Group in 2009 and about our business strategy.

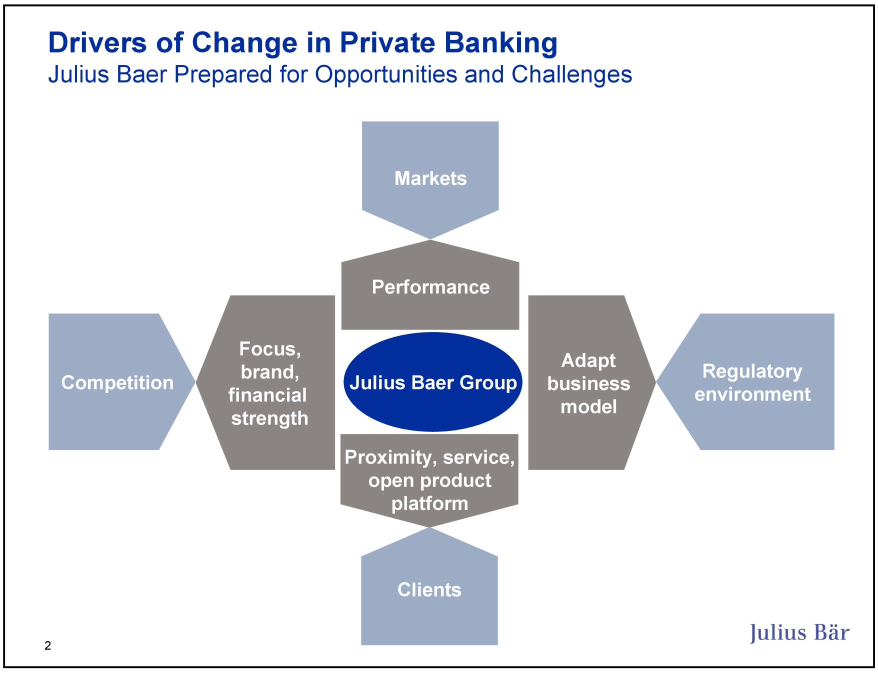
Since completing the separation in autumn of last year, Julius Baer concentrates exclusively on private banking and investment advisory services for private clients, family offices and external asset managers. This singular focus is supported by a completely open product and services platform, which is unique in our industry. We thus guarantee our clientele the utmost objectivity and neutrality in advising them.

Thanks to this shift to private banking at its purest, Julius Baer was able to gear itself

- early
- on its own terms
- and from a position of strength

towards the challenges of our industry – an industry I believe faces fundamental changes.

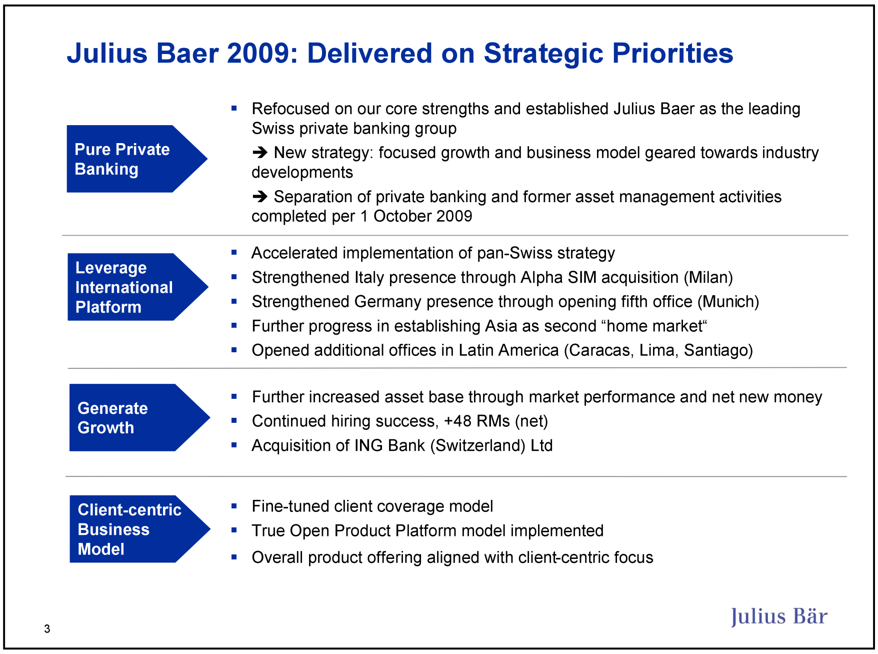
Let me briefly explain this:



Viewed alone, the private banking business is relatively simple and subject to four major influence factors. In 2009, all of these influence factors changed simultaneously and very sharply, which is unusual:

- The financial markets corrected strongly;
- The competitive landscape shifted significantly;
- The clients became very unsettled by the market environment;
- And the regulatory environment tightened severely.

This rapidly changing environment strongly influenced our business activity and our strategic priorities in 2009:



Following the broad-based expansion strategy of the past years, we refocused as the leading Swiss private banking group and are henceforth striving for

- focused organic growth
- and selective external growth.

To achieve these objectives, we laid the necessary foundations in 2009:

Parallel to the previously mentioned separation, we devised an integral, pan-Swiss strategy for our home market. We thus aim to position ourselves as the private bank of first choice, and this means for all affluent individuals, not just for multimillionaires. Our broad presence is an asset in this respect. With fifteen locations, Julius Baer is the only private bank present in all regions of Switzerland. The same applies abroad: Julius Baer has offices in more than 20 countries, giving it the broadest international presence of all the Swiss private banks. In 2009, we strengthened our presence in Italy, Germany and Latin America. We also defined

Asia as our second home market. This reflects the current import-ance of this region as well as its great potential for Julius Baer. Already more than 10% of the current 3,400 plus employees of the Group are active in Asia. Among other things, preparations are currently underway to upgrade our office in Hong Kong through a full banking license. Additionally, we plan to open a representative office in Shanghai.

Also as an extremely focused provider with a revised strategy, profitable growth remains one of our highest priorities. We aim to grow organically as well as by capitalising on market opportunities. We were successful in both areas in 2009. For example, we were able to recruit many highly qualified relationship managers for Julius Baer again last year. The addition of nearly fifty relationship managers is tantamount to further growth of the client, asset and earnings base over the medium term.

Finally, in autumn of 2009 we announced the acquisition of the pure private bank ING Bank (Switzerland) Ltd. The closing of the transaction at the beginning of this year caused the assets under management of the Group to increase by nearly 10% to 168 billion Swiss francs. Both the private banking business of ING and the wealth manager Alpha SIM in Italy, acquired in spring of 2009, are an outstanding fit culturally and strategically with Julius Baer.

Our clientele also benefited in 2009 from our comprehensive, professional and individual service. The advisory competence of our Group was honoured with multiple international awards last year from recognised specialist financial publications – here, for example, are a few of the awards received:

The awards are based on very complex and anonymous client inquiries made periodically. These cases demand exceptional work from the specialist teams dealing with them. Hence, the effort of the Julius Baer teams involved is as genuine as the recommended solution that is proposed. If it then turns out that it was a test and that Bank Julius Baer performed the best, we have a right to be a little proud.

Our competence in actual investment activities was also quite notable: For our wealth management clients, we achieved outstanding investment performance in 2009, also in comparison with our competitors. And thanks to the truly open product platform, we were able to gear Julius Baer's range of offerings even more closely to the needs of our clients and to the changing regulatory environment.

In view of the wide array of activities and the demanding business climate, we can be pleased with the 2009 financial results. Allow me to briefly summarise several key points:

Pleasing financial results – very strong capital base

(CHF m)	2008	2009	Change FY 08/09
Operating income	1'662	1'586	-5%
Operating expenses	1'121	1'026	-8%
Net profit [1]	441	473	7%
Cost/income ratio (%) [2]	65.3	63.1	-2.2% pts
Assets under management (CHF bn)	129.1	153.6	19%
Net new money (CHF bn)	17.0	5.1	--
BIS tier 1 ratio (%)	14.8	24.2	--

Excluding amortisation of intangible assets, integration and restructuring costs
[1] Including non-controlling interests of CHF 0.3m for 2008 and CHF 0.6m for 2009
[2] Calculated excluding valuation adjustments, provisions and losses

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Despite the financial crisis, Julius Baer remained profitable and increased net profit by 7% to 473 million Swiss francs – a result we can be proud of. A major contributing factor was our cost discipline, which we further stepped up already at the beginning of the financial crisis. Although we continued to invest in growth in 2009, we still had one of the best cost/income ratios in our industry.

Existing and new clients entrusted us with net new money of more than 5 billion Swiss francs in 2009. This corresponds to a growth rate of 4%, which is at the lower end of our target range. Excluding regulatory special factors such as tax amnesties, net new money inflows would have been significantly closer to the desired upper end of the target range. Together with the market performance of 19 billion Swiss francs and the acquisition impact of Alpha SIM, assets under management rose by 19% to 154 billion Swiss francs in 2009. This figure does not include the acquired ING Bank.

The balance sheet of the Julius Baer Group remains conservatively financed. With a tier 1 ratio of 24.2% Julius Baer exhibits one of the strongest capital adequacy positions among its peer group of competitors.

Let me conclude:

For Julius Baer, 2009 marked a return to our core competence, private banking. Focused in this way and thanks to a solid capital base and outstanding employees, we can continue to tackle the challenges ahead from a position of strength. And despite the many pessimistic predictions, the international wealth management business is and remains a growth industry.

Thanks to our comprehensive presence in Switzerland and a large number of offices abroad, Julius Baer is superbly positioned to profit from the rising demand for high-end advisory services. In addition, we are open to further acquisitions if the ongoing strong consolidation process in our industry presents suitable opportunities.

We will selectively capitalise on these growth opportunities within our means – that is to say, within the proven boundaries of our focused, low-risk business model and our conservative capital management philosophy.

Thank you for listening.