Julius Bär

Julius Baer Group
2008 Business Review

Excellence in everything we do
is our key ambition.

Key figures[1]

Consolidated income statement	2008 CHF m	2007 CHF m	2006 CHF m	Change 2008 to 2007 in %
Net interest income	478.6	322.9	257.8	48.2
Net fee and commission income	2 200.6	2 754.7	2 348.8	-20.1
Net trading income	352.9	298.2	191.4	18.3
Other ordinary results	-93.6	73.1	24.6	-228.0
Operating income	**2 938.6**	**3 449.0**	**2 822.7**	**-14.8**
Personnel expenses	1 275.5	1 409.1	1 186.6	-9.5
General expenses[2]	526.7	547.8	460.9	-3.9
Depreciation and amortisation	54.3	43.3	44.1	25.4
Operating expenses	**1 856.5**	**2 000.2**	**1 691.6**	**-7.2**
Profit before taxes	**1 082.1**	**1 448.8**	**1 131.1**	**-25.3**
Income taxes	229.8	312.2	263.0	-26.4
Net profit	**852.3** [3]	**1 136.6**	**868.1**	**-25.0**
Cost/income ratio[4]	61.6%	56.7%	59.5%	-
Pre-tax margin (basis points)	30.8	36.8	34.2	-
Tax rate	21.2%	21.5%	23.3%	-
Profit before taxes per segment		*restated*		
Bank Julius Baer	629.0	701.0	n/a	-10.3
Asset Management	526.5	783.4	n/a	-32.8
Group Functions	-73.4	-35.6	n/a	-
Client assets (CHF bn)				
Assets under management	274.5	405.1	360.7	-32.2
Average assets under management	351.8	393.6	332.5	-10.6
Net new money	-5.4	35.5	26.8	-
Assets under custody	63.6	68.3	51.6	-6.9
Total client assets	338.2	473.4	412.3	-28.6
Personnel				
Number of employees (FTE)	4 335	4 099	3 684	5.8
of whom Switzerland	*2 825*	*2 699*	*2 487*	*4.7*
of whom abroad	*1 510*	*1 400*	*1 197*	*7.9*
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	Aa3	

[1] In 2006, 2007 and 2008 excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. "Origins of Julius Baer" on page 15) and significant financial events (in 2006 only). Including these positions, the net profit for 2008 for the shareholders of Julius Baer Holding Ltd. amounted to CHF 661 million, after CHF 940 million in 2007.

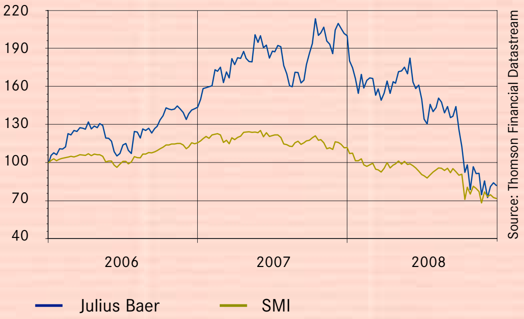
[2] Including valuation adjustments, provisions and losses

[3] Including non-controlling interests of CHF 0.3 million

[4] Operating expenses less valuation adjustments, provisions and losses/operating income

Consolidated balance sheet	31.12.08 *CHF m*	31.12.07 *CHF m*	31.12.06 *CHF m*	*Change 2008 to 2007 in %*
Total assets	46 240.0	46 918.8	35 992.9	-1.4
Loans to customers[1]	9 702.8	12 160.2	6 918.2	-20.2
Deposits from customers	25 301.1	24 445.2	16 948.3	3.5
Total equity	6 573.1	6 418.7	6 863.9	2.4
BIS Tier 1 capital	2 121.4	1 961.3	2 185.0	8.2
BIS Tier 1 ratio	13.6% [2]	12.9% [2]	17.1% [2]	-
Return on equity (ROE)[3]	24.0%	31.7%	24.3%	-

Performance of Julius Baer registered share (indexed)



Ticker symbols	
Reuters	BAER.VX
Bloomberg	BAER VX

Swiss securities number	2 975 865
Share buyback programme 2nd trading line (BAERE)	3 814 636

Listing	Switzerland
	SIX Swiss Exchange, part of the Swiss Market Index SMI and the Swiss Leader Index SLI

Information per registered share	2008 *CHF*	2007 *CHF*	2006 *CHF*	*Change 2008 to 2007 in %*
Book value as of 31 December[4]	32.0	30.9	30.8	3.4
EPS	4.12	5.28	3.93	-22.0
Dividend proposal 2008 and dividend 2007 and 2006	0.50	0.50	0.50	-
Closing price as of 31 December	39.98	93.60	67.10	-57.3
High price	94	102	69	-
Low price	33	68	46	-
Market capitalisation as of 31 December (CHF m)	8 437	20 897	14 981	-59.6

Capital structure	31.12.08	31.12.07	31.12.06	*Change 2008 to 2007 in %*
Number of registered shares[5]	211 034 256	223 256 478	223 256 478	-5.5
Weighted average number of registered shares outstanding	206 993 552	215 433 450	221 083 934	-3.9
Share capital (CHF m)	10.6	11.2	11.2	-5.5

[1]Including lombard lending and mortgages to clients
[2]According to Basel I as per year-end 2006 and 2007, Basel II as per year-end 2008
[3]Net profit/average equity less goodwill
[4]Based on total equity
[5]After cancellation of 12 222 222 own shares from share buyback executed as per 27 June 2007.

Front cover: Impression from inside the client reception area at the head office in Zurich; the ceiling lights are reflected by a piece from the art collection on display there.

Content

“Our businesses are well positioned to weather the turbulent markets and further expand in those areas of the wealth management industry we consider attractive.”

Dear Reader

2008 was a year of almost unprecedented turmoil in the financial markets, severely affecting not only our industry but also the real economy globally, the full implications of which will only become visible in the months to come. As a dedicated wealth manager with a low, tightly managed risk profile, solid balance sheet and strong capital base, the credit crisis affected our Group primarily via the negative performance of the global financial markets and investors' heightened risk aversion. While this also resulted in lower profits for the year, Julius Baer continues to show strong overall profitability supported by well-positioned and well-regarded businesses.

These events were overshadowed at the beginning of December by the unexpected death of our esteemed colleague and dear friend Alex W. Widmer, CEO of Bank Julius Baer and leading architect behind the new thrust for the private banking business of Julius Baer. The Board of Directors is extremely grateful that Hans de Gier immediately agreed to take over the leadership of Bank Julius Baer. Having served as Group CEO until September 2008, he is very well known to all our stakeholders. Hans de Gier will continue the successful private banking strategy, which resulted in record net new money inflows again in 2008, and also ensure the Bank's proper adaptation to the fundamentally different market and business environment. To that end, it was decided to further sharpen the private client focus of Bank Julius Baer by realigning all client-oriented wealth and relationship management functions while reintegrating the Julius Baer branded investment fund and institutional mandate business into the reporting segment Asset Management.

GAM, the Group's active and alternative investment manager, was confronted with heightened risk aversion among investors, particularly in the private client segment, amid a hedge fund industry deprived of most of its core financing mechanisms. Unaffected by the market's major casualties in 2008 and aided by its managers' swift and decisive adjustment to the new circumstances, many of GAM's core strategies stood out on the basis of strong relative performance and liquidity management, capitalising on proven manager selection and risk management processes. Separately, given its distinct business focus, in mid-February we announced our intention to list our US asset management business. Rebranded Artio Global by mid-year, its international equity-oriented products continued to appeal particularly to institutional investors, again supported by outstanding track records.

Total client assets of the Julius Baer Group amounted to CHF 338 billion at the end of 2008. Assets under management totalled CHF 275 billion, down from CHF 405 billion at the end of 2007. This decline reflects the severity of the downward pressure on asset prices last year in almost all investment categories, further aggravated by large exchange rate fluctuations. In addition, assets under custody amounted to CHF 63 billion. With operating income negatively affected by the lower asset levels, all our businesses intensified their efforts to adjust their cost bases. Given the structural rigidity of most expenses in the short term, this resulted in a 25% lower net profit* for our shareholders of CHF 852 million for the year.

Based on the good result and the strong capitalisation of our Group as evidenced by the BIS Tier 1 ratio of 13.6% at the end of 2008, the Board of Directors proposes to the Ordinary Annual General Meeting on 8 April 2009 an unchanged dividend of CHF 0.50 per registered share, representing a dividend payout of CHF 103 million. In addition, the Group repurchased own shares in the amount of CHF 299 million between the inception of the buyback programme in April 2008 and the end of the year. The programme will be continued, but take account of the targeted BIS Tier 1 ratio of 12% and the market environment.

With their distinct fields of activities, own operating platforms and strong management teams, all our individually branded businesses are well positioned to weather the turbulent markets, by adjusting workflows and capacity to the realities of lower business volumes, and to seize opportunities for further expansion in those areas of the financial industry we consider attractive. In doing so, all of them can count on experienced and loyal employees whose commitment during the past very difficult months deserves the Board's sincerest thanks. I would also like to take this opportunity to thank our Group's clients and shareholders for their trust and continued support in 2009.

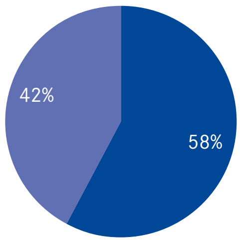
Raymond J. Baer
Chairman

* Excluding integration and restructuring expenses as well as the amortisation of intangible assets, cf. footnote 1 to the key figures

Julius Baer **in 2008**

Dieter A. Enkelmann, Group CFO

Breakdown of assets under management by corporate segments#



- Bank Julius Baer CHF 159 bn
- Asset Management CHF 116 bn

Adjusted for the realignment of the former Investment Products division, see corporate chart on page 14

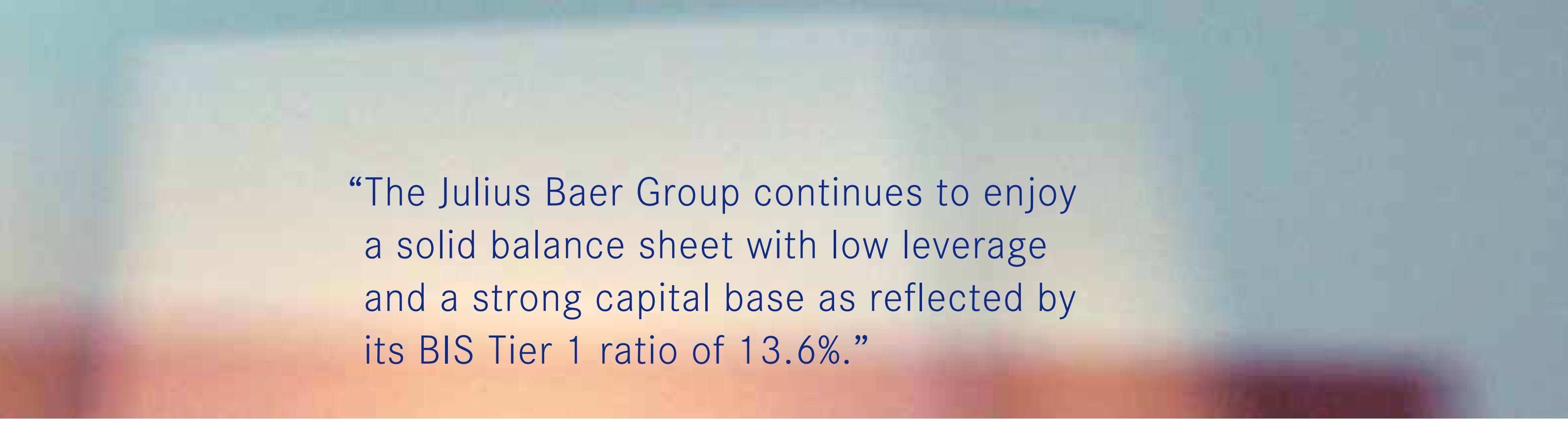
Given its exclusive focus on wealth management and the associated low risk profile, the Julius Baer Group weathered the difficult market and business environment relatively well and achieved a good result for 2008, to which all businesses contributed positively. Net profit* decreased by one quarter to CHF 852 million, but earnings per share (EPS) were only 22% lower at CHF 4.12, owing to our share buyback programme. Assets under management declined by 32% to CHF 275 billion at the end of the year. Realignment of the former Investment Products division of Bank Julius Baer resulted in an adjusted segment reporting structure as of year-end 2008.

Assets under management amounted to CHF 275 billion at the end of 2008, down 32% from CHF 405 billion at the end of 2007. This decline is almost entirely attributable to the negative price development of most asset classes of CHF 94 billion, particularly in the second half, and the negative currency impact of CHF 31 billion from the strengthening of the Swiss franc against most currencies, most pronounced in the last few days of the year. Net new money in Bank Julius Baer totalled CHF 22 billion, with Private Banking contributing a record CHF 17 billion. Net outflows in Asset Management amounted to CHF 27 billion since the asset management industry in particular faced a challenging environment. As a result, total net outflows amounted to CHF 5 billion in 2008. Together with assets under custody of CHF 63 billion, down from CHF 68 billion in 2007, total client assets added up to CHF 338 billion.

Group operating income fell by 15% to CHF 2 939 million compared to 2007. Net fee and commission income declined by 20% to CHF 2 201 million on the back of lower average asset levels, the changed asset and client mix, and subdued private client activity in Private Banking, most pronounced in the second half. Net interest income rose by 48% to CHF 479 million thanks to higher average deposit levels, increased average lending to private clients over the year, and higher interest margins. On the back of further strengthened client-driven foreign exchange trading activities, overall net trading income increased by 18% to CHF 353 million despite an even lower risk profile for our trading activities. Other income stood at a negative CHF 94 million, mainly resulting from market-related position squaring in the investment portfolio.

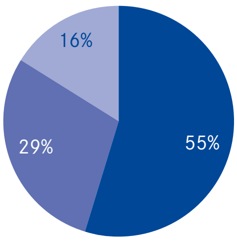
Group operating expenses were down by 7% to CHF 1 857 million, partly helped by the again strong Swiss franc. Despite the overall increase of staff by 6% to 4 335, personnel expenses were cut by 9% to CHF 1 276

* Cf. footnote 1 to the key figures



"The Julius Baer Group continues to enjoy a solid balance sheet with low leverage and a strong capital base as reflected by its BIS Tier 1 ratio of 13.6%."

Breakdown of assets under management by client segments



- Private clients CHF 151 bn
- Private clients via third-party distributors CHF 80 bn
- Institutional clients CHF 44 bn

million on the back of lowered performance-related compensation, which decreased proportionally to the decline in pre-bonus profit. General expenses, including valuation adjustments, provisions and losses, were down 4% at CHF 527 million in spite of higher expenses due to the expanded network of Bank Julius Baer. As a consequence, the cost/income ratio at Group level increased to 61.6% in 2008 from 56.7% in 2007.

Accordingly, profit before taxes for the Group fell by 25% to CHF 1 082 million year on year. Taxes amounted to CHF 230 million, representing an almost unchanged effective tax rate of 21.2%. Net profit* was therefore down by 25% to CHF 852 million. But EPS decreased by only 22% to CHF 4.12, owing to our share buyback programme.

Total assets declined slightly by CHF 0.7 billion to CHF 46.2 billion at year-end, partly driven by the appreciation of the Swiss franc. Client deposits expressed in Swiss francs went up by CHF 0.9 billion to CHF 25.3 billion as clients moved from other asset classes into cash and cash equivalent products, especially following the market turmoil in September. Lombard lending and mortgages granted to clients (as part of the line item loans to customers) ended at the same level as 2007, resulting in a very comfortable loan-to-deposit ratio of 0.38, underlining the sound liquidity situation of the Group. We continued to manage our investment portfolio in a balanced manner yet with a conservative risk profile. Total equity was up by 2.4% to CHF 6.6 billion. Core capital increased by CHF 0.2 billion to CHF 1.9 billion, resulting in a core capital ratio of 12.2%. As can be expected given the Group's business model, the leverage ratio (total assets over tangible equity) of 23 times is relatively low. BIS Tier 1 capital grew by 8% to CHF 2.1 billion compared to the end of 2007. With a BIS Tier 1 ratio of 13.6% under Basel II, the Julius Baer Group continues to enjoy a very strong capital base.

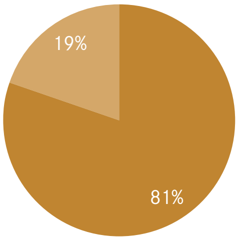
In 2008, Julius Baer bought back 4 403 500 own shares in the amount of CHF 299 million. We will continue the share buyback programme 2008–2010 for up to CHF 2 billion, as announced in 2007, taking account of the targeted BIS Tier 1 ratio of 12% and the market environment.

As of year-end 2008, the former Investment Products division was realigned to further sharpen the private client focus of Bank Julius Baer by combining all client-oriented wealth and relationship management functions while reintegrating the Julius Baer branded investment fund and institutional mandate business in the segment Asset Management. The segment reporting has been adjusted accordingly.

Bank
Julius Baer

Johannes A. de Gier, CEO Bank Julius Baer

Breakdown of assets under management by business areas



Private Banking CHF 128 bn

Private Label Funds CHF 31 bn

Thanks to our focused business model, the segment weathered the difficult market environment well. The reporting period was overshadowed at the beginning of December by the unexpected death of Alex W. Widmer, Bank Julius Baer's CEO, which inevitably led to a change in leadership. Realignment of the former Investment Products division resulted in a new business structure for the segment as of year-end. On the back of our continued geographic expansion and many new clients seeking the merits of a smaller yet single-minded wealth manager with a strong capital base such as Bank Julius Baer, Private Banking was able to attract net new money of CHF 17 billion in 2008. Taking into account the negative market and currency impact, total assets under management were 18% lower at CHF 159 billion, while profit before taxes declined by only 10% to CHF 629 million.

Bank Julius Baer, as organised in the new segment structure, managed assets of CHF 159 billion at the end of 2008, of which CHF 128 billion were attributable to our Private Banking business and CHF 31 billion to our Private Label Funds business. Assets under Custody amounted to CHF 63 billion. Very favourable net new money inflows totalling CHF 22 billion could not compensate the negative market and currency performance of CHF 44 billion and CHF 12 billion, respectively, resulting in an 18% decline in assets year on year. Net new money inflows in our Private Banking business maintained the pace witnessed in the first semester, totalling a record CHF 17 billion for the year or 11%. All geographic regions contributed positively, with flows about even from growth markets (led by Asia) and core markets. The Private Label Funds business continued to expand, attracting net new money of CHF 5 billion.

Segment operating income was down by only a modest 2% to CHF 1 678 million in the reporting period. Lower fee and commission income as a result of decreased average asset levels and subdued client activity was partly offset by strongly higher net interest income, driven by increased average levels of lending to private clients and higher average deposits as well as margins, and rising net trading income, mainly from foreign exchange activities. Despite reduced performance-related compensation, operating expenses increased by 4% to CHF 1 049 million as a result of front-related hirings (increasing the number of employees by 7% to 3 009) and slightly higher general expenses. As a consequence, profit before taxes declined by 10% to CHF 629 million year on year. The cost/income ratio increased to 60.6% from 58.0%, and the pre-tax margin was down to 34.7 from 37.9 basis points a year ago.

Building on our strengths

Bank Julius Baer is the Group's Swiss-based global private bank, focusing on providing international private banking excellence to discerning high-net-worth individuals. In an environment of feverish financial markets, our attractive value proposition as a pure-play wealth manager with a solid balance sheet and strong capitalisation has served our clients and our other stakeholders well.

In order to further sharpen the private client focus of Bank Julius Baer, it was decided to stringently realign all the segment's client-oriented wealth and relationship management functions

Bank Julius Baer	2008 CHF m	2007 CHF m restated	*Change in %*
Income statement			
Operating income	1 678.3	1 712.5	-2.0
Operating expenses	1 049.3	1 011.5	3.7
Profit before taxes	**629.0**	**701.0**	**-10.3**
Cost/income ratio	60.6%	58.0%	-
Assets under management (CHF bn as of 31 December)	**159.0**	**193.3**	**-17.8**
of which Private Banking	***127.6***	***156.6***	***-18.5***
of which Private Label Funds	***31.4***	***36.8***	***-14.7***
Change through net new money	*21.8*	*18.9*	-
of which Private Banking	*17.2*	*12.0*	-
of which Private Label Funds	*4.6*	*6.9*	-
Change through market appreciation	*-56.2*	*6.3*	-
Change through acquisition	*0.0*	*0.3*	-
Average assets under management (CHF bn)	181.2	184.7	-1.9
Gross margin (basis points)	92.6	92.7	-
Pre-tax margin (basis points)	34.7	37.9	-
Number of employees (FTE)	**3 009**	**2 814**	**6.9**

Excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. "Origins of Julius Baer" on page 15). Including these positions, the profit before taxes for 2008 amounted to CHF 542 million, after CHF 612 million in 2007.

and at the same time to reintegrate the Julius Baer branded investment fund and institutional mandate business to the segment Asset Management.

Although Bank Julius Baer was in essence not directly affected by the credit crisis and saw an increase of net new money inflows, the undeniably difficult general market environment has had an influence on client investment behaviour. Since the financial market turmoil in September, our private clients increasingly reduced their risk appetite and moved from all kind of asset classes into cash and cash equivalent products. As they did this, we continually addressed their financial fears and provided them with much appreciated advice.

Amid an overall defensive asset allocation, the discretionary mandate business faced strong headwinds, with correlations across asset categories trending to one and thus rendering proven diversification strategies ineffective for most parts of the investment universe. Complementing our existing range of relative return-oriented classic mandates, we launched a new mandate type aimed at preserving capital on a rolling twelve-month basis.

Proceeding with our growth initiatives during the past year, we placed the name of Julius Baer Private Banking on the map in a number of new locations around the globe. New offices were opened in Moscow, Milan, Jakarta and Cairo. At the same time, we further solidified our footprint in the home market Switzerland by establishing a presence in St. Gallen and St. Moritz.

Having achieved significant global reach and given the financial and economic downturn, we decided to reduce the pace of our geographic expansion and re-evaluate business initiatives in order to deploy resources in the most effective manner. Some initial cost reduction programmes have been put in place, cutting spending on marketing & communications, travel and some IT-related projects. This, however, has been done with utmost care to avoid disrupting business activities or impacting the service to our clients.

Service excellence at all levels
Capitalising on our franchise and reputation, we exceeded our 2008 targets for attracting successful relationship managers, increasing the net total number by 69 or 13% to 619 relationship managers by year-end, thus once again reaffirming our position as an employer of choice.

Striving for excellence in all our endeavours, we launched or completed a number of initiatives aimed at optimising processes in back office operations, providing our relationship managers with state-of-the-art IT tools and, of course, offering our clients an unrivalled private banking experience. An array of awards given to Julius Baer and its management during 2008, such as being named “Outstanding Private Bank Europe” by *Private Banker International* and “Best Private Bank” by *Finance Asia*, is evidence that these initiatives are on the right track.

Both our Custody business, with assets under custody of CHF 63 billion at the end of 2008 (2007: CHF 68 billion), and our Private Label Funds business, with CHF 31 billion of assets under management (2007: CHF 37 billion), enjoyed a high level of interest as well as the successful deepening of existing client relationships and the development of a significant number of new ones.

Our Markets unit, which focuses on trade execution, product structuring and foreign exchange trading services, greatly benefited from the extraordinary volatility in all major currencies and crosses and achieved again a very solid result amid further significant expansion of its FX client base. Parallel to lowering the overall risk profile, the roll-out of major infrastructure projects aimed at the automation and scalability of all businesses has proven beneficial in coping with volatile volumes, especially in structured products.

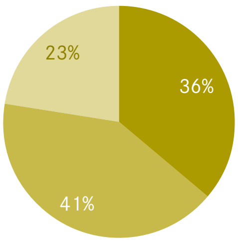
With ever-increasing demand from our clients for sophisticated solutions that match their complex financial planning needs, our Wealth & Tax Planning business had a very successful year. Providing their expertise in various areas, including succession planning, tax planning and philanthropy, our specialists strongly supported the relationship managers in attracting new clients and retaining existing ones.

Research proved a cornerstone of the investment process by coordinating cross-asset-class views, offering tailored services to our client-facing units and providing a platform for timely market insights and expert discussions.

Asset **Management**

David M. Solo, CEO Asset Management

Breakdown of assets under management by business areas



GAM
CHF 42 bn

Artio Global
CHF 48 bn

Julius Baer Asset Management Europe
CHF 26 bn

Weak equity and credit markets, growing risk aversion among private investors in particular, and sharp foreign exchange rate movements caused the segment's assets under management to fall by 45% to CHF 116 billion. At the same time, however, the market turbulence clearly validated the distinct investment and risk management approaches of all three asset management areas. Profit before taxes was 33% lower at CHF 527 million.

Under the new business structure, the segment's three specialised asset management areas are GAM, Artio Global and Julius Baer Asset Management Europe. They managed assets of CHF 42 billion, CHF 48 billion, and CHF 26 billion respectively at the end of 2008, or a combined total of CHF 116 billion. The decline by CHF 96 billion was attributable to adverse market performance of CHF 50 billion, net outflows of CHF 27 billion and adverse translation effects into our reporting currency (the CHF), which further reduced assets under management by CHF 19 billion. While our institutional investor base provided overall stability and resulted in mildly positive net asset flows at Artio Global, an extreme liquidity preference and the aversion of private investors to any perceived risk asset led to pronounced net outflows at GAM and at Julius Baer Asset Management Europe.

Segment operating income decreased by 24% to CHF 1 253 million year on year, mainly as a result of the lower average asset base and much lower performance fees. Operating expenses were 16% lower at CHF 726 million, reflecting cost cuts, lower performance-related payments, as well as the positive translation effects from our largely USD- and GBP- denominated cost base. All in all, profit before taxes fell by 33% to CHF 527 million. The cost/income ratio increased to 57.1% from 52.2%, and the pre-tax margin was down to 30.9 basis points from 37.5 basis points a year ago.

Mastering challenges

2008 was characterised by extreme market turmoil that culminated in September with the indiscriminate selling of almost any perceived risk asset. For many investors, this was the most severe market turbulence they had ever experienced, and it caused many to panic because of uncertainty about what to do in such extreme situations.

At GAM, this period underscored the most valuable attribute of the best investment managers: their ability to swiftly adapt to new circumstances. The fundamental issue was not the slump in equities, but a true liquidity crisis. With investment banks all but ceasing their core financing function, hedge funds were forced to unwind truly sound strategies to raise cash.

“In this quite different world, we allocate to strategies and managers poised to benefit from opportunities that do not have large dependence on finance or leverage.”

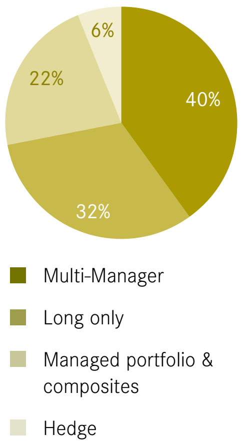
The markets currently present the best investment environment for active managers that we have seen in more than a decade. Risk premiums are at all-time highs, and volatility and trading opportunities abound. At the same time, the fear-driven withdrawal of assets from the industry means there is significantly less competition and crowding of trades for our strong managers, enabling them to establish highly attractive positions. Thus, as investors regain their appetite for high-quality alternative investments, there is considerable growth potential for those few firms that have demonstrated superior risk and liquidity management, such as GAM.

Artio Global impressively confirmed its outstanding competence in managing international equity strategy-based products and was able to increase recognition of its range of fixed income

Asset Management	2008 *CHF m*	2007 *CHF m restated*	*Change in %*
Income statement			
Operating income	1 252.7	1 648.7	-24.0
Operating expenses	726.2	865.3	-16.1
Profit before taxes	**526.5**	**783.4**	**-32.8**
Cost/income ratio	57.1%	52.2%	-
Assets under management (CHF bn as of 31 December)	**115.6**	**211.7**	**-45.4**
Change through net new money	*-27.2*	*16.6*	-
Change through market appreciation	*-68.9*	*6.9*	-
Change through divestment	-	*-4.7*	-
Average assets under management (CHF bn)	170.6	208.8	-18.3
Gross margin (basis points)	73.4	79.0	-
Gross margin excl. performance fees (basis points)	73.0	74.0	-
Pre-tax margin (basis points)	30.9	37.5	-
Number of employees (FTE)	**1 261**	**1 213**	**4.0**

Excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. “Origins of Julius Baer” on page 15). Including these positions, the profit before taxes for 2008 amounted to CHF 417 million, after CHF 668 million in 2007.

GAM: assets under management by product type



strategies. Given its distinct business focus, in mid-February Julius Baer announced the intention to list its successful subsidiary by an initial public offering (IPO). Market conditions led to this IPO being delayed, though it is planned that a transaction can be effected sometime in 2009.

In order to further leverage the specific core competencies within the Julius Baer Group, it was decided to transfer the Julius Baer branded investment fund and institutional mandate business to Asset Management.

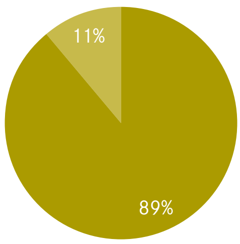
GAM

The asset management industry faced a challenging environment, particularly following the market turmoil in September, with private and retail clients effectively avoiding any perceived risk asset. Managing mostly private client assets, GAM experienced strong net outflows, especially in the 4th quarter, despite the fact that its core multi-strategy funds of hedge funds clearly outperformed the relevant indices in 2008. This combined with adverse market and currency impacts on asset levels resulted in a drop in assets under management to CHF 42 billion. Thanks to our sophisticated risk management and manager selection processes, GAM successfully avoided the market's major casualties and is well positioned to benefit from industry consolidation and much improved investment opportunities. In particular, our relatively new institutional initiative is very well placed to benefit from renewed growth given the risk management skill GAM demonstrated throughout the 2008 crisis.

Our flagship funds of hedge funds strongly outperformed the competition while maintaining full liquidity for clients, making GAM a true standout in an industry littered with suspended, gated and illiquid funds. In 2008, GAM Multi-Alpha (USD Open class) produced a return of –11.9% and GAM Diversity (USD Open class) produced a return of –15.8% compared to a loss of –23.3% for their benchmark (HFRI/HFRX Index in USD), and GAM Trading II (USD Open class) produced a positive return of 5.8%. Our dedicated service model for key relationships proved beneficial in these turbulent times. For example, the share of GAM products at Bank Julius Baer's Private Banking business rose to 10% at year-end 2008 (2007: 9%).

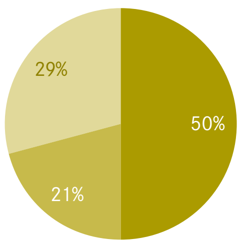
Managed Portfolios achieved their objective and greatly outperformed the markets in 2008, with much lower volatility, but faced a very challenging year in absolute terms. Our institutional investor base was extremely stable during the year, and we also added several mandates from sophisticated large investors.

Artio Global: assets under management by product type



- Equity long
- Fixed income long

Julius Baer Asset Management Europe: assets under management by product type



- Fixed income long
- Hedge
- Equity long

In 2008, GAM was again recognised with a number of prestigious industry awards. *Citywealth* named GAM "Investment Manager of the Year". And at the Hedge Funds Review European Fund of Funds Awards in November, GAM Trading II won the "Best Long-Term Achievement" award and GAM Structured Investments was named "Best Structured Product House".

Artio Global

Artio Global Investors rebranded the various legal entities in June of this year. This move was followed by renaming the family of US-registered mutual funds as Artio Global Funds in October, thus successfully completing the rebranding initiative in preparation for the intended IPO.

On the back of weak world equity markets, assets under management dropped to CHF 48 billion at the end of 2008. Although net money flows proved more challenging in the second half of the year, led by mutual fund redemptions, total net new money for the year remained positive, supported by the strength of a large institutional client base. Artio Global's flagship international equity strategies continued their outstanding track record, outperforming their benchmark even in the face of unprecedented market volatility and dislocation. The International Equity I Fund (Class A shares) ranked in the 2nd quartile of the Morningstar peer group for the 1 year period ending 31 December. It maintains a top decile ranking for the 3 and 5 year periods, and top two percentile for the 10 year period. Elsewhere, Artio Global's high-grade fixed income and high-yield strategies continued to gain recognition. The much wider yield spreads for the high-yield asset class and the highly competitive performance results have created the potential for growth in the months ahead.

Julius Baer Asset Management Europe

Given the sharp decline in asset values in almost the entire traditional investment universe as well as net outflows driven by an extreme liquidity preference and the heightened risk aversion particularly of private investors, the assets managed in Julius Baer branded funds and institutional mandates declined to CHF 26 billion. However, new products adapted to the special needs of investors in extremely volatile markets, including a new defensive bond fund as well as a physical gold product, delivered positive results and had significant inflows. With the relocation of this business into the segment Asset Management, we will look to benefit from management and cost synergies with our other high-quality investment areas to best weather the near-term business environment.

Julius Baer
the Company

The Julius Baer Group is the leading dedicated wealth manager in Switzerland. Our singular focus on wealth management for sophisticated private and institutional investors is combined with a very straightforward operational model – to ensure unrivalled proximity to our clients.

Bank Julius Baer is one of the premier addresses in global wealth management. Our client relationships are built on partnership, continuity and mutual trust. Comprehensive advice, extensive product expertise and experienced relationship management result in individual financial solutions of the highest standard. To ensure utmost cultural affinity and mutual understanding, the Bank's client-facing organisation follows geographic markets. These relationship management teams are supported by dedicated advisory and wealth engineering specialists.

Asset Management comprises the asset management specialists GAM and Artio Global as well as the Julius Baer Asset Management Europe. The differentially strong positioning of these asset management units allows them to pursue business agendas tailored to their target markets and client segments and thus to capitalise on proven investment models as well as on highly recognised brands. While the Julius Baer branded products' primary focus is on traditional investments, Artio Global is renowned for its successful international equity strategies and GAM for its alternative and active, absolute return-oriented investments.

The Group's organisational structure meets all the demands of modern corporate governance as well as the requirements of efficient management. More than 4 300 employees are available around the clock to serve our clientele. We endeavour to understand our clients' financial needs as well as their private and cultural considerations. There is no substitute for being in close contact with clients. We are at well over 30 locations worldwide and wherever our clients need us to be.

Julius Baer Group: Business structure as of 31 December 2008

Julius Baer
Total client assets CHF 338 bn, of which assets under management CHF 275 bn

Bank Julius Baer Total client assets CHF 223 bn, of which assets under management CHF 159 bn	**Asset Management** CHF 116 bn
Private Banking and ancillary businesses (Global Custody, Markets, Private Label Funds)	**GAM**
	Artio Global
	Julius Baer Asset Management Europe

Well positioned and well regarded
Julius Baer is also one of the leading publicly traded financial companies in Switzerland. Bank Julius Baer, GAM and Artio Global Investors are the key brands of Julius Baer Holding Ltd., whose registered shares are listed on the SIX Swiss Exchange. Since 2000, they have been a component of the Swiss Market Index (SMI), which comprises the 20 largest and most liquid stocks traded on the SIX, and also form part of the Swiss Leader Index launched in mid-2007. The market capitalisation as of 31 December 2008 was CHF 8.4 billion.

International rating agency Moody's assigns an Aa3 long-term obligations rating to Bank Julius Baer & Co. Ltd., together with the highest possible rating for short-term debt, Prime-1. All ratings have a stable outlook. "The strength of Bank Julius Baer's well-established global wealth management franchise, notably in Swiss and German onshore and international offshore private banking, is positive for its credit quality and ratings. In a fragmented market, the Group is one of the largest wealth managers internationally. The Bank's experienced management team can rely on Julius Baer's well-recognised brand and international presence and its comparatively large asset base and cash flows to expand its regional and client coverage and attract growing business volumes from newly emerging private banking markets, especially in Asia, Central and Eastern Europe and Latin America." (Moody's Credit Opinion, 6 October 2008)

Origins of Julius Baer

From the beginning of the company in the nineteenth century, its development has been driven by an entrepreneurial spirit, cultural openness and an intimate understanding of its clients' needs.

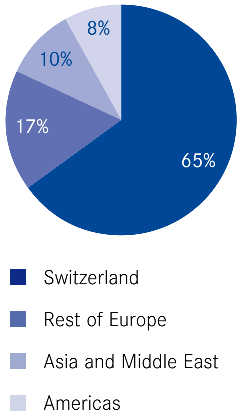
The Group emerged in its current form at the end of 2005 as a result of the merger of four private banks and the specialist asset manager GAM within the framework of Julius Baer Holding Ltd.

Swiss Wealth Managers:
Assets under Management as of 30 June 2008
CHF bn

UBS Wealth Management	1 857
Credit Suisse Private Banking	774
Julius Baer Group	364
Pictet & Cie	255
Lombard, Odier, Darier, Hentsch & Cie	158
Union Bancaire Privée	127
EFG Bank	101
Banque Privée Edmond de Rothschild SA	97
Bank Sarasin & Cie Ltd	81
Vontobel Holding AG	74

Source: Bloomberg

Julius Baer employees by geography 2008 (FTE)



Corporate Social Responsibility

In early 2007, with the integration of the four private banks almost complete, Julius Baer embarked on its Corporate Social Responsibility (CSR) programme. The aim was to provide a framework of how the Group is constantly aligning with the various interests of its stakeholders and the environment.

Thus, what has always been implicit company policy is now being formally articulated in the Code of Corporate Social Responsibility. Given today's transparency expectations, the Code's six main areas of corporate social responsibility help to clarify how Julius Baer works and why we interact internally and externally the way we do.

Following the inclusion of the quantitative results of the initial 2007 data collection, the topic's initial coverage on our website was completed by mid-2008 (www.juliusbaer.com/csr). In accordance with the new organisational set-up, valid since 1 September 2008, the Charter of the Corporate Social Responsibility Committee was amended. In particular, it delegates the operational responsibility to treat CSR issues to the individual segment, narrowing the Group's function to guiding the segments on the topic and assuring appropriate consolidation and information at Group level.

Our employees

Successfully expanding the franchise of our Group, managing risks effectively in all market situations and providing our clients with outstanding products and services at all times requires effort – and employees committed to go the extra mile time and again.

In 2008, the number of full-time employees of the Group rose by 6% from 4 099 to 4 335. Despite the opening of new locations and the strengthening of various functions in our home market Switzerland, its share in the geographic distribution of staff continued to decline from 66% to 65%, along with the locations in the rest of Europe (from 18% to 17%). As a consequence, the relative importance of the Americas increased from 7% to 8% and that of Asia and the Middle East from 9% to 10%.

Not surprisingly given the Group's growth, the proportion of colleagues who joined Julius Baer in the past five years rose to 65% in 2008 from 62% a year ago. In comparison, the age distribution of the Group's employees shows a result very much in line with what can be expected from a dedicated wealth manager relying on both excellence and expertise: 66% of employees were between 31 and 50 years old in 2008, up from 64% in 2007.

Julius Baer Foundation in 2008
Founded on the occasion of Bank Julius Baer's 75-year jubilee in 1965 (cf. box), the Foundation focused its activities in 2008 again on the topic of youth in the broadest sense. In addition to the involvement in ongoing projects in all parts of Switzerland, the Foundation provided significant financial support to the exhibition of Médecins Sans Frontières (MSF) in St. Gallen, with special emphasis on schools visiting the exhibition. The various elements of a full-scale refugee camp provided first-hand insight into what it means to be a displaced person, deprived of bare necessities, and how an organisation such as MSF manages to help even in the direst of conditions.

The support of informatica08 was a very special project in its own right, aimed at getting young people more interested in IT as a profession. During a year full of IT-related activities, the Julius Baer Foundation addressed the under-representation of women in IT by providing a comprehensive platform so that "Girls go for IT". These efforts included a similarly titled and widely distributed brochure portraying six female IT professionals, a "Women in IT" presentation at the computer science day in Zurich, and the offering of web design and development training to girls during their school holiday in autumn.

Julius Baer Foundation

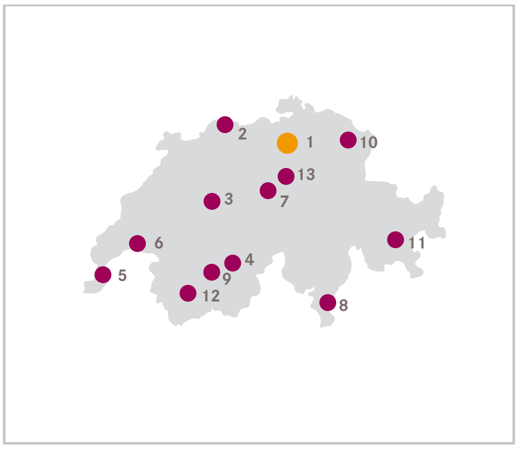
The Julius Baer Foundation was established in 1965 by Walter J. Baer (1895–1970). At the time, the areas supported by the Foundation were defined as "youth development, the arts, science, and social issues". Since 2001, the main focus has been on projects addressing the topic of youth, with particular emphasis on social integration and the prevention of violence. In addition, the Julius Baer Foundation sponsors selected scientific and charitable projects, along with the support it provides to artists, institutions and events in all cultural fields. Another highlight of the Foundation is the annual awarding of a cultural prize.

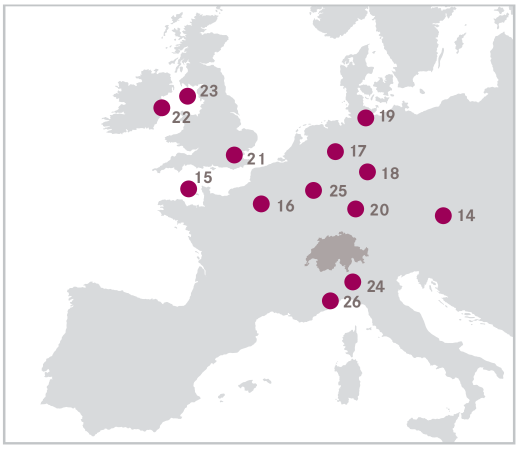
Thanks to its clear objectives, broad personal support from the Board of Trustees as well as technical and financial independence, the Foundation is an ideal instrument for our Group's long-term commitment to supporting social activities chiefly in Switzerland.

For more information:
www.juliusbaer.com/foundation

Contacts

● Head office ● Local office





			Private Banking	Julius Baer Asset Management Europe	GAM
Europe					
Switzerland	1	Zurich (head office)	+41 58 888 1111#	+41 58 888 6000	+41 44 388 3030
	2	Basle	+41 58 889 4400		
	3	Berne	+41 58 889 5555		
	4	Crans-Montana	+41 58 889 7000		
	5	Geneva	+41 58 885 3838	+41 58 889 6311	
	6	Lausanne	+41 58 889 3400		
	7	Lucerne	+41 58 889 7900		
	8	Lugano	+41 58 885 8111	+41 58 888 5662	
	9	Sion	+41 58 889 3838		
	10	St. Gallen	+41 58 889 7700		
	11	St. Moritz	+41 58 889 7600		
	12	Verbier	+41 58 889 7100		
	13	Zug	+41 58 889 7800		
Austria	14	Vienna	+43 1 535 72 02 00	+41 58 888 4015	
Channel Islands	15	Guernsey	+44 148 172 6618		
France	16	Paris	+33 1 53 43 90 58	+41 58 889 6311	
Germany	17	Duesseldorf	+49 211 56940 200		
	18	Frankfurt	+49 69 90743 500	+49 69 90743 530	
	19	Hamburg	+49 40 570064 400		
	20	Stuttgart	+49 711 28470 700		
Great Britain	21	London	+44 207 166 8100	+44 207 166 8100	+44 207 493 9990
Ireland	22	Dublin			+353 1 609 3900
Isle of Man	23	Douglas			+44 1624 632632
Italy	24	Milan	+39 02 928 716 11	+39 02 433 315 111	
Luxembourg	25	Luxembourg		+352 2 64844 70	
Monaco	26	Monaco	+377 9797 7777		
Russia	27	Moscow	+7 495 662 33 20		

Including Global Custody and Private Label Funds business

			Private Banking	Julius Baer Asset Management Europe / Artio Global	GAM
Americas					
USA	28	Los Angeles		+1 310 282 0200*	
	29	New York		+1 212 297 3600*	+1 212 407 4600
Argentina	30	Buenos Aires	+54 1 152 720 820		
Bahamas	31	Nassau	+1 242 394 91 00		
Bermuda	32	Hamilton			+1441 295 5825
Canada	33	Toronto		+1 416 862 2237*	
Cayman Islands	34	Grand Cayman	+1 345 949 7212	+1 345 949 7212	
Colombia	35	Bogotá	+57 1 530 30 60		
Mexico	36	Mexico City	+52 55 5279 6450		
Uruguay	37	Montevideo	+598 2 600 5050		
Asia/Pacific					
Indonesia	38	Jakarta	+62 21 2555 7500		
Japan	39	Tokyo		+852 2899 4851	+81 3 5219 8800
PR of China	40	Hong Kong	+852 2899 4788	+852 2899 4851	+852 2525 0015
Singapore	41	Singapore	+65 6827 1999	+852 2899 4851	
Turkey	42	Istanbul	+90 212 368 8213		
Middle East/Africa					
Egypt	43	Cairo	+20 2 2 480 1718		
United Arab Emirates	44	Abu Dhabi	+971 2 66 73 903		
	45	Dubai	+971 4 33 00 751		+971 4 36 50 160

* Artio Global

Financial calendar
Date of 2009 Ordinary Annual General Meeting: 8 April 2009
Publication of Interim Management Statement: 12 May 2009
Release of 2009 half-year results: 22 July 2009

Corporate contacts

Group Communications
Jan A. Bielinski (Chief Communications Officer)
Telephone +41 58 888 5777

Investor Relations
Alexander van Leeuwen (Head Investor Relations)
Telephone +41 58 888 5256

International Banking Relations
Kaspar H. Schmid
Telephone +41 58 888 5497

The 2008 Annual Report of Julius Baer Holding Ltd. containing the audited financial accounts for the year 2008 of Julius Baer Group is available at www.juliusbaer.com.

JULIUS BAER GROUP
Bahnhofstrasse 36
P.O. Box
CH-8010 Zurich
Telephone +41 (0) 58 888 1111
Fax +41 (0) 58 888 5517

www.juliusbaer.com

Worldwide in over 30 locations. From Zurich (head office), Buenos Aires, Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Milan, Moscow, New York, Singapore to Tokyo.