

Julius Bär

Julius Baer Group
2007 Business Review



Excellence in everything we do
is our key ambition.

Welcome to Julius Baer.

Key figures¹

	2006 CHF m	2007 CHF m	Change in %
Consolidated income statement			
Net interest income	257.8	322.9	25.3
Net fee and commission income	2 348.8	2 754.7	17.3
Net trading income	191.4	298.2	55.8
Other ordinary results	24.6	73.1	197.2
Operating income	2 822.7	3 449.0	22.2
Operating expenses			
Personnel expenses	1 186.6	1 409.1	18.8
General expenses ²	460.9	547.8	18.9
Depreciation and amortisation	44.1	43.3	-1.8
Operating expenses	1 691.6	2 000.2	18.2
Profit before taxes	1 131.1	1 448.8	28.1
Taxes			
Taxes	263.0	312.2	18.7
Net profit	868.1	1 136.6	30.9
Return on equity (ROE)³			
Return on equity (ROE) ³	24.3%	31.6%	-
Cost/income ratio⁴			
Cost/income ratio ⁴	59.5%	56.7%	-
Profit before taxes per segment/division			
Bank Julius Baer	629.9	816.6	29.6
- Private Banking	473.0	581.1	22.9
- Investment Products	156.9	235.5	50.1
Asset Management	542.3	668.1	23.2
Group Functions	-41.1	-35.9	-12.7
Assets under management			
Assets under management (CHF bn)	360.7	405.1	12.3
Net new money (CHF bn)	26.8	35.5	32.4
Personnel			
Number of employees (FTE)	3 684	4 099	11.3
Consolidated balance sheet			
Total assets (CHF m)	35 992.9	46 933.0	30.4
Total equity (CHF m)	6 863.9	6 429.1	-6.3
BIS Tier 1 capital	2 185.0	1 961.3	-10.2
BIS Tier 1 ratio	17.1%	12.9%	-24.5
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	

¹In 2006 and 2007 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 17) and significant financial events (in 2006 only). Including these positions, the net profit for 2007 amounted to CHF 940 million, up 40% from 2006.

²Including valuation adjustments, provisions and losses

³Net profit/average equity less goodwill

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

	31.12.06 ¹	31.12.07	Change in %
Capital structure			
Number of registered shares	223 256 478	223 256 478	-
Weighted average number of registered shares outstanding	221 083 934	215 433 450	-2.6
Share capital (CHF m)	11.2	11.2	-

Performance of Julius Baer registered share (indexed)



Ticker symbols

Reuters	BAER.VX
Bloomberg	BAER VX

Swiss securities number	2 975 865
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Listing

Switzerland	SWX Swiss Exchange, part of the Swiss Market Index SMI and the Swiss Leader Index SLI
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	2006 ¹ CHF	2007 CHF	Change in %
Information per registered share			
Book value as of 31 December	30.8	31.0	0.6
EPS	3.9	5.3	34.4
Dividend 2006 and proposal 2007	0.50	0.50	-
Share price as of 31 December	67	94	39.5
High	69	102	-
Low	46	68	-
Market capitalisation as of 31 December (CHF m)	14 981	20 897	39.5

¹Adjusted for the stock split 2:1 effective 26 April 2007

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“By focusing exclusively on wealth management, we have successfully served the interest of both our clients and our shareholders very well.”

Dear Reader

Julius Baer has achieved very solid results in 2007 despite considerable market tensions especially during the second half of the year. By focusing exclusively on wealth management, we have successfully served the interest of both our clients and our shareholders very well. Even in market circumstances under which capital preservation will gain much more emphasis, we are well positioned to grow our global franchise as well as our profits.

In the past months, both our private banking and our asset management businesses have made significant progress whilst improving profitability. We have grown our global footprint considerably, strengthened our investment product range and continued to broaden our distribution capabilities both internally and through third-party distributors.

The organisational changes announced mid-year have created a pure financial holding company model with three principal operating entities: Bank Julius Baer, GAM and Julius Baer Investment Management (JBIM). The bank focuses on wealth management for high-net-worth individuals, GAM on alternative asset management for sophisticated private clients and institutions and JBIM on international asset management for US institutions and for third-party-distributed US mutual funds.

Assets under management of the Julius Baer Group, after divestments net of acquisitions of CHF 4.4 billion, reached CHF 405 billion at the end of 2007, up 12% from CHF 361 billion a year earlier. In addition, assets under custody totalled CHF 68 billion. Net profit amounted to CHF 1 137 million, up 31% year on year (excluding* in both years integration and restructuring expenses, the



amortisation of intangible assets and significant financial events). This earning power will enable us to support our growth initiatives and also to maintain prudent solvency levels. Excess capital we intend to return to our shareholders in a tax-efficient manner.

The payment of an unchanged dividend of CHF 0.50 per registered share, representing a dividend payout of CHF 106 million, will be proposed to the Annual General Meeting scheduled for 15 April 2008. As announced earlier in the year and forming part of our continued active capital management, we bought back 5.5% of our own shares to be cancelled immediately after approval by the Annual General Meeting. In addition, we announced a share buyback programme 2008–2010 amounting to approximately CHF 2 billion starting in spring 2008, subject to approval by the Annual General Meeting.

Based on our clear vision, our strong management team and our focused business model, we are confident that we are well positioned for the future. Our optimism rests for the largest part on the support of our experienced staff whose extraordinary commitment we highly value. We also thank our clients and shareholders for their trust in us and look forward to their continued support.

Raymond J. Baer
Chairman

Johannes A. de Gier
President and Group CEO

Julius Baer in 2007

2007 has been another very successful year for Julius Baer. The Group's exclusive focus on private banking and asset management has proven beneficial for our shareholders also in a more difficult market environment. The overall profitability of the Group was further improved in spite of the continued growth initiatives. Assets under management increased by 12% to CHF 405 billion with net new money contributing CHF 35 billion. Earnings per share (EPS) were up 34% to CHF 5.28 in 2007.

Assets under management of the Julius Baer Group reached CHF 405 billion at the end of 2007, up 12% from CHF 361 billion in 2006. This increase is resulting from net new money inflows totalling CHF 35 billion, a market performance of CHF 18.5 billion and a negative currency impact of about CHF 5.3 billion, whereas the impact from divestments and acquisitions amounted to a net negative CHF 4.4 billion.

Reflecting the new Group organisational structure (cf. box next page), assets under management in the segment "Bank Julius Baer," comprising the Private Banking and Investment Products divisions, rose by 10% to CHF 234 billion and in the segment "Asset Management," comprising GAM and Julius Baer Investment Management, by 15% to CHF 171 billion in 2007. To these growth rates, net new money contributed 9%-points in Bank Julius Baer and 11%-points in Asset Management, respectively.



Dieter A. Enkelmann, Group CFO

Operating income increased by 22% to CHF 3 449 million during the financial year with Bank Julius Baer contributing CHF 1 926 million, Asset Management CHF 1 430 million and Group Functions CHF 93 million. Predominantly as a result of the increased asset levels and the higher related activities of our clients, fee and commission income rose by 17% to CHF 2 755 million. Given the higher trading volume in equities, structured products and foreign exchange, net trading income rose 56% to CHF 298 million. Net interest income was up by 25% to CHF 323 million as a consequence of the carefully increased lending activities to private banking clients.

Operating expenses rose by 18% to CHF 2 000 million. Overall costs in Bank Julius Baer amounted to CHF 1 110 million, in Asset Management to CHF 761 million and in Group Functions to CHF 129 million. Personnel expenses grew by 19% to CHF 1 409 million, mainly because of the overall staff increase by 11% from 3 684 to 4 099 – as we continue to invest for growth in all businesses – and higher performance-related compensation. General expenses rose by 19% to CHF 548 million mainly reflecting costs for infrastructure and marketing projects. As a consequence, the Group's cost/income ratio improved again, to 56.7% in 2007 from 59.5% in 2006.

“We continued to conservatively manage the overall risk profile of the Group.”

All in all, profit before taxes increased by 28% to CHF 1 449 million. All divisions of Bank Julius Baer and Asset Management have strongly contributed to this increase. Taxes amounted to CHF 312 million, representing a slightly lower tax rate of 21.5% compared to 2006. As a consequence, net profit increased year on year by 31% to CHF 1 137 million*. Fully excluding the 12 222 222 treasury shares proposed for cancellation to the Annual General Meeting 2008 from the number of registered shares, EPS went up by 39% to CHF 5.39 in 2007.

The consolidated balance sheet total grew by CHF 11 billion or 30% to CHF 46.9 billion at the end of 2007 mainly as deposits of clients went up by CHF 7.5 billion. On the assets side, loans rose by CHF 5.2 billion as a consequence of carefully increased lending activities to clients. We continued to conservatively manage the overall risk profile of the Group. Total equity was down by 6.3% to CHF 6.4 billion, and BIS Tier 1 capital was lower by CHF 224 million at CHF 2.0 billion compared with the end of 2006. This is resulting from the increased net profit 2007 less the CHF 1.1 billion spent to repurchase 5.5% of own shares in June 2007, the accrual for the dividend 2007 and the higher capital support for the increased risk-weighted assets due to our growing franchise. With a BIS Tier 1 ratio of 12.9% under Basle I (year-end 2006: 17.1%) the Julius Baer Group continues to enjoy a very solid financial base. Return on equity rose to 31.6% (2006: 24.3%).

* cf. footnote 1 to the key figures



Pure holding company structure

Julius Baer Holding Ltd. became a pure financial holding company in mid-November 2007. The organisational and legal structure of the Group was thus aligned with the new business model announced at mid-year: Bank Julius Baer now unites the entire private banking value chain under one roof, whereas Asset Management comprises the two specialised companies GAM and Julius Baer Investment Management.

The lean-structured holding company is henceforth responsible for corporate, financial and strategic issues. The new focus is also reflected in the composition of the Executive Board, consisting of Johannes A. de Gier (President and Group CEO), Dieter A. Enkelmann (Group CFO), Bernhard Hodler (Group Chief Risk Officer) and Scott Sullivan (Group General Counsel).

Julius Baer remains firmly committed to returning any excess capital to our shareholders as tax-efficiently as possible. Mid-2007 we announced a new share buyback programme running 2008–2010 of around CHF 2 billion. The share repurchases on the second trading line on the virt-x will start after the approval of the programme by the Annual General Meeting 2008 to be held in April.

Bank Julius Baer

Over the past year we continued to expand our global footprint considerably both in promising growth markets and established core markets. At the same time, we strengthened our advisory capabilities and product competence across our two divisions, Private Banking and Investment Products, the operational businesses of Bank Julius Baer. This combined with favourable business activities resulted in growth of assets under management by 10% to CHF 234 billion with net new money contributing CHF 18 billion. Pre-tax profit increased by 30% to CHF 817 million.

At the end of 2007, Bank Julius Baer managed CHF 234 billion of assets. The Private Banking division managed assets of CHF 156 billion and the Investment Products division of CHF 78 billion. The total asset growth of CHF 21.8 billion consisted of strongly increasing net new money inflows of CHF 18.5 billion, an investment performance of CHF 9.4 billion and a negative currency impact of about CHF 1.8 billion, whereas the net impact from divestments and acquisitions amounted to a negative CHF 4.4 billion.

In the reporting period, operating income of Bank Julius Baer rose by 19% to CHF 1 927 million, mainly due to increased commission income from the enlarged asset base and higher client activity but also higher trading and net interest income. Operating expenses rose by just 12% to CHF 1 110 million, whereof expenses in the Private Banking division increased by 19% due to



Alex W. Widmer, CEO Bank Julius Baer

“Bank Julius Baer is one of the finest addresses for sophisticated private clients around the world.”

sustained investments in growth initiatives, further development of the business platform and higher performance-related compensation, and expenses in the Investment Products division went down 17% on the back of the divestment of Julius Baer Investments Ltd., London. All in all, pre-tax profit climbed by 30% to CHF 817 million year on year. The cost/income ratio improved to 56.7% from 60.5% and the pre-tax margin to 36.3 from 31.8 basis points.

Adjusted business model

In order to meet the ever-rising demands by clients placed on modern wealth managers, we now have united our comprehensive private banking, trading execution and structuring as well as product expertise in Bank Julius Baer.

The Private Banking division, organised in five geographic regions, is now focusing exclusively on private clients; the Investment Products division, combining the European Asset Management and Wealth Management Solutions, is creating a genuine competence centre. Under the leadership of newly hired Beat Wittmann, the

Investment Products division will focus on further improving the competitive investment performance, delivering an innovative product offering and improving cross-selling within the Bank.

The resulting structure now encompasses the entire private banking value chain under one roof, thus ensuring an optimal client experience at all times: from a very individual service and comprehensive client counselling provided by our experienced relationship managers to a highly integrated offering of innovative products and expert advice of international standing.

Market execution, trading support and structuring expertise are provided by the central Markets unit, formerly part of the segment Asset Management and now included in Bank Julius Baer.

All business management functions are provided centrally for Bank Julius Baer through the extended Chief Operating Officer area and the Chief Risk Officer area.

To support our growth strategy and our new business model, we continued to recruit experienced managers as well as skilled specialists and teams to Bank Julius Baer.

Bank Julius Baer	2006	2007	Change
	<i>CHF m</i>	<i>CHF m</i>	<i>in %</i>
Income statement			
Operating income	1 619.9	1 926.5	18.9
Operating expenses	990.0	1 109.9	12.1
Profit before taxes	629.9	816.6	29.6
Cost/income ratio	60.5%	56.7%	-
Assets under management (CHF bn as of 31 December)			
<i>Change through net new money</i>	<i>13.2</i>	<i>18.5</i>	-
	<i>7.0%</i>	<i>8.7%</i>	-
<i>Change through market appreciation</i>	<i>10.3</i>	<i>7.6</i>	-
	<i>5.5%</i>	<i>3.6%</i>	-
<i>Change through divestment net of acquisition</i>	<i>-</i>	<i>-4.4</i>	-
Average assets under management (CHF bn)	198.3	225.0	13.5
Gross margin (basis points)	81.7	85.6	-
Pre-tax margin (basis points)	31.8	36.3	-
Number of employees (FTE)	2 703	3 058	13.1

For 2006 and 2007 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 17) and significant financial events (in 2006 only). Including these positions, the profit before taxes for 2007 amounted to CHF 728 million, up 36% from 2006.

Private Banking

In the past twelve months we continued our rapid and successful expansion in promising growth markets as well as the strengthening of our position in core markets. Together with our well-received product initiatives, this yielded record-high net new money inflows of CHF 12 billion. At the end of 2007, we managed assets of CHF 156 billion, up 13% year on year. Pre-tax profit increased by 23% to CHF 581 million.

Assets under management grew by CHF 18.2 billion to CHF 156 billion at the end of 2007. Approximately one third of the increase or CHF 5.8 billion is attributable to investment performance, including a negative currency impact of about CHF 1.9 billion, and two thirds or CHF 12.0 billion is attributable to very favourable net new money inflows. All five regions contributed positively, whereas the largest share came from the growth markets. The remaining increase of CHF 0.3 billion is related to an acquisition.

The operating income climbed by 21% to CHF 1 528 million. By far the largest contribution to the increase came from the higher commission income due to the increased asset base and higher client activity, but also from the higher trading volumes in a difficult market environment and from the carefully expanded lending activities to our private clients. At the same time, operating expenses rose by 19% to CHF 947 million, largely due to new hirings for the continued build-up of our national and international presence and higher performance-related compensation. All in all, the pre-tax

profit increased by 23% to CHF 581 million. The cost/income ratio improved to 60.8% from 61.9% while the pre-tax margin rose to 38.5 from 37.0 basis points.

Private banking at its best

With the introduction of our new business structure, the division is now focused entirely on providing high-end advisory services to private clients. To achieve closer contact with the market and to better meet our clients' individual needs, dedicated advisory units were integrated into the regions. The client orientation of our IT platform was enhanced resulting in substantially upgraded analytic functions enabling our relationship managers to further improve our client service.

Private Banking	2006 CHF m	2007 CHF m	Change in %
Income statement			
Operating income	1 266.4	1 528.4	20.7
Operating expenses	793.4	947.3	19.4
Profit before taxes	473.0	581.1	22.9
Cost/income ratio	61.9%	60.8%	-
Assets under management (CHF bn as of 31 December)			
Change through net new money	5.9	12.0	-
	4.8%	8.7%	-
Change through market appreciation	10.3	5.8	-
	8.4%	4.2%	-
Change through acquisition	-	0.3	-
Average assets under management (CHF bn)	127.9	150.9	18.0
Gross margin (basis points)	99.1	101.3	-
Pre-tax margin (basis points)	37.0	38.5	-
Number of employees (FTE)	2 259	2 619	15.9

For 2006 and 2007 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 17) and significant financial events (in 2006 only). Including these positions, the profit before taxes for 2007 amounted to CHF 490 million, up 30% from 2006.

Given the considerably more challenging investment climate, our focus on close relationships was much appreciated by our clients. The growing demand for absolute return-oriented products resulted in a strongly rising volume of GAM-managed mandates and of structured products from our structuring unit. To satisfy the sophisticated demand, our product range was expanded through the introduction of a number of mostly theme-based mandates and the launch of specialised investment funds in collaboration with the Investment Products division (cf. box) and external partners. To meet the specific requirements of our clients, the regionally tailored product and service offering was further expanded.

The Private Banking division is a dedicated offshore wealth manager, and our growth strategy is twofold: expanding in markets and regions with above-average economic growth and wealth creation and improving the market position in traditional markets. This led to the opening of new offices in growth markets, in Abu Dhabi, Mexico, Uruguay and Colombia. Additional openings are planned for 2008 (cf. page 19). Within Europe, we strengthened our position in our home market by adding new branches in the famous Swiss tourist resorts Verbier and Crans-Montana as well as in Zug, an attractive business centre. In Monaco, we completed the acquisition of a well-established local wealth manager in October with assets of CHF 331 million, which has meanwhile been renamed Julius Baer (Monaco) S.A.M. We further invested in our Singapore platform, which was converted into a branch and has been granted a wholesale license. To support the national and international expansion, we hired 94 relationship managers (net change; 87 in 2006), bringing the total to 550.



Eye on the Black Sea

Promising investment opportunities can involve setting out for new shores, and this is literally what happened in the case of the Julius Baer Black Sea Fund, one of the first public funds to offer suitably risk-tolerant investors diversified access to the promising emerging countries of the Black Sea region, such as the Ukraine, Kazakhstan, Russia and Turkey.

Often rich in raw materials and agricultural resources, these countries offer above-average growth rates as they continue their transition toward modern market economies. The fund exploits the corresponding return prospects through careful evaluation of the most attractive equities.

Portfolio management of the Black Sea Fund is entrusted to managers of the Investment Products division who are originally from the countries involved and understand the local markets. Launched at the end of December 2006, the fund achieved a performance of 17.4% in Swiss francs in 2007.

Investment Products

The past year saw the bundling of key product units of the Julius Baer Group under uniform and reinforced management to create a well recognised and highly efficient product provider: Investment Products. This new division of Bank Julius Baer, combining Wealth Management Solutions and the European Asset Management business under the new leadership of Beat Wittmann, employed 439 staff at the end of 2007, managed assets of CHF 78 billion, attracted net new money of CHF 6.5 billion and achieved a pre-tax profit of CHF 236 million (+50%).

At the end of 2007, the assets of the Investment Products division, managed mainly in mutual funds, amounted to CHF 78 billion. The net total asset growth amounted to CHF 3.6 billion. This figure includes the reduction in assets under management of CHF 4.7 billion resulting from the sale of the fixed income investment specialist Julius Baer Investments Ltd., London (JBIL), an investment performance of CHF 1.8 billion, including a positive currency impact of CHF 0.1 billion, and favourable net new money inflows of CHF 6.5 billion. While the fixed income and equity assets remained stable on a net basis, our private label fund business enjoyed strong inflows.

Despite the difficult market environment in the second half-year and the negative impact on income from the deconsolidation of the above-mentioned JBIL, the operating income climbed by 13% to CHF 398 million in the reporting period. The growth was largely due to the rise in commission

income thanks to the increased asset base and improved trading results, especially in structured products with third parties. The beneficial effect on the cost structure from the above-mentioned divestment exceeded by far the higher costs from various marketing initiatives as well as from the selective reinforcement of management and specialised functions. As a result, operating expenses declined by 17% to CHF 163 million. All in all, the division's pre-tax profit was up by 50% to CHF 236 million year on year. The cost/income ratio improved to 40.8% from 55.2% while the pre-tax margin strongly increased to 31.7 from 22.3 basis points.

Investment Products	2006 <i>CHF m</i>	2007 <i>CHF m</i>	<i>Change in %</i>
Income statement			
Operating income	353.5	398.1	12.6
Operating expenses	196.6	162.6	-17.3
Profit before taxes	156.9	235.5	50.1
Cost/income ratio	55.2%	40.8%	-
Assets under management (CHF bn as of 31 December)			
<i>Change through net new money</i>	7.3	6.5	-
	10.9%	8.7%	-
<i>Change through market appreciation</i>	0.0	1.8	-
	0.0%	2.4%	-
<i>Change through divestment</i>	-	-4.7	-
Average assets under management (CHF bn)	70.4	74.2	5.4
Gross margin (basis points)	50.2	53.7	-
Pre-tax margin (basis points)	22.3	31.7	-
Number of employees (FTE)	444	439	-1.1

For 2006 and 2007 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 17) and significant financial events (in 2006 only). Including these positions, the profit before taxes for 2007 amounted to CHF 238 million, up 49% from 2006.

Uncompromising client focus

The new division has clear objectives: further improving the investment performance, delivering an innovative product offering and providing superior client service to increase cross-selling within the Bank.

Sales and distribution teamwork with the private banking business of Bank Julius Baer is of high importance to achieve the cross-selling target. Many of the successfully launched innovative mutual funds in the course of the year were already developed in close collaboration with the Private Banking division (cf. box on page 9), leveraging our structured product and fund development process. With only 10% of the division's assets managed on behalf of the Bank's private clients at the end of 2007, the penetration potential is still considerable.

Parallel to this, the division continued to expand its independent distribution structures in the European fund business with external partners and institutional clients. Successful initial inroads were achieved in the UK and Benelux. The more difficult financial markets weighted both on performance and net new money inflows. While the overall performance of our core equity products stabilised further, the fixed-income product range continued to be redesigned towards absolute return-oriented investment strategies.

The private label fund business again performed particularly well (cf. box). Assets under management in this segment increased strongly to approximately CHF 40 billion at the end of 2007. This business is characterised by comparatively lower gross but attractive pre-tax margins, much like the division's successful Global Custody business with assets amounting to CHF 64 billion at the end of 2007 (2006: CHF 52 billion).



Mutual funds made to order

How can innovative investment ideas be made accessible quickly, cost-effectively and professionally to a broad investor audience? The magic formula is private labelling, the launch of your own mutual fund on a contractual basis.

As a pioneer in this field, Julius Baer is a leader in bespoke fund solutions from a single source: from the efficient establishment of funds under the laws of Switzerland, Luxembourg or the Cayman Islands to formulating investment policy, providing fund management and offering administrative services. We also offer full support in marketing the fund upon request, including professional market introduction, ongoing investment advice and customised reporting.

Our extensive experience in this area is demonstrated by more than 200 private label funds which have been created for international financial institutions, insurers, management companies and institutional asset managers.

Further information is available at www.jbfundnet.com

Asset Management

Asset Management, encompassing the two specialised asset management companies of GAM and Julius Baer Investment Management, achieved robust growth in 2007. Building on their strong independent positioning, the two separately branded franchises continued to attract investors' interest in an increasingly demanding market environment. The successful expansion of their respective distribution initiatives and product ranges contributed to assets under management rising by 15% to CHF 171 billion. Profit before taxes increased by 23% to CHF 668 million.



David M. Solo, CEO Asset Management

“In the increasingly challenging investment environment, our investment-led boutique culture provides the independent thinking and long-term performance that clients seek.”

At the end of 2007, GAM managed CHF 86 billion and Julius Baer Investment Management CHF 85 billion, for a total of CHF 171 billion. The increase by CHF 22.6 billion was attributable to CHF 5.6 billion from investment performance, including a negative currency impact of CHF 3.5 billion, and to CHF 17.0 billion of net new money.

Driven by higher average assets under management, the operating income rose by 26% to CHF 1 430 million. The various initiatives to expand our business platform led to increased staff levels, higher performance-related compensation accruals as well as intensified activity to broaden the product and distribution platform. As a result, operating expenses increased by 28% to CHF 762 million. Overall, the profit before taxes climbed by 23% to CHF 668 million. The cost/income ratio remained essentially unchanged at 53.0% while the pre-tax margin

declined slightly to 39.7 from 40.8 basis points given the relatively faster growth of Julius Baer Investment Management.

Building on distinctive market positions

The new business structure of the Group acknowledges the important strategic benefit of individually positioned asset management businesses, allowing them to pursue business agendas tailored to their targeted markets and client segments and thus to capitalise on proven investment models as well as on highly recognised brands. The differentially strong positioning of these two asset managers in the international (non-US) equity and the alternative investment spaces, respectively, makes them increasingly attractive and relevant to investors as we enter 2008 with a highly challenging outlook for more traditional investments.

GAM has made strong progress in developing its third-party and institutional distribution capabilities, where GAM's highly disciplined processes and long-term performance record are proving attractive to sophisticated clients globally. The relationship between GAM and Bank Julius Baer's Private Banking division is excellent with the internal distribution of GAM products continuing at a healthy rate. Finally, new and often structured product development is accelerating, which is supporting our ambitious third-party expansion plans for GAM's attractive alternative product offerings.

Our US asset management business, largely represented by Julius Baer Investment Management LLC, continued to further build on its successful international equity strategies while gaining momentum in broadening both its equity and impressive fixed income product range.

Asset Management	2006 <i>CHF m</i>	2007 <i>CHF m</i>	<i>Change in %</i>
Income statement			
Operating income	1 138.5	1 429.6	25.6
Operating expenses	596.2	761.5	27.7
Profit before taxes	542.3	668.1	23.2
Cost/income ratio	52.0%	53.0%	-
Assets under management (CHF bn as of 31 December)			
<i>Change through net new money</i>	<i>13.6</i>	<i>17.0</i>	-
	<i>11.8%</i>	<i>11.4%</i>	-
<i>Change through market appreciation</i>	<i>19.5</i>	<i>5.6</i>	-
	<i>16.9%</i>	<i>3.8%</i>	-
Average assets under management (CHF bn)	132.8	168.5	26.9
Gross margin (basis points)	85.7	84.9	-
Gross margin ex performance fees (basis points)	79.9	78.7	-
Pre-tax margin (basis points)	40.8	39.7	-
Number of employees (FTE)	885	969	9.5

For 2006 and 2007 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 17) and significant financial events (in 2006 only). Including these positions, the profit before taxes for 2007 amounted to CHF 553 million, up 28% from 2006.

GAM

GAM achieved significant growth in profitability during 2007, a year where much progress was made in developing both its range of product offerings, and its independent distribution strategy, gaining meaningful traction with institutions and consultants globally. Assets under management increased by CHF 2.6 billion to CHF 86 billion, including a negative currency impact of CHF 3.1 billion. Inflows were dominated by strong investment into our well-regarded multi-manager and hedge fund products, offset by modest outflows in lower-margin long equity and bond products, as clients sought the benefits of absolute return-oriented strategies after the long period of benign market conditions. As markets appear to be entering a period of heightened uncertainty, GAM's long-performance history and unique product offering should prove increasingly attractive and valuable to investors globally.

GAM's key relationships with Bank Julius Baer and UBS continued to prosper, and the internal distribution of GAM products to Julius Baer's clients is proving particularly successful. GAM funds weathered the year's market turmoil well, with the core range of multi-manager funds and portfolio mandates consciously avoiding any significant exposure to illiquid model-priced and structured credit products that have led to problems elsewhere.

Managed Portfolios. GAM's private client, or Managed Portfolios, business continues to find innovative ways of expanding access to its successful absolute return strategy and developing tax-efficient vehicles for investors across various jurisdictions. GAM has also signed an agreement with a

major global private bank to offer GAM's discretionary services as its first alternative investment offering. The charity business remains an important focus, and GAM has been successful in winning a number of mandates in this area and developing further products designed specifically for this market.

Distribution – mutual funds and institutional. Product development has been strong in 2007 with the successful launch of new funds across each of the key ranges. On the fund of hedge fund side, several products were developed specifically for the institutional market, such as a lower volatility version of GAM's AAA-rated multi-strategy fund, GAM Diversity. GAM's single-manager hedge fund range was enhanced by the addition of two new funds, GAM Frontier Opportunities Equity Hedge and GAM Global Macro Hedge. GAM's successful Dublin-based UCITS range, GAM Star, was also expanded to include a US all cap fund and a Chinese equity fund.

The emphasis on relationship building with consultants and pension funds globally is resulting in increased inflows from institutions with strong asset growth in the fund of hedge funds range, offering significant growth potential in the future.

With the opening of an office in the Dubai International Financial Centre, GAM increased its commitment to the important Middle Eastern region, taking the total number of GAM offices worldwide to 10, of which 9 are client-facing offices.

Julius Baer Investment Management

Julius Baer Investment Management (JBIM) remained focused on further developing its institutional investment management business and is committed to the strategic expansion of specialised offerings in asset classes where the company believes it can add value over the long term.

JBIM experienced robust asset growth again in 2007 due to both significant net new money inflows and investment performance. Consequently, assets under management increased by CHF 20.0 billion to CHF 85 billion. As the US dollar continued to decline versus most major currencies, US institutional investors sought to diversify their portfolios via allocations to international markets, and JBIM's leading position in this market gives it an ideal position for this continuing investment trend by US investors.

JBIM's flagship international equity products saw a steady stream of assets and posted strong returns. Furthermore, the global equity product gathered significant momentum with the addition of several new, large institutional clients. The fixed-income strategies, along with the global high-income and core-plus mandates, gained clients, including large public funds during the course of the year.

Finally, in February 2008, an attractive multi-strategy hedge fund will be launched, the Julius Baer Global Alpha Fund, which capitalises on the capabilities of the domestic and international equity and fixed-income teams, and another hedge fund is being developed, the Julius Baer Global Credit Opportunities Fund, which focuses on opportunities within stressed capital structures.



In search for hedge fund manager excellence

GAM's exceptional five-stage multi-manager investment process is at the very core of our differentiating fund of hedge funds product range. It provides discipline and risk control enabling us to identify talented managers consistently and combine them successfully to meet clearly defined objectives. Thus positioned at the forefront of the constantly evolving hedge fund universe, it allows us to capture a continually refreshed set of opportunities and sources of return.

We start by setting clear return, risk and correlation objectives for each strategy and sub-strategy. These drive the strategic weights and tactical allocation ranges for our portfolios, thereby ensuring consistent decision-making throughout the process.

With some 100 specialists using a highly rigorous and discerning IT-based research process, we are able to map over 90% of the global hedge fund universe. We then pursue detailed evaluations of the investment approach, operational integrity and performance expectations of the most talented managers. We combine those managers whom we believe to have a sustainable competitive edge into our hedge fund portfolios using bottom-up, qualitative conviction in tandem with forward-looking modelling tools. Risk control is threaded throughout this entire process to maximise the predictability of our results.

Julius Baer the Company

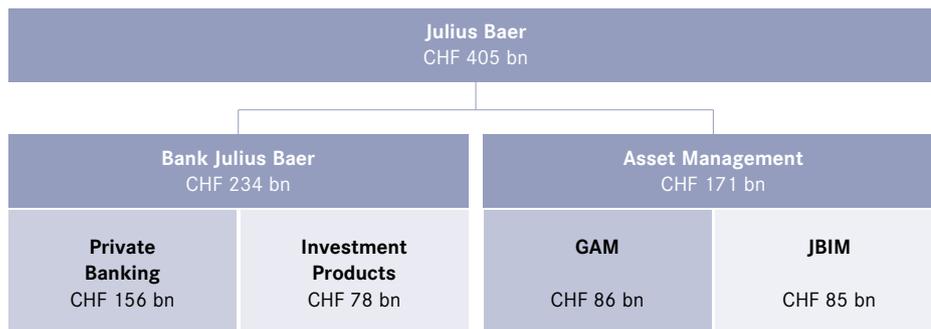
The Julius Baer Group is the leading dedicated wealth manager in Switzerland. Our singular focus on wealth management for sophisticated private and institutional investors is combined with a very straightforward operational model – to ensure unrivalled proximity to our clients.

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 come together to deliver individual financial solutions of the highest standard. To ensure that contact with our clients is based on cultural affinity and understanding, our client-facing organisation follows geographic markets. These teams are supported by dedicated advisory specialists and the Bank's Investment Products division.

Asset Management comprises the asset management specialists GAM and Julius Baer Investment Management (JBIM). The differentially strong positioning of these two asset management businesses allows them to pursue business agendas tailored to their targeted markets and client segments and thus to capitalise on proven investment models as well as on highly recognised brands. While JBIM is renowned for its successful international equity strategies, GAM is synonymous for its alternative, absolute return-oriented investments and highly specialised structured or portable alpha-oriented products.

The Group's organisational structure meets all the demands of modern corporate governance as well as the requirements of efficient management. More than 4 000 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 over 30 locations worldwide and wherever our clients need us to be.

Julius Baer Group: Assets under Management



Well positioned and well regarded

Julius Baer is also one of the leading publicly traded financial companies in Switzerland. The main companies of the Group are Bank Julius Baer & Co. Ltd., GAM Holding Ltd. and Julius Baer Investment Management LLC. The Group's companies operate under the holding company Julius Baer Holding Ltd., whose registered shares are listed on the SWX Swiss Exchange. They form part of the Swiss Leader Index launched in mid-2007. Already 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 SWX. The market capitalisation as of 31 December 2007 was CHF 20.9 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 on-shore and international off-shore private banking, is positive for its credit quality and ratings. In a fragmented market, the Bank's strong 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, 27 June 2007)



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. This timeless business approach is reflected in the enduring motto of Julius Baer, the founder and namesake of the Group: "If contact between people is based on trust and absolute integrity, then it is of benefit for both sides."

The Group emerged in its current form 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 2007 CHF bn

UBS Wealth Management	2178
Credit Suisse Private Banking	861
Julius Baer Group	406
Pictet & Cie	272
Lombard, Odier, Darier, Hentsch & Cie	179
Union Bancaire Privée	133
Banque Privée Edmond de Rothschild SA	97
EFG Bank	87
Bank Sarasin & Cie Ltd	84
Vontobel Holding AG	79

Source: Lehman Brothers,
European Banks – Private Banks,
26 November 2007

Contacts

			Private Banking	Investment Products / Asset Management*	GAM
Europe					
Switzerland	1	Zurich (Head Office)	+41 58 888 1111	+41 58 888 5820	+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 6509	
	6	Lausanne	+41 58 889 3400		
	7	Lucerne	+41 58 889 7900		
	8	Lugano	+41 58 885 8111		
	9	Sion	+41 58 889 3838		
	10	Verbier	+41 58 889 7100		
	11	Zug	+41 58 889 7800		
Austria	12	Vienna	+43 1 535 72 02 00	+41 58 888 4043	
Channel Islands	13	Guernsey	+44 148 172 6618		
France	14	Paris	+33 1 53 43 90 58		
Germany	15	Berlin			+49 30 22 65 60
	16	Duesseldorf	+49 211 56940 200		
	17	Frankfurt	+49 69 90743 500	+49 69 90743 530	
	18	Hamburg	+49 40 570064 400		
19	Stuttgart	+49 711 28470 700			
Great Britain	20	London	+44 207 166 8100		+44 207 493 9990
Ireland	21	Dublin			+353 1 609 3900
Isle of Man	22	Douglas			+44 1624 632632
Italy	23	Milan	+39 02 433 315 111	+39 02 433 315 111	
Luxembourg	24	Luxembourg		+41 58 888 4043	
Monaco	25	Monaco	+377 97 97 77 77		
Americas					
USA	26	Los Angeles		+1 310 282 0200	
	27	New York		+1 212 297 3800	+1 212 407 4600
Argentina	28	Buenos Aires	+54 1 152 720 820		
Bahamas	29	Nassau	+1 242 394 91 00		
Bermuda	30	Hamilton			+1441 295 5825
Canada	31	Toronto		+1 416 862 2237	
Cayman Islands	32	Grand Cayman	+1 345 949 7212	+1 345 949 7212	
Colombia	33	Bogotá	+57 1 530 30 60		
Mexico	34	Mexico City	+52 55 5279 6450		
Uruguay	35	Montevideo	+598 2 600 5050		
Asia/Pacific					
Hong Kong	36	Hong Kong	+852 2899 4788	+852 2899 4851	+852 2978 8566
Japan	37	Tokyo		+852 2899 4851	+81 3 5219 8800
Singapore	38	Singapore	+65 6827 1999	+852 2899 4851	
Middle East/Africa					
United Arab Emirates	39	Abu Dhabi	+971 2 66 73 903		
	40	Dubai	+971 4 33 00 551		+971 4 36 50 160

* Including Julius Baer Investment Management (USA)



**Openings scheduled
for 2008**

- A Cairo
- B Istanbul
- C Moscow

Financial calendar

Date of 2008 Annual General Meeting: 15 April 2008

Publication of 2008 half-year results: 28 July 2008

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This brief report is intended for informational purposes only and does not constitute an offer of products or an investment recommendation. We also caution readers that risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved.

The 2007 Annual Report of Julius Baer Holding Ltd. containing the detailed audited 2007 financial results of the Julius Baer Group is available at www.juliusbaer.com.

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