

Julius Bär

2008 Annual Report
Julius Baer Holding Ltd.

Including integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition of the three private banks and GAM completed at the end of 2005, the net profit achieved in 2008 for the shareholders of Julius Baer Holding Ltd. amounted to CHF 661 million. Excluding these positions, the shareholders' net profit for 2008 amounted to CHF 852 million. Further information on this basis can be found in the presentation and the press release on the 2008 financial results and the 2008 Business Review.

Key figures

	2008	2007	Change %
Return on equity (ROE)	10.2%	14.4%	-
Return on equity (ROE) ¹	24.0%	31.7%	-
Cost/income ratio ²	68.3%	62.5%	-
Cost/income ratio ³	61.6%	56.7%	-

	31.12.2008	31.12.2007	Change %
Consolidated balance sheet			
Total assets (CHF m)	46 240.0	46 918.8	-1.4
Total equity (CHF m)	6 573.1	6 418.7	2.4
BIS Tier 1 ratio	13.6% ⁴	12.9% ⁴	-

Client assets (CHF bn)

Assets under management	274.5	405.1	-32.2
Assets under custody	63.6	68.3	-6.9
Total client assets	338.2	473.4	-28.6

Personnel

Number of employees (FTE)	4 335	4 099	5.8
of whom Switzerland	2 825	2 699	4.7
of whom abroad	1 510	1 400	7.9

Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	
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¹Net profit of the shareholders of Julius Baer Holding Ltd. less the amortisation of intangible assets/average equity less goodwill

²Excluding valuation adjustments, provisions and losses

³Excluding valuation adjustments, provisions and losses and amortisation of intangible assets

⁴According to Basel I as per year-end 2007 and Basel II as per year-end 2008

Performance of Julius Baer Holding registered share (indexed)



Ticker symbols

Reuters	BAER.VX
Bloomberg	BAER.VX

Swiss securities number 2 975 865

Listing

Switzerland SIX Swiss Exchange

High price 2008 (CHF) 94

Low price 2008 (CHF) 33

Key figures for shares

	2008	2007	Change %
Information per registered share (CHF)			
Equity (book value, as of 31.12.)	32.0	30.9	3.4
EPS	3.19	4.36	-26.8
Dividend proposal	0.5	0.5	-
Share price (as of 31.12.)	39.98	93.60	-57.3
Market capitalisation (CHF m, as of 31.12.)	8 437	20 897	-59.6

Capital structure (as of 31.12.)

Number of registered shares, par value CHF 0.05	211 034 256	223 256 478	-5.5
Weighted average number of registered shares outstanding	206 993 552	215 433 450	-3.9
Share capital (CHF m)	10.6	11.2	-5.5

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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.

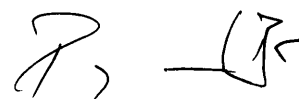
These events were overshadowed at the beginning of December by the unexpected death of our esteemed colleague and dear friend Alex W. Widmer, CEO of Bank Julius Baer and leading architect behind the new thrust for the private banking business of Julius Baer. The Board of Directors is extremely grateful 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 strong 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 medium term, this resulted in a 30% lower net profit for our shareholders of CHF 661 million for the year (including* in both years integration and restructuring expenses as well as the amortisation of intangible assets).

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

Zurich, February 2009

* Excluding these positions, the net profit for the shareholders of Julius Baer Holding Ltd. for 2008 amounted to CHF 852 million, down 25% from 2007.

Corporate Governance

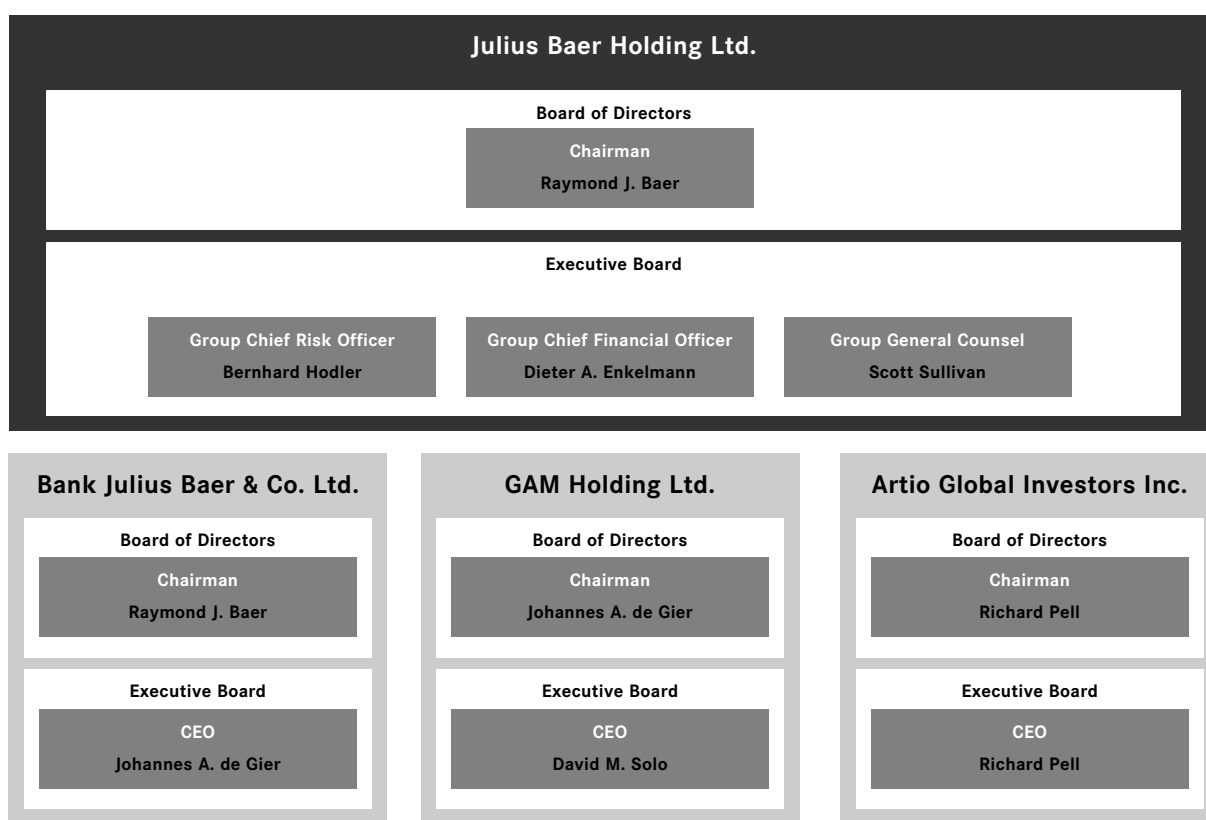
Corporate governance is a decisive factor in business management. Shareholders, clients and staff are usually considered the key stakeholder groups within the context of corporate governance. Moreover, our focus on achieving sustained success and consistency in our business rests largely on the principle of retaining shareholders, clients and staff for as long as possible. These stakeholders therefore have a right to know the individuals and internal bodies that determine the development of the company; which make the strategic decisions and who bears the responsibility for them. We therefore aim to thoroughly satisfy these legitimate information needs in this chapter of the Annual Report.

The corporate governance information of Julius Baer Holding Ltd. is presented in accordance with the Corporate Governance Directive of the SIX Swiss Exchange that entered into force on 1 July 2002 and was most recently revised as of 1 January 2007, with the “Instructions for Applying the Corporate Governance Directive” of the Swiss Financial Market Supervisory Authority (FINMA), with the guidelines and recommendations of the “Swiss Code of Best Practice for Corporate Governance” of the Swiss business federation *economiesuisse* dated 25 March 2002 as well as with this best practice code’s Appendix 1, “Recommendation on compensation for board of directors and executive board”, dated 15 October 2007, which takes into account the new articles 663^{bis} and 663c paragraph 3 of the Swiss Code of Obligations that entered into force on 1 January 2007 and address transparency with respect to the compensation of the members of the Board of Directors and the Executive Board.

The following information corresponds to the situation at 31 December 2008.

1. Group structure and shareholders

1.1 Operational Group structure of Julius Baer Holding Ltd. (as of 31 December 2008)



The consolidated companies are disclosed in Note 26.

The above diagram reflects the holding structure and business operating model of the Julius Baer Group introduced on 15 November 2007 including the composition of the Executive Board of Julius Baer Holding Ltd. in effect since 1 September 2008. In this Annual Report reference to Bank Julius Baer should be treated as including not only Bank Julius Baer & Co. Ltd. (including its branches and representative offices) but also other legal entities which are involved in the provision of private banking services and which together with Bank Julius Baer & Co. Ltd. form the reporting segment “Bank Julius Baer” (see Note 8). Management responsibility for this reporting segment lies with the management of Bank Julius Baer & Co. Ltd. GAM Holding Ltd. and its subsidiaries, Artio Global Investors Inc., and its subsidiaries (including Artio Global Management LLC), and

certain Julius Baer branded asset management units form the reporting segment “Asset Management” (see Note 8). Management responsibility for this reporting segment lies with the CEO of GAM Holding Ltd.

1.2 Significant shareholders/participants

Based on notifications received by Julius Baer Holding Ltd. each of the following shareholders/participants held more than 3% of the voting rights in Julius Baer Holding Ltd. as of 31 December 2008¹:

Shareholder/participant	Voting rights conferred by shares/equity securities	Voting rights conferred by conversion rights, share purchase rights and granted share sale rights	Resulting total percentage holding of voting rights at time of notification ²
Wellington Management Company LLP ³	6.01%	–	6.01%
Julius Baer Holding Ltd. ⁴	3.01%	1.97%	4.98%
Davis Selected Advisers L.P. ⁵	4.97%	–	4.97%
Fidelity Management and Research LLC (FMR LLC, formerly FMR Corp.) ⁶	4.96%	–	4.96%
AXA Group ⁷	3.47%	–	3.47%
MFS Investment Management ⁸	3.15%	–	3.15%
FIL Limited (formerly Fidelity International Limited) ⁹	3.10%	–	3.10%
Massachusetts Mutual Life Insurance Company ¹⁰	3.03%	–	3.03%

¹ The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules.

² Note that the share capital of Julius Baer Holding Ltd. was decreased through cancellation of 12 222 222 own shares by 5.47% as per 25 June 2008 and that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.

³ Wellington Management Company LLP, Boston/USA, on behalf of clients (reported on 25 June 2007)

⁴ Julius Baer Holding Ltd., Zurich/Switzerland, Bank Julius Baer & Co. Ltd., Zurich/Switzerland, Loteco Foundation c/o Julius Baer Holding Ltd., Zurich/Switzerland, and Julius Baer Life (Bahamas) Ltd., Nassau/Bahamas (reported on 3 October 2008)

⁵ Davis Selected Advisers L.P., Tucson/USA, as investment advisor (reported on 15 December 2008)

⁶ Fidelity Management and Research LLC (FMR LLC, formerly FMR Corp.), Boston/USA, and its directly and indirectly controlled subsidiaries, on behalf of clients (reported on 3 December 2008)

⁷ AXA Group, Paris/France, via group companies AXA S.A., Paris/France, Alliance Bernstein L.P., New York/USA, AXA Investment Managers S.A., Paris/France, and AXA Rosenberg Investment Management Ltd., London/England (reported on 8 May 2008)

⁸ MFS Investment Management, Boston/USA, and its directly and indirectly controlled subsidiaries MFS Institutional Advisors Inc., MFS International Ltd., MFS International (UK) Ltd., MFS Heritage Trust Co., MFS International Management KK and MFS Investment Management (LUX) S.A. (reported on 8 April 2008)

⁹ FIL Limited, Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, via accounts managed by FIL Limited and its direct and indirect subsidiaries (reported on 13 November 2008)

¹⁰ Massachusetts Mutual Life Insurance Company, Springfield/USA, and its subsidiaries Oppenheimer Funds Inc, New York/USA, and Baring Asset Management Limited, London/England (reported on 20 July 2008)

1.3 Cross-shareholdings

There are no cross-shareholdings between Julius Baer Holding Ltd. and its subsidiaries or third-party companies.

2. Capital structure

2.1 Capital

As of 31 December 2008, ordinary capital in the amount of CHF 10 551 712.80 existed. There is no authorised capital.

The share capital of the company amounts to CHF 10 551 712.80. It is fully paid and divided into 211 034 256 registered shares with a par value of CHF 0.05 each. The registered shares (security no. 2 975 865; ISIN CH 002 9758650) are listed on the SIX Swiss Exchange, traded on the SWX Europe in London and are a component of the Swiss Market Index (SMI) and the Swiss Leader Index (SLI).

2.2 Conditional and authorised capital in particular

Conditional capital

The company's share capital may be increased by the issue of up to 10 000 000 registered shares, to be fully paid and each with a par value of CHF 0.05, in a maximum total amount of CHF 500 000 through the exercise of conversion or warrant rights in connection with bonds issued by the company or its subsidiaries. Pre-emptive rights of shareholders are excluded. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares are subject to the entry limitations as set forth in Article 4.3 ff. of the Articles of Incorporation.

When issuing convertible or warrant bonds, the Board of Directors may rescind priority subscription rights of shareholders for important reasons.

Important reasons can be the securing of optimal conditions in issuing the bonds and ensuring equal treatment of domestic and foreign shareholders. In the event that the Board of Directors precludes the priority subscription rights, the following applies:

- a) Conversion rights may be exercised only during a maximum of seven years, and warrant rights only during a maximum of four years from the date of issue of the relevant bond.

- b) The new shares shall be issued according to the applicable conversion or warrant conditions. The convertible and warrant bonds must be issued in conformity to market conditions (including the usual market conditions with regard to protection against dilution). The conversion or option price must be not less than the average of the last prices paid on the SIX Swiss Exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds.

2.3 Changes of capital

The description of the changes of capital in the last two years is disclosed on page 32 f.

2.4 Shares and participation certificates

Shares

	2008 ¹	2007 ²
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 ¹ (all entitled to dividends)	211 034 256	223 256 478

¹ By resolution of the Ordinary Annual General Meeting on 15 April 2008, 12 222 222 Julius Baer Ltd. registered shares held by the company itself were cancelled in connection with a corresponding decrease of the share capital.

² By resolution of the Ordinary Annual General Meeting on 17 April 2007, all registered shares were split at a ratio of 1:2, reducing the par value of each registered share from CHF 0.10 to CHF 0.05. At the same time, the number of registered shares increased from 111 628 239 to 223 256 478. These changes took effect on 26 April 2007.

There are no preferential rights or similar rights. Each share entitles to one vote.

Participation certificates

There are no participation certificates.

2.5 Bonus certificates

There are no bonus certificates.

2.6 Limitations on transferability and nominee registrations (as of 31 December 2008)

The company shall keep a share register, in which the owners and usufructuaries of the registered shares are entered with their name, address and nationality, respectively, place of incorporation in case of legal entities. In relation to the company, any person entered in the share register shall be deemed to be the shareholder.

Registered shares not physically represented by a certificate and the rights arising therefrom can only be transferred by assignment. The assignment shall only be valid if notice thereof is given to the company. Where registered shares not physically represented by a certificate are administered by a bank on behalf of a shareholder, these shares can only be transferred under the collaboration of the bank.

A person having acquired registered shares shall upon application be entered into the share register as shareholder with voting rights, provided that such person expressly acknowledges that he/she has acquired the shares in his/her own name and for his/her own account. If the person acquiring registered shares does not provide such acknowledgement, the Board of Directors may refuse the entry in the share register.

The Board of Directors may issue rules for the entry in the share register of fiduciaries/nominees. It may enter in the share register fiduciaries/nominees with voting rights of up to 2% of the share capital. The details are set forth in Article 4.4 of the Articles of Incorporation.

2.7 Convertible bonds and options

There are no outstanding convertible or warrant bonds. Information on employee options is disclosed in section 5 as well as in Note 28.

3. Board of Directors

All members of the Board of Directors of Julius Baer Holding Ltd. are non-executive members. The Board of Directors of Bank Julius Baer & Co. Ltd. is composed of the same members as the Board of Directors of Julius Baer Holding Ltd.

3.1 Members of the Board of Directors

Raymond J. Baer (born 1959), Swiss citizen; Law Degree, University of St. Gallen, 1984; LL.M. Degree in Law, Columbia Law School, New York, USA, 1985. Salomon Bros. Inc., New York and London, 1985–1988. Entry into Bank Julius Baer & Co. Ltd., Zurich, as Head of the Swiss Capital Market Group, 1988; Deputy Branch Manager of Bank Julius Baer & Co. Ltd., New York, 1990–1993; member of the Management Committee of Bank Julius Baer & Co. Ltd., Zurich, 1993–1996; member of the Group Executive Board of Julius Baer Holding Ltd. and Head of the Private Banking business line as of 1996; Vice President of the Group Executive Board of Julius Baer Holding Ltd. from 2001 until 13 May 2003; Co-Head of the Private Banking business line from January 2003 until 13 May 2003; Chairman of the Board of Directors of Julius Baer Holding Ltd. since 14 May 2003 and of Bank Julius Baer & Co. Ltd. since 28 March 2003 (first-time election in 2003, term of office until 2009).

Peter Kuepfer (born 1944), Swiss citizen; Certified Accountant's Degree, 1972. Member of the Executive Board of CS Holding, 1989–1996; Chairman of the Board of Directors of CS Life, 1989–1993; President of the Executive Board of Bank Leu, Zurich, 1993–1996; Independent Management Consultant since 1997. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 1999; 2002 until 12 April 2006 Vice Chairman; Independent Lead Director (1999, 2011).

Rolf P. Jetzer (born 1950), Swiss citizen; Dr. of Law, University of Zurich, 1979; Certificat des Hautes Etudes Européennes (H.E.E.), College of Europe, Bruges, Belgium, 1981; bar exam, Canton of Zurich, 1981; courses on American banking law at New York University, USA, 1981. Attorney in the law firm of Lillie McHose & Charles, Los Angeles, California, USA, 1981–1982; attorney in the law firm of Niederer Kraft & Frey, 1982–1987, and Partner in the firm since 1988. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2005 (2005, 2010).

Gareth Penny (born 1962), South African citizen; Master of Arts in Philosophy, Politics and Economics, Oxford University, UK, 1985. Anglo American Corporation, Johannesburg, South Africa, Head of Anglo American & De Beers Small Business Initiative, 1988–1991; Teemane Manufacturing Company, Debswana, Botswana, Project Manager, 1991–1993; with The Diamond Trading Company (DTC), London, UK, 1993–2006: Sales Executive, 1993–1994; Personal Assistant to the Chairman of De Beers SA, 1994–1996; Diamond Consultant for South Africa, 1996–1999; Head of Strategic Review, 1999–2001; Executive Director & Head of Sales & Marketing, 2001–2004; Managing Director Diamond Trading Company, 2004–2006; member of the Board of De Beers SA, Luxembourg, since 2003; Group Managing Director since 2006. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2007 (2007, 2010).

Monika Ribar Baumann (born 1959), Swiss citizen; Business Administration Degree, University of St. Gallen, 1983; Executive Program, Stanford University, California, USA, 1999. Controlling and Group Reporting, BASF Austria, Vienna, 1984–1986; Fides (now KPMG Switzerland), Head of Planning, 1986–1990; with Panalpina since 1991: Head of project to introduce group accounting and global standardised software for the Finance and Controlling Department, 1991–1994; Corporate Controller, Panalpina, 1995–2000; Chief Information

Officer and member of the Group Executive Board of Panalpina Ltd., Basle, 2000 until mid-2005; subsequently CFO and member of the Group Executive Board of Panalpina Ltd., Basle, until September 2006; CEO and President of the Group Executive Board of Panalpina Ltd., Basle, since October 2006. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2001 (2001, 2010).

Daniel J. Sauter (born 1957), Swiss citizen; Swiss-Certified Banking Expert, 1983. Gewerbebank, Zurich, Trainee, 1976-1978; Bank Leu, Zurich, Foreign Exchange Trader, 1978-1981; Bank fuer Kredit und Aussenhandel, Zurich, Foreign Exchange and Money Market Trader, 1981-1983; with Glencore International, Zug, 1983-1998: Treasurer and Risk Manager, 1983-1988; Chief Financial Officer, 1989-1998; with Xstrata AG, Zug, 1994-2001: development of Xstrata AG into a globally diversified mining group; Chief Executive Officer, 1995-2001; Trinsic AG, Zug, Co-founder and Chairman of the Board of Directors since 2001; Alpine Select AG, Zug, Chairman of the Board of Directors since 2001. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2007 (2007, 2010).

Béatrice Speiser (born 1963), Swiss citizen; Law Degree, University of St. Gallen, 1986; bar exam, Basle City, 1989; Dr. of Law, University of St. Gallen, 1993; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2002. Practising Attorney in Basle since 1990; extraordinary tribunal President at the Social Insurance Court of Basle City since 2008 (part-time); Judge at the Civil Court of Basle City since 2004 (part-time). Member of the Board of Directors of Julius Baer Family Office Ltd., Zurich, from 2000 until June 2006. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2003 (2003, 2009).

Charles G. T. Stonehill (born 1958), dual British and American citizen; Master of Arts in Modern History, Oxford University, UK, 1978. J. P. Morgan & Co., Corporate and Investment Banking, 1978-1984; Morgan Stanley & Co., Managing Director and Head of Equity Division Europe, 1984-1997; Credit Suisse First Boston, Head of Investment Banking for the Americas and member of the Operating Committee, 1997-2002; Lazard Frères, Global Head of Capital Markets and member of the Executive Committee, 2002-2004; Non-executive Director of Gulfsands Petroleum, 2005-2006; Chairman of Panmure Gordon plc., 2006-2008; Independent Director of the London Metal Exchange Ltd. since 2005. Member of the Board of Directors of Julius Baer Holding Ltd. and Bank Julius Baer & Co. Ltd. since 2006 (2006, 2011).

Changes in the Board of Directors

At the Ordinary Annual General Meeting on 15 April 2008, Peter Kuepfer and Charles G. T. Stonehill were re-elected for another three-year term of office. Georges Gagnebin, Vice Chairman of the Board, has decided not to stand for re-election. On the same date, Paul Embrechts also relinquished his mandate after serving on the Board of Directors for eleven years.

Leonhard H. Fischer, Co-Chief Executive Officer and Member of the Board of Directors of RHJ International, is intended to be proposed for election to the Board of Directors at the Ordinary Annual General Meeting on 8 April 2009.

3.2 Other activities and functions

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange, we fundamentally disclose mandates and interest ties with exchange-listed domestic and foreign companies as well as with domestic and foreign banks and finance companies outside of the Julius Baer Group. There are no further activities/interest ties within scope of section 3.2 than those listed below:

Raymond J. Baer: Member of the Chairman's Committee of the Board of the Swiss Bankers Association; President of the Association of Swiss Commercial and Administrative Banks; Member of the Foundation Board of the Swiss Finance Institute; Member of the Admissions Board of the SIX Swiss Exchange.

Peter Kuepfer: Member of the Board of Directors of Holcim Ltd, Jona; Member of the Supervisory Board of Metro AG, Duesseldorf, Germany.

Rolf P. Jetzer: Chairman of the Board of Directors of Swiss International Air Lines, Zurich; Chairman of the Board of Directors of Capital Dynamics Holding, Zug; Chairman of the Board of Directors of equity4life AG, Zurich; Chairman of the Board of Directors of Infrassure Holding Inc., Zurich; Member of the Board of Directors of Banque Algérienne du Commerce Extérieur SA, Zurich.

Gareth Penny: Member of the Board of Directors of De Beers SA, Luxembourg.

Monika Ribar Baumann: Member of the Board of Directors of Logitech International SA, Romanel-sur-Morges.

Daniel J. Sauter: Chairman of the Board of Directors of Trinsic AG, Zug; Chairman of the Board of Directors of Alpine Select AG, Zug; Member of the Board of Directors of Sika AG, Baar; Member of the Board of Directors of Sulzer Ltd, Winterthur; Member of the Board of Directors of Charles Vögele Holding Ltd, Pfäeffikon; Member of the Board of Directors of Model Holding AG, Weinfelden.

Charles G. T. Stonehill: Independent Director of the London Metal Exchange Limited, London.

3.3 Elections and terms of office

The members of the Board of Directors are elected by the Ordinary Annual General Meeting normally for a term of three years. The period between two Ordinary Annual General Meetings is deemed to be one year. The term of office for each director shall be fixed with his/her election. The various terms of office shall be fixed in a way to assure that approximately one-third of all members are newly elected or re-elected each year.

Members whose term of office has expired are immediately eligible for re-election. The Board of Directors shall constitute itself. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members who have reached their 67th year of age generally do not seek re-election after their term of office expires. In exceptional instances, however, the Board of Directors may propose the re-election of such a member to the Ordinary Annual General Meeting. The term of office of a member of the Board of Directors ends automatically at the Ordinary Annual General Meeting in the year in which he/she completes his/her 70th year of age.

The year of first-time election and the remaining term of office of each member are disclosed in section 3.1.

3.4 Internal organisational structure

The Board of Directors consists of three or more members. It meets as often as business requires, but at least once per quarter. The presence of a majority of its members is necessary for resolutions to be passed with the exception of the ascertainment resolution and the resolution concerning the amendment of the Articles of Incorporation as well as the capital increase report in the case of capital increases. Resolutions are passed by an absolute majority of votes of members present. In the case of a tie vote, the Chairman shall have the casting vote. The Members of the Executive Board of Julius Baer Holding Ltd. fundamentally participate in the meetings of the complete Board of Directors. These meetings generally take up at least half a day.

In order to gauge the effectiveness of its activities, the Board of Directors as a whole as well as the respective committees carry out an annual self-assessment. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the committees are brought to the attention of the complete Board of Directors.

The Board of Directors normally meets for one strategy seminar a year. The purpose of these meetings is to analyse the positioning of the Julius Baer Group as well as to review and if necessary redefine its strategic direction in light of the prevailing macroeconomic and company-specific circumstances.

During the year under review, the complete Board of Directors held nine meetings and a two-day strategy seminar.

Attendance of the members of the Board of Directors at the meetings of the Board of Directors

2008

	February	February	March ¹	April	June	July ¹	September	Strategy Seminar	October ¹	December
Raymond J. Baer	X	X	X	X	X	X	X	X	X	X
Georges Gagnebin ²	X	E	X	X	-	-	-	-	-	-
Paul Embrechts ²	X	X	X	E	-	-	-	-	-	-
Rolf P. Jetzer	X	X	X	X	X	E	X	X	X	X
Peter Kuepfer	X	X	X	X	X	X	X	X	X	X
Gareth Penny	E	E	E	E	X	X	X	X	E	X
Monika Ribar Baumann	X	X	X	X	X	X	X	X	X	X
Daniel J. Sauter	X	X	X	X	X	X	X	X	X	X
Béatrice Speiser	X	X	X	X	X	X	X	X	X	X
Charles G. T. Stonehill	X	X	X	X	X	X	X	X	X	X

¹ Meeting by teleconference

² Left the Board of Directors at the Ordinary Annual General Meeting 2008

E = excused

From among its members, the Board of Directors elects a Chairman as well as the chairmen and the members of the committees of the Board of Directors. The chairmen of the committees are responsible for seeking advice from external specialists as well as members of the Executive Board as needed.

According to the Articles of Incorporation of Julius Baer Holding Ltd. (Article 9), the Board of Directors has the following non-transferable and irrevocable duties:

- a) to supervise the company and issue the necessary instructions;
- b) to determine the organisation;
- c) to arrange the accounting, financial control and financial planning inasmuch as they are necessary for the management of the company;
- d) to appoint and remove the persons entrusted with the company's management;
- e) to control those persons entrusted with the management of the company, also in relation to compliance with laws, statutes, regulations and instructions;
- f) to draw up the Annual Report and to prepare the Ordinary Annual General Meeting and implementation of its resolutions;
- g) to inform the judge in the event of insolvency.

The Board of Directors may assign the preparation and carrying out of its resolutions or the supervision of business transactions to committees or individual members. It must make sure its members are suitably informed.

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in section 3.5.

The responsibilities and members of the currently existing committees of the Board of Directors

The members of the Board of Directors discuss specific topics in the Board's committees. Each of these committees is chaired by an independent director.

Audit Committee

The Audit Committee is responsible for monitoring business operations and controlling compliance with laws, statutes and regulations. It also ensures the receipt of regular information as to compliance by its subsidiaries with such obligations. The Audit Committee controls the standards and methodologies of the internal control systems in relation to the risk profile of the Group. The committee directs and monitors the activities of the internal auditors and ultimately determines the compensation paid to the Head of Internal Audit. It ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with the internal auditors. The Chairman of the committee meets with the Head of Internal Auditing on a regular basis throughout the year, usually every two months. The committee is also responsible for assessing the performance of the external auditors on an annual basis. It reviews their reports about the rendering of the accounts and the management letter and provides a recommendation to the entire Board of Directors regarding election of the external auditors at the Ordinary Annual General Meeting. Moreover, it is responsible for the integrity of controls for financial reporting and for the review of certain financial statements, including the consolidated statement of the Group, the annual financial statement, and interim statements, before they are presented to the entire Board of Directors for approval. It also reviews the internal and external communication regarding the financial data and accounting statements and related information.

The members of the Audit Committee are independent. The Audit Committee convenes at least four times a year for about two to three hours on average. The Head of Internal Audit and representatives of the external auditors participate in every meeting. During the year under review, the Audit Committee held six meetings.

Members: Charles G. T. Stonehill (Chairman), Rolf P. Jetzer, Monika Ribar Baumann, Daniel J. Sauter

Compensation Committee

The Compensation Committee ultimately determines the compensation of the Chairman and if applicable of the Vice Chairman of the Board of Directors as well as the members of the Executive Board of Julius Baer Holding Ltd. It also prepares and provides to the Board of Directors all compensation proposals relating to all other members of the Board of Directors. The Compensation Committee is responsible for approving any compensation policies relating to the Group as a whole as well as any compensation policies within the Group which are linked to the shares of Julius Baer Holding Ltd. With respect to decisions of a specialised nature, the Compensation Committee may seek advice from additional members of the Board of Directors. The Compensation Committee convenes as often as necessary for two hours on average. During the year under review, the Compensation Committee held two meetings.

Members: Peter Kuepfer (Chairman), Gareth Penny, Béatrice Speiser

Nomination Committee (ad hoc)

The Nomination Committee is responsible for long-term succession at the level of the Board of Directors. It is entrusted with the assessment and preliminary selection of new members of the Board of Directors as well as with preparing the corresponding election recommendations of the Board of Directors for the Ordinary Annual General Meeting. Moreover, it is responsible for assessing candidates and for deciding on appointments and dismissals of the Chairman and members of the Board of Directors of direct subsidiaries. It convenes as needed.

Members: Peter Kuepfer (Chairman), Raymond J. Baer, Rolf P. Jetzer, Charles G. T. Stonehill

3.5 Definition of areas of responsibility

Fundamentals

The governing bodies are responsible for the strategic direction of the Julius Baer Group and Julius Baer Holding Ltd. as well as for determining and implementing the principles of organisation, management and monitoring. They are accountable for providing the means necessary to achieve the targeted objectives and bear ultimate responsibility for the overall results. They supervise the maintenance of the Group as a whole and coordinate and oversee all activities carried out by, and in the name of, Julius Baer Holding Ltd.

The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations as well as the appendix thereto, which forms an integral part of the Organisational and Management Regulations.

The decisions of the governing bodies are implemented by the Group companies in compliance with the respective applicable legal and supervisory regulations.

Board of Directors

The Board of Directors is responsible for the ultimate direction, supervision and control of the company, which it fulfils within scope of the duties stipulated in Article 716a of the Swiss Code of Obligations and through calling on its various committees. The complete Board of Directors is especially responsible for preparing all topics which fall within the competence of the Ordinary Annual General Meeting and receives support and advice from the Audit Committee in particular in matters of financial reporting, dividend proposals and other capital management questions. Based on the proposal of the Audit Committee, the complete Board of Directors decides on the external auditors to be recommended for appointment at the Ordinary Annual General Meeting. It decides on the proposals from the Executive Board regarding formation, change in the capital or ownership, capital increase or decrease, change of legal form and liquidation as well as closure of direct subsidiaries. Entering into, dissolving and modifying joint ventures of strategic importance by Julius Baer Holding Ltd. or direct subsidiaries also falls within the competence of the complete Board of Directors. Moreover, the complete Board of Directors appoints the members of the Executive Board, selects the administrative and organisational manager among them and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Head of Internal Audit. It is responsible for succession planning relating to the members of the Executive Board. The complete Board of Directors is responsible for determining the overall risk policy of the organisation as well as for the design of accounting, financial controlling and strategic financial planning. It also decides on capital market transactions resulting in the issue of bonds of the company as well as on the issue of bonds by subsidiaries based on a graduated competence schedule regarding the capital and time commitment involved.

Executive Board

The Executive Board formulates and develops the overall strategy, within the parameters established by the Board of Directors, and is accountable for all operational and organisational matters as well as for the operating results. Within scope of this, all matters that have not been entrusted to other corporate bodies or units by the Board of Directors fall within the responsibility of the Executive Board.

The Executive Board is responsible for ensuring the consistent development of the Group in accordance with established business policies, for establishing the organisation of the Executive Board itself, and for representing the Executive Board in its relationship with the Board of Directors and third parties.

The Executive Board has the right to issue binding policies to and require reporting or consultation from Group companies before a decision is taken.

In addition, the Executive Board may form committees for specific tasks and regulate their activities. Their composition and areas of responsibility must be approved in advance by the Board of Directors.

The ultimate responsibility for the activities of the risk, legal and compliance, finance and accounting, communications and investor relations functions within the subsidiaries shall rest with the appropriately designated member of the Executive Board. Moreover, the Executive Board is responsible for general corporate administration, in particular the registration of shareholders in and the maintenance of the share register. The Executive Board coordinates press contacts, press conferences and press releases and is responsible for investor relations and corporate identity (including corporate design and trademarks) of the company. It also monitors and evaluates financial and other risks as well as compliance with rules governing equity capital, risk distribution and liquidity maintenance.

3.6 Information and control instruments vis-à-vis the Executive Board

In order to control the business activity of the Julius Baer Group, the Board of Directors has formed the committees listed in section 3.4. The different committees are regularly kept informed by means of relevant reports from the Group companies. Moreover, these reports are discussed in depth during regular meetings with the relevant bodies.

In addition, the Board of Directors has an independent internal auditing unit at its disposal. The obligations and rights of the internal auditing unit are set forth in a separate code of responsibilities. The internal auditing unit has an unlimited right to information and access to documents with respect to all companies and elements of the Group. Furthermore, in consultation with the Chairman of the Board of Directors, the Executive Board may ask the internal auditing unit to carry out special investigations outside of the planned auditing activities. The Head of the internal auditing unit is appointed by the Board of Directors.

4. Senior Management

4.1 Members of the Executive Board

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking in Switzerland and abroad, 1985–1997; Swiss Re, Head Corporate Financial Management and Investor Relations, 1997–2000; Swiss Re, Chief Financial Officer of the business unit Financial Services, 2001–2003; Barry Callebaut, Chief Financial Officer, 2003–2006. Entry into the Julius Baer Group on 11 December 2006 as member of the Group Executive Board and Group Chief Financial Officer; member of the Executive Board and Group CFO since 15 November 2007; administrative and organisational manager of the Executive Board since 1 September 2008.

Bernhard Hodler (born 1960), Swiss citizen; Bachelor of Business Administration, School of Economics and Business (HWV) Bern, 1987; Staff IT School SIB, Zurich, 1988–1989; Financial Risk Manager, GARP, 1997; Advanced Executive Program, Swiss Banking School, 1999–2000; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004. Credit Suisse, Head of Global Market and Credit Risk and Global Controlling Trading and Sales, member of Senior Management, 1994–1996; Credit Suisse First Boston, Head of European Risk Management, Director, 1997–1998. Entry into Bank Julius Baer & Co. Ltd. as Head of Global Risk Management, 1998; President of the Management Committee of Bank Julius Baer & Co. Ltd., member of the Extended Group Executive Board and Chief Risk Officer of the Julius Baer Group from 2001 until 2 December 2005; Chief Risk Officer and Head of the Corporate Centre from 3 December 2005 until 14 November 2007; member of the Executive Board since 15 November 2007.

Scott Sullivan (born 1968), British citizen; Bachelor of Law, University of Southampton, UK, 1989; admission to bar for England and Wales, 1991. Barrister in private practice, London, UK, 1991–2000; Deutsche Bank, London, UK, 2000–2005: member of Corporate Advisory Department, 2000–2003; UK Head of Legal for Asset Management, Private Wealth Management, Trust and Security Services and Offshore, 2004–2005; Group Head of Legal & Compliance, GAM Holding Ltd., since June 2005. Entry into the Julius Baer Group in December 2005 as General Counsel for the Asset Management division; member of the Corporate Centre management and Secretary to the Group Executive Board from April 2006 until 14 November 2007; Group General Counsel since April 2006; member of the Executive Board since 15 November 2007.

Changes in Senior Management

Johannes A. de Gier retired from his function as Group Chief Executive Officer as of 1 September 2008. It was thereafter decided not to continue this function but to discharge the senior management responsibilities via the Group Executive Board, composed as detailed above.

4.2 Other activities and functions

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange, we disclose mandates and other formal relationships of such senior managers with exchange-listed domestic and foreign companies as well as with domestic and foreign banks and finance companies outside of the Julius Baer Group. Members of the Executive Board do not perform such activities and have no such relationships.

4.3 Management contracts

There are no management contracts between Julius Baer Holding Ltd. and companies (or individuals) outside of the Group.

5. Content and method of determining the compensation and the Equity Participation Programmes (as of 31 December 2008)

Compensation

The compensation of the members of the Board of Directors consists of a base honorarium, dependent on each member's function within this corporate body, and an allotment of Julius Baer Holding Ltd. registered shares and/or options on such registered shares along the parameters of the Long-Term Incentive (LTI) Plan, each year of such member's term. The allotment of such shares and/or options takes place at the time of election and re-election respectively of the member of the Board and is granted for the entire term (usually three years). The shares and options allotted in this way cannot be disposed of until the end of the third year following the grant date and are subject to vesting and forfeiture clauses. Allotments made to the Chairman and, if applicable, a full-time Vice Chairman of the Board of Directors follow the LTI Plan regulations for members of the Executive Board. There is no additional compensation for members of the Board of Directors for attending meetings.

The compensation of members of the Executive Board consists of a base pay, a variable bonus determined annually (with the character of a one-time payment) and/or an allotment of Julius Baer Holding Ltd. registered shares and/or options on such registered shares. Individual bonus allocation is fundamentally contingent on a performance appraisal based on the annually defined goals, guidelines and expectations. The Compensation Committee of the Board of Directors is responsible for determining the compensation (and individual components thereof) of members of the Executive Board.

Equity Participation Programmes

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the Equity Participation Programmes. The programmes described in detail below reflect the situation as of 31 December 2008. The registered shares of Julius Baer Holding Ltd. required for the Equity Participation Programmes are procured in the market. More information on the Equity Participation Programmes is disclosed in Note 28.

Staff Participation Plan

Within the integration and harmonisation process, a newly defined Staff Participation Plan was approved. It came into force on 1 January 2007 and grants the employees – depending on the function level/rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount that is defined every year. Information with regard to the Staff Participation Plan 2008 can be found in Note 28.

Long-Term Incentive Plans

The Long-Term Incentive Plans of the Julius Baer Group are aimed at employees who have a significant influence on the Group's long-term development and financial results as well as at the members of the Board of Directors. The purpose of the Incentive Plans is to strengthen the long-term commitment to the

Group and to foster interdisciplinary teamwork in that the entitled employees are granted Julius Baer Holding Ltd. registered shares and/or options on such registered shares or exceptionally equity instruments of a Julius Baer Group subsidiary, e.g. GAM, whose value depends, among other things, on the long-term success of the organisation as a whole or exceptionally on the long-term success of the respective Julius Baer Group subsidiary.

In line with the objectives of the plans, the shares and/or options are tied to a vesting and forfeiture clause. Only after expiration of the vesting period are employees entitled to the registered shares and/or options, provided that such employees are in ongoing employment with the Julius Baer Group and that all other conditions of the plans are met. The shares and options acquired in this way are subject to a sales restriction period. Until expiration of the vesting period, the Loteco Foundation and the GAM Employee Benefit Trust manage the shares and options that have been allotted to the beneficiaries within the scope of the Long-Term Incentive Plans. The Loteco Foundation and the GAM Employee Benefit Trust hedge their liabilities from the Long-Term Incentive Plans on allocation date through the purchase of the corresponding shares and/or options. The financing of these shares and/or options is carried out by the respective employer companies.

6. Shareholders' participation rights (as of 31 December 2008)

6.1 Voting-rights restrictions and representation

In relation to the company, any person entered in the share register shall be deemed to be a shareholder. Shareholders may represent their shares themselves or have them represented by a third party at the Ordinary Annual General Meeting.

There are no voting-rights restrictions; each share entitles to one vote.

6.2 Statutory quorums

Except where otherwise required by mandatory law or Article 8.14 of the Articles of Incorporation, all resolutions of the Ordinary Annual General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

6.3 Convocation of the Ordinary Annual General Meeting

The convocation of the Ordinary Annual General Meeting complies with the applicable legal regulations. The convocation of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the share capital. The Board of Directors must convene the requested General Meeting within six weeks of receiving the request.

6.4 Agenda

Shareholders who represent shares of a nominal value of CHF 100 000 may demand that matters be put on the agenda. This request must be submitted to the company at least six weeks before the date of the Ordinary Annual General Meeting. The request to convene a meeting and to put a matter on the agenda must be done in writing including the matters to be handled and the proposals.

6.5 Registrations in the share register

In the invitation to the Ordinary Annual General Meeting, the Board of Directors states the applicable record date by which shareholders must be registered in the share register to be eligible to participate and vote at the meeting.

7. Changes of control and defence measures

7.1 Duty to make an offer

There is no corresponding statutory regulation.

7.2 Clauses on changes of control

There are no clauses on changes of control benefiting the members of the Board of Directors and/or the Executive Board and/or other members of management.

8. Auditors

8.1 Duration of mandate and term of office of Head Auditor

In accordance with the Articles of Incorporation, the external auditor must be elected at each Ordinary Annual General Meeting for a term of office of one year. KPMG Ltd has been the statutory external auditor of the Julius Baer Group and Julius Baer Holding Ltd. since the Ordinary Annual General Meeting on 12 April 2006. In accordance with the applicable governance regulations, Daniel Senn serves as the Lead Auditor.

8.2 Auditing fees

The Julius Baer Group paid KPMG Ltd auditing fees totalling CHF 6.4 million in the 2008 financial year. The previous year, the auditing fees totalled CHF 4.8 million.

8.3 Additional fees

For additional services such as tax counselling, the Julius Baer Group paid KPMG Ltd fees totalling CHF 2.2 million during the 2008 financial year. The previous year, the additional fees totalled CHF 0.8 million.

8.4 Supervisory and control instruments vis-à-vis the auditors

The Audit Committee of the Board of Directors confers regularly with the Head Auditor of KPMG Ltd about the effectiveness of the internal control systems in view of the risk profile of the Group. In addition to this, it reviews the scope of the auditing work, the quality of the work and the independence of the external auditors. The external auditors have direct access to the Audit Committee at all times.

9. Information policy

Julius Baer Holding Ltd. informs its shareholders and the public each year by means of the Annual and Half-year Reports. It provides a summary account of the business performance for the periods from the beginning of the year to the middle of the first semester and the middle of the second semester, respectively, in a separate Interim Management Statement. It also publishes press releases, presentations and brochures as needed. The documents are generally available to the public in electronic form at www.juliusbaer.com as well as in print form.

Important dates

8 April 2009	Ordinary Annual General Meeting, Zurich
15 April 2009	Ex-dividend date
12 May 2009	Interim Management Statement
22 July 2009	Release of half-year results, Zurich

Additional information events are held regularly and as needed in Switzerland and abroad.

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Financial Report

Financial Report Group 2008

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Consolidated income statement

	Note	2008 CHF 1000	2007 CHF 1000	Change %
Interest income		1 102 432	1 058 468	4.2
Interest expense		623 789	735 547	-15.2
Net interest income	1	478 643	322 921	48.2
Fee and commission income		2 783 062	3 401 422	-18.2
Commission expense		582 427	649 205	-10.3
Net fee and commission income	2	2 200 635	2 752 217	-20.0
Net trading income	3	352 855	298 213	18.3
Other ordinary results	4	-93 564	73 104	-
Operating income		2 938 569	3 446 455	-14.7
Personnel expenses	5	1 292 152	1 429 362	-9.6
General expenses	6	527 180	552 437	-4.6
Depreciation of property and equipment	13	36 057	28 602	26.1
Amortisation of customer relationships	13	176 362	175 797	0.3
Amortisation of other intangible assets	13	20 827	15 255	36.5
Operating expenses		2 052 578	2 201 453	-6.8
Profit before taxes		885 991	1 245 002	-28.8
Income taxes	7	224 453	305 181	-26.5
Net profit		661 538	939 821	-29.6
Attributable to:				
Shareholders of Julius Baer Holding Ltd.		661 246	939 821	-29.6
Non-controlling interests		292	-	-
		661 538	939 821	-29.6
	Note	2008 CHF	2007 CHF	Change %
Share information				
Basic net profit per registered share	9	3.19	4.36	-26.8
Diluted net profit per registered share	9	3.15	4.23	-25.5

Consolidated statement of comprehensive income

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>
Net profit recognised in the income statement	661 538	939 821
Other comprehensive income (net of taxes):		
Net unrealised gains/(losses) on financial investments available-for-sale	-170 424	-31 814
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	30 207	-18 631
Hedging reserve for cash flow hedges	-4 572	755
Translation differences	-87 410	-32 506
Realised (gains)/losses on translation differences reclassified to the income statement	-	-884
Other comprehensive income for the year recognised directly in equity	-232 199	-83 080
Total comprehensive income for the year recognised in the income statement and in equity	429 339	856 741
Attributable to:		
Shareholders of Julius Baer Holding Ltd.	429 047	856 741
Non-controlling interests	292	-
	429 339	856 741

Consolidated balance sheet

	Note	31.12.2008 CHF 1000	31.12.2007 CHF 1000	Change CHF 1000
Assets				
Cash		1 987 643	162 542	1 825 101
Due from banks	10	8 862 608	12 086 676	-3 224 068
Loans	10	9 702 767	12 160 212	-2 457 445
Trading assets	11	1 269 144	2 644 874	-1 375 730
Derivative financial instruments	24	5 950 564	3 581 732	2 368 832
Financial assets designated at fair value	16	378 399	-	378 399
Financial investments available-for-sale	12	12 528 497	10 389 265	2 139 232
Investments in associates		-	1 095	-1 095
Property and equipment	13	363 581	355 589	7 992
Goodwill and other intangible assets	13	4 579 798	4 704 359	-124 561
Accrued income and prepaid expenses		384 932	616 180	-231 248
Deferred tax assets	18	106 337	102 756	3 581
Other assets		125 727	113 565	12 162
Total assets		46 239 997	46 918 845	-678 848

	Note	31.12.2008 CHF 1000	31.12.2007 CHF 1000	Change CHF 1000
Liabilities and equity				
Due to banks		3 517 270	5 475 463	-1 958 193
Due to customers		25 301 063	24 445 194	855 869
Trading liabilities	11	336 780	470 856	-134 076
Derivative financial instruments	24	6 114 496	3 664 525	2 449 971
Financial liabilities designated at fair value	16	2 510 038	4 096 810	-1 586 772
Debt issued	17	380 653	410 279	-29 626
Accrued expenses and deferred income		993 362	1 232 280	-238 918
Current tax liabilities		50 136	171 071	-120 935
Deferred tax liabilities	18	87 667	79 049	8 618
Provisions	19	37 059	64 989	-27 930
Other liabilities		338 381	389 609	-51 228
Total liabilities		39 666 905	40 500 125	-833 220
Share capital	20	10 552	11 163	-611
Capital reserves		4 930 905	4 930 905	-
Retained earnings		2 238 715	2 799 860	-561 145
Other components of equity		-278 970	-46 771	-232 199
Treasury shares		-329 525	-1 276 582	947 057
Equity attributable to shareholders of Julius Baer Holding Ltd.		6 571 677	6 418 575	153 102
Non-controlling interests		1 415	145	1 270
Total equity		6 573 092	6 418 720	154 372
Total liabilities and equity		46 239 997	46 918 845	-678 848

Consolidated statement of changes in equity

	Share capital ¹ CHF 1000	Capital reserves CHF 1000	Retained earnings ² CHF 1000
At 1 January 2007	11 163	4 930 905	1 961 509
Restatement, change in accounting policy ²	-	-	-10 338
At 1 January 2007, restated	-	-	1 951 171
Other comprehensive income	-	-	939 821
Julius Baer Holding Ltd. dividend	-	-	-111 628
Treasury shares and own equity derivative activity	-	-	20 496
Changes in derivatives on own shares	-	-	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	-	-
At 31 December 2007	11 163	4 930 905	2 799 860
At 1 January 2008	11 163	4 930 905	2 799 860
Other comprehensive income	-	-	661 246
Capital reduction	-611	-	-1 095 448
Julius Baer Holding Ltd. dividend	-	-	-105 517
Treasury shares and own equity derivative activity	-	-	-21 426
Purchase/disposal of non-controlling interests	-	-	-
Changes in derivatives on own shares	-	-	-
Acquisitions of own shares	-	-	-
Disposals of own shares	-	-	-
At 31 December 2008	10 552	4 930 905	2 238 715

¹ See Note 20

² The equity as of 1 January 2007 has been restated to reflect the adoption of the new interpretation IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions.

Other components of equity

Financial investments available-for-sale, net of taxes <i>CHF 1000</i>	Hedging reserve for cash flow hedges, net of taxes <i>CHF 1000</i>	Translation differences <i>CHF 1000</i>	Treasury shares <i>CHF 1000</i>	Equity attributable to shareholders of Julius Baer Holding Ltd. <i>CHF 1000</i>	Non-controlling interests <i>CHF 1000</i>	Total equity <i>CHF 1000</i>
18 084	-371	18 596	-76 083	6 863 803	145	6 863 948
-	-	-	-	-10 338	-	-10 338
-	-	-	-	6 853 465	-	6 853 610
-50 445	755	-33 390	-	856 741	-	856 741
-	-	-	-	-111 628	-	-111 628
-	-	-	-	20 496	-	20 496
-	-	-	31 562	31 562	-	31 562
-	-	-	-1 873 376	-1 873 376	-	-1 873 376
-	-	-	641 315	641 315	-	641 315
-32 361	384	-14 794	-1 276 582	6 418 575	145	6 418 720
-32 361	384	-14 794	-1 276 582	6 418 575	145	6 418 720
-140 217	-4 572	-87 410	-	429 047	292	429 339
-	-	-	1 096 059	-	-	-
-	-	-	-	-105 517	-	-105 517
-	-	-	-	-21 426	-	-21 426
-	-	-	-	-	978	978
-	-	-	-50 496	-50 496	-	-50 496
-	-	-	-1 020 640	-1 020 640	-	-1 020 640
-	-	-	922 134	922 134	-	922 134
-172 578	-4 188	-102 204	-329 525	6 571 677	1 415	6 573 092

Consolidated statement of cash flows

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>
Net profit (including non-controlling interests)	661 538	939 821
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
- Depreciation of property and equipment	36 057	28 602
- Amortisation of goodwill and other intangible assets	197 189	191 052
- Allowance for credit losses	17 770	3 202
- Income from investment in associates	-	-189
- Deferred tax expense/(benefit)	283	-40 830
- Net loss/(gain) from investing activities	117 902	-
- Other non-cash income and expenses	55 596	54 838
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	2 187 507	-444 984
- Trading portfolios and derivative financial instruments	1 318 221	-285 022
- Loans/due to customers	3 301 783	2 252 807
- Accrued income, prepaid expenses and other assets	219 086	-80 018
- Accrued expenses, deferred income, other liabilities and provisions	-313 609	587 042
Adjustment for income tax expenses	224 170	346 011
Income taxes paid	-344 468	-312 466
Cash flow from operating activities after taxes	7 679 025	3 239 866
Disposal and dividend of associates	1 726	90
Purchase of property and equipment and intangible assets	-121 738	-89 641
Disposal of property and equipment and intangible assets	63	1 660
Net (investment in)/divestment of financial investments available-for-sale	-200 331	-56 573
Acquisition of subsidiaries, net of cash acquired	-	-7 542
Cash flow from investing activities	-320 280	-152 006
Net money market instruments issued/(repaid)	-30 067	28 335
Net movements in treasury shares and own equity derivative activity	-226 748	-1 230 029
Dividend payments	-105 517	-111 628
Issuance of long-term debt, including financial liabilities designated at fair value	441	718 768
Repayment of long-term debt, including financial liabilities designated at fair value	-1 965 171	-124 489
Increase in non-controlling interests	978	-
Cash flow from financing activities	-2 326 084	-719 043
Total	5 032 661	2 368 817
Cash and cash equivalents at beginning of the year	12 719 069	10 372 171
Cash flow from operating activities after taxes	7 679 025	3 239 866
Cash flow from investing activities	-320 280	-152 006
Cash flow from financing activities	-2 326 084	-719 043
Effects of exchange rate changes	195 982	-21 919
Cash and cash equivalents at the end of the year	17 947 712	12 719 069

Cash and cash equivalents are structured as follows:

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>
Cash	1 987 643	162 542
Money market instruments	8 137 989	5 644 138
Due from banks (original maturity of less than three months)	7 822 080	6 912 389
Total	17 947 712	12 719 069

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>
Additional information		
Interest received	1 067 995	1 022 348
Interest paid	-676 406	-678 680
Dividends on equities (including associates) received	36 195	33 727
Total	427 784	377 395

Summary of significant accounting policies

Basis of accounting

Julius Baer Holding Ltd. is a Swiss corporation. The consolidated financial statements as of 31 December 2008 comprise those of Julius Baer Holding Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 3 February 2009. In addition, they must be approved by the Ordinary Annual General Meeting on 8 April 2009.

Amounts in the annual financial statements are stated in Swiss francs. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets at fair value through profit or loss, derivative financial instruments and financial investments available-for-sale, as well as certain financial liabilities, which are measured at fair value.

Use of estimates in preparing the consolidated financial statements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results in future periods could differ from such estimates.

Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are discussed in the corresponding notes: determining fair values of financial instruments, provisions and valuation allowances, pension liabilities, deferred tax assets, share-based payments, goodwill and other intangible assets.

Consolidation policies

Subsidiaries

Companies in which Julius Baer Holding Ltd. directly or indirectly owns a majority of the voting stock or in which it exercises control in some other way are fully consolidated. A complete list of these companies is provided in Note 26. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

Associates

Companies in which Julius Baer Holding Ltd. holds between 20% and 50% of the voting stock and/or in which it has the ability to exercise significant influence are reported in the consolidated financial statements using the equity method. These companies are initially recorded at cost as of the date of acquisition. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the associate's profits or losses.

Intercompany transactions

The effects of all intercompany transactions and balances are eliminated on consolidation.

Foreign currency translation

The Group companies prepare their financial statements in the respective functional currency. The balance sheets of Group companies that are denominated in foreign currencies are translated into Swiss francs at the closing exchange rates on the balance sheet date. Average exchange rates for the year are used for the income statements. Exchange differences arising from consolidation using closing and average exchange rates for the year are recognised in other comprehensive income.

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the exchange rate

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2008	31.12.2007	2008	2007
USD/CHF	1.0644	1.1321	1.0780	1.1955
EUR/CHF	1.4796	1.6553	1.5780	1.6465
GBP/CHF	1.5303	2.2537	1.9760	2.3975

on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses. Unrealised exchange differences on equity securities available-for-sale are a component of the change in their entire fair value and are recognised in other comprehensive income.

Accounting policies

All Group companies apply the same accounting and valuation principles, which remained the same as in the previous year, except as outlined at the end of this summary of significant accounting policies.

Reporting of transactions

Money market transactions are recorded on the balance sheet on settlement date. Spot foreign exchange and securities transactions and securities underwriting transactions are recorded on the balance sheet on trade date. According to IAS 39, all financial instruments shall be assigned to one of the four categories (“loans and receivables”, “held-to-maturity investments”, “financial assets and financial liabilities at fair value through profit or loss”, and “available-for-sale financial assets”) and uniformly recognised within these categories on trade date or settlement date.

Income recognition

Income from services is recognised at the time the service is performed, i.e. upon execution of a transaction or in the corresponding periods over the life of a contract. Income and income components that are based on performance are recognised at the time in which all performance criteria are fulfilled.

Cash

Cash includes notes and coins on hand, as well as balances held with central banks.

Due from banks and loans

Amounts due from banks and loans are initially recognised at fair value, which is the cash given to originate the receivable or loan, plus any attributable transaction costs. Subsequently, these receivables and loans are measured at their amortised cost using the effective interest method.

Loans and amounts due from banks for which it is probable that, based on current information and events, the Group will be unable to collect the whole amounts due according to the original contractual terms of the loan agreement, are valued on an individual basis, and specific valuation allowances are established for impaired amounts, if necessary. Related collaterals are also included in the evaluation.

Loans are classified as non-performing no later than when the contractual payments of capital and/or interest are more than 90 days past due. Furthermore, there is no firm evidence that such loans will improve by later payments or the liquidation of collateral, or insolvency proceedings have commenced, or loans have been restructured on concessionary terms.

Impairment is measured and valuation allowances are established for the difference between the carrying amount of the loan and its estimated recoverable

amount, taking into account the counterparty risk and the net proceeds from the possible liquidation of any collateral. The recoverable amount equals the present value of estimated future cash flows discounted at the loan's original effective interest rate. The valuation allowance is recognised through the income statement.

A write-off is made against the established specific valuation allowance when all or part of a loan is deemed uncollectible or forgiven. Recoveries of amounts that were previously written off are credited directly to the income statement.

In addition to the specific valuation allowances, valuation allowances are established to account for inherent credit risks collectively, i.e. on a portfolio basis. These collective valuation allowances are calculated on the basis of prudently estimated default rates for each portfolio, which are based on internal credit ratings and are used for classifying the loans.

In the balance sheet, the valuation allowances are offset against the corresponding loans and amounts due from banks.

Impaired loans are rated as fully recoverable if the creditworthiness has improved such that there is a reasonable assurance of timely collection of principal and interest according to the original contractual terms.

Securities lending and borrowing transactions

Securities borrowed as well as securities received by the Group as collateral under securities lending transactions are only recorded in the balance sheet if the Group obtains control of the contractual rights (risks and rewards of ownership) associated with these securities. Similarly, securities lent as well as securities provided by the Group as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Group relinquishes control of the contractual rights associated with these

securities. Securities lent and securities provided as collateral that remain in the balance sheet are remeasured according to the respective position they are recorded in. The fair values of securities received or provided are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

If securities are transferred in a securities lending or borrowing transaction, cash collateral received is recognised as an obligation, and cash collateral provided is recognised as a receivable.

Fees received or paid in connection with securities lending and borrowing transactions are recognised as commission income or commission expenses according to the accrual method.

Repurchase and reverse repurchase transactions

Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and are recorded at the value of the cash collateral provided or received.

Securities received and securities delivered are only recorded in the balance sheet or derecognised from the balance sheet if control of the contractual rights (risks and rewards of ownership) associated with these securities is relinquished as well. The fair values of the securities received or delivered are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Interest income from reverse repurchase transactions and interest expenses from repurchase transactions are accrued in the corresponding periods over the life of the underlying transactions in the respective interest positions.

Trading assets/liabilities

All trading positions are recognised at fair value. Realised gains and losses on disposal or redemption

and unrealised gains and losses from changes in the fair value are recognised in net trading income.

Interest and dividend income and interest expense from trading positions are included in net interest income.

Financial assets and liabilities designated at fair value

Financial assets and liabilities may be initially designated as at fair value through profit or loss (fair value option) if one of the following conditions is met:

- a) they are hybrid instruments which consist of a debt host and an embedded derivative component;
- b) they are part of a portfolio which is risk-managed on a fair value basis; or
- c) the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise.

The Group measures its issued financial instruments, i.e. its structured products containing a debt instrument and an embedded derivative, at fair value, with changes in fair value recognised in net trading income, thus eliminating the requirement to account for the embedded derivative and its host contract separately.

In addition, the Group reports assets and liabilities related to investment contracts where the beneficiary bears all the related risk and rewards from the investments, as designated at fair value.

Derivative financial instruments and hedging

Derivative financial instruments held for trading, including foreign exchange products, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (written options as well as purchased options), are recognised at fair value. In order to calculate the fair

value, corresponding stock exchange prices, discounted cash flow models and options pricing models are employed. Derivatives are reported as an asset position if their fair value is positive and as a liability position if their fair value is negative. Changes in fair value on trading positions are recognised in net trading income.

The Group uses derivative financial instruments for hedging the cash flows (cash flow hedges) or fair values (fair value hedges) when transactions meet the specified criteria to obtain hedge accounting treatment. Derivatives categorised as serving such purposes on their settlement date are treated as hedging instruments in the financial statements if they fulfil the following criteria:

- a) existence of documentation that specifies the underlying transaction (balance sheet item or cash flow), the hedging instrument as well as the hedging strategy/relationship;
- b) effective and reliably measurable elimination of the hedged risks through the hedging transaction during the entire reporting period;
- c) sustained high effectiveness of the hedging transaction. A hedge is regarded as highly effective if actual results are within a range of 80% to 125%; and
- d) high probability of the underlying forecast transaction.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and reported as hedging reserve for cash flow hedges. If the probable forecast transaction results in the recognition of a non-financial asset or non-financial liability, any gain or loss on the hedging instrument that was previously recognised in other components of equity is removed from that position and is included in the initial cost of

the acquired non-financial asset or liability. If a hedge of a probable forecast transaction results in the recognition of a financial asset or financial liability, any gain or loss on the hedging instrument that was previously recognised in other components of equity is reclassified into the income statement in the same period in which the financial asset or liability affects income. If the hedged forecast transaction results in direct recognition through the income statement, any related cumulative gain or loss previously recognised in other components of equity is recognised in the income statement in the same period in which the hedged forecast transaction affects income.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. The changes in the fair value of the hedged item that are attributable to the risk hedged with the derivative are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement.

Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Group. However, in view of the strict and specific guidelines of IFRS, they do not fulfil the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as trading positions. Changes in fair value are recognised directly in the income statement in the corresponding period.

Financial investments available-for-sale

Security positions, including money market instruments, which are not held for trading purposes are reported as debt and equity securities available-for-sale and are recognised at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in other components of equity until the security is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in other components of equity is recognised in the income statement in other ordinary results.

Equity securities are deemed impaired if there has been a significant or prolonged decline of fair value below the initial cost. A debt instrument is deemed impaired if the creditworthiness of the issuer significantly deteriorates or if there are other indications that an event has a negative impact on the future estimated cash flows related to the debt instrument, i.e. if it is likely that the amount due according to the contractual terms cannot be entirely collected.

Interest on debt securities is accrued using the effective interest method and, together with dividend income on equity securities, recognised in interest income.

Property and equipment

Property and equipment includes bank premises, IT, communication systems, leasehold improvements as well as other installations and equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. Installations are depreciated over a period not exceeding ten years, IT hardware over three years and other items of property and equipment over five years.

Leasehold improvements are investments made to customise buildings and offices occupied under operating lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a provision for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement

through depreciation of the capitalised leasehold improvements over their useful life.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that the Group will profit from the future economic benefits of the investment. Current maintenance and servicing costs are expensed through the income statement.

On each balance sheet date, the items of property and equipment are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the item is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

Leasing

Under operating leasing, leased assets are not recognised on the balance sheet, as the rights and responsibilities of ownership remain with the lessor. Lease payments for operating leases are recognised through the item general expenses in the income statement over the lease term on a straight-line basis.

Intangible assets

Intangible assets are classified into the following categories:

Goodwill: The assets, liabilities and contingent liabilities of acquired subsidiaries are revalued at the acquisition date. The resulting fair value of the identifiable assets, liabilities and contingent liabilities is set off against the purchase price paid, and any resulting difference is recognised in the balance sheet as goodwill. Goodwill is not amortised; it is tested for impairment annually at the cash-generating-unit level and a write-off is made if the recoverable amount is less than its carrying amount.

Customer relationships: This position comprises long-term customer relationship intangibles from recent business combinations. Customer relationships are

amortised over their estimated useful life not exceeding ten years using the straight-line method.

Brand: The Group considers the capitalised brand to have an indefinite useful life. It is therefore not amortised, but tested for impairment and confirmation of its indefinite status on an annual basis.

Software: The Group capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised using the straight-line method over its useful life, usually not exceeding three to five years.

On each balance sheet date, the intangible assets with a finite life are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the intangible assets is fully recoverable and a write-down is made if the carrying amount exceeds the recoverable amount.

Due to banks and customers

Amounts due to banks and customers are initially recognised at fair value less directly attributable transaction costs and subsequently reported at amortised cost. Interest and discounts are debited to interest expenses on an accrual basis, using the effective interest method.

Debt issued

Issued bonds are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs. They are subsequently reported in the balance sheet at amortised cost using the effective interest method.

Own bonds that the Group holds as a result of market-making activities or for resale in the near term are treated as redemption and therefore are extinguished.

Provisions

A provision is recognised if, as a result of a past event, the Group has a legal or constructive obligation existing on the balance sheet date that will probably lead to an outflow of resources and whose amount can be reliably estimated. If an outflow of resources is not likely or the amount of the liability cannot be reliably estimated, a contingent liability is disclosed in the off-balance-sheet transactions. If, as a result of a past event, there is a possible liability on the balance sheet date whose existence depends on future developments that are not fully under the control of the Group, a contingent liability is likewise disclosed. The recognition and release of provisions are recorded in the income statement through general expenses.

Restructuring provisions in the event of sale or termination of a line of business, closure or relocation of business locations, changes in management structure or another fundamental reorganisation are recognised if a constructive obligation is incurred and a detailed and formal restructuring plan exists. In addition, the implementation must have begun or the announcement of the main features to the employees affected must have taken place before the balance sheet date.

Restructuring provisions include only necessary direct expenditures caused by the restructuring, not costs associated with the ongoing business activities.

Income taxes

Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account using the balance sheet liability method for the expected future tax consequences of all temporary differences (timing differences) be-

tween the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which those differences or loss carryforwards can be offset.

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets will be realised, or the tax liabilities settled, based on the expected tax rate.

Current tax assets and tax liabilities are offset against each other when they refer to the same taxable entity, concern the same tax authority, and an enforceable right to offset exists. The same rule applies to deferred tax assets and liabilities.

Current and deferred taxes are credited or charged directly to equity if the taxes refer to items that are credited or charged directly to other components of equity.

Post-employment benefits

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions but do not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plans are treated as defined benefit pension plans.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. These are managed by a board of trustees consisting of representatives of the employees and the employer. The organisation, management and financing of the pension plans comply with the legal requirements,

the foundation charters and the applicable pension regulations. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the company or retiring as well as in the event of death or invalidity. These benefits are financed through employer and employee contributions.

In the case of defined benefit pension plans, the pension expenses and obligations are valued according to the projected unit credit method. The corresponding calculations are carried out by independent qualified actuaries.

The pension expenses recognised in the income statement for the defined benefit pension plans correspond to the actuarially determined expenses minus the employee contributions and are recorded as personnel expenses.

Actuarial gains and losses in excess of 10% of the greater of the present value of the plan obligation or the fair value of plan assets are systematically amortised through the income statement over the expected average remaining service lives of employees participating in the plan.

In the case of defined contribution pension plans, the contributions are expensed when the employees render the corresponding service to the Group, which normally occurs in the same period in which the contributions are paid.

Defined benefit assets are only recognised in the balance sheet if they are available to the Group as refunds or future reductions in contributions.

Share-based payments

The Group maintains various share-based payment plans in the form of share or share option plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel

expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period are expensed over the respective service period.

Share-based payment plans that are settled in own equity instruments (shares or options) result in a corresponding increase in equity and are not remeasured for subsequent changes in the fair value of the underlying equity instruments. Share-based payment plans that are settled by the payment of cash are recognised as a liability and are adjusted for changes in fair value of the underlying equity instruments until final settlement through the income statement.

Share capital

The share capital comprises all issued, fully paid registered shares of Julius Baer Holding Ltd.

Capital reserves

Capital reserves represent the additional proceeds (premium) received from the issue of shares by Julius Baer Holding Ltd. and from the exercise of conversion rights and warrants on Julius Baer Holding Ltd.

Treasury shares and contracts on treasury shares

Shares of Julius Baer Holding Ltd. held by the Group are classified in equity as treasury shares and accounted for at weighted average cost. The difference between the proceeds from sales of treasury shares and their cost (net of taxes, if any) is recognised in retained earnings.

Contracts on shares of Julius Baer Holding Ltd. that require settlement in a fixed number of shares for a fixed amount are recognised in retained earnings. Upon settlement of such contracts, the proceeds received (net of costs and any taxes) are also recognised in retained earnings.

Contracts on shares of Julius Baer Holding Ltd. that must be net settled in cash or that offer a choice of settlement methods are treated as derivative instruments, with changes in fair value recognised in net trading income.

For physically settled written put option contracts the discounted strike price is deducted from equity and recorded as a liability at recognition. The liability is subsequently increased during the term of the contract up to the strike price using the effective interest method. Upon settlement of the contract the liability is derecognised.

Earnings per share

Basic consolidated earnings per share is calculated by dividing the net profit for the reporting period attributable to shareholders of Julius Baer Holding Ltd. by the weighted average number of shares outstanding during the period.

Diluted consolidated earnings per share is calculated using the same method as for basic consolidated earnings per share, with the determinants adjusted to reflect the potential dilution that could occur if outstanding options, warrants, convertible debt securities or other contracts to issue shares were converted or exercised into shares.

Segment reporting

The Group comprises the two segments Bank Julius Baer and Asset Management, which reflect the Group's organisation, management and internal reporting structure and are primarily based on the product and services provided to its clients. In addition, Group Functions is responsible for the typical corporate functions, such as corporate governance, finance and control functions. Direct income and expenses are assigned to the segments based on the principle of accountability. Assets, liabilities, income and expenses that are not directly connected with the segments are attributed to Group Functions. Indirect costs for internal service relationships

between the segments are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary.

Changes in accounting policies

The Group applied the following new and revised accounting standards for the first time in 2008:

IAS 1 – Presentation of Financial Statements

This revised standard, which has been early adopted by the Group, affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

IAS 39 – Financial Instruments: Recognition and Measurement; and

IFRS 7 – Financial Instruments: Disclosures

These amendments permit, under certain circumstances, financial assets to be reclassified out of trading asset into a) financial investments available-for-sale if the financial asset is no longer held for the purpose of selling it in the near term; or b) into loans if the Group has the intent and ability to hold the financial assets for the foreseeable future or until maturity. For any reclassification made before 1 November 2008 the Group is permitted to use fair values as at 1 July 2008 or a later date. See Note 11 for the impact of the amendments on the Group's financial statements.

IFRS 8 – Operating Segments

This new standard, which has been early adopted by the Group, replaces the existing requirements of IAS 14 – Segment Reporting. The new standard governs the disclosure of information on the level of business segments regarding the manner and the financial impact of the business operations, as well as information about the economic environment in

which the entity operates. This new standard had no impact on the Group's financial statements.

IFRIC 11 – Group and Treasury Share Transactions

This interpretation provides accounting guidance related to certain share-based payment transactions which were not specifically provided for in IFRS 2, Share-based Payment. This includes transactions where a subsidiary grants rights to shares of its parent to its employees, or where the parent grants rights to its shares directly to the employees of its subsidiary. This new interpretation had no impact on the Group's financial statements.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions

This interpretation provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. See Note 22 for the impact of this new interpretation on the Group's financial statements.

New standards and interpretations not yet adopted

Certain new standards, revisions and interpretations of existing standards were published that must be applied in future financial years. The Group chooses not to adopt these in advance. These changes are not expected to have any significant impact on the Group's consolidated financial statements.

The following standards, revisions and interpretations will be relevant to the Group:

IAS 32 – Financial Instruments: Presentation; and IAS 1 – Presentation of Financial Statements

The IAS 32 amendment clarifies under which circumstances puttable financial instruments and obligations arising on liquidations have to be treated as equity instruments. The amendment to IAS 1 requires

additional information about puttable financial instruments and obligations arising on liquidations which have to be treated as equity instruments. The amendments will require that some financial instruments currently meeting the definition of a financial liability be classified as equity because they represent the residual interest in the net assets of the entity. The amended standards will be applicable as of 1 January 2009.

Eligible Hedged Items (Amendment to IAS 39 Financial Instruments: Recognition and Measurement)

The amendment provides clarification on two issues in relation to hedge accounting: a) inflation can only be designated as a hedged risk or portion if it is a contractually specified portion of the cash flows (for example, in an inflation-linked bond where the inflation feature is not a separable embedded derivative); and b) the time value of a purchased option used as a hedging instrument is not a risk or portion present in a hedged item and would cause ineffectiveness if the entire option is designated. The amendments will be applicable as of 1 July 2009.

IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations

This revised standard amends the definition of service conditions and performance conditions in share-based payment arrangements. In addition, it adds guidance regarding taking into account vesting and non-vesting conditions in determining the fair value of equity instruments granted. Finally, it also provides explicit guidance regarding the cancellation of share-based payment arrangements. The revised standard will be applicable as of 1 January 2009.

IFRS 3 – Business Combinations; and IAS 27 – Consolidated and Separate Financial Statements

The revised standards improve the relevance, reliability and comparability of the information provided in the Group's financial statements about business combinations and their effects, as well as the information that a parent provides in its separate financial state-

ments and in its consolidated financial statements for a group of entities under its control. The main changes to the previous standards include the greater use of fair value, the focusing on changes in control as a significant economic event, or greater emphasis on what is given to the vendor as consideration rather than what is spent to achieve the acquisition. The revised standards will be applicable as of 1 July 2009.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The interpretation adds guidance regarding which foreign currency risks qualify for hedge accounting, and what amount can be designated; where within the Group the hedging instrument can be held; and what amount should be reclassified to the income statement when the foreign operation is disposed of. The new interpretation will be applicable as of 1 January 2009.

Improvements to IFRSs

A number of amendments to several standards are included in the IASB's Annual Improvement Project. The amendments will be applicable as of 1 January 2009.

Comment on risk and capital management

1. Risk management framework and process

Risk types

Risk is defined as a negative deviation from an expected outcome. Risk management is a business enabler and therefore a key focus of the management process of the Julius Baer Group (Group). The Group is exposed to various risks:

- Strategic and business risk
- Credit risk
- Market risk
- Liquidity and financing risk
- Operational risk (including legal, compliance and personnel risk)
- Reputational risk

The risk control framework comprises both qualitative elements, including policies and authorities, and quantitative components including limits. It is continually adapted and enhanced as the Group's business mix and the market environment change.

Risk governance

The Board of Directors of Julius Baer Holding Ltd. defines and regularly reviews appropriate risk policies to ensure effective management of the risks of the Group and to ensure suitable processes. The risk categories and the risk management processes as well as a common risk language for the Group are laid down in the Group Risk Policy. Specific theme related Group Policies are defined for particular risk categories. The overall responsibility for the implementation of the Group's risk management lies with the respective member of the Executive Board of Julius Baer Holding Ltd., the Group Chief Risk Officer (CRO). He is responsible for the controlling of credit risk, market risk (trading book and banking book), liquidity and financing risk (banking book) and of operational risk (excluding legal and compliance risk). He coordinates his activities with the Group General Counsel, who as a member of the Executive Board of Julius Baer Holding Ltd. is responsible for the control-

ling of legal and compliance risk. In addition the CRO coordinates his activities with the Chief Financial Officer (CFO), who is responsible for balance sheet management, capital management and the maintenance of sound capital ratios, i.e. the quota between eligible capital and risk-weighted positions.

The CRO and the Group General Counsel establish appropriate risk guidelines and policies, coordinate and contribute directly to the risk management of the business areas and ensure an independent risk controlling. The types of risks arising in the business areas differ in nature and characteristics due to the different business models. Therefore the risk management framework is tailored to the specific needs of each business area to most efficiently match the requirements.

The Chairman's Committee of Bank Julius Baer or the Board of Directors of GAM respectively is responsible for

- setting the standards and methodologies for risk control with regard to risks other than operational risk (including legal and compliance risk) which are employed to comply with the principles and risk profile adopted by the Board of Directors of Julius Baer Holding Ltd. or other relevant supervisory or managing bodies;
- the determination, coordination and review of risk limits;
- reviewing policies with regard to other risks than operational risk (including legal and compliance risk);
- authorising market, credit and financial risks, including in particular loans granted to executives of the Bank (members of the Board of Directors and of the Executive Board) and/or affiliated entities and closely related individuals.

The Audit Committee of Bank Julius Baer or the Board of Directors of GAM respectively is responsible for

the examination and oversight of operational risk including legal and compliance risk within their respective business areas and the review of the Operational Risk Policy.

The risk-related work is based on the “risk landscape” formulated in accordance with the Group Risk Policy.

The Risk Committee of the Executive Board of Bank Julius Baer or the Executive Board of GAM respectively is responsible to monitor and supervise market, liquidity and financing as well as operational risks.

Therefore the main tasks are as follows:

- to develop policies governing market, liquidity, financing and operational risk
- to pass resolutions of market risk limits and other limits within its authorisation
- to review risk reports

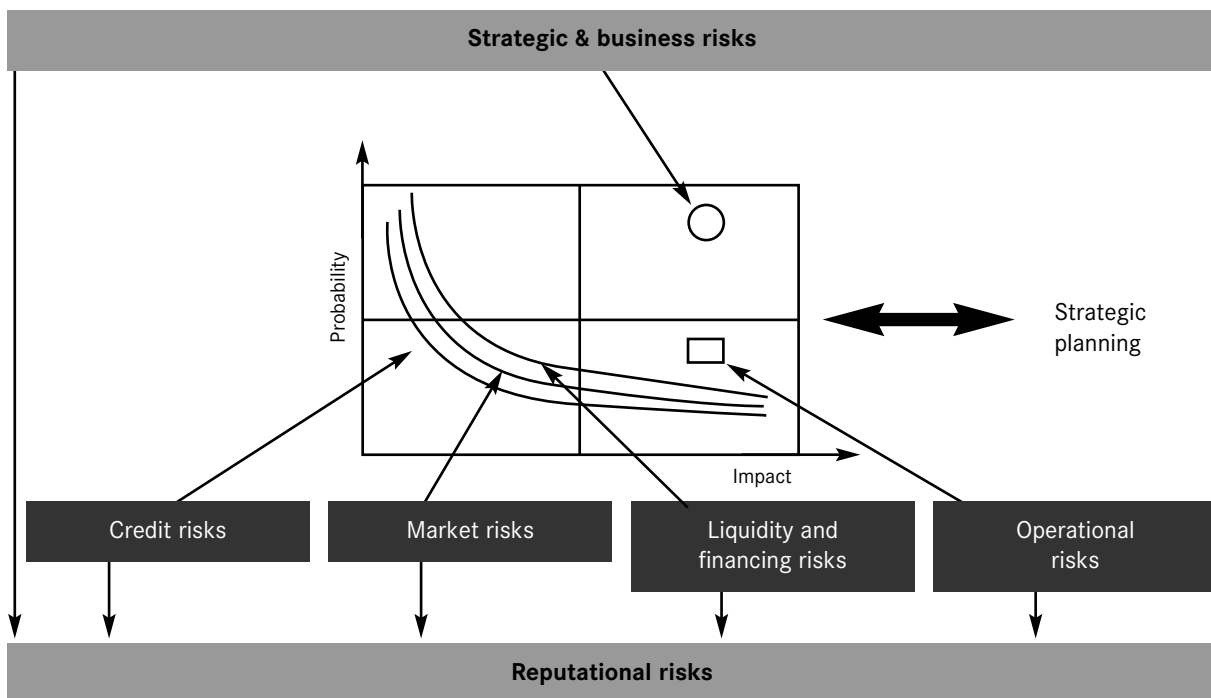
The Credit Committee of the Executive Board of Bank Julius Baer or the Executive Board of GAM respectively is responsible to monitor and supervise credit risk.

Therefore the main tasks are as follows:

- to develop policies governing credit risk
- to pass resolutions of credit business and credit limits within its authorisation
- to delegate credit authority
- to review credit risk reports

The main responsibility for risk management, however, lies with the business areas. All risks are mapped to a risk landscape featuring the probability of occurrence and the potential impact and are managed by the business areas. The risk landscape is also used for the yearly strategic planning process by the business areas, the Executive Board and the Board of Directors of Julius Baer Holding Ltd.

Risk landscape: illustrative diagram



2. Challenges in 2008

2008 was marked by a number of special events, some with major and some with minor consequences for the financial markets. The key development was the unexpected heightening of the financial crisis. What began as an increase in delinquencies by borrowers in the US subprime mortgage market gave rise to an unforeseen worldwide financial crisis, the effects of which were increasingly visible in the real economy as 2008 drew to a close. Against this backdrop, several major international financial firms went bankrupt or were taken over. The accompanying crisis of confidence exacerbated the situation. Ultimately, the governments of leading economic powers felt compelled to stabilise the financial system by issuing guarantees for, buying assets from, and even nationalising troubled financial institutions. At present, neither the exact consequences nor the end of this crisis are foreseeable. These events were accompanied by highly volatile financial markets, which further fuelled the uncertainty. Due to the flight of investors into high-quality securities, credit spreads widened to record levels. As a result, the prices of debt instruments collapsed and fixed income markets dried up with the exception of government debt. The provision of liquidity by the various central banks to ensure sufficient credit flow within the financial system led to very low interest rate levels once more as the second half of the year came to an end. Given the fears that the global economy might slip into recession, the demand for commodities also fell significantly, resulting in sharp price drops in these markets, as illustrated by the price of oil, which peaked at over USD 140 per barrel during the year and fell to less than USD 50 per barrel in the second half of 2008. Such a combined downturn in essentially every investment segment represents a very unusual situation and an extraordinary challenge for financial institutions.

By consistently executing our very cautious and well-balanced risk strategy as well as maintaining broad

diversification of our asset base, we largely succeeded in protecting the company against direct losses. We supervise our asset positions closely and monitor market developments on a daily basis. Measures deemed necessary, e.g. cancelling or reducing counterparty limits, were implemented in a timely manner. Furthermore, we perform periodical stress tests to elaborate the potential performance of our assets given extreme market conditions. The results from these stress tests are discussed with senior management and are reflected in our risk strategy. We are convinced that our risk management framework makes a key contribution to our company's ability to successfully deal with the present financial crisis. The results achieved thus far reinforce our confidence in this.

3. Strategic and business risk

Following the principles of value- and risk-oriented management and controlling, an annual strategic check-up is carried out and the results are consolidated in a risk landscape. This check-up reviews the probability and impact of potential strategic and business risk and defines mitigating actions. The results are also used as an important input into the strategic planning process and hence influence the rolling three-year plan and finally the annual budgets.

4. Credit risk

Credit or counterparty risk is the risk of non-compliance with an obligation a counterparty owes to the Group. Such non-compliance may result in a loss to the Group.

The Group primarily assumes credit risk with private clients on a collateralised basis. Such credit risk may be composed of lending and derivatives exposure from trading activities in foreign exchange, equity, interest rate and commodity products. Portfolios are analysed and rated individually and an advanceable value is assigned based on the quality of the collat-

Notes

eral and the portfolio's diversification. Limit and exposure monitoring is effected on a daily basis. Most of the collateral is also valued daily.

Furthermore the Group offers trading instruments (e.g. derivative instruments) and deals with banks, brokers and selected non-financial institutions on an unsecured basis. Thereby individual risk limits and settlement limits are approved for each counterparty. Corresponding credit exposures are monitored on a daily basis, and netting agreements and collateral agreements are used to mitigate exposures.

Country limits are established to limit the potential exposure to any country or region.

It is not a policy of the Group to engage in corporate lending activities except for collateralised lending to corporate structures linked to the core private banking business.

The Group's rating concept assigns each exposure to an internal rating category. This applies to both the private clients for the lombard lending and mortgage business as well as for institutional counterparties.

The following tables show the credit risk by domicile and by type of counterparty. Loans to clients are generally granted in the form of lombard credits with broadly diversified collateral. The collateral is not taken into account in these tables.

Credit risk by counterparty domicile

						31.12.2008
	Switzerland <i>CHF m</i>	Europe <i>CHF m</i>	Americas <i>CHF m</i>	Asia/Pacific <i>CHF m</i>	Other <i>CHF m</i>	Total <i>CHF m</i>
Due from banks	1 680	5 933	599	650	1	8 863
Loans	3 071	2 205	3 020	1 213	194	9 703
Financial investments available-for-sale	131	10 252	1 307	488	12	12 190
Derivative financial instruments	1 346	3 679	675	242	9	5 951
Total	6 228	22 069	5 601	2 593	216	36 707

						31.12.2007
	Switzerland <i>CHF m</i>	Europe <i>CHF m</i>	Americas <i>CHF m</i>	Asia/Pacific <i>CHF m</i>	Other <i>CHF m</i>	Total <i>CHF m</i>
Due from banks	940	10 121	449	576	1	12 087
Loans	4 750	2 835	2 980	1 435	160	12 160
Financial investments available-for-sale	254	7 797	1 569	285	35	9 940
Derivative financial instruments	867	2 278	302	128	7	3 582
Total	6 811	23 031	5 300	2 424	203	37 769

Credit risk by counterparty sector

	31.12.2008				
	Government and agencies <i>CHF m</i>	Financial institutions <i>CHF m</i>	Private clients <i>CHF m</i>	Other <i>CHF m</i>	Total <i>CHF m</i>
Due from banks	46	8 817	-	-	8 863
Loans	-	2	9 701	-	9 703
Financial investments available-for-sale	899	9 573	-	1 718	12 190
Derivative financial instruments	-	5 020	931	-	5 951
Total	945	23 412	10 632	1 718	36 707

	31.12.2007				
	Government and agencies <i>CHF m</i>	Financial institutions <i>CHF m</i>	Private clients <i>CHF m</i>	Other <i>CHF m</i>	Total <i>CHF m</i>
Due from banks	-	12 087	-	-	12 087
Loans	-	12	12 148	-	12 160
Financial investments available-for-sale	333	7 765	-	1 842	9 940
Derivative financial instruments	-	2 729	853	-	3 582
Total	333	22 593	13 001	1 842	37 769

Notes

The following table provides an analysis of the Group's exposure to credit risk by credit quality and contains data that is retrieved from the internal Credit Supervision System used for the calculation and monitoring of the Group's exposure to credit risk. Credit exposure is measured against the following two types of limits: a) Risk limits for unsecured credit exposures, which applies mainly to client types banks and brokers, but also includes selected non-financial institutions issuing debt securities; and b) lombard limits for collateralised credit exposures, which relates mainly to private clients.

Credit exposure in the context of this analysis comprises primarily the following elements: Cash exposure (such as advances, account overdrafts, cash balances with correspondent banks, etc.), derivative exposure (replacement value plus add-on), and issuer risk from debt securities in the investment and treasury books of the Group. Not included in the credit exposure analysis are gross exposures from reverse repo and securities lending transactions, as such positions do not create credit exposure due to over-collateralisation on a netted basis, and intraday settlement exposure.

For the purpose of this analysis, cash balances across different accounts are netted against each other for clients with lombard limits. Derivative exposure across different products, accounts and counterparties are netted against each other if an ISDA master netting agreement has been signed (close-out netting).

Exposure to credit risk by credit quality

	31.12.2008 Collateralised CHF m	31.12.2007 Collateralised CHF m	31.12.2008 Unsecured CHF m	31.12.2007 Unsecured CHF m
Neither past due nor impaired	12 182.1	12 717.6	20 306.2	14 296.1
Past due but not impaired	1.3	2.3	-	-
Impaired	65.6	54.8	3.5	-
Balance sheet carrying amount	12 249.0	12 774.7	20 309.7	14 296.1
Neither past due nor impaired				
R1 to R3	9 091.8	10 130.8	19 920.1	13 939.4
R4 to R6 (including temporarily unrated)	3 090.3	2 586.8	386.1	356.7
Total	12 182.1	12 717.6	20 306.2	14 296.1
Past due but not impaired				
R7	1.3	2.0	-	-
Total	1.3	2.0	-	-
<i>Collateral held or credit enhancement available</i>	<i>1.3</i>	<i>2.4</i>	<i>-</i>	<i>-</i>
Impaired				
R8	55.5	54.5	-	-
R9 to R10	10.1	0.3	3.5	-
Total	65.6	54.8	3.5	-
<i>Collateral held or credit enhancement available</i>	<i>30.3</i>	<i>31.7</i>	<i>-</i>	<i>-</i>
Allowances				
Specific valuation allowances	37.3	24.3	3.5	-
Collective valuation allowances	17.1	14.2	2.7	1.5
Total	54.4	38.5	6.2	1.5

The internal credit ratings R1–R10 form the basis for calculating allowances for credit losses. Loans, receivables and other exposures are allocated to one of the ten rating classes. In the case of balances in rating classes R1–R6, the balances are being serviced, the advance rate of collateral is appropriate, and the repayment of the balance is not doubtful. For these exposures, no specific allowances for credit losses are established. Balances in rating class R7 are past due, but the exposure is still covered by collateral and allowances are only established for past due interests. For balances in rating class R8, specific allowances for credit losses are established provided that it is more likely than not that a loss could arise. The credit risks of rating classes R9 and R10 are very high, and specific allowances for credit losses are established for balances in these rating classes.

The following table shows the Group's maximum exposure to credit risk as of the balance sheet date, which represents the exposure in the event of other parties failing to perform their obligations, without taking account of any collateral held or other credit enhancements. For financial assets, these exposures are typically the gross carrying amount, net of any amounts offset on the balance sheet or any impairment losses recognised.

Maximum exposure to credit risk

	31.12.2008	31.12.2007
	Gross maximum exposure CHF m	Gross maximum exposure CHF m
Cash (excluding cash on hand)	1 952.6	121.4
Due from banks	8 862.6	12 086.7
Loans	9 702.8	12 160.2
Trading assets	276.9	92.2
Derivative financial instruments	5 950.6	3 581.7
Financial investments available-for-sale	12 190.0	9 940.1
Other assets	374.9	612.9
Total maximum exposure to credit risk	39 310.3	38 595.2

5. Market risk (trading book)

The following definitions are used to separate trading book and banking book activities: the *trading book* consists of proprietary positions in financial instruments that are held for resale or repurchase and that are taken on with the intention of benefiting, usually with a short-term focus, from actual or expected differences between their buying or selling prices. The *banking book* generally has a longer-term investment focus and is defined as all other assets, liabilities and off-balance-sheet items that are intended to be held in order to generate income over time.

Market risk measures the potential loss to which the Group is exposed through changes in market prices in interest rate, equity, foreign exchange and commodity markets. Market risk management involves the identification, measurement, control and steering of the market risks assumed. The trading units enter into market risk positions within defined limits.

Market risk measurement, market risk limitation, back testing and stress testing

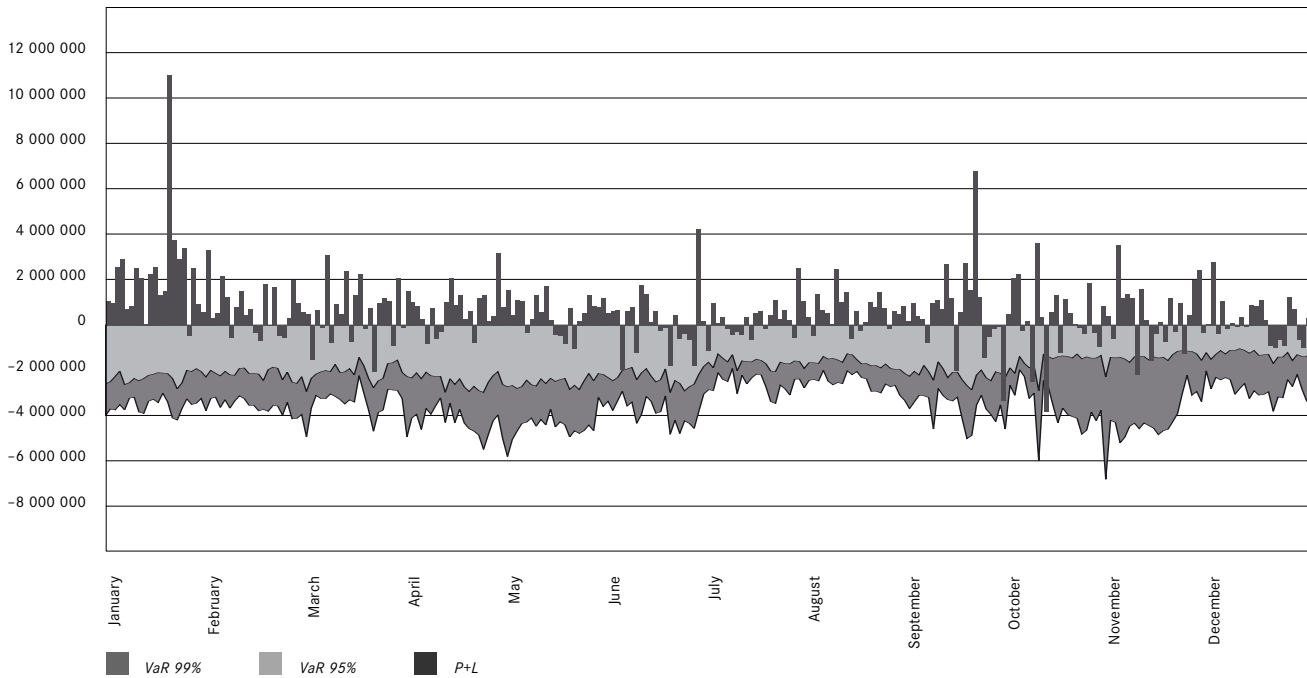
The Group uses the following types of measurement and limitation of market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis point and nominal limits as well as scenario

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analysis) and country limits for trading positions. The key risk figure VaR measures the magnitude of the loss of a portfolio that, under normal circumstances and for a specific probability (confidence level), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 0.88 million on 31 December 2008 (1-day holding period, 95% confidence level). The maximum VaR recorded in 2008 amounted to CHF 2.99 million; the minimum was CHF 0.67 million. The adequacy of the VaR

calculation, which is based on historical market movements, is monitored through regular back testing. This involves the comparison of the daily gains and losses generated by the trading book with the VaR values calculated each day. The following chart shows the daily calculations of VaR in 2008 (at confidence levels of 95% and 99% and 1-day holding period) compared with the actual daily gains and losses generated by the trading operations of the Group.

Back testing trading Julius Baer Group for 2008 (CHF)



Whereas VaR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings.

VaR method and regulatory capital

For its VaR calculation, the Group uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the

recent 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the Group fulfil the relevant regulatory requirements and have been approved by the Swiss Financial Market Supervisory Authority for use in determining the capital requirement for market risks in the trading book. The regulatory approval for our models relates to so-called general market risk as well as to issuer-specific risk.

The following table is a summary of the VaR positions of the Group's trading portfolios:

Market risk – VaR positions by risk type

	At 31 December CHF 1000	Average CHF 1000	Maximum CHF 1000	Minimum CHF 1000
Equities	-625	-1 767	-3 229	-482
Interest rates	-785	-607	-1 072	-358
Foreign exchange/precious metals	-250	-831	-2 229	-131
Effects of correlation	784			
Total 2008	-876	-1 931	-2 987	-668
Total 2007	-2 425	-2 563	-4 037	-1 434

6. Liquidity and financing risk as well as interest rate risks in the banking book

Financing risk is the risk of the Group being unable to finance its existing or planned obligations on an ongoing basis at acceptable prices. Liquidity risk is the risk of the Group being unable to meet its payment obligations when they become due. Whereas financing risks relate to the ability of the Group to finance itself continually over time, liquidity risks concern the ability to ensure sufficient liquidity at a specific point in time.

Group Treasury manages the liquidity and financing risks on an integrated basis. The financing capacity is managed through suitable diversification of the financing sources and the provision of collateral, thus reducing liquidity risks. The liquidity position of Bank Julius Baer & Co. Ltd. in particular as well as of the other Group companies is monitored and managed daily and exceeds the regulatory minimum, as required by the Group's liquidity policy.

Interest rate risk is defined as the impact of potential changes in interest rates on the market value of the assets and liabilities of the Group. One measure of this risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to time intervals and currencies, shows the results of such a scenario as of 31 December. Negative values under this scenario reflect a potential drop in fair value within the respective time interval; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. As there are no material optional structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of the same magnitude but with opposite sign.

Interest rate sensitivity positions

	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total CHF 1000
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2008	-521	1 494	24 571	-32 469	3	-6 922
2007	-2 514	1 756	19 998	-27 949	3 557	-5 152
USD						
2008	-534	-1 178	12 350	-891	-208	9 539
2007	11	-959	3 404	-790	-480	1 186
EUR						
2008	674	-3 264	9 208	-5 303	-640	675
2007	8	-931	6 892	-3 567	-147	2 255
Other						
2008	-55	-1 245	4 261	1 561	-3	4 519
2007	-235	-267	2 472	1 654	-131	3 493

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In a gap analysis, the interest bearing assets and liabilities are offset within repricing buckets. The impact of the yield curve shift on the residual exposure over the time horizon from the respective repricing date up to the next twelve months is measured. Based on the above described assumptions the effect on interest earnings is CHF 36.2 million as of the end of 2008 (2007: CHF 38.2 million).

Exposures to risks, other than interest rate and liquidity risks, arising from positions held by the Group in the banking book are limited and monitored using nominal and VaR limits. Price risk exposures arise from positions in equities, funds and non-traditional funds. They are managed by the Group treasury. Currency risks on the banking book are transferred into the trading book. By way of exception, Group entities may carry currency exposures. These exposures are limited and measured according to individual balance sheet management guidelines and are included in the Group's VaR calculation.

Hedging interest rate risks

The Group accepts deposits from customers at both fixed and floating rates and for various periods and invests these funds in high-quality assets. Through consolidating the short-term client money taken up and lending it out at longer maturities, an effort is made to increase the interest margin. At the same time, sufficient liquid assets are held in order to always be able to meet all maturing obligations. In managing the associated interest rate risks, the Group hedges a portion of interest rate risk associated with cash flows resulting from term deposits or term loans by employing interest rate swaps. The market value of these swaps on 31 December 2008 amounted to a net CHF -10.3 million (2007: CHF +0.1 million).

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The following table shows an analysis of the Group's financial assets and financial liabilities by remaining expected maturities as of the balance sheet date. The expected maturities are based on management estimates and may differ from the contractual maturities. Balances are classified as on demand if they may be cancelled at any time.

Remaining expected maturities of financial assets and liabilities

	On demand CHF m	Due within 3 months CHF m	Due within 3 to 12 months CHF m	Due within 12 months to 5 years CHF m	Due after 5 years CHF m	Total CHF m
Financial assets						
Cash	1 987.6	-	-	-	-	1 987.6
Due from banks	-	8 705.9	142.4	14.3	-	8 862.6
Loans	-	7 255.3	1 411.1	1 017.0	19.4	9 702.8
Trading assets	1 269.1	-	-	-	-	1 269.1
Derivative financial instruments	5 950.6	-	-	-	-	5 950.6
Financial assets designated at fair value	378.4	-	-	-	-	378.4
Financial investments available-for-sale	338.0	6 768.4	4 049.0	1 359.2	13.9	12 528.5
Total 31.12.2008	9 923.8	22 729.6	5 602.5	2 390.5	33.3	40 679.7
Total 31.12.2007	6 838.1	21 539.6	8 614.4	2 645.1	1 388.1	41 025.3
Financial liabilities						
Due to banks	-	3 516.0	0.5	0.8	-	3 517.3
Due to customers	-	13 671.0	9 292.6	2 337.5	-	25 301.1
Trading liabilities	336.8	-	-	-	-	336.8
Derivative financial instruments	6 114.5	-	-	-	-	6 114.5
Financial liabilities designated at fair value	467.0	856.6	697.6	310.8	178.0	2 510.0
Debt issued	-	2.6	-	153.1	225.0	380.7
Total 31.12.2008	6 918.3	18 046.2	9 990.7	2 802.2	403.0	38 160.4
Total 31.12.2007	4 353.0	19 798.9	11 373.4	2 610.2	427.6	38 563.1

The following table shows an analysis of the Group's financial liabilities by remaining contractual maturities as of the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual undiscounted interest payments related to these financial liabilities. Liabilities without a stated maturity are classified as on demand if they may be cancelled at any time, or as callable if a certain maturity is established after cancellation of the debt.

Remaining contractual maturities of financial liabilities

	On demand CHF m	Callable CHF m	Due within 3 months CHF m	Due within 3 to 12 months CHF m	Due within 12 months to 5 years CHF m	Due after 5 years CHF m	Total CHF m
Financial liabilities							
Due to banks	2 187.6	781.2	347.8	200.5	0.9	-	3 518.0
Due to customers	12 862.3	7 363.6	4 687.0	417.2	1.1	-	25 331.2
Trading liabilities	336.8	-	-	-	-	-	336.8
Derivative financial instruments	6 114.5	-	-	-	-	-	6 114.5
Financial liabilities designated at fair value	467.0	-	866.3	725.5	325.3	178.0	2 562.1
Debt issued	-	-	6.4	8.3	190.0	241.6	446.3
Total 31.12.2008	21 968.2	8 144.8	5 907.5	1 351.5	517.3	419.6	38 308.9
Due to banks	4 186.7	18.8	650.1	634.3	1.5	0.1	5 491.5
Due to customers	10 147.6	9 734.5	4 464.8	338.6	1.1	-	24 686.6
Trading liabilities	470.9	-	-	-	-	-	470.9
Derivative financial instruments	3 664.5	-	-	-	-	-	3 664.5
Financial liabilities designated at fair value	184.3	-	938.7	2 392.3	662.5	203.2	4 381.0
Debt issued	33.3	-	6.7	8.2	181.7	249.5	479.4
Total 31.12.2007	18 687.2	9 753.3	6 060.3	3 373.4	846.8	452.8	39 173.8

7. Operational risk

7.1 Operational risk framework and process

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In addition, the Group's operational risk framework covers regulatory and supervisory risk.

The qualitative and quantitative standards defined by the Basel Committee for Banking Supervision (Sound Practices of the Management and Supervision of Operational Risk) are met by the current operational risk management and control set-up. Continuing improvements are being made to achieve higher quality in our operational processes and their control

procedures, to enable early identification for potential operational risks and to support a proactive approach in managing the business operational risks and to be prepared for the demands of the future.

The objectives of operational risk management are as follows:

- to prevent potential substantial losses for the Group
- to strengthen a high degree of risk awareness at all levels
- to enable the business areas to take and manage risk consciously and effectively
- to reinforce an efficient early warning system with a structured and consistent risk management approach

- to assess all operational risk issues before new services or products are offered
- to assure the smooth operation of business in the event of infrastructure breakdowns and catastrophes (BCM process)

7.2 Risk related to Business Continuity Management

Business Continuity Management (BCM) serves the following purpose:

- to ensure the safety of staff and clients
- to reduce reputational risks and protect the name Julius Baer
- to minimise the probability/impact of events such as business interruptions, pandemics, etc.
- to maintain the Group's credibility with the media, markets and other stakeholders
- to protect the Group's infrastructure
- to meet regulatory, legal and insurance requirements

BCM assesses the respective risks together with local representatives and plans and implements risk mitigation measures in order to achieve adequate protection of staff, information and assets on a global basis. Through the Minimum Global Standards, BCM ensures financially well-balanced operational and physical security measures.

7.3 Legal and compliance risk

Legal risk consists of default and liability risk. Default risk can be defined as the risk of financial or other loss resulting from a member of the Group being unable to enforce actual or anticipated rights, most commonly contractual rights, against third parties. Liability risk, on the other hand, is where a member of the Group, or someone acting on its behalf, fails to meet an obligation owed to a third party or acts in a manner inconsistent with the rights of such third

party, which gives rise to a claim in favour of that third party.

Compliance risk is the risk of financial or other loss resulting from a breach of applicable laws and regulations or the departure from internal or external codes of conduct or market practice. The loss in such circumstances might take the form of regulatory fines, restrictions on business activities or the imposition of mandatory remedial measures.

Legal and compliance risks are controlled by an awareness of and an adherence to the legal and regulatory environment and constraints within which the Group operates.

7.4 Personnel risk

The major personnel risks according to our risk landscape lie with the dependency on highly qualified staff and the availability of the necessary management and leadership capacities. Based on this risk assessment and given the unchanged demand for qualified staff, our efforts clearly focus on attracting and retaining professional staff, paying special attention to the leadership competencies of our management, the attractiveness of our employment conditions, and targeted training and development measures.

7.5 Insurance

Parts of the operational risks described above are mitigated through separate insurance protection.

8. Reputational risk

The Group's ability to conduct its business is critically dependent on the reputation it has established over the more than one hundred years of its existence. Maintaining its good reputation is therefore vitally important for the Group, and all staff must make this a top priority. Reputational risk is understood as the

risk of events occurring which could materially impair the Group's reputation and thus the value of the Group franchise.

9. Capital management including regulatory capital

In managing its capital, the Group considers a variety of requirements and expectations. Sufficient capital must be in place to support current and projected business activities, according to both the Group's own internal assessment and the requirements of its regulators, in particular its lead regulator the Swiss Financial Market Supervisory Authority (FINMA). Capital is also managed in order to achieve sound capital ratios and to ensure strong external credit ratings.

Ensuring compliance with minimum regulatory capital requirements and targeted capital ratios is central to capital adequacy management. In this ongoing process, the Group manages towards Tier 1 and Total capital target ratios. In the target-setting process the Group takes into account the regulatory minimum capital requirements and regulator's expectations that the Group holds additional capital above the minimum, the Group's internal assessment of aggregate risk exposure in terms of capital-at-risk, the views of rating agencies, and comparison to peer institutions, considering the Group's business mix and market presence.

On 1 January 2008, the Group adopted the revised capital framework of the Basel Committee on Banking Supervision (known as Basel II) of the Bank for International Settlements (BIS). Compared to the former capital framework (Basel I), Basel II introduced new and amended capital requirements for the different risk types, and revised the calculation of eligible capital. Regulatory capital requirements are measured by reference to risk-weighted assets (RWA). For the Group, Basel II had the greatest impact on RWA on the one hand through the requirement for credit risk, where there were significant changes in calculation

and, as a result, a relief for the Group, and on the other hand through the newly introduced requirement for operational risk, which for the Group outweighed the relief resulting from the credit risk component. Requirements for market risk and non-counterparty-related assets are in general the same as under Basel I. As a consequence, the implementation of these combined changes led to an increase in the Group's overall capital requirements, as measured by RWA. Eligible capital calculations have also been modified, most notably by changes in deductions of intangible assets. These latter modifications had a minor impact on the Group's eligible capital.

The scope of consolidation used for the calculation of the capital adequacy differs from the one applied for accounting purposes in 2008. Julius Baer Life (Bahamas) Ltd., an insurance company of the Group, founded in 2008, is not consolidated for the calculation of the capital adequacy. For further information about companies consolidated we refer to note 26.

Although for its financial reporting the Group calculates RWA according to Basel II (BIS guidelines), the calculation of the Group's regulatory capital requirement is based on the regulations of the FINMA, applying the Swiss standardised approach (SA-CH), leading overall to higher RWA and capital requirements compared to Basel II, BIS.

Under Basel II (as under Basel I), the Tier 1 ratio is required to be at least 4%, and total eligible capital at least 8% of RWA. As of 31 December 2008 (under Basel II), and as of 31 December 2007 (under Basel I), the Group was adequately capitalised under the respective guidelines of both the FINMA and BIS.

Notes

Capital adequacy

	31.12.2008	31.12.2007
	Basel II	Basel I
	<i>CHF m</i>	<i>CHF m</i>
Risk-weighted positions		
Credit risk	9 473.1	13 922.8
Non-counterparty-related risk	497.5	429.9
Market risk ¹	781.3	876.2
Operational risk ¹	4 791.3	-
Total	15 543.2	15 228.8
Eligible capital		
Imputed Tier 1 regulatory capital	2 121.4	1 961.3
<i>of which hybrid Tier 1 capital</i>	225.0	225.0
Imputed Tier 1 and Tier 2 regulatory capital	2 197.7	1 986.4
BIS Tier 1 ratio	13.6%	12.9%
BIS Tier 1 and 2 ratio	14.1%	13.0%

¹ Risk-weighted figure calculated by taking 12.5 times the capital adequacy requirement according to the applied approach

Hybrid Tier 1 capital represents 11.9% of the core capital of the Group. The hybrid Tier 1 capital consists of preferred securities issued by Julius Baer Capital (Guernsey) I Limited. The preferred securities were issued in exchange for a note of Julius Baer Holding Ltd., in the same amount and with mirror conditions. They fundamentally have no maturity and are subordinate to all other borrowings. They have a preference over equity in the payment of dividends and liquidation proceeds, though such dividends and liquidation proceeds will only be paid to the extent that they comply with the banking and corporate

regulations applicable to the payouts of Julius Baer Holding Ltd. The preferential dividend right is not cumulative. The preferred securities are fully paid, devoid of any voting rights or rights associated therewith, capable of sustaining losses, unsecured and only repayable at the issuer's option, after an initial period of five years and only with the approval of the regulatory authorities. In compliance with the consolidated equity regulations, the hybrid equity created by the issue of preferred securities is recognised in full as core capital.

The main adjustments on total equity are the deduction of treasury shares and the deduction of intangible assets to get the total of eligible capital. These and other capital components are shown in the following table.

Required capital for credit risks as for due from banks, loans, financial investments and derivative financial instruments make more than 61% (2007: over 91% under Basel I) of the total of required capi-

tal. Capital needed for non-counterparty (2008: 3%; 2007: 3%) and market risk (2008: 5%; 2007: 6%) is of minor significance. The capital requirement to cover the operational risk was introduced in 2008 as part of the Basel II guidelines binding more than 31% of the total of required capital at the end of 2008.

In turn there was a relief of capital requirements calculated for credit risks under Basel II, partially outweighing the required capital for operational risks.

Capital components

	31.12.2008 Basel II CHF m	31.12.2007 Basel I CHF m
Gross Tier 1 capital after deduction of treasury shares	6 690.5	6 651.3
<i>of which non-controlling interests</i>	1.4	0.1
<i>of which innovative capital instruments</i>	225.0	225.0
Goodwill and other intangible assets	-4 445.5	-4 630.1
Other deductions	-123.6	-59.9
Eligible Tier 1 capital	2 121.4	1 961.3
Tier 2 capital	76.3	25.1
Eligible capital	2 197.7	1 986.4

Minimum capital requirement

	31.12.2008 Basel II CHF m	31.12.2007 Basel I CHF m
Credit risks (standardised approach in 2008 according to Basel II)	757.9	1 113.8
<i>of which for equity securities in the banking book</i>	19.9	31.1
Non-counterparty-related risk	39.8	34.4
Market risk (model approach)	62.5	70.1
Operational risk (standardised approach)	383.3	-
Total	1 243.5	1 218.3

Notes

The following table gives an overview of the credit risks by risk weights as defined under Basel II. The allocation of the receivables to the risk weights depends on the type and actual rating of the counterparty or the rating of the issue in case of financial investments. The collateralised part of receivables is allocated to 0% risk weight column, meaning that no capital is required for the respective outstanding amount.

Credit risk by legal risk weights

	31.12.2008							
	0%	20%	35%	50%	75%	100%	150%	Total
	<i>CHF m</i>	<i>CHF m</i>	<i>CHF m</i>	<i>CHF m</i>	<i>CHF m</i>	<i>CHF m</i>	<i>CHF m</i>	<i>CHF m</i>
Due from banks	5 292.4	3 197.8	-	338.5	-	8.9	25.0	8 862.6
Loans ¹	6 254.3	0.5	1 430.5	111.6	124.8	1 782.3	18.6	9 722.6
Financial investments available-for-sale ²	1 796.3	5 104.3	-	5 122.0	-	158.5	134.9	12 316.0
Derivative financial instruments ³	1 026.2	500.2	-	839.8	4.9	278.4	-	2 649.5
Total	14 369.2	8 802.8	1 430.5	6 411.9	129.7	2 228.1	178.5	33 550.7

¹ Collective allowance for credit losses of CHF 19.8 million are added to Tier 2 capital

² Net long positions in securities and money market instruments in the banking book

³ Positive current replacement values plus the security supplement (add-ons) taking into account existing netting agreements

For further capital adequacy details, please refer to www.juliusbaer.com (information will be available as of end of April 2009).

Information on the consolidated income statement

1 Net interest income

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>	Change %
Interest income on amounts due from banks	243 180	274 415	-11.4
Interest income on loans	390 473	355 813	9.7
Interest income on money market instruments	252 463	223 861	12.8
Interest income on financial investments available-for-sale	173 550	167 302	3.7
Dividend income on financial investments available-for-sale	4 006	4 594	-12.8
Interest income on trading portfolios	6 696	3 170	111.2
Dividend income on trading portfolios	32 064	29 313	9.4
Total interest income	1 102 432	1 058 468	4.2
Interest expense on amounts due to banks	69 325	103 212	-32.8
Interest expense on amounts due to customers	542 330	619 797	-12.5
Interest expense on debt issued	12 134	12 538	-3.2
Total interest expense	623 789	735 547	-15.2
Total	478 643	322 921	48.2

2 Net fee and commission income

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>	Change %
Investment fund fees	1 650 753	2 075 777	-20.5
Fiduciary commissions	73 220	65 074	12.5
Portfolio and other management fees	752 666	838 751	-10.3
Total fee and commission from asset management	2 476 639	2 979 602	-16.9
Income from brokerage and securities underwriting	277 320	385 046	-28.0
Commission income on lending activities	5 270	3 480	51.4
Commission income on other services	23 833	33 294	-28.4
Total fee and commission income	2 783 062	3 401 422	-18.2
Commission expense	582 427	649 205	-10.3
Total	2 200 635	2 752 217	-20.0

Notes

3 Net trading income

	2008	2007	Change
	<i>CHF 1000</i>	<i>CHF 1000</i>	<i>%</i>
Debt instruments	-10 102	2 315	-536.4
Equity instruments	43 542	31 293	39.1
Foreign exchange	319 415	264 605	20.7
Total	352 855	298 213	18.3

4 Other ordinary results

	2008	2007	Change
	<i>CHF 1000</i>	<i>CHF 1000</i>	<i>%</i>
Net gains/(losses) from disposal of financial investments available-for-sale ¹	-71 521	52 336	-236.7
Impairment on financial investments available-for-sale	-38 013	-	-
Income from investments in associates	1 688	189	793.1
Real estate income	3 319	3 074	8.0
Other ordinary results	10 963	17 505	-37.4
Total	-93 564	73 104	-228.0

¹Including a net gain from disposal of financial investments held-to-maturity of CHF 4.2 million in 2007

5 Personnel expenses

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>	Change %
Salaries and bonuses	969 837	1 063 693	-8.8
Contributions to staff pension plans (defined benefits)	58 843	62 848	-6.4
Contributions to staff pension plans (defined contributions)	21 758	18 473	17.8
Other social benefits	74 207	79 252	-6.4
Other personnel expenses ¹	167 507	205 096	-18.3
Total	1 292 152	1 429 362	-9.6

¹For share-based payments, see Note 28

6 General expenses

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>	Change %
Occupancy expense	77 764	75 613	2.8
Expense for IT and other equipment	70 983	79 049	-10.2
Information, communication and advertising expense	168 235	167 790	0.3
Service expense, fees and taxes	163 062	180 780	-9.8
Other general expenses ¹	47 136	49 205	-4.2
Total	527 180	552 437	-4.6

¹Including valuation adjustments, provisions and losses of CHF 46.5 million (2007: CHF 46.8 million)

Notes

7 Income taxes

	2008	2007	Change
	<i>CHF 1000</i>	<i>CHF 1000</i>	%
Income tax on profit before taxes (expected tax expense)	194 918	273 900	-28.8
Tax rate difference on income components subject to foreign taxation	-2 639	1 968	-234.1
Tax rate difference from local differences in domestic tax rates	-3 857	-6 379	39.5
Lower taxed income	-5 746	-280	-1 952.1
Effect of utilisation of prior-year losses	-460	-832	44.7
Effect from not capitalised losses	6 780	5 374	26.2
Adjustments related to prior years	-6 050	-16 417	63.1
Non-deductible expenses	41 652	47 143	-11.6
Other influences	-145	704	-120.6
Actual income tax expense	224 453	305 181	-26.5

A tax rate of 22% (2007: 22%) was employed in the calculation of income tax in Switzerland. Not capitalised accumulated operating loss carry-forwards in the amount of CHF 118.4 million (2007: CHF 132.7 million) exist in the Group that do not expire.

Domestic income taxes	93 153	124 437	-25.1
Foreign income taxes	131 300	180 744	-27.4
Total	224 453	305 181	-26.5

Current income taxes	224 170	346 011	-35.2
Deferred income taxes	283	-40 830	100.7
Total	224 453	305 181	-26.5

Tax effects relating to components of other comprehensive income

	2008		
	Before-tax amount <i>CHF 1000</i>	Tax (expense)/ benefit <i>CHF 1000</i>	Net of tax amount <i>CHF 1000</i>
Net unrealised gains/(losses) on financial investments available-for-sale	-179 958	9 534	-170 424
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	31 409	-1 202	30 207
Hedging reserve for cash flow hedges	-5 862	1 290	-4 572
Translation differences	-87 410	-	-87 410
Other comprehensive income for the year recognised directly in equity	-241 821	9 622	-232 199

	2007		
	Before-tax amount <i>CHF 1000</i>	Tax (expense)/ benefit <i>CHF 1000</i>	Net of tax amount <i>CHF 1000</i>
Net unrealised gains/(losses) on financial investments available-for-sale	-30 394	-1 420	-31 814
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	-19 195	564	-18 631
Hedging reserve for cash flow hedges	921	-166	755
Translation differences	-32 506	-	-32 506
Realised (gains)/losses on translation differences reclassified to the income statement	-884	-	-884
Other comprehensive income for the year recognised directly in equity	-82 058	-1 022	-83 080

Notes

8 Reporting by segment

	Bank Julius Baer		Asset Management		Group Functions ¹		Total Group	
	2008 <i>CHF m</i>	2007 <i>CHF m</i> <i>restated</i>	2008 <i>CHF m</i>	2007 <i>CHF m</i> <i>restated</i>	2008 <i>CHF m</i>	2007 <i>CHF m</i> <i>restated</i>	2008 <i>CHF m</i>	2007 <i>CHF m</i>
Operating income	1 678.3	1 710.0	1 252.7	1 648.7	7.6	87.8	2 938.6	3 446.5
Personnel expenses	716.5	703.7	521.6	651.9	54.1	73.8	1 292.2	1 429.4
General expenses	319.0	310.3	179.4	187.6	28.8	54.5	527.2	552.4
Services from/to other segments	-10.3	-19.1	16.5	28.3	-6.2	-9.2	-	-
Depreciation of property and equipment	20.2	13.9	11.6	10.4	4.3	4.3	36.1	28.6
Amortisation of customer relationships	75.7	75.1	100.7	100.7	-	-	176.4	175.8
Amortisation of other intangible assets	15.3	13.7	5.5	1.6	-	-	20.8	15.3
Operating expenses	1 136.4	1 097.6	835.3	980.5	80.9	123.4	2 052.6	2 201.5
Profit before taxes per segment	541.9	612.4	417.4	668.2	-73.3	-35.6	886.0	1 245.0
Income taxes							224.5	305.2
Net profit							661.5	939.8
<i>of which shareholders of Julius Baer Holding Ltd.</i>							661.2	<i>939.8</i>
<i>of which non-controlling interests</i>							0.3	-
Assets under management	158 957	193 350	115 577	211 685	-	39	274 534	405 074
<i>of which net new money</i>	21 809	<i>18 909</i>	-27 205	<i>16 569</i>	-	<i>18</i>	-5 396	<i>35 496</i>
Client assets	222 575	261 669	115 577	211 685	-	39	338 152	473 393
Assets	21 586	21 483	3 339	3 921	21 315	21 515	46 240	46 919
Liabilities	35 960	32 703	494	849	3 213	6 948	39 667	40 500
Investments	102.5	87.6	19.2	20.4	-	0.1	121.7	108.1
Number of employees (FTE)	3 009	2 814	1 261	1 213	65	72	4 335	4 099

¹Including income and expenses that are not directly connected with the segments

Julius Baer Holding Ltd. implemented a financial holding structure in 2007. This structure was amended in 2008 by a realignment of the businesses previously comprising the Investment Products division. The revised structure mirrors the current operating model which includes the segments of Julius Baer Group reported as (a) "Bank Julius Baer", comprising Bank Julius Baer & Co. Ltd. (together with its branches and representative offices) and other legal entities providing private banking services; (b) "Asset Management", comprising GAM Holding Ltd. and its subsidiaries, Artio Global Investors Inc., and its subsidiaries including Artio Global Management LLC, and certain Julius Baer branded asset management activities; and (c) Group Functions.

The realignment of the former Investment Products division includes the shift of investment management, sales and operations functions of the Julius Baer branded investment fund and institutional mandate business into the segment Asset Management, thus forming Julius Baer Asset Management Europe, while the private labelling and global custody businesses are retained within Bank Julius Baer. For the segment Bank Julius Baer, in 2007, the realignment resulted in a CHF 213.9 million reduction of operating income and a CHF 98.3 million reduction of operating expenses. Due to realignment-related shifts in segment-internal eliminations, operating income of the segment Group Functions decreased by CHF 5.2 million, and operating expenses by CHF 5.5 million. For the segment Asset Management, the realignment resulted in a CHF 219.1 million increase of operating income and a CHF 103.8 million increase of operating expenses.

Reporting by geographical segment

	31.12.2008	31.12.2007	2008	2007	2008	2007
	Total assets		Operating income		Investments	
	CHF m	CHF m	CHF m	CHF m	CHF 1000	CHF 1000
Switzerland	41 387	42 763	1 582	1 773	92 429	85 812
Europe (excl. Switzerland)	18 517	18 059	723	888	7 150	14 415
Americas	1 612	1 452	551	696	15 260	4 360
Other countries	2 629	2 741	178	192	6 898	3 514
Less consolidation items	17 905	18 096	95	102	-	-
Total	46 240	46 919	2 939	3 446	121 737	108 101

The geographical segment reporting is based on the domicile of the counterparty except for mortgages which are based on the domicile of the property.

Management accounting policies

This reporting comprises the two segments Bank Julius Baer and Asset Management. Income and expenses that are not directly connected with the segments Bank Julius Baer and Asset Management are attributed to Group Functions.

The external segment reporting reflects the internal organisational structure and management accounts. Income and expenses are assigned to the segments according to the principle of accountability based on the client relationships. Indirect costs for internal service relationships between the segments are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary. The depreciation of non-current assets as well as the provisions and losses included in the operating expenses relate to actual costs.

Assets under management include all bankable assets managed by or deposited with the segments for investment purposes (see Note 29).

The number of employees in full-time equivalents (FTE) reflects the resources of the individual segments.

The assets and liabilities are assigned on the basis of the business activities of the individual segments.

Investments are additions to property and equipment and intangible assets.

Notes

9 Earnings per registered share and registered shares outstanding

	2008	2007
Basic net profit per registered share		
Net profit (CHF 1000)	661 246	939 821
Weighted average number of registered shares outstanding	206 993 552	215 433 450
Basic net profit per registered share (CHF)	3.19	4.36
Diluted net profit per registered share		
Net profit (CHF 1000)	661 246	939 821
Less (profit)/loss on equity derivative contracts (CHF 1000)	-7 901	297
Net profit for diluted EPS (CHF 1000)	653 345	940 118
Weighted average number of registered shares outstanding	206 993 552	215 433 450
Dilution effect	343 592	6 740 780
Weighted average number of registered shares outstanding for diluted EPS	207 337 144	222 174 230
Diluted net profit per registered share (CHF)	3.15	4.23
	31.12.2008	31.12.2007
Registered shares outstanding		
Total registered shares issued	223 256 478	223 256 478
Cancellation	12 222 222	-
Share buyback programme	4 403 500	12 222 222
Treasury shares	17 935	2 650 938
Total	206 612 821	208 383 318

Information on the consolidated balance sheet

10a Due from banks

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>	Change <i>CHF 1000</i>
Due from banks	8 869 028	12 088 392	-3 219 364
Allowance for credit losses	-6 420	-1 716	-4 704
Total	8 862 608	12 086 676	-3 224 068

Due from banks by type of collateral:

Securities collateral	3 632 729	4 881 689	-1 248 960
Without collateral	5 229 879	7 204 987	-1 975 108
Total	8 862 608	12 086 676	-3 224 068

10b Loans

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>	Change <i>CHF 1000</i>
Loans	7 924 111	10 710 312	-2 786 201
Mortgages	1 832 767	1 488 196	344 571
Subtotal	9 756 878	12 198 508	-2 441 630
Allowance for credit losses	-54 111	-38 296	-15 815
Total	9 702 767	12 160 212	-2 457 445

Loans by type of collateral:

Securities collateral	4 831 577	9 418 473	-4 586 896
Mortgage collateral	1 820 665	1 492 556	328 109
Other collateral	2 744 730	1 054 451	1 690 279
Without collateral	305 795	194 732	111 063
Total	9 702 767	12 160 212	-2 457 445

Notes

10c Allowance for credit losses

	2008		2007	
	Specific CHF 1000	Collective CHF 1000	Specific CHF 1000	Collective CHF 1000
Balance at the beginning of the year	24 306	15 706	18 525	14 448
Increase in allowance for credit losses	18 156	4 072	7 383	1 258
Decrease in allowance for credit losses	-175	-	-	-
Translation differences and other adjustments	-1 534	-	-1 602	-
Balance at the end of the year	40 753	19 778	24 306	15 706

Of which related to loans CHF 54.1million (2007: CHF 38.3 million) and due from banks CHF 6.4 million (2007: CHF 1.7 million).

10d Non-performing loans

	31.12.2008 CHF 1000	31.12.2007 CHF 1000	Change CHF 1000
Gross loans	70 561	56 778	13 783
Specific valuation allowances	-40 753	-24 306	-16 447
Net loans	29 808	32 472	-2 664

The non-value-adjusted portion of these loans is substantially covered by collateral.

11a Trading assets and liabilities

	31.12.2008	31.12.2007	Change
	<i>CHF 1000</i>	<i>CHF 1000</i>	<i>CHF 1000</i>
Trading assets			
Debt instruments	276 851	92 248	184 603
<i>of which listed</i>	220 950	59 837	161 113
<i>of which unlisted</i>	55 901	32 411	23 490
Equity instruments	991 767	2 546 170	-1 554 403
<i>of which listed</i>	577 428	1 996 720	-1 419 292
<i>of which unlisted</i>	414 339	549 450	-135 111
Other	526	6 456	-5 930
Total	1 269 144	2 644 874	-1 375 730
Trading liabilities			
Short positions – debt	158 851	23 328	135 523
<i>of which listed</i>	8 992	13 283	-4 291
<i>of which unlisted</i>	149 859	10 045	139 814
Short positions – equity	177 929	447 528	-269 599
<i>of which listed</i>	107 841	384 728	-276 887
<i>of which unlisted</i>	70 088	62 800	7 288
Total	336 780	470 856	-134 076

11b Reclassifications

Following the amendments to IAS 39 and IFRS 7, “Reclassification of Financial Assets”, the Group reclassified certain trading assets to financial investments available-for-sale, as those assets are no longer held for the purpose of selling them in the near term. As provided by the amendment, the reclassifications were made with effect from 1 July 2008 at fair value as of that date.

	31.12.2008	01.07.2008
	<i>Carrying amount</i>	<i>Reclassified amount</i>
	<i>CHF m</i>	<i>CHF m</i>
Financial assets reclassified		
Trading assets reclassified to financial investments available-for-sale	58.0	63.0

The fair values equal the carrying amounts as of the respective date.

If the reclassification had not been made as per 1 July 2008, the Group’s income statement would have included unrealised fair value losses on the reclassified trading assets of CHF 5.0 million for 2008. Due to the reclassification, this amount has been recognised in other comprehensive income for the period.

Before the reclassification, interest income of CHF 1.1 million and a net change in fair value of CHF 0.1 million was recognised for these reclassified financial assets in 2008. After the reclassification, interest income (including amortisation) of CHF 0.7 million was recognised in the income statement.

At 1 July 2008 the effective interest rates on the reclassified financial assets ranged from 3% to 11%.

Notes

12a Financial investments available-for-sale

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>	Change <i>CHF 1000</i>
Money market instruments	8 137 989	5 644 138	2 493 851
Government and agencies bonds	282 123	172 609	109 514
Financial institutions bonds	2 138 156	2 410 824	-272 668
Corporate bonds	1 631 715	1 712 504	-80 789
Debt instruments	4 051 994	4 295 937	-243 943
<i>of which listed</i>	3 568 815	3 834 576	-265 761
<i>of which unlisted</i>	483 179	461 361	21 818
Equity instruments	338 514	449 190	-110 676
<i>of which listed</i>	16 905	28 364	-11 459
<i>of which unlisted</i>	321 609	420 826	-99 217
Total financial investments available-for-sale	12 528 497	10 389 265	2 139 232

The position held-to-maturity securities in the amount of CHF 134 million has been closed in the 2007 financial year. At that time, debt securities with a book value of CHF 19 million matured. Debt securities with a book value of CHF 80 million were sold with a resulting gain of CHF 4.2 million. In line with the applicable IFRS guidance, the remaining debt securities with a book value of CHF 35 million were reclassified to financial investments available-for-sale and subsequently revalued at fair value, with a loss of CHF 0.1 million recognised in equity.

12b Financial investments available-for-sale – Credit ratings

			31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>	Change <i>CHF 1000</i>
Debt instruments by credit rating classes (excluding money market instruments)	Fitch, S&P	Moody's			
1-2	AAA - AA-	Aaa - Aa3	2 634 091	3 216 920	-582 829
3	A+ - A-	A1 - A3	1 270 465	774 231	496 234
4	BBB+ - BBB-	Baa1 - Baa3	96 229	63 066	33 163
5-7	BB+ - CCC-	Ba1 - Caa3	3 537	-	3 537
Unrated			47 672	241 720	-194 048
Total			4 051 994	4 295 937	-243 943

13 Intangible assets and property and equipment

	Goodwill CHF m	Customer relationships CHF m	Brand CHF m	Software CHF m	Total intangible assets CHF m	Bank premises CHF m	Other property and equipment CHF m	Total property and equipment CHF m
Historical cost								
Balance on 01.01.2007	2 938.8	1 747.0	273.0	145.0	5 103.8	329.6	111.2	440.8
Translation differences	-	-	-	-0.1	-0.1	-	-1.7	-1.7
Additions	-	3.5	-	54.8	58.3	-	31.3	31.3
Acquisition of subsidiaries	15.9	2.2	-	-	18.1	-	0.3	0.3
Disposals/transfers ¹	-	-	-	28.1	28.1	3.0	8.2	11.2
Balance on 31.12.2007	2 954.7	1 752.7	273.0	171.6	5 152.0	326.6	133.0	459.5
Translation differences	-	-	-	-2.2	-2.2	-	-7.5	-7.5
Additions	-	5.2	-	68.2	73.4	4.5	43.8	48.3
Disposals/transfers ¹	-	-	-	0.2	0.2	-	10.8	10.8
Balance on 31.12.2008	2 954.7	1 757.9	273.0	237.4	5 223.0	331.0	158.5	489.5
Depreciation and amortisation								
Balance on 01.01.2007	-	189.3	-	95.6	284.8	32.5	53.2	85.7
Translation differences	-	-	-	-0.1	-0.1	-	-0.7	-0.7
Additions	-	175.8	-	15.3	191.1	4.1	24.5	28.6
Disposals/transfers ¹	-	-	-	28.1	28.1	-	9.6	9.6
Balance on 31.12.2007	-	365.1	-	82.6	447.7	36.6	67.3	103.9
Translation differences	-	-	-	-1.4	-1.4	-	-3.3	-3.3
Additions	-	176.4	-	20.8 ²	197.2	4.4	31.7 ²	36.1
Disposals/transfers ¹	-	-	-	0.2	0.2	-	10.8	10.8
Balance on 31.12.2008	-	541.4	-	101.8	643.2	41.0	85.0	126.0
Book value								
Balance on 31.12.2007	2 954.7	1 387.6	273.0	89.0	4 704.4	290.0	65.6	355.6
Balance on 31.12.2008	2 954.7	1 216.5	273.0	135.6	4 579.8	290.1	73.5	363.6

¹Includes derecognition of fully depreciated and amortised assets

²Includes additional charges of CHF 2.7 million for software and hardware related to adjusted useful lives of the assets

There are no property and equipment arising from finance leases.

Notes

	Balance on 01.01.2008 CHF m	Additions CHF m	Disposals CHF m	Amortisation CHF m	Balance on 31.12.2008 CHF m
Goodwill					
Bank Julius Baer	1 113.4	-	-	-	1 113.4
Asset Management	1 841.3	-	-	-	1 841.3
Total	2 954.7	-	-	-	2 954.7

Customer relationships

Bank Julius Baer	590.4	5.2	-	75.7	520.0
Asset Management	797.2	-	-	100.7	696.5
Total	1 387.6	5.2	-	176.4	1 216.5

Brand

Asset Management	273.0	-	-	-	273.0
Total	273.0	-	-	-	273.0

Goodwill – impairment testing

The two segments Bank Julius Baer and Asset Management carry a goodwill balance. To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating units (i.e. for the smallest identifiable groups of assets that generate cash inflows independently from other assets) within these segments and is subsequently compared to the carrying amount of these units.

The Group uses a proprietary model based on the discounted cash flow method to calculate these recoverable amounts. The Group estimates the free cash flows expected to be generated from the continuing use of the respective cash-generating units based on its own four-year financial planning, taking into account the following key parameters and their single components:

- assets under management
- RoA on the average assets under management (driven by fixed and performance fees, commissions, trading income and net interest income)
- operating income and expenses and
- tax rate applicable

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. While the underlying expectations for 2009 are cautious on the revenue side and cost discipline is applied, we expect the financial markets to return to a more normal situation as from 2010, which is reflected in the respective growth of the key parameters. We also take the relative strengths of the Group vis-à-vis its peers into consideration which should result in a better-than-average business development once the markets return to more stability. Additionally, the estimates of the expected free cash flows take into account the projected investments. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9% (2007: 13.4%) for Bank Julius Baer and 8.8% (2007: 16.4%) for Asset Management.

The Group's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of Bank Julius Baer and Asset Management vis-à-vis their respective competitors and in their industry.

For assets under management used to calculate the goodwill of Asset Management, the Group applies 2% as a terminal growth rate which is in line with the Group's expected growth rate of the relevant long-term gross domestic products.

The discount rates used in above calculation represent the Group's specific risk-weighted rates.

Indefinite intangible assets – impairment testing

To identify any indication of impairment of the brand name GAM recorded in Asset Management, the Group uses a proprietary model based on the discounted cash flow method. To determine the recoverable amount, the expected results under the brand are forecast. These results are the basis for calculating the projected "royalty savings" (i.e. an internal license fee for use of the brand), which are discounted to present value. The pre-tax discount rate used to calculate the recoverable amount is 8.3% (2007: 15.4%), and the rate used for the "royalty savings" is 3.9% (2007: 3.9%).

Changes in key assumptions

Deviations of future actual results achieved vs. forecasted/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or the businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific driven personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the units' recoverable amounts or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a four-year forecast period. No impairment resulted from these analyses. However, there are significant uncertainties involved in the determination of these assumptions in this turbulent market environment.

Notes

14 Future annual commitments under operating leases

	31.12.2008	31.12.2007
	<i>CHF 1000</i>	<i>CHF 1000</i>
Maturity of up to 1 year	12 439	7 373
Maturity of up to 5 years	27 259	27 137
Maturity of up to 10 years	9 002	9 572
Maturity of up to 15 years	10 842	7 177
Maturity of over 15 years	2 543	8 250
Subtotal	62 085	59 509
Less sublease rentals received under non-cancellable leases	2 750	2 532
Total	59 335	56 977

Operating leases in the gross amount of CHF 58.1 million as of 31 December 2008 (2007: CHF 43.4 million) are included in operating expenses.

15 Assets pledged or ceded to secure own commitments and assets subject to retention of title

	31.12.2008		31.12.2007	
	Book value	Effective	Book value	Effective
	<i>CHF 1000</i>	commitment	<i>CHF 1000</i>	commitment
		<i>CHF 1000</i>		<i>CHF 1000</i>
Securities	814 501	814 501	1 330 618	1 001 601
Other	9 606	9 600	15 490	11 772
Total	824 107	824 101	1 346 108	1 013 373

The assets are pledged for lombard limits at central banks and for stock exchange security deposits.

16 Financial liabilities designated at fair value

	2009 <i>CHF m</i>	2010 <i>CHF m</i>	2011 <i>CHF m</i>	2012 <i>CHF m</i>	2013 <i>CHF m</i>	2014-2018 <i>CHF m</i>	31.12.2008 <i>CHF m</i>	31.12.2007 <i>CHF m</i>
Senior debt								
Fixed rate	888.7	6.4	25.3	30.0	20.6		971.0	3 033.6
Interest rates (ranges in %)	0-32.4	8.3-8.6	0.4-10.0	0.2-9.0	0.0-3.0			
Floating rate	786.1	127.4	23.8	15.3	30.1	178.0	1 160.6	1 063.2
Total	1 674.8	133.8	49.1	45.2	50.7	178.0	2 131.6	4 096.8

An additional financial liability designated at fair value of CHF 378.4 million relates to Julius Baer Life (Bahamas) Ltd. and is compensated by respective financial assets designated at fair value in the same amount.

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0% up to 32.4%. The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate on such debt issues generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated and, where applicable, the application of hedge accounting.

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in the market risk factors of the embedded derivatives. The credit rating of the Bank had no material impact on the fair value changes of these liabilities.

Notes

17 Debt issued

	31.12.2008	31.12.2007
	<i>CHF 1000</i>	<i>CHF 1000</i>
Money market instruments	6 167	36 234
Bonds	149 486	149 045
Preferred securities	225 000	225 000
Total	380 653	410 279

Bonds and preferred securities

					31.12.2008	31.12.2007
Year of issue	Interest rate %		Maturity	Notional amount <i>CHF 1000</i>	Total <i>CHF 1000</i>	Total <i>CHF 1000</i>
Julius Baer Holding Ltd.						
2004 ¹	2.50	CHF bond	2010	150 000	149 486	149 045
Julius Baer Capital (Guernsey) I Ltd.						
2005	3.63	Preferred securities		225 000	225 000	225 000
Total					374 486	374 045

¹The effective interest rate amounts to 3.26%.

18a Deferred tax assets

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>
Balance at the beginning of the year	102 756	64 389
Income statement – credit	25 211	47 622
Income statement – charge	-6 741	-5 962
Sale of subsidiaries	-	-1 190
Recognised directly in equity	-4 590	4 292
Translation differences and other adjustments	-10 299	-6 395
Balance at the end of the year	106 337	102 756

The components of deferred tax assets are as follows:

Employee compensation and benefits	97 479	98 020
Property and equipment	2 506	3 131
Financial investments available-for-sale	1 086	-
Operating loss carry-forwards	1 922	432
Other	3 344	1 173
Total deferred tax assets	106 337	102 756

18b Deferred tax liabilities

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>
Balance at the beginning of the year	79 049	79 580 ¹
Income statement – charge	18 900	3 782
Income statement – credit	-147	-2 952
Recognised directly in equity	-8 466	-1 398
Translation differences and other adjustments	-1 669	37
Balance at the end of the year	87 667	79 049

The components of deferred tax liabilities are as follows:

Employee compensation and benefits	4 988	5 460 ¹
Property and equipment	10 285	10 277
Financial investments available-for-sale	19 399	10 959
Provisions	52 059	52 059
Other	936	294
Total deferred tax liabilities	87 667	79 049

¹The deferred tax liabilities as of 1 January 2007 have been restated to reflect the adoption of the new interpretation IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions.

Notes

19 Provisions

	Restructuring CHF 1000	Legal risks CHF 1000	Other CHF 1000	2008 Total CHF 1000	2007 Total CHF 1000
Balance at the beginning of the year	29 416	31 440	4 133	64 989	97 535
Utilised during the year	-11 571	-13 289	-1 269	-26 129	-43 897
Provisions made during the year	-	1 586	48	1 634	31 745
Provisions reversed during the year	-144	-267	-1 462	-1 873	-19 986
Other adjustments	-13	-1 500	-49	-1 562	-408
Balance at the end of the year	17 688	17 970	1 401	37 059	64 989

Maturity of provisions

up to one year	8 844	3 673	313	12 830	27 999
over one year	8 844	14 297	1 088	24 229	36 990

Details to restructuring provisions

Balance at the beginning of the year	29 416	63 298
Other adjustments	-13	-22
Provisions used:		
- Personnel	-11 571	-16 971
- Professional fees	-	-164
- Occupancy expense	-	-1 801
- Other	-	-4
Provisions reversed during the year	-144	-14 920
Balance at the end of the year	17 688	29 416

The remaining restructuring provisions will mainly be used for ongoing early retirement programmes within the next two years.

The Group is involved in various legal proceedings in the course of normal business operations. The Group establishes provisions for current and threatened pending legal proceedings if the management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reasonably estimated.

20 Share capital

	Registered shares (CHF 0.05 par)	
	Number	CHF 1000
Balance on 01.01.2007	223 256 478	11 163
<i>of which entitled to dividends</i>	<i>223 256 478</i>	<i>11 163</i>
Changes	-	-
Balance on 31.12.2007	223 256 478	11 163
<i>of which entitled to dividends</i>	<i>211 034 256</i>	<i>10 552</i>
Changes	-12 222 222	-611
Balance on 31.12.2008	211 034 256	10 552
<i>of which entitled to dividends</i>	<i>206 630 756</i>	<i>10 332</i>

All registered shares are fully paid.

Conditional capital

For warrant and convertible bonds		
Resolution of the Ordinary Annual General Meeting on 24.06.1993	10 000 000	500

There is no authorised capital.

The dividend paid for the previous financial year is disclosed in the consolidated statement of changes in equity.

For outstanding registered shares and treasury shares, see Note 9.

For significant shareholders/participants and proposal of appropriation of profit of the Board of Directors to the Ordinary Annual General Meeting, see pages 117 and 124.

Additional information

21 Related party transactions

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>
Key management personnel compensation¹		
Salaries and other short-term employee benefits	12 938	38 758
Post-employment benefits	401	1 027
Participation plans	7 435	19 693
Total	20 774	59 478
Receivables from		
associated companies	1 480	1 655
key management personnel ¹	34 376	41 185
own pension funds	1 165	2 511
Total	37 021	45 351
Liabilities to		
key management personnel ¹	20 612	12 416
own pension funds	5 482	13 247
Total	26 094	25 663
Credit guarantees to		
key management personnel ¹	-	17
Total	-	17
Income from services provided to		
key management personnel ¹	1 169	816
own pension funds	34	556
Total	1 203	1 372

¹ Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Holding Ltd.

2008: The Executive Board of the holding company consists of the Group Chief Executive Officer (till 30 August 2008), the Group Chief Financial Officer, the Group Chief Risk Officer and the Group General Counsel.

2007: The Executive Board of the holding company consists of the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Risk Officer and the Group General Counsel as well as management that have the authority and responsibility for planning, directing and controlling the activities of the two segments Bank Julius Baer and Asset Management.

For Compensation, loans and share- and option holdings of the Board of Directors and Senior Management, see pages 118-123.

The loans granted to key management personnel consist of lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis.

The interest rates of the lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties, though employees of the Group are granted fixed mortgages at the Bank's refinancing rate plus 0.5%, and variable mortgages are granted at client rates minus 1%. Interest rates of 2.05% to 3.27% are applied to the mortgage portfolio as of 31 December 2008. The residual maturities of the mortgage loans as of 31 December 2008 range between two months and nine years. Interest rates ranging from 2.0% to 4.2% are charged on the fixed-term lombard loans outstanding as of 31 December 2008.

Other financial services are transacted at arm's length.

Notes

22 Pension plans and other employee benefits

Actuarial calculation of pension obligations with respect to employees¹

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>
1. Development of pension obligations and assets		
Present value of funded obligation at the beginning of the year	-1 581 396	-1 680 818
Service cost	-83 193	-90 461
Past service cost	-10	-17 185
Interest cost	-56 347	-57 206
Settlements	-1 595	105 962
Benefits paid	28 047	32 839
Actuarial gain/(loss)	37 468	106 463
Translation differences	83 119	19 010
Present value of funded obligation at the end of the year	-1 573 907	-1 581 396
Fair value of plan assets at the beginning of the year	1 644 267	1 647 810
Expected return on plan assets	78 713	78 086
Employer's contributions	67 570	76 110
Employees' contributions	25 506	22 921
Settlements	-583	-93 460
Benefits paid	-28 047	-32 839
Actuarial gain/(loss)	-298 322	-36 771
Translation differences	-82 177	-17 590
Fair value of plan assets at the end of the year	1 406 927	1 644 267
	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>
2. Balance sheet		
Fair value of plan assets	1 406 927	1 644 267
Present value of funded obligation	-1 573 907	-1 581 396
(Unfunded)/funded status	-166 980	62 871
Unrecognised assets	-	-37 312 ²
Unrecognised actuarial (gains)/losses	186 561	-15 753 ²
Translation differences	4 716	-
(Accrued)/prepaid pension cost	24 297	9 806
Deferred taxes	-6 527	-1 820 ²
Amounts recognised in the balance sheet (included in other assets/other liabilities)	17 770	7 986

¹ Benefit obligations and pension costs appear with a negative sign.

² Restatement as of 1 January 2007 to reflect the adoption of the new interpretation IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions.

The pension plan assets are invested in accordance with local laws and include no shares of Julius Baer Holding Ltd.

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>
3. Income statement		
Service cost	-83 193	-90 461
Interest cost	-56 347	-57 206
Expected net return on plan assets	78 713	78 086
Amortisation of actuarial gain/(loss)	2 268	-657
Past service cost	-10	-17 022
Recognised actuarial gains/(losses)	-60 340	16 114 ²
Increase/(decrease) of unrecognised plan assets	37 204	-18 724 ²
Settlements	-2 644	4 100 ²
Net periodic pension cost	-84 349	-85 770
Employees' contributions	25 506	22 922
Expense recognised in the income statement	-58 843	-62 848

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>
4. Movement in the net asset or (liability)		
(Accrued)/prepaid pension cost at the beginning of the year	9 806	9 230
First adoption of IFRIC 14	-	-14 188 ²
Translation differences	5 764	1 502
Expense recognised in the income statement	-58 843	-62 848
Employer's contributions	67 570	76 110
(Accrued)/prepaid pension cost	8 727	13 262
Amounts recognised in the balance sheet	24 297	9 806
Prepaid pension cost	36 730	35 430 ²
Accrued pension liability	-12 433	-25 624
(Accrued)/prepaid pension cost	24 297	9 806
Actual return on plan assets	-219 608	40 754

	2008 %	2007 %
5. Asset allocation		
Cash	3.55	7.26
Debt instruments	37.36	30.62
Equity instruments	26.99	32.76
Real estate	13.19	8.04
Other	18.91	21.32
Total	100.00	100.00

Notes

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>	31.12.2006 <i>CHF 1000</i>	31.12.2005 <i>CHF 1000</i>
6. Defined benefit pension plans				
Fair value of plan assets	1 406 927	1 644 267	1 647 810	1 473 241
Present value of funded obligation	-1 573 907	-1 581 396	-1 680 818	-1 570 614
(Unfunded)/funded status	-166 980	62 871	-33 008	-97 373
Experience adjustment on plan liabilities	-9 730	-8 799	-20 946	-
Change in assumptions adjustment on plan liabilities	47 198	115 263	5 167	-
Experience adjustment on plan assets	-298 322	-36 771	34 528	-
Total actuarial gain/(loss)	-260 854	69 693	18 749	-

Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 21.8 million during the 2008 financial year (2007: CHF 18.5 million).

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as of 31 December 2008. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 88% of all benefit obligations and plan assets:

	2008	2007
Discount rate	3.25%	3.25%
Expected net return on plan assets	4.50%	4.50%
Average future salary increases	1.50%	2.00%
Future pension increases	0.00%	0.50%

The expected return on funded pension plan assets is based on long-term historical performance of the asset categories as well as expectations for future market performance.

The expected employer contributions for the 2009 financial year are estimated at CHF 62.9 million.

The Group had outstanding liabilities to various pension plans in the amount of CHF 5.5 million (2007: CHF 13.2 million).

23 Securities transactions

	31.12.2008	31.12.2007
	<i>CHF m</i>	<i>CHF m</i>
Securities lending and borrowing transactions / repurchase and reverse repurchase transactions		
Receivables from cash collateral provided in securities borrowing and reverse repurchase transactions	3 461.4	4 881.7
Obligations to return cash collateral received in securities lending and repurchase transactions	257.4	283.6
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	726.2	1 626.7
<i>of which securities the right to pledge or sell has been granted without restriction</i>	726.2	1 626.7
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	9 965.7	22 481.7
<i>of which repledged or resold securities</i>	4 207.5	10 158.5

Notes

24 Derivative financial instruments

	Contract/ Notional amount CHF m	Positive replacement value CHF m	Negative replacement value CHF m
Derivatives held for trading			
Foreign exchange derivatives			
Forward contracts	81 642.7	2 631.0	2 749.3
Futures	37 922.6	0.4	-
Options (OTC)	110 063.0	2 752.3	2 750.3
Total foreign exchange derivatives 31.12.2008	229 628.3	5 383.7	5 499.6
Total foreign exchange derivatives 31.12.2007	186 705.8	2 184.8	2 052.0
Interest rate derivatives			
Swaps	2 058.2	25.2	28.5
Futures	270.1	2.8	4.3
Total interest rate derivatives 31.12.2008	2 328.3	28.0	32.8
Total interest rate derivatives 31.12.2007	3 082.2	19.6	29.1
Precious metals derivatives			
Forward contracts	627.5	20.5	24.1
Futures	332.2	0.0	6.1
Options (OTC)	2 396.4	53.9	56.3
Total precious metals derivatives 31.12.2008	3 356.1	74.4	86.5
Total precious metals derivatives 31.12.2007	5 441.1	298.3	85.2
Equity/indices derivatives			
Futures	251.6	4.5	3.0
Options (OTC)	18 530.8	374.9	361.0
Options traded	1 369.9	65.6	119.3
Total equity/indices derivatives 31.12.2008	20 152.3	445.0	483.3
Total equity/indices derivatives 31.12.2007	17 496.2	1 072.6	1 492.7
Other derivatives			
Futures	64.9	7.4	1.8
Options (OTC)	43.4	8.7	0.0
Total other derivatives 31.12.2008	108.3	16.1	1.8
Total other derivatives 31.12.2007	69.0	5.1	3.6
Total derivatives held for trading 31.12.2008	255 573.3	5 947.2	6 104.0
Total derivatives held for trading 31.12.2007	212 794.3	3 580.4	3 662.6

	Contract/ Notional amount <i>CHF m</i>	Positive replacement value <i>CHF m</i>	Negative replacement value <i>CHF m</i>
Derivatives held for hedging			
Derivatives designated as cash flow hedges			
Interest rate swaps	351.5	0.2	10.5
Derivatives designated as fair value hedges			
Interest rate swaps	150.0	3.2	0.0
Total derivatives held for hedging 31.12.2008	501.5	3.4	10.5
Total derivatives held for hedging 31.12.2007	212.0	1.3	1.9
Total derivative financial instruments 31.12.2008	256 074.8	5 950.6	6 114.5
Total derivative financial instruments 31.12.2007	213 006.3	3 581.7	3 664.5

Notes

25a Financial instruments by category

	Book value <i>CHF m</i>	31.12.2008 Fair value <i>CHF m</i>	Book value <i>CHF m</i>	31.12.2007 Fair value <i>CHF m</i>
Financial assets				
Cash, receivables and loans				
Cash	1 987.6	1 987.6	162.5	162.5
Due from banks	8 862.6	8 867.4	12 086.7	12 089.7
Loans	9 702.8	9 894.1	12 160.2	12 197.8
Total	20 553.0	20 749.1	24 409.4	24 450.0
Held for trading				
Trading assets	1 269.1	1 269.1	2 644.9	2 644.9
Derivative financial instruments	5 947.2	5 947.2	3 580.4	3 580.4
Total	7 216.3	7 216.3	6 225.3	6 225.3
Derivatives designated as hedging instruments				
Derivative financial instruments	3.4	3.4	1.3	1.3
Total	3.4	3.4	1.3	1.3
Designated at fair value				
Financial assets designated at fair value	378.4	378.4	-	-
Total	378.4	378.4	-	-
Available-for-sale				
Financial investments available-for-sale	12 528.5	12 528.5	10 389.3	10 389.3
Total	12 528.5	12 528.5	10 389.3	10 389.3
Total financial assets	40 679.6	40 875.7	41 025.3	41 065.9

	Book value CHF m	31.12.2008 Fair value CHF m	Book value CHF m	31.12.2007 Fair value CHF m
Financial liabilities				
Financial liabilities at amortised costs				
Due to banks	3 517.3	3 517.3	5 475.5	5 475.9
Due to customers	25 301.1	25 308.6	24 445.2	24 445.6
Debt issued	380.7	418.8	410.3	416.1
Total	29 199.1	29 244.7	30 331.0	30 337.6
Held for trading				
Trading liabilities	336.8	336.8	470.9	470.9
Derivative financial instruments	6 104.0	6 104.0	3 662.6	3 662.6
Total	6 440.8	6 440.8	4 133.5	4 133.5
Derivatives designated as hedging instruments				
Derivative financial instruments	10.5	10.5	1.9	1.9
Total	10.5	10.5	1.9	1.9
Designated at fair value				
Financial liabilities designated at fair value	2 510.0	2 510.0	4 096.8	4 096.8
Total	2 510.0	2 510.0	4 096.8	4 096.8
Total financial liabilities	38 160.4	38 206.0	38 563.2	38 569.8
Total difference between fair value and book value, excluding deferred taxes		150.5		34.0

Notes

The following methods are used in calculating the fair value of financial instruments in the balance sheet:

Short-term financial instruments

Financial instruments with a maturity or a refinancing profile of one year or less are generally classified as short-term. This applies for the balance sheet items cash and money market instruments. Depending on the maturity, it also includes the following: due from banks; loans; mortgages; due to banks; due to customers; cash bonds and bonds. For short-term financial instruments which do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the book value fundamentally approximates the fair value.

Long-term financial instruments

Depending on the maturity, these include the following balance sheet items: due from banks; loans; mortgages; due to banks; due to customers, cash bonds and bonds. The fair value of long-term financial instruments, which have a maturity or a refinancing profile of more than one year, is derived by using the net present-value method.

Trading assets and financial investments available-for-sale

For the majority of the trading assets and the financial investments available-for-sale (see Notes 11 and 12), the fair value corresponds to the market price. The fair value of instruments without a market price is derived by using generally accepted valuation methods.

Derivative financial instruments

The fair value of the derivative financial instruments is derived primarily by using uniform models. If available, the market price is used for derivative instruments.

The table does not include the fair values of non-financial assets and liabilities such as investments in associates, property and equipment, intangible assets, goodwill, accruals and other assets.

25b Financial instruments – Fair value determination

For listed trading assets and financial investments available-for-sale as well as for exchange-traded derivatives and other financial instruments whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes models or generalisations of that model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

For a small portion of financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions. In 2008, most of the positions previously held matured or have been sold. A minor portion has been reclassified due to a refined valuation process.

The following valuation methods are used in determining the fair value of financial instruments carried at fair value:

	31.12.2008			
	Quoted market price <i>CHF m</i>	Valuation technique market- observable inputs <i>CHF m</i>	Valuation technique non-market- observable inputs <i>CHF m</i>	Total <i>CHF m</i>
Determination of fair values				
Trading assets	1 051.8	217.3	-	1 269.1
Derivative financial instruments	74.9	5 875.7	-	5 950.6
Financial assets designated at fair value	378.4	-	-	378.4
Financial investments available-for-sale	834.2	11 545.9	148.4	12 528.5
Total assets at fair value	2 339.3	17 638.9	148.4	20 126.6
Trading liabilities	179.2	157.6	-	336.8
Derivative financial instruments	128.7	5 985.8	-	6 114.5
Financial liabilities designated at fair value	1 662.2	847.8	-	2 510.0
Total liabilities at fair value	1 970.1	6 991.2	-	8 961.3

	31.12.2007			
	Quoted market price <i>CHF m</i>	Valuation technique market- observable inputs <i>CHF m</i>	Valuation technique non-market- observable inputs <i>CHF m</i>	Total <i>CHF m</i>
Determination of fair values				
Trading assets	2 422.7	217.9	4.3	2 644.9
Derivative financial instruments	427.0	2 789.6	365.1	3 581.7
Financial investments available-for-sale	1 049.2	9 197.3	142.8	10 389.3
Total assets at fair value	3 898.9	12 204.8	512.2	16 615.9
Trading liabilities	218.8	252.1	-	470.9
Derivative financial instruments	635.6	2 592.0	436.9	3 664.5
Financial liabilities designated at fair value	1 187.8	1 332.1	1 576.9	4 096.8
Total liabilities at fair value	2 042.2	4 176.2	2 013.8	8 232.2

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

For a portion of financial instruments, the fair value is estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. The models used in these situations are subject to a detailed internal examination process before they are approved for use.

The potential effect of using reasonable alternative assumptions as inputs to valuation models from which the fair values of these financial instruments are calculated has been quantified as a fair value reduction of approximately CHF 8.1 million in 2007 using less favourable assumptions and an increase of approximately CHF 10.6 million in 2007 using more favourable assumptions at 31 December 2007. For 2008 those effects were negligible due to minor balances reported in this category.

Changes in fair value recognised in profit and loss during the period that were estimated using valuation techniques

Total results from trading operations came to CHF 352.9 million for the 2008 financial year (2007: CHF 298.2 million). This figure represents the net result from various products traded across different business activities, including the effect of foreign currency translation, and including both realised and unrealised income. Unrealised income is determined from changes in fair value, using quoted prices in active markets when available, and is otherwise estimated using valuation techniques.

Included in the unrealised portion of the results from trading operations are net losses from changes in fair values of CHF 96.9 million (2007: CHF 66.9 million) on financial instruments whose fair value was estimated using valuation techniques. These valuation techniques included models such as those described above, which range from relatively simple models based on observable market factors, to more complex models based on assumptions or estimates reflecting market conditions.

The results from trading operations are frequently generated through transactions involving several financial instruments, or subject to hedging or other risk management techniques. This may result in different portions of the transactions being valued using different methods.

Consequently, the changes in fair value recognised in profit or loss during the reporting period that were estimated using valuation techniques represent only a portion of the results from trading operations. In many cases, these amounts were offset by other financial instruments or transactions that were realised or valued using quoted market prices or rates. The amount of such income for 2008, including the effect of foreign currency translation on unrealised transactions, was a gain of CHF 449.8 million (2007: CHF 365.1 million).

26 Companies consolidated as of 31 December 2008

	Place of listing	Capitalisation as of 31.12.08 m	Head Office	Currency	Share capital m
Listed company which is consolidated					
Julius Baer Holding Ltd.	SIX Swiss Exchange	8 437	Zurich	CHF	10.552

Security number: 2 975 865, Reuters: BAER.VX, Bloomberg: BAER VX

Unlisted companies which are consolidated

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
<i>Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey, Lausanne, Lugano, Lucerne, Sion, Singapore, St. Gallen, St. Moritz, Verbier</i>				
<i>Representative Offices in Abu Dhabi, Bogotá, Dubai, Hong Kong, Istanbul, Santiago, Moscow, Zug</i>				
<i>including</i>				
Bank Julius Baer (Singapore) Ltd.	Singapore	SGD	25.000	100
Arpese SA	Lugano	CHF	0.400	100
Julius Baer Wealth Management (Europe) SA	Luxembourg	CHF	0.200	100
<i>including</i>				
- Julius Baer Patrimoine Conseil Sàrl	Paris	EUR	0.010	100
Ferrier Lullin Trust Management SA	Geneva	CHF	0.050	100
Bank Julius Bär (Deutschland) AG	Frankfurt	EUR	15.000	100
<i>Branches in Duesseldorf, Hamburg, Stuttgart</i>				
<i>including</i>				
Julius Bär Capital GmbH	Frankfurt	EUR	0.024	100
Julius Baer Bank and Trust Company Ltd.	Grand Cayman	CHF	20.000	100
<i>including</i>				
Julius Baer Trust Company (Cayman) Ltd.	Grand Cayman	CHF	1.000	100
<i>including</i>				
- Baer Select Management Ltd.	Grand Cayman	USD	0.0001	100
- C.I. Directors Ltd.	Grand Cayman	USD	0.020	100
Directorate Inc.	Tortola, BVI	USD	0.020	100

Notes

	Head Office	Currency	Share capital m	Equity interest %
Finance companies				
Julius Baer Invest Ltd.	Zurich	CHF	10.250	100
<i>including</i>				
Julius Baer Advisory Ltd.	Cairo	EGP	3.000	100
Julius Baer Investment Funds Services Ltd.	Zurich	CHF	1.200	100
Julius Baer Italia Investment Funds Services S.r.l.	Milan	EUR	0.050	100
Julius Baer Life (Bahamas) Ltd.	Nassau	USD	0.500	100
Julius Baer (Luxembourg) SA	Luxembourg	EUR	2.125	100
Julius Baer Multistock Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multibond Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multicash Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multipartner Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multiinvest Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Strategy Fund Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multiselect Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multicooperation Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multifund Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Sicav II Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer Multiopportunities Advisory Ltd.	Luxembourg	EUR	0.075	100
Julius Baer SGR S.p.A.	Milan	EUR	2.000	100
Artio Global Investors Inc.	New York	USD	0.400	100
<i>including</i>				
Artio Global Management LLC	New York	USD	0.100	100
<i>Representative Offices in Los Angeles, Toronto</i>				
BCT Services Ltd.	Zug	CHF	0.100	100
Cantrade Trustee AG	Zurich	CHF	0.100	100
<i>including</i>				
Julius Baer Trust Company (New Zealand) Limited	Auckland	CHF	0.005	100
Bronte International SA	BVI	USD	0.000	100
Cantrade Corporate Directors Ltd.	BVI	USD	0.000	100
Cantrade Trust Company (Cayman) Ltd.	Grand Cayman	CHF	0.800	100
Infidar Investment Advisory Ltd.	Zurich	CHF	1.000	73
<i>including</i>				
Infidar (Liechtenstein) AG	Vaduz	CHF	0.100	73
JB Private Equity Holding AG	Zurich	CHF	0.100	100
JB Swiss Capital Market Research Ltd.	Zurich	CHF	0.100	100

	Head Office	Currency	Share capital <i>m</i>	Equity interest <i>%</i>
Finance companies				
Julius Baer (Hong Kong) Limited	Hong Kong	HKD	130.000	100
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Julius Baer (Monaco) S.A.M.	Monaco	EUR	0.465	100
Julius Baer (Uruguay) S.A.	Montevideo	USD	1.002	100
Julius Baer Capital (Guernsey) I Limited	Guernsey	CHF	0.000	100
Julius Baer Consultores	Mexico City	USD	1.000	100
Julius Baer Consultores S.A.	Caracas	USD	0.800	100
Julius Baer Family Office Ltd.	Zurich	CHF	0.100	100
Julius Baer Fiduciaria S.r.l.	Milan	EUR	0.100	100
Julius Baer Financial Consultancy SA	Buenos Aires	USD	0.400	100
Julius Baer Financial Markets LLC	New York	USD	0.100	100
Julius Baer International Ltd.	London	GBP	13.300	100
<i>Julius Baer International Panama Inc.</i>	<i>Panama City</i>	<i>CHF</i>	<i>1.387</i>	<i>100</i>
<i>including</i>				
<i>Julius Baer Bank & Trust (Bahamas) Ltd.</i>	<i>Bahamas</i>	<i>CHF</i>	<i>2.000</i>	<i>100</i>
<i>including</i>				
<i>Julius Baer Trust Company (Bahamas) Ltd.</i>	<i>Bahamas</i>	<i>CHF</i>	<i>2.000</i>	<i>100</i>
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Julius Baer Trust Company (Channel Islands) Ltd.	Guernsey	CHF	0.100	100
Julius Bär Kapital AG	Frankfurt	EUR	2.600	100
PT. Julius Baer Advisors (Indonesia)	Jakarta	USD	0.197	100
SIM (Società di intermediazione mobiliare)	Milan	EUR	2.500	100
Ursa Company Ltd.	Grand Cayman	CHF	0.500	100

Notes

	Head Office	Currency	Share capital m	Equity interest %
Finance companies				
GAM Holding AG	Zurich	CHF	50.000	100
<i>including</i>				
GAM (Schweiz) AG	Zurich	CHF	1.000	100
<i>including</i>				
- GAM Anlagefonds AG	Zurich	CHF	1.000	100
- GAM Structured Investments Ltd.	Guernsey	USD	0.050	100
- GAM Ltd.	Bermuda	USD	2.020	100
<i>including</i>				
- GAM Dubai Ltd.	Dubai	USD	1.000	100
GAM (UK) Ltd.	London	GBP	1.000	100
<i>including</i>				
- GAM International Management Ltd.	London	GBP	2.250	100
- GAM London Ltd.	London	GBP	2.025	100
- GAM Sterling Management Ltd.	London	GBP	0.050	100
GAM Administration Ltd.	Isle of Man	GBP	0.100	100
GAM Fonds Marketing GmbH	Berlin	EUR	0.026	100
GAM Fund Management Ltd.	Dublin	EUR	0.127	100
GAM Singapore Pte Ltd.	Singapore	SGD	4.600	100
<i>including</i>				
- GAM Hong Kong Ltd.	Hong Kong	HKD	5.000	100
- GAM Japan Limited	Tokyo	JPY	500.000	100
GAM USA Inc.	Wilmington/USA	USD	6.817	100
<i>including</i>				
- GAM Services Inc.	Wilmington/USA	USD	0.660	100
<i>including</i>				
- GAM Funding Inc.	Wilmington/USA	USD	0.010	100
Real estate company				
Aktiengesellschaft, formerly Waser Söhne & Cie., Werdmühle, Altstetten	Zurich	CHF	2.260	100
Foundation				
Loteco Foundation	Zurich	CHF	0.100	100
GAM Employee Benefit Trust	Jersey	GBP	0.030	100
Associates				
Atlas Capital Patrimonio SL.	Madrid	EUR	1.224	20

Changes in the companies consolidated:

Julius Baer Life (Bahamas) Ltd., Nassau, new

Julius Baer Consultores S.A., Caracas, new

Julius Baer Advisory Ltd., Cairo, new

PortfolioNet Ltd., Zurich, sold

Artio Global Investors Inc., name changed from Julius Baer Americas Inc.

Artio Global Management LLC, name changed from Julius Baer Investment Management LLC

GAM Structured Investments Ltd., name changed from Baer Alternative Solutions Ltd.

27 Acquisitions and sales

Acquisition

On 4 October 2007, Julius Baer Holding Ltd. acquired Capital Invest (Monaco) S.A.M., now named Julius Baer (Monaco) S.A.M., Monaco. At the time of acquisition, the assets under management amounted to CHF 331 million.

The assets and liabilities of the acquired entity were recorded as follows:

	Book value CHF 1000	Step-up to fair value CHF 1000	Fair value CHF 1000
Assets			
Financial investments available-for-sale	691	-	691
Property and equipment	349	-	349
Goodwill	-	15 921	15 921
Intangible assets	-	2 190	2 190
All other assets	1 805	-	1 805
Total	2 845	18 111	20 956
Liabilities and equity			
All other liabilities	402	-	402
Total liabilities	402	-	402
Equity	2 443	18 111	20 554
Total	2 845	18 111	20 956

The intangible assets recognised here consist of CHF 2.19 million for the existing client relationships of the entity, which are amortised over an expected useful life of ten years.

Sale of subsidiary

On 11 January 2007, Julius Baer Holding Ltd. sold 90% of its shareholding in Julius Baer Investments Ltd, a London-based asset management company (now renamed Augustus Asset Managers Ltd.), as part of a management buyout. The company was deconsolidated as of this date. As receipt of the agreed purchase price for the shares sold is dependent upon future cash flows of Augustus Asset Managers Ltd. and proceeds of any further share transfers to third parties, Julius Baer Holdings Ltd. did not realise a profit on the disposal and continues to recognise its previous shareholding although the shares have been reclassified as financial investments available-for-sale.

28 Share-based payments

Equity Participation Programmes

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the Equity Participation Programmes. The programmes described in detail below reflect the situation as of 31 December 2008. The registered shares of Julius Baer Holding Ltd. required for the Equity Participation Programmes are procured in the market.

Staff Participation Plan

Within the integration and harmonisation process, a newly defined Staff Participation Plan was approved. It came into force on 1 January 2007 and grants the employees – depending on the function level/rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount that is defined every year. The offer price for the 2008 Staff Participation Plan was 25% below the average weighted market value of the registered shares for the period from 25 February until 27 February 2008.

Equity Bonus Plan

Up to 2006, Senior Management had the possibility to choose to have part or all of their bonus paid out in the form of Julius Baer Holding Ltd. registered shares and/or options on such registered shares at market price. The shares and options acquired in this way are subject to a sales restriction period.

Long-Term Incentive Plans

The Long-Term Incentive Plans of the Group are aimed at employees who have a significant influence on the Group's long-term development and financial results as well as at the members of the Board of Directors. The purpose of the Incentive Plans is to strengthen the long-term commitment to the Group and to foster interdisciplinary teamwork in that the entitled employees are granted Julius Baer Holding Ltd. registered shares and/or options on such registered shares or exceptionally equity instruments of a Group subsidiary, e.g. GAM, whose value depends, among other things, on the long-term success of the organisation as a whole or exceptionally on the long-term success of the respective Group subsidiary.

In line with the objectives of the plans, the shares and/or options are tied to a vesting and forfeiture clause. Only after expiration of the vesting period are employees entitled to the registered shares and/or options, provided that such employees are in ongoing employment with the Julius Baer Group and that all other conditions of the plans are met. The shares and options acquired in this way are subject to a sales restriction period. Until expiration of the vesting period, the Loteco Foundation and the GAM Employee Benefit Trust manage the shares and options that have been allotted to the beneficiaries within the scope of the Long-Term Incentive Plans. The Loteco Foundation and the GAM Employee Benefit Trust hedge their liabilities from the Long-Term Incentive Plans on allocation date through the purchase of the corresponding shares and/or options. The financing of these shares and/or options is carried out by the respective employer companies. The Group uses treasury shares to hedge liabilities from the Long-Term Incentive Plans.

Movements in shares granted under various participation plans are as follows:

	31.12.2008	31.12.2007
Staff Participation Plan		
Number of shares taken up	351 538	236 238
Preferential price per share (CHF)	59.66 ¹	61.65 ²
Compensation expense (CHF 1000)	6 992	4 855

¹The preferential price was 25% below the weighted average market value for the period from 25 February until 27 February 2008.

²The preferential price was 25% below the weighted average market value for the period from 20 February until 23 February 2007.

Bonuses paid in the form of shares are recognised in the year in which the corresponding service is performed. Bonuses paid in the form of options which can be cash-settled are also recognised in the year in which the service is performed, and until realisation (sale or exercise) these options are recognised in the balance sheet as a liability at fair value. The net compensation expense recognised for the financial year resulted in an income due to favourable changes in the fair value of the liabilities and amounted to CHF 2.9 million (2007: compensation expense of CHF 2.0 million).

	31.12.2008	31.12.2007
Shares Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	1 022 823	1 938 674
Shares awarded during the year	39 837	76 016
Vested during the year	-904 053	-949 361
Forfeited during the year	-12 730	-42 506
Unvested shares outstanding, at the end of the year	145 877	1 022 823
Weighted average fair value per share awarded (CHF)	67.89	84.74
Fair value of outstanding shares at the end of the year (CHF 1000)	5 832	95 736

Notes

Movements in options granted under various participation plans are as follows:

	31.12.2008		31.12.2007	
	Number of options	Weighted average exercise price CHF	Number of options	Weighted average exercise price CHF
Equity Bonus Plan				
Outstanding, at the beginning of the year	428 910	43.83	597 130	36.99
Exercised during the year	-4 820	36.30	-168 220	19.51
Outstanding, at the end of the year	424 090	43.93	428 910	43.83

	Options outstanding			Options exercisable	
	Number of options outstanding	Exercise price CHF	Remaining contractual life years	Number of options exercisable	Exercise price CHF
Fair value/Option					
CHF 7.04	116 130	34.52	0.3	116 130	34.52
CHF 8.75	115 730	34.99	1.3	115 730	34.99
CHF 2.26	192 230	55.00	2.3	192 230	55.00

	31.12.2008		31.12.2007	
	Number of options	Weighted average exercise price CHF	Number of options	Weighted average exercise price CHF
Options Long-Term Incentive Plan				
Outstanding, at the beginning of the year	1 801 058	84.04	715 904	29.97
Granted during the year	219 299	91.20	1 595 735	91.20
Exercised during the year	-75 670	27.90	-503 787	33.36
Forfeited during the year	-184 990	91.20	-6 794	28.72
Outstanding, at the end of the year	1 759 697	86.60	1 801 058	84.04
<i>of which exercisable, at the end of the year</i>	<i>129 653</i>	<i>28.72</i>	<i>205 323</i>	<i>28.41</i>

	Options outstanding			Options exercisable	
	Number of options outstanding	Exercise price CHF	Remaining contractual life years	Number of options exercisable	Exercise price CHF
Fair value/Option					
CHF 13.56	129 653	28.72	0.7	129 653	28.72
CHF 0.06	1 630 044	91.20	2.0	-	-

The compensation expense recognised for the Long-Term Incentive Plans amounted to CHF 52.3 million (2007: CHF 48.0 million).

29 Assets under management

Assets under management include all bankable assets managed by or deposited with the Group for investment purposes. Assets included are mainly portfolios of wealth management clients with discretionary and advisory mandates and assets in own-managed collective investment schemes. Assets deposited with the Group held for transactional or safekeeping/custody purposes, and where the Group does not offer advice on how the assets should be invested are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets with discretionary mandate are defined as those where the Group decides on how a client's assets are invested. Other assets under management are those where the investment decision is taken by the client him/herself. When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Group.

Net new money is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money flows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of a Group subsidiary or business are stated separately.

Assets under management are stated according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

	2008 CHF m	2007 CHF m	Change %
Assets in own-managed collective investment schemes	99 507	168 057	-40.8
Assets with discretionary mandate	67 487	108 832	-38.0
Other assets under management	107 540	128 185	-16.1
Total assets under management (including double counting)	274 534	405 074	-32.2
<i>of which double counting</i>	20 597	38 342	-46.3
Change through net new money	-5 396	35 496	
Change through market appreciation	-125 144	13 210	
Change through acquisition ¹	-	331	
Change through divestment ²	-	-4 683	
Client assets	338 152	473 393	-28.6

¹ On 4 October 2007, the Group acquired Capital Invest (Monaco) S.A.M., now named Julius Baer (Monaco) S.A.M., Monaco.

² As of 11 January 2007, the Group sold its UK-based subsidiary Julius Baer Investments Ltd. to the management.

Notes

Assets in own-managed collective investment schemes

This item covers the assets of all actively marketed collective investment schemes of the Group.

Assets with discretionary mandate

The calculation of assets with discretionary mandate takes into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions. The information covers assets deposited with Group companies and assets deposited at third-party institutions for which the Group companies hold a discretionary mandate.

Other assets under management

The calculation of other assets under management takes into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions. The information covers assets for which an advisory or administrative mandate is exercised.

Double counting

This item covers mainly collective investment scheme units from own-managed collective investment schemes that are included in assets with discretionary mandate and in other assets under management.

Net new money

This item consists of new client acquisitions, client departures and in- or outflows attributable to existing clients.

Client assets

Client assets include all bankable assets managed by or deposited with the Group for investment purposes and only those deposited assets held for transactional or safekeeping/custody purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

Breakdown of assets under management

	2008	2007
	%	%
By types of investment		
Equities	31	41
Bonds (including convertible bonds)	25	18
Money market instruments	10	7
Third-party funds	17	19
Client deposits	10	6
Other ¹	7	9
Total	100	100

¹ Including non-categorised, own-managed collective investment schemes

30 Requirements of Swiss banking law

The Group is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Swiss-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is ruled by the principal provisions of the Banking Ordinance and the related Guidelines governing financial statement reporting.

The following main differences exist between IFRS and Swiss GAAP (true and fair view):

Under IFRS, changes in the fair value of financial investments available-for-sale are directly recognised in equity. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with changes in value where required recorded in the income statement. In addition, realised gains and losses on financial assets that are valued at amortised cost and that are sold or repaid prior to the final maturity are recorded immediately in the income statement. Under Swiss GAAP, such gains and losses are amortised to the stated maturity of the financial assets sold or prepaid.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, certain income and expenses are classified as extraordinary, e.g. if they are from non-operating transactions or are non-recurring.

Under IFRS, treasury shares are deducted from equity in the balance sheet. Gains or losses resulting from treasury shares are not recorded in the income statement but are directly set off against equity. Under Swiss GAAP, treasury shares not held for trading purposes are included in the position financial investments available-for-sale in the balance sheet and correspondingly separated into a reserve for treasury shares. Gains or losses resulting from the sale of treasury shares are recorded in the income statement.

Under IFRS, goodwill is not amortised but must be tested for impairment annually and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Under IFRS, intangible assets with indefinite lives are not amortised but tested for impairment on an annual basis. Under Swiss GAAP, such intangible assets are amortised over the useful lives up to a maximum of five years, and tested for impairment.

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less cost to sell. Under Swiss GAAP, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

With the exception of the CHF 329.5 million of treasury shares deducted from the equity capital in the consolidated financial statements in accordance with IFRS, these differences between the requirements of IFRS and Swiss GAAP are not material for the consolidated financial statements.

31 Events after the balance sheet date

There are no events to report that had an influence on the balance sheet or the income statement for the 2008 financial year.



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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of

Julius Baer Holding Ltd., Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Julius Baer Holding Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 29 to 109) for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.



Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Daniel Senn
Licensed Audit Expert
Auditor in Charge

Hans Stamm
Licensed Audit Expert

Zurich, 4 February 2009

Financial Report Julius Baer Holding Ltd. 2008

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Income statement

	2008 <i>CHF 1000</i>	2007 <i>CHF 1000</i>	Change %
Income			
Interest income	19 490	24 324	-19.9
Interest expense	18 847	26 561	-29.0
Net interest income	643	-2 237	-128.7
Commission income on services	2 649	564	369.7
Commission expense	121	157	-22.9
Results from commission and service fee activities	2 528	407	521.1
Income from participations	1 006 960	844 091	19.3
Other ordinary results	61 420	63 842	-3.8
Operating income	1 071 551	906 103	18.3
Expenses			
Personnel expenses	29 843	62 726	-52.4
General expenses	24 916	17 108	45.6
Operating expenses	54 759	79 834	-31.4
Gross profit	1 016 792	826 269	23.1
Depreciation	582	630	-7.6
Taxes	3 228	9 666	-66.6
Net profit	1 012 982	815 973	24.1

Balance sheet

	31.12.2008 <i>CHF 1000</i>	31.12.2007 <i>CHF 1000</i>	Change <i>CHF 1000</i>
Assets			
Current assets			
Due from banks	112 868	110 786	2 082
Due from customers	127	6 282	-6 155
Securities	1 649	1 649	-
Other claims	12 362	14 261	-1 899
Accrued income and prepaid expenses	435 926	196 226	239 700
Other assets	6 913	18 379	-11 466
Non-current assets			
Participations	6 064 011	6 035 801	28 210
Other financial investments	315 525	314 842	683
Treasury shares	298 644	1 096 059	-797 415
Intangible assets	34	74	-40
Total assets	7 248 059	7 794 359	-546 300
Due from Group companies	413 678	417 068	-3 390
Liabilities and equity			
Liabilities			
Due to banks	200 042	536 143	-336 101
Debt issued	375 000	375 000	-
Accrued expenses and deferred income	22 155	47 670	-25 515
Other liabilities	19 658	15 748	3 910
Equity			
Share capital	10 552	11 163	-611
General legal reserve	4 852 508	4 852 508	-
Reserve for treasury shares	298 644	1 096 059	-797 415
Other reserves	448 050	36 083	411 967
Disposable profit	1 021 450	823 985	197 465
<i>of which retained earnings</i>	<i>8 468</i>	<i>8 012</i>	<i>456</i>
<i>of which net profit</i>	<i>1 012 982</i>	<i>815 973</i>	<i>197 009</i>
Total liabilities and equity	7 248 059	7 794 359	-546 300
Due to Group companies	227 910	261 143	-33 233

Notes

	31.12.2008	31.12.2007	Change
	<i>CHF 1000</i>	<i>CHF 1000</i>	<i>CHF 1000</i>
Contingent liabilities			
Surety and guarantee obligations and assets pledged in favour of third parties	226 244	151 660	74 584

Financial investments

Financial investments are valued at fair value. Unrealised gains and losses are recorded in other ordinary results.

Participations

Please see consolidated financial statements, pages 99 to 102. Participation income from subsidiaries is recorded based on an economic standpoint, i.e. at the same time that the corresponding income is recorded at the subsidiary.

Outstanding bonds

Please see consolidated financial statements, page 82.

Conditional capital

	Registered shares (CHF 0.05 par)	
	<i>Number</i>	<i>CHF 1000</i>
For warrant and convertible bonds		
Resolution of the Ordinary Annual General Meeting on 24.06.1993	10 000 000	500

Treasury shares

In the statutory financial statements of Julius Baer Holding Ltd., a reserve for treasury shares, comprising all treasury shares held in the financial investments of Julius Baer Holding and its subsidiaries, is stated in equity in accordance with Article 663b, section 10 of the Swiss Code of Obligations.

As part of the share buyback programme, Julius Baer Holding Ltd. bought 4 403 500 shares. The figures also correspond to the closing balance.

Compliant with the corresponding provisions of the Swiss Code of Obligations and the Banking Ordinance, the shares of Julius Baer Holding Ltd. held in the trading portfolio of Bank Julius Baer & Co. Ltd. are not included in this reserve. These shares serve merely to hedge written options. The applicable conditions for purchasing treasury shares as a means of protecting shareholders' equity are not affected by this (barring the return of contributions, Article 680, paragraph 2 of the Swiss Code of Obligations).

Risk management

Please see consolidated financial statements, page 47ff.

Significant shareholders/participants

Based on notifications received by Julius Baer Holding Ltd. each of the following shareholders/participants held more than 3% of the voting rights in Julius Baer Holding Ltd. as of 31 December 2008: ¹

Shareholder/participant	Voting rights conferred by shares/equity securities	Voting rights conferred by conversion rights, share purchase rights and granted share sale rights	Resulting total percentage holding of voting rights at time of notification ²
Wellington Management Company LLP ³	6.01%	-	6.01%
Julius Baer Holding Ltd. ⁴	3.01%	1.97%	4.98%
Davis Selected Advisers L.P. ⁵	4.97%	-	4.97%
Fidelity Management and Research LLC (FMR LLC, formerly FMR Corp.) ⁶	4.96%	-	4.96%
AXA Group ⁷	3.47%	-	3.47%
MFS Investment Management ⁸	3.15%	-	3.15%
FIL Limited (formerly Fidelity International Limited) ⁹	3.10%	-	3.10%
Massachusetts Mutual Life Insurance Company ¹⁰	3.03%	-	3.03%

¹ The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules.

² Note that the share capital of Julius Baer Holding Ltd. was decreased through cancellation of 12 222 222 own shares by 5.47% as per 25 June 2008 and that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.

³ Wellington Management Company LLP, Boston/USA, on behalf of clients (reported on 25 June 2007)

⁴ Julius Baer Holding Ltd., Zurich/Switzerland, Bank Julius Baer & Co. Ltd., Zurich/Switzerland, Loteco Foundation c/o Julius Baer Holding Ltd., Zurich/Switzerland, and Julius Baer Life (Bahamas) Ltd., Nassau/Bahamas (reported on 3 October 2008)

⁵ Davis Selected Advisers L.P., Tucson/USA, as investment advisor (reported on 15 December 2008)

⁶ Fidelity Management and Research LLC (FMR LLC, formerly FMR Corp.), Boston/USA, and its directly and indirectly controlled subsidiaries, on behalf of clients (reported on 3 December 2008)

⁷ AXA Group, Paris/France, via group companies AXA S.A., Paris/France, Alliance Bernstein L.P., New York/USA, AXA Investment Managers S.A., Paris/France, and AXA Rosenberg Investment Management Ltd., London/England (reported on 8 May 2008)

⁸ MFS Investment Management, Boston/USA, and its directly and indirectly controlled subsidiaries MFS Institutional Advisors Inc., MFS International Ltd., MFS International (UK) Ltd., MFS Heritage Trust Co., MFS International Management KK and MFS Investment Management (LUX) S.A. (reported on 8 April 2008)

⁹ FIL Limited, Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, via accounts managed by FIL Limited and its direct and indirect subsidiaries (reported on 13 November 2008)

¹⁰ Massachusetts Mutual Life Insurance Company, Springfield/USA, and its subsidiaries Oppenheimer Funds Inc, New York/USA, and Baring Asset Management Limited, London/England (reported on 20 July 2008)

Compensation, loans and share- and option holdings of the Board of Directors and Senior Management

		Base pay CHF	Performance payment CHF	Share-based payments ² CHF	Pension fund contribution and varia CHF	Total CHF
Compensation of the members of the Board of Directors						
Raymond J. Baer – Chairman ¹	2008	1 476 000	850 000	867 780	111 858	3 305 638
	2007	1 422 200	2 250 000	918 000	106 704	4 696 904
Peter Kuepfer – Independent Lead Director	2008	170 000	-	626 730	8 585	805 315
	2007	170 000	-	-	8 585	178 585
Rolf P. Jetzer	2008	130 000	-	-	6 565	136 565
	2007	130 000	-	663 000	6 565	799 565
Gareth Penny	2008	120 000	-	-	6 060	126 060
	2007	120 000	-	663 000	6 873	789 873
Monika Ribar Baumann	2008	120 000	-	-	6 060	126 060
	2007	120 000	-	663 000	6 060	789 060
Daniel J. Sauter	2008	170 000	-	-	8 585	178 585
	2007	170 000	-	663 000	9 377	842 377
Béatrice Speiser	2008	120 000	-	-	6 060	126 060
	2007	120 000	-	-	6 060	126 060
Charles G. T. Stonehill	2008	150 000	-	626 730	7 575	784 305
	2007	150 000	-	-	7 575	157 575
Total	2008	2 456 000	850 000	2 121 240	161 348	5 588 588
Total	2007	2 402 200	2 250 000	3 570 000	157 799	8 379 999

¹ The Chairman has a full-time employment relationship.

² Share-based payments to members of the Board of Directors (excl. the Chairman) are made in the year of election and/or re-election and for the entire term (normally three years).

In 2008, Peter Kuepfer and Charles G. T. Stonehill have been re-elected to the Board of Directors for a three-year term.

The share-based payments are valued at fair value at the time of grant (= CHF 85 per share as of 30 April 2007; CHF 80.35 per share as of 30 April 2008).

The value of the share-based payments cannot be compared with Note 28 Share-based payments of the Financial Report Group 2008 as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.

The members of the Board of Directors are only entitled to the granted shares and/or options provided that they fulfil the entire term for which they have been elected or re-elected (forfeiture clause).

No compensation has been granted to closely linked parties of members of the Board of Directors.

		Base pay CHF	Performance payment CHF	Share-based payments CHF	Pension fund contribution and varia CHF	Total CHF
Compensation of the former members of the Board of Directors (members who left during 2008 or earlier)						
Georges Gagnebin ¹	2008	138 833	-	-	26 749	165 582
	2007	476 000	250 000	-	112 896	838 896
Paul Embrechts ²	2008	-	-	-	-	-
	2007	120 000	-	-	6 060	126 060
Total	2008	138 833	-	-	26 749	165 582
Total	2007	596 000	250 000	-	118 956	964 956

¹ Georges Gagnebin, Vice Chairman of the Board until 15 April 2008, had a full-time employment relationship; he did not stand for re-election at the Ordinary Annual General Meeting on 15 April 2008.

² Paul Embrechts decided to step down from the Board at the Ordinary Annual General Meeting on 15 April 2008.

In 2008, no compensation has been granted to Board members who left the Board in 2007 or earlier.

	31.12.2008		31.12.2007	
	Loans to closely linked parties CHF	Loans to closely linked parties CHF	Loans to closely linked parties CHF	Loans to closely linked parties CHF
Loans to the members of the Board of Directors				
Raymond J. Baer – Chairman	12 518 889	-	12 731 184	-
Peter Kuepfer – Independent Lead Director	-	-	-	-
Rolf P. Jetzer	-	-	-	-
Gareth Penny	-	-	-	-
Monika Ribar Baumann	2 212 838	-	2 744 873	-
Daniel J. Sauter	351 742	12 518 292	-	13 755 250
Béatrice Speiser	4 546 831	-	1 505 563	-
Charles G. T. Stonehill	-	14 796	-	1 350
Total	19 630 300	12 533 088	16 981 620	13 756 600

The loans granted to members of the Board of Directors consist of lombard loans on a secured basis (through pledging of securities portfolios) and mortgage loans on a fixed and variable rate basis.

The interest rates of the lombard loans and mortgage loans are in line with normal market rates at the time the loans are granted, though the members of the Board of Directors are granted a discount of 1% for variable mortgage loans, and fixed mortgage loans are granted at the refinancing rate plus 0.5%.

In October 2008, Board members as well as employees had the one-time opportunity to switch variable mortgage loans into fixed mortgage loans at a refinancing rate plus 0.15–0.25%.

Members of the Board of Directors benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

	31.12.2008		31.12.2007	
	Loans to closely linked parties CHF	Loans to closely linked parties CHF	Loans to closely linked parties CHF	Loans to closely linked parties CHF
Loans to the former members of the Board of Directors (members who left during 2008 or earlier)				
Georges Gagnebin	-	-	-	-
Paul Embrechts	-	-	655 000	-
Total	-	-	655 000	-

No loans to former members of the Board of Directors (and their closely linked parties) are outstanding at year-end 2008 or have been granted in 2008 at conditions that were not at market.

		Number of shares	Number of options (all option holdings are call options)		
			Exercise prices CHF		Maturity
			20-30	30-40	
Share- and option holdings of the members of the Board of Directors¹					
					31.08.09/ 31.03.09, 31.03.10
Raymond J. Baer – Chairman	2008	1 421 910	14 560	45 860	
	2007	1 439 831	14 560	45 860	31.08.09/ 31.03.09, 31.03.10
Georges Gagnebin – left Board on 15 April 2008	2008	n/a	-	-	
	2007	89 660	-	-	
Peter Kuepfer – Independent Lead Director	2008	148 211	-	-	
	2007	143 715	-	-	
Paul Embrechts – left Board on 15 April 2008	2008	n/a	-	-	
	2007	14 014	8 000	-	22.07.08
Rolf P. Jetzer	2008	16 268	-	-	
	2007	10 722	-	-	
Gareth Penny	2008	2 600	-	-	
	2007	1	-	-	
Monika Ribar Baumann	2008	11 132	17 470	-	31.08.09
	2007	8 532	17 470	-	31.08.09
Daniel J. Sauter	2008	26 320	-	-	
	2007	23 720	-	-	
Béatrice Speiser	2008	251 200	-	-	
	2007	282 224	4 000	-	22.07.08
Charles G. T. Stonehill	2008	5 200	-	-	
	2007	2 600	-	-	
Total	2008	1 882 841	32 030	45 860	
Total	2007	2 015 019	44 030	45 860	

¹ Including share- and option holdings of closely linked parties

		Base pay CHF	Performance payment CHF	Share-based payments ¹ CHF	Pension fund contribution and varia CHF	Total CHF
Compensation of the members of the Senior Management						
Total	2008	1 323 246	2 003 000	-	215 220	3 541 466
Total	2007	3 402 700	8 652 000	1 495 479	336 408	13 886 587

		Base pay CHF	Performance payment CHF	Share-based payments ¹ CHF	Pension fund contribution and varia CHF	Total CHF
Compensation of the former members of the Senior Management (members who left during 2008 or earlier)						
Total	2008	1 317 333	3 600 000	-	92 627	5 009 960
Total	2007	4 503 345	12 024 188	138 196	605 536	17 271 265

		Base pay CHF	Performance payment CHF	Share-based payments ¹ CHF	Pension fund contribution and varia CHF	Total CHF
Details of the compensation of the highest paid member of the Senior/former Senior Management						
Johannes A. de Gier	2008	1 317 333	3 600 000	-	92 627	5 009 960
Johannes A. de Gier	2007	1 976 000	6 000 000	-	117 387	8 093 387

¹ The value of the share-based payment cannot be compared with Note 28 Share-based payments of the Financial Report Group 2008 as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.
The members of the Senior Management are only entitled to the granted shares and/or options provided that they fulfil the vesting conditions.
The share-based payments are valued at fair value at the time of grant (= CHF 85 per share as of 30 April 2007; CHF 17.32 per option on Julius Baer shares as of 13 November 2007; CHF 80.35 per share as of 30 April 2008).

The total figure of CHF 17 271 265 in 2007 contains payments of CHF 221 000 (CHF 71 000 base pay/CHF 150 000 performance payment) to former members of the Senior Management who left Senior Management in 2006 or earlier.

In 2008, no compensation has been paid to former members of Senior Management who left Senior Management in 2007 or earlier.

No compensation has been granted to closely linked parties of members of the Senior Management or former members of the Senior Management.

	31.12.2008		31.12.2007	
	Loans CHF	Loans to closely linked parties CHF	Loans CHF	Loans to closely linked parties CHF
Loans to the members of the Senior Management				
Total	1 206 674	-	1 200 000	-
<i>of which Bernhard Hodler</i>	1 200 000	-	1 200 000	-

The loans granted to the Senior Management consist of lombard loans on a secured basis (through pledging of securities portfolios) and mortgage loans on a fixed and variable rate basis.

The interest rates of the lombard loans and mortgage loans are in line with normal market rates at the time the loans are granted, though employees of the Group are granted a discount of 1% for variable mortgage loans, and fixed mortgage loans are granted at the refinancing rate plus 0.5%.

In October 2008, employees as well as Board members had the one-time opportunity to switch variable mortgage loans into fixed mortgage loans at a refinancing rate plus 0.15–0.25%.

No loans to former members of the Senior Management (and their closely linked parties) are outstanding at year-end 2008 or have been granted in 2008 at conditions that were not at market.

Members of the Senior Management benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

		Number of shares	Number of options (all option holdings are call options)	
			Exercise prices CHF	Maturity
Share- and option holdings of the members of the Senior Management¹				
Dieter A. Enkelmann, Group Chief Financial Officer	2008	38 110	-	-
	2007	15 244	-	-
Bernhard Hodler, Group Chief Risk Officer	2008	29 968	-	-
	2007	26 462	-	-
Scott Sullivan, Group General Counsel	2008	8 073	-	-
	2007	-	-	-
<i>Johannes A. de Gier²</i>	2008	<i>n/a</i>	-	-
	2007	1 229 784	-	-
Total	2008	76 151	-	-
Total	2007	1 271 490	-	-

¹ Including share- and option holdings of closely linked parties

² Johannes A. de Gier stepped down as Group CEO as per 30 August 2008.

Proposal of the Board of Directors to the Ordinary Annual General Meeting on 8 April 2009

The Board of Directors proposes to the Ordinary Annual General Meeting that the disposable profit for the 2008 financial year of CHF 1 021 450 384, consisting of net profit for the financial year in the amount of CHF 1 012 982 155 plus CHF 8 468 229 of retained earnings brought forward from the prior financial year, be distributed as follows:

- Dividend of CHF 0.50
per registered share at CHF 0.05 par value

- Total dividends on the 206 630 756 shares entitled to dividends:
CHF 103 315 378

- Allocation to other reserves:
CHF 910 000 000

- Balance brought forward:
CHF 8 135 006

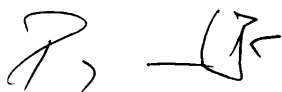
Dividends

	Gross CHF	35% withholding tax CHF	Net CHF
On approval of this proposal, the dividends amount to:			
per registered share	0.50	0.175	0.325

The dividends will be paid from 15 April 2009.

On behalf of the Board of Directors

The Chairman



Raymond J. Baer



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Report of the Statutory Auditor on the Financial Statements to the General Meeting of
Julius Baer Holding Ltd., Zurich

As statutory auditor, we have audited the accompanying financial statements of Julius Baer Holding Ltd., which comprise the balance sheet, income statement and notes (pages 114 to 124) for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.



Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Daniel Senn
Licensed Audit Expert
Auditor in Charge

Hans Stamm
Licensed Audit Expert

Zurich, 4 February 2009

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The English version is prevailing.

