Julius Bär

Julius Baer Group Business Review **First Half 2008**

Excellence in everything we do
is our key ambition.

Welcome to Julius Baer.

Key figures[1]

	H1 2007 CHF m	H2 2007 CHF m	H1 2008 CHF m	Change to H1 2007 in %
Consolidated income statement				
Net interest income	167.6	155.3	221.1	31.9
Net fee and commission income	1 312.5	1 442.2	1 195.4	-8.9
Net trading income	138.3	159.9	177.7	28.5
Other ordinary results	16.2	56.9	7.9	-51.2
Operating income	**1 634.5**	**1 814.5**	**1 602.1**	**-2.0**
Personnel expenses	684.5	724.6	672.8	-1.7
General expenses[2]	254.2	293.6	253.6	-0.2
Depreciation and amortisation	21.1	22.2	23.0	9.0
Operating expenses	**959.8**	**1 040.4**	**949.4**	**-1.1**
Profit before taxes	**674.7**	**774.1**	**652.7**	**-3.3**
Income taxes	156.7	155.5	142.6	-9.0
Net profit	**518.0**	**618.6**	**510.1**	**-1.5**
Cost/income ratio[3]	57.5%	56.0%	58.5%	-
Pre-tax margin (basis points)	35.4	38.0	34.7	-
Tax rate	23.2%	20.1%	21.8%	-
Profit before taxes per segment/division				
Bank Julius Baer	408.4	408.2	390.4	-4.4
- Private Banking	278.5	322.2	287.0	3.1
- Investment Products	129.9	86.0	103.4	-20.4
Asset Management	285.6	382.5	278.4	-2.5
Group Functions	-19.3	-16.6	-16.1	16.6

	30.06.07	31.12.07	30.06.08	Change to 31.12.07 in %
Assets under management				
Assets under management (CHF bn)	405.5	405.1	363.9	-10.2
Average assets under management (CHF bn)	381.6	407.2	375.9	-
Net new money (CHF bn)	20.0	15.5	10.3	-
Personnel				
Number of employees (FTE)	3 869	4 099	4 272	-
Consolidated balance sheet				
Total assets (CHF m)	41 727.4	46 918.8	43 612.9	-7.0
Total equity (CHF m)	6 103.0	6 418.7	6 579.0	2.5
BIS Tier 1 capital (CHF m)	1 670.7	1 961.3	2 273.7	15.9
BIS Tier 1 ratio[4]	12.9%	12.9%	13.8%	-
Return on equity (ROE)[5]	27.9%	37.2%	28.8%	-
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	Aa3	Aa3	

[1] Excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. "Origins of Julius Baer" on page 17). Including these positions, the net profit for the first half of 2008 amounted to CHF 412.4 million, after CHF 424.3 million for the first half of 2007.

[2] Including valuation adjustments, provisions and losses

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

[4] According to Basel I as per mid-year as well as year-end 2007 and Basel II as per mid-year 2008

[5] Net profit/average equity less goodwill

Share structure	30.06.07	31.12.07	30.06.08	*Change to 31.12.07 in %*
Number of registered shares	223 256 478	223 256 478	211 034 256 [1]	-5.5
Weighted average number of registered shares outstanding	221 257 353	215 433 450	208 318 233	-3.3
Share capital (CHF m)	11.2	11.2	10.6	-5.5

Performance of Julius Baer registered share (indexed)

Ticker symbols	
Reuters	BAER.VX
Bloomberg	BAER VX

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

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

Information per registered share	30.06.07 *CHF*	31.12.07 *CHF*	30.06.08 *CHF*	*Change to 31.12.07 in %*
Book value	28.9	30.9	31.8	3.0
EPS for the half year (change to H1 2007)	2.34	2.87	2.45	4.6
Closing price as of	87.9	93.6	69.0	-26.3
High price (in the half year)	98.0	102.4	93.6	-
Low price (in the half year)	68.1	73.3	67.7	-
Market capitalisation (CHF m)	19 624	20 897	14 561	-30.3

[1] After cancellation of 12 222 222 own shares from share buyback executed as per 27 June 2007.

Content

“This demanding market environment provides us with **considerable opportunities**.”

Dear Reader

The Julius Baer Group has maintained its earning power in the first half-year of 2008 and produced solid financial results in a challenging market environment. We managed to strike the right balance between stepping up our investment in the future, given the extraordinarily favourable circumstances for growing Bank Julius Baer’s global franchise, and protecting the Group’s profitability.

Our Group’s exclusive focus on wealth management is mirrored in the portfolio of dedicated private banking and asset management businesses and brands under the roof of Julius Baer as a strategic holding company: *Bank Julius Baer*, our global private bank that focuses on the specific demands of high-net-worth individuals, *GAM*, our boutique alternative and active investment manager, and *Artio Global*, our specialised US asset management business renowned for its successful international equity strategies.

Our Group did not experience any losses related to the credit and liquidity crisis, and our businesses weathered the turbulent markets well. Bank Julius Baer continued to increase its front-related capacity with key hirings while growing its global footprint and expanding its product and service offering for a steadily growing number of sophisticated clients. Parallel to adjusting its investment strategies to the realities of a structurally different investment environment, GAM successfully expanded its increasingly bespoke range of products. Given its distinct business focus, in mid-February we announced our intention to list our US asset management business.

The Julius Baer Group managed assets totalling CHF 364 billion by mid-year 2008, down from CHF 405 billion at the end of 2007. This decline was driven by the impact of the weak equity and debt markets as well as the strong Swiss franc as our reporting currency and outweighed the significant net new money inflows particularly in Private Banking. In addition, assets under custody amounted to CHF 75 billion. While the reduced asset base had a direct impact on our operating income, we managed to achieve a net profit* of CHF 510 million, almost equalling last year's result for the same period.

As emphasised by recent market and industry developments, maintaining adequate capital and solvency levels at all times will remain one of our priorities. With a targeted BIS Tier 1 ratio of 12% under Basel II, a low risk profile and sustained earning power, our financial profile continues to appeal to both clients and shareholders. Within the framework of our active yet prudent capital management, the share buyback programme of up to CHF 2 billion running from 2008 until year-end 2010 as approved at this year's Annual General Meeting was launched on 21 April 2008.

Thanks to the strong momentum behind our businesses, the disciplined implementation of our strategy and especially the full commitment of all our employees, we are confident that we will master the current market and economic jitters successfully and grow our franchise continually. We thank our clients, shareholders and last but not least our dedicated employees for the necessary trust and support.

Raymond J. Baer
Chairman

Johannes A. de Gier
President and Group CEO

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

Julius Baer in **First Half 2008**

Julius Baer has maintained its earning power in the first half-year of 2008 and, with a net profit* of CHF 510 million, produced a solid financial result in a challenging market environment. Assets under management, down 10% at CHF 364 billion by mid-year, were affected by weak equity and debt markets and the strengthening of the Swiss franc against the US dollar, pound sterling and euro, partly offset by significant overall net new money inflows of CHF 10 billion. Earnings per share (EPS) rose by 5% to CHF 2.45 on the back of our share buyback programmes.

Dieter A. Enkelmann, Group CFO

Assets under management of the Julius Baer Group amounted to CHF 364 billion on 30 June 2008, down 10% from CHF 405 billion at the end of 2007. Net new money inflows totalling CHF 10 billion were more than offset by weak equity and debt markets, resulting in a negative impact of CHF 32 billion, and the appreciation of the Swiss franc as our reporting currency against the US dollar, pound sterling and euro, resulting in a negative currency impact of CHF 19 billion on assets under management.

The segment Bank Julius Baer managed assets of CHF 222 billion by mid-year 2008, down 5% or CHF 12 billion from year-end 2007, and the segment Asset Management managed assets of CHF 142 billion, down 17% or CHF 29 billion from year-end 2007. Bank Julius Baer saw net new money inflows of CHF 11.6 billion in the first half of 2008, while in Asset Management net money outflows amounted to CHF 1.4 billion.

The Group's operating income was 2% lower at CHF 1 602 million compared to the first half of 2007. As a result of subdued client activity and decreased average asset levels due to the factors described above, net fee and commission income declined by 9% to CHF 1 195 million. Net interest income rose by CHF 53 million or 32% to CHF 221 million on the back of the increased lending to private clients, higher deposits as well as higher margins. Net trading income increased by 28% to CHF 178 million, mainly driven by higher foreign exchange volumes.

Operating expenses at CHF 949 million were slightly lower than last year (CHF 960 million), positively impacted by the strong Swiss franc, mainly in Asset Management, offsetting the impact from continued investments in growth. Personnel expenses were 2% lower at CHF 673 million. The impact of the 10% increase in staff from 3 869 to 4 272 year on year was offset by lower performance-related compensation accruals and the aforementioned positive currency impact. General expenses, including valuation adjustments, provisions and losses, remained unchanged at CHF 254 million, even with the continued expansion of the global footprint as well as higher platform expenses of Bank Julius Baer. On the whole, the Group's cost/income ratio increased slightly to 58.5% compared to 57.5% in the first half of 2007.

* cf. footnote 1 to the key figures

“Maintaining adequate capital and solvency levels at all times will remain one of our priorities.”

All in all, we were able to maintain the Group’s earning power, with profit before taxes declining by only 3% to CHF 653 million. After deducting taxes of CHF 143 million, representing a tax rate of 22%, flat compared to full-year 2007, net profit* reached CHF 510 million, just 2% down from the first half of 2007. As a consequence of our share buyback programmes, EPS increased by 5% to CHF 2.45, up from CHF 2.34 in the first six months of 2007.

Total assets amounted to CHF 43.6 billion at the end of June 2008, down CHF 3.3 billion since the end of 2007. On the asset side, the lower amount of open forex transactions of our clients led to a lower volume of ‘loans’, whereas the actual lending to clients increased by more than CHF 500 million. The Group did not experience any losses related to the credit and liquidity crisis, neither in its portfolio of loans to private clients nor in its financial investments. With regard to the latter, we continued to reduce counterparty risks as much as practicable. Total equity rose by 2.5% to CHF 6.6 billion, and BIS Tier 1 capital by CHF 313 million to CHF 2.3 billion by the end of June 2008.

Maintaining adequate capital and solvency levels at all times will remain one of our priorities. With a BIS Tier 1 ratio of 13.8% under Basel II (year-end 2007: 12.9% under Basel I) the Julius Baer Group continues to enjoy a very solid financial base with a sustained low the risk profile.

Solar panels at Zurich head office

Corporate Social Responsibility at Julius Baer

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

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

Following the inclusion of the quantitative results of the initial 2007 data collection, the topic’s coverage on our website has now been completed. But as with all things constantly evolving as implied by our CSR model, this can only be viewed as an intermediate state. For more information on our progress: www.juliusbaer.com/csr

Bank
Julius Baer

The demanding market environment in the first six months of 2008 has validated the new organisational structure of Bank Julius Baer as well as our relentless effort to provide our clients with best-in-class products and services, which produced a strong result for the period under review. With both existing and prospective clients appreciating the quality and dedication of a pure-play wealth manager and on the back of our continued geographic expansion, we were able to attract net new money of CHF 12 billion in the first half of 2008. As a result of the negative market performance, assets under management declined by 5% to CHF 222 billion, and profit before taxes was 4% lower at CHF 390 million.

Alex W. Widmer, CEO Bank Julius Baer

"Our strong brand and our dedication to service excellence appeal to sophisticated clients around the world."

By mid-year 2008, Bank Julius Baer managed assets of CHF 222 billion of which CHF 148 billion by our Private Banking division and CHF 74 billion by our Investment Products division. The decline of CHF 12 billion or 5% compared to year-end 2007 was attributable to negative market and currency performance of CHF 15 billion and CHF 9 billion, respectively, partly compensated by favourable net new money inflows totalling CHF 12 billion, representing an annualised growth rate of 10% in the first half of 2008.

Operating income of Bank Julius Baer increased by 3% to CHF 977 million year on year on the back of higher net trading and net interest income, partly offset by lower net fee and commission income as a result of subdued client activity. Operating expenses increased by 9% to CHF 587 million, reflecting the continued strengthening of front-related areas, as evidenced by the year-on-year increase in the number of staff by 13% from 2 862 to 3 221, and continued expansion of the global footprint. Consequently, pre-tax profit was 4% lower at CHF 390 million. The cost/income ratio increased to 59.1% from 56.6% in the first half of 2007. The pre-tax margin declined to 34.8 from 37.4 basis points.

Leveraging our new structure

Our revised organisational structure, introduced in late 2007, started to show its intended effect. The combination of the entire Private Banking value chain under one roof enabled further improvements of our investment and advisory capabilities.

With the Private Banking division now focusing exclusively on managing the relationships with its private clients, the bundling of several hitherto separate businesses into the Investment Products division triggered major organisational changes in the past months: the merger of the Julius Baer European Asset Management business with the private client-oriented product and services area, formerly Wealth Management Solutions.

As a consequence, the Investment Products division's key investment capabilities were regrouped in clearly defined centres of competence, resulting in flat hierarchies with responsive line management across all asset classes. These changes were carried out parallel to the strengthening of existing and the build-up of new investment and research competences. At the same time, we reduced overlaps and initiated cost synergies, which, however, led to higher costs in the first half of 2008. This temporary effect is expected to reverse in the second half of 2008, with the full impact to become visible as of 2009.

With an undiminished focus on further strengthening the Bank's front-related areas, we were again able to hire a substantial number of top professionals, thus underlining Bank Julius Baer's growing reputation as an employer of choice. The recent introduction of a programme which enables all of our employees to individually develop the target skills decisive to their function is one of many measures in our effort to attract and retain the best talents.

Bank Julius Baer	H1 2007 *CHF m*	H2 2007 *CHF m*	H1 2008 *CHF m*	*Change to H1 2007 in %*
Income statement				
Operating income	946.1	980.4	976.9	3.3
Operating expenses	537.7	572.2	586.5	9.1
Profit before taxes	**408.4**	**408.2**	**390.4**	**-4.4**
Cost/income ratio	56.6%	56.8%	59.1%	-
Assets under management (CHF bn, change to 31.12.07)	**227.6**	**233.9**	**221.8**	**-5.2**
Change through net new money	*7.2*	*11.2*	*11.6*	-
Change through market appreciation	*12.9*	*-5.3*	*-23.7*	-
Change through divestment net of acquisition	*-4.7*	*0.3*	*0.0*	-
Average assets under management (CHF bn)	218.6	231.7	224.4	2.7
Gross margin (basis points)	86.6	84.6	87.1	-
Pre-tax margin (basis points)	37.4	35.2	34.8	-
Number of employees (FTE)	**2 862**	**3 058**	**3 221**	**12.5**

Excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. "Origins of Julius Baer" on page 17). Including these positions, the profit for the first half of 2008 amounted to CHF 345.7 million, after CHF 370.5 million for the first half of 2007.

Private Banking

Capitalising on our strong global franchise and the continued strengthening of our front-related areas, we were able to attract net new money of CHF 8 billion in the first half of 2008. We further increased our geographic presence in both promising growth and established core markets and continued to improve our service excellence. Assets under management were 5% lower at CHF 148 billion, while profit before taxes improved by 3% to CHF 287 million year on year, representing an excellent result in a difficult market environment.

Assets under management climbed by 5% to CHF 148 billion by mid-year 2008, attributable to negative market performance of CHF 9 billion and a negative currency impact of CHF 7 billion. Net new money inflows amounted to CHF 8 billion to which all regions contributed, again with a strong contribution from growth markets, Asia in particular.

The division's operating income increased by 4% to CHF 763 million year on year. Lower volume-based income on the back of subdued client activity was more than offset by higher net interest income, driven by the increased lending to private clients, higher deposits and higher margins, as well as higher net trading income, mainly from foreign exchange. Operating expenses increased by 5% to CHF 476 million, mainly due to new, largely front-related hirings, expansion of our global footprint and further investments in our IT and operations platforms. All in all, pre-tax profit increased by 3% to CHF 287 million year on year. The cost/income ratio improved further to 61.4% from 61.5% and the pre-tax margin to 38.4 from 38.2 basis points.

Continuation of pursued strategy
On the heels of our already rapid geographic expansion in 2007, we carried on with our growth strategy in the first half of 2008. With the opening of a representative office in Moscow, we were able to fill in an important white spot on our global presence map (cf. box). In the course of 2008, we will continue our geographic expansion with selective additional locations (cf. page 19).

Following an extensive review aimed at further improving quality, about 30 of our relationship managers were replaced. Despite the frequently cited 'war for talent' in our industry, we again managed to hire

Private Banking	H1 2007 *CHF m*	H2 2007 *CHF m*	H1 2008 *CHF m*	*Change to H1 2007 in %*
Income statement				
Operating income	732.0	796.4	763.4	4.3
Operating expenses	453.5	474.2	476.4	5.0
Profit before taxes	**278.5**	**322.2**	**287.0**	**3.1**
Cost/income ratio	61.5%	57.7%	61.4%	-
Assets under management (CHF bn, change to 31.12.07)	**153.3**	**156.3**	**148.3**	**-5.1**
Change through net new money	*5.4*	*6.7*	*8.4*	*56.8*
Change through market appreciation	*9.8*	*-4.0*	*-16.4*	-
Change through acquisition	-	*0.3*	-	-
Average assets under management (CHF bn)	145.9	156.0	149.3	2.4
Gross margin (basis points)	100.4	102.1	102.2	-
Pre-tax margin (basis points)	38.2	41.3	38.4	-
Number of employees (FTE)	**2 458**	**2 619**	**2 736**	**11.3**

Excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. "Origins of Julius Baer" on page 17). Including these positions, the profit for the first half of 2008 amounted to CHF 243.8 million, after CHF 238.5 million for the first half of 2007.

a number of highly experienced relationship managers (49 in total) with skill sets and personalities that ideally match our high requirements. All in all, we aim to add a net total of 50 to 60 relationship managers in 2008, thus increasing coverage of both our key growth and traditional markets, bringing the total to over 600 by year-end, up from 550 at the end of 2007.

Parallel to growing the business, we constantly strive to improve our service excellence. Several projects aimed at optimising processes and tools which support our relationship managers in their daily work have been initiated or were successfully completed during the past months. Complementing our growing product offering, they will further enable us to provide first class Private Banking services to our clients on a consistent basis, enhanced by a rising brand image and emotional perception, adding up to a unique Julius Baer client experience.

Our constant focus on putting our clients at the centre of all our efforts translates into unrivalled Swiss hospitality at our high-calibre client and prospect events. Having embraced the world of exclusive sport as our arena, with Polo being the leading discipline, this year's schedule comprises some of the most prestigious events worldwide. Meanwhile, our tradition in cultural activities and events also continued. With regard to our physical presence around the world, we will continue to invest substantially in redesigning the client areas at our premises, offering our clients a higher degree of privacy for instance.

Another result of our focus on investment excellence is the introduction of an innovative concept for individually separating the client's distinct requirements for cash-flow generation, capital preservation and capital appreciation, mirroring the client's needs as implied by real life.

Growth strategy in the making

The opening of our new representative office in Moscow in March 2008 is another milestone in our strategy to expand in key growth markets. It serves as a point of contact in the region. In addition, Moscow will serve as a hub to gain first-hand insights into this dynamic region, benefiting all our clients.

As another step in our strategy of expanding in traditional core markets, we established a new private client office in Milan, Julius Baer SIM. Complementing our successful asset management business in Italy, it will enable us to provide best-in-class investment services tailored to wealthy private clients.

We will continue our geographic expansion with selective openings of additional locations, both in growth and core markets. With the opening of St. Gallen in autumn 2008, our clients can choose from 12 locations in our home market of Switzerland.

Investment Products

The first half of 2008 saw the Investment Products division rapidly gaining shape. Assets under management amounted to CHF 74 billion (down 5%) by mid-year with net new money totalling CHF 3 billion in the first half of 2008. The streamlining and strengthening of our core investment and research competences will result in a more differentiated product and service offering, at the expense of higher costs in the short term due to shifts in personnel. As a consequence, pre-tax profit declined to CHF 103 million from CHF 130 million in the first half of 2007.

The division's assets, managed in the form of investment funds and mandates, amounted to CHF 74 billion at the end of June 2008, down CHF 4 billion from year-end 2007. Inflows in attractive existing and some newly launched products, to a large part in our private label funds business, added to net new money inflows of CHF 3 billion, which were more than offset by the impact of weak market performance of CHF 5 billion and adverse currency developments of CHF 2 billion.

Operating income remained unchanged at CHF 214 million year on year. Lower net fee and commission income as a result of the adverse change of the business mix were partly offset by higher net trading income. Operating expenses increased to CHF 110 million on the back of intensified marketing efforts and the streamlining and further strengthening of our investment expertise. This resulted in a temporary staff increase of 20%, with the associated cost effect expected to reverse in the second half of 2008 and the full impact of the enhancements expected to be visible as of 2009. As a consequence, pre-tax profit declined by 20% to CHF 103 million, the cost/income ratio climbed to 51.1% from 39.6%, and the pre-tax margin fell to 27.5 from 35.7 basis points.

Rapidly gaining shape and traction

Newly formed at the end of 2007, the Investment Products division reached several key milestones during the first half of 2008. Our product and service offering was expanded by several new investment funds and a series of structured products. Along our three core investment themes – NEWO™, Real Assets, and Pricing Power (cf. box) –, many of these products offer access to professionals and a diversified exposure

Investment Products	H1 2007 *CHF m*	H2 2007 *CHF m*	H1 2008 *CHF m*	*Change to H1 2007 in %*
Income statement				
Operating income	214.1	184.0	213.5	-0.3
Operating expenses	84.2	98.0	110.1	30.8
Profit before taxes	**129.9**	**86.0**	**103.4**	**-20.4**
Cost/income ratio	39.6%	52.9%	51.1%	-
Assets under management (CHF bn, change to 31.12.07)	**74.3**	**77.6**	**73.5**	**-5.2**
Change through net new money	*1.9*	*4.6*	*3.2*	*70.6*
Change through market appreciation	*3.1*	*-1.3*	*-7.2*	-
Change through divestment	*-4.7*	-	*0.0*	-
Average assets under management (CHF bn)	72.7	75.7	75.1	3.3
Gross margin (basis points)	58.9	48.6	56.9	-
Pre-tax margin (basis points)	35.7	22.7	27.5	-
Number of employees (FTE)	**404**	**439**	**485**	**20.0**

Excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. "Origins of Julius Baer" on page 17). Including these positions, the profit for the first half of 2008 amounted to CHF 132.0 million, after CHF 101.9 million for the first half of 2007.

in markets and segments hitherto hardly accessible to private investors.

To fully support delivery to the Bank's Private Banking units, a new dedicated team, publications and a specialised intranet platform were established. The new organisational set-up was further aligned by bundling our key investment capabilities in clearly defined centres of competence.

Investment Products is the content provider for Advisory Excellence, one of the key new initiatives of the Private Banking division. The discretionary and private clients' mandates business continued its focus on performance and developed several new concept-based offerings (cf. page 9). In the first half of 2008, the private label funds and custody businesses acquired significant new accounts, and both business areas show a strong pipeline for the rest of the year. We will continue to align our dedicated internal offering and servicing capacities, notably by adding absolute return equity and non-traditional fixed income products and solutions.

Parallel to this, the distribution of products and investment solutions to our important external clients and investors was enhanced. To support the related initiatives, we established a new integral Investment Products communication concept and issued new publications such as the investment magazine NOW. We also expanded our local reach through launching an Investment Products office in London, initially focusing on promoting and selling investment products in the UK market to wealth managers, insurance companies, investment banks and fund of funds on a wholesale basis. All of our core markets, with the exception of Italy, have shown positive growth momentum on the whole.

NEWO™ – Real Assets – Pricing Power

The 1990s brought huge changes to the world economy. Political and economic reforms helped emerging markets take a big leap forward, enabling them to profit from globalisation and economic convergence and catch up with the living standard of industrialised nations. They in turn outsourced heavily to emerging countries, benefiting from cheap labour. As a result, around three quarters of worldwide economic growth now stems from emerging markets.

These trends gave rise to a New Economic World Order, in short NEWO™, one of three core investment themes offering big potential for investors. The second theme is Real Assets, comprising real estate, infrastructure and natural resources. They are considered natural hedges against inflation, as real asset prices tend to move in line with rising price levels. Main drivers for both real estate and infrastructure are urbanisation and population growth. The rising per capita consumption of energy, metals and agricultural commodities in emerging markets created a worldwide supply/demand imbalance in this sector, massively impacting price. The third theme is attractive niche sectors with Pricing Power, including sectors with emotional property such as luxury brands and sectors with intellectual property and patent protection such as biotechnology, resulting in high profit margins and returns for investors.

Asset **Management**

The combination of negative equity market returns, a challenging transitional investment period for many hedge fund strategies, and the impact of foreign exchange movements on stated asset levels as denominated in our Swiss franc reporting currency resulted in the segment's assets under management being 17% lower at CHF 142 billion at mid-year as compared to year-end 2007. Both proactive and natural reductions to the cost base resulted in pre-tax profits declining only by 3% to CHF 278 million year on year. The challenging market environment in the first half of 2008 created a transitional phase for GAM in an industry adapting to a difficult combination of near-term factors requiring modified approaches to the now structurally different investment regime. Our US asset management business continued to benefit from investors seeking international diversification amid prolonged weakness of the US dollar and particularly benefited from their deep base of long-term US institutional investors.

David M. Solo, CEO Asset Management

"The markets will present many more challenges and many more opportunities, such that the value of high-quality active managers will prove increasingly powerful."

Of the segment's two specialised asset management units, GAM managed assets of CHF 68 billion and Artio Global, our US asset management business, assets of CHF 74 billion at the end of June 2008, for a total of CHF 142 billion. The decline by CHF 29 billion was attributable to negative market performance of CHF 18 billion, the adverse impact of the Swiss franc appreciating against the US dollar, euro and pound sterling of CHF 10 billion, and net outflows of CHF 1 billion. While Artio Global continued to attract substantial net inflows, GAM was affected by a combination of industry-specific adjustments and investors purposefully delaying asset deployment decisions amid heightened market volatility, resulting in net outflows.

The segment's operating income declined by 8% to CHF 594 million year on year as a result of the lower asset base. Operating expenses of CHF 316 million were 13% lower than in the same period last year, demonstrating the cost flexibility of these asset management businesses, as well as the positive currency translation impact of a cost base largely denominated in US dollars and pound sterling. These effects more than offset the 5% increase in the total number of staff. As a consequence, profit before taxes declined only by 3% to CHF 278 million. The cost/income ratio improved to 52.6% from 55.5% while the pre-tax margin rose to 36.8 basis points compared to 35.1 basis points a year ago.

Adaptability of the business

In recent months the investment climate has been characterised by increased risk premiums, volatility, and value dispersion. Not only are these changes of such fundamental quality as to indicate the beginning of a new phase with quite different investment characteristics; but the magnitude of these factors left the hedge fund industry rushing to adapt their investment strategies, in aggregate producing the worst half-year performance in almost two decades. While this environment proved frustrating to investors, the performance of our absolute return products in the current equity draw-down is quite consistent with previous periods of market change, and ultimately they have always adapted to produce returns which proved highly attractive to investors over the medium term.

Our highly service-oriented client focus and strong brand are key elements for the continued success of our existing relationships and also offer meaningful leverage to establish new distribution partnerships with organisations which have potential to grow our assets significantly and which are seeking the type of close working relationship that GAM excels at delivering.

Artio Global saw continued growth of both its international equity strategy-based products and its range of fixed-income strategies. The recent initiative to broaden the capabilities into the alternative investment universe also looks promising with the launch of the Artio Diversified Alpha Hedge Fund in February. Given its distinct business focus, in mid-February Julius Baer announced the intention to list its successful subsidiary by means of an initial public offering (IPO).

Asset Management	H1 2007 *CHF m*	H2 2007 *CHF m*	H1 2008 *CHF m*	*Change to H1 2007 in %*
Income statement				
Operating income	648.5	781.1	594.2	-8.4
Operating expenses	362.9	398.6	315.8	-13.0
Profit before taxes	**285.6**	**382.5**	**278.4**	**-2.5**
Cost/income ratio	55.5%	50.9%	52.6%	-
Assets under management (CHF bn, change to 31.12.07)	**177.9**	**171.1**	**142.0**	**-17.0**
Change through net new money	*12.7*	*4.2*	*-1.4*	-
Change through market appreciation	*16.6*	*-11.0*	*-27.7*	-
Average assets under management (CHF bn)	162.8	175.4	151.5	-7.0
Gross margin (basis points)	79.7	89.0	78.4	-
Gross margin ex performance fees (bp)	78.6	78.2	77.8	-
Pre-tax margin (basis points)	35.1	43.6	36.8	-
Number of employees (FTE)	**937**	**969**	**987**	**5.3**

Excluding integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition completed at the end of 2005 (cf. “Origins of Julius Baer” on page 17). Including these positions, the profit for the first half of 2008 amounted to CHF 221.7 million, after CHF 228.0 million for the first half of 2007.

GAM

The combination of a massive contraction of credit-based financing plus heavy declines in world equity markets created a uniquely difficult period for many hedge fund strategies. Though most of GAM's absolute return-oriented products provided significant capital preservation versus their related equity markets or strong absolute returns in our trading funds, this still resulted in very depressed commitments of new funds to many of the core strategies. Assets under management therefore declined by CHF 18 billion to CHF 68 billion due to negative market performance, adverse currency impacts on our reported CHF assets, and net outflows.

GAM has always had a strong specialisation in trading funds (cf. box), which proved their absolute and diversification benefits in the current market turmoil, with the USD class of GAM Trading II up 8.8% year to 30 June 2008, for example. GAM markedly increased its allocation to Trading strategies in its various multi-strategy and discretionary portfolios as of the beginning of the year, which has proved beneficial. Discretionary Macro and Systematic Non-Trend strategies also have strongly contributed, contrary to Equity Hedge whose allocation remains at the low end of our strategic band of 40–60%, similar to the lowered allocation to Arbitrage managers.

GAM developed several products of particular interest to the European markets. We launched GAM Star Absolute EuroSystematic (onshore long/short) in the Star range under the UCITS III umbrella. Collaborating with Triple Point for a second consecutive year, TP70 2008 was launched, giving investors substantial exposure to GAM Diversity. This product proved to be the most successful venture capital trust in the market to date.

GAM is also expanding its long-only fund range with specialist funds such as GAM Star Frontier Opportunities, focusing on frontier markets, currently predominantly in the Middle East. Other recent product launches include GAM Multi-Environmental, GAM Multi-Distressed, GAM Multi-Systematic Trading, GAM Multi-Event Driven, GAM Constellation Hedge and GAM Multi-Diversified LV (Low Volatility). The latter is a multi-strategy fund of hedge funds that sits alongside the flagship, GAM Diversity, developed to meet the specific requirements of institutional investors.

In recent months GAM has been successful in providing suitable, often bespoke solutions to satisfy institutional client demands for alternative products. We are developing strong relationships with the leading pension consultants, which is an important avenue to access the broad pension community. GAM was awarded significant mandates from the Iowa Public Employees' Retirement System for its Asia-Pacific equity strategy and from the Colorado Fire and Police Department for GAM Multi-Diversified LV.

In early 2008, Julius Baer's structured investments team moved to GAM, offering a full range of flexible and innovative structured product solutions. In March we hired a US-Head of GAM Multi-Manager to provide senior management support for the growing local business. The Dubai office upgraded its licence in May 2008 enabling GAM to manage assets in the region. In the six first months of 2008, GAM won many key industry awards including three Financial News Awards in the Fund of Hedge Funds category for Best Client Reporting, Best Due Diligence Process and Best Manager Selection Process. On the private client side, GAM was recognised at the prestigious Private Asset Management (PAM) awards for the Best Image and Reputation in the High Net Worth category.

Artio Global

Effective 15 June 2008, Julius Baer Americas Inc. was rebranded Artio Global Investors Inc., and its subsidiary, Julius Baer Investment Management LLC, was rebranded Artio Global Management LLC. Artio Global also expects to align its suite of US-registered mutual funds with the new corporate name in coming months, yet not affecting the investment managers or mutual fund ticker symbols.

Artio Global's flagship international equity products, representing the largest part of assets under management of CHF 74 billion at the end of June, CHF 11 billion lower than at the end of 2007, continued to see positive inflows from institutional clients. Furthermore, the fixed-income strategies, which include global high-yield and global high-grade fixed income, continued to gain net new assets and clients over the period. The fixed income teams have demonstrated overall strong results in the first half of 2008, consistently outperforming their benchmarks for the three and five year periods ending 30 June 2008. Their ability to manage risk effectively amid the liquidity deprived and sub-prime security-ridden environment has supported their strong results.

Finally, Artio Global has expanded into alternative investments with the development of hedge fund offerings. These are viewed as a complementary extension of its current investment capabilities. One fund is targeted to deliver absolute returns with low volatility by exploiting the low correlation of excess returns across Artio's various traditional strategies, using limited leverage and the application of a hedging overlay. Artio Global Credit Opportunities Fund is being developed aiming at exploring overlooked areas of value in stressed capital structures and off-the-run international credits.

The resurgence of trading strategies

The recent market turbulence has left some investors struggling to find sources of alpha. However, there is one strategy where talented managers are clearly in their element: trading. With the flexibility to combine asset classes and instruments and vary exposure, trading managers have the broadest mandate of all hedge fund strategies.

GAM classifies trading into four sub-strategies. Discretionary Macro funds aim to profit from changes in global economies. Systematic Macro strategies seek to identify mispricings across asset prices in a highly quantified manner. Systematic Trend strategies identify and follow price movements in equity indices, fixed income markets, currencies or commodities. Finally, Systematic Non-Trend strategies seek to identify instances when markets over- or under-react to price pressures.

Trading managers take views on what drives markets and the opportunities thus created. They exploit macroeconomic dislocations caused by global economics, geopolitical events or policy shifts. Not only must a successful manager recognise an opportunity, but also place and exit the trade at the right time and size. Since mid-2007 a new, exciting period is emerging for trading strategies. A slowing US economy, the global credit crunch, increasing volatility and a rise in intervention are all creating interesting opportunities.

Julius Baer
the Company

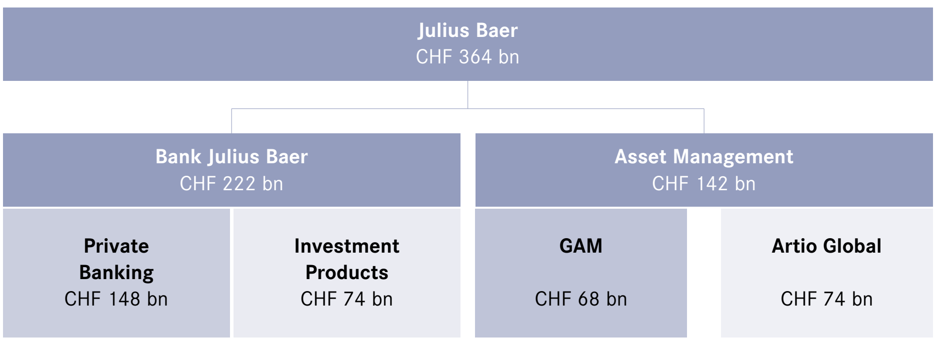
The Julius Baer Group is the leading dedicated wealth manager in Switzerland. Our singular focus on wealth management for sophisticated private and institutional investors is combined with a very straightforward operational model – to ensure unrivalled proximity to our clients.

Bank Julius Baer is one of the premier addresses in global wealth management. Our client relationships are built on partnership, continuity and mutual trust. Comprehensive advice, extensive product expertise and experienced relationship management come together to deliver individual financial solutions of the highest standard. To ensure that contact with our clients is based on cultural affinity and understanding, our client-facing organisation follows geographic markets. These relationship management teams are supported by dedicated advisory specialists and the Bank's Investment Products division.

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

The Group's organisational structure meets all the demands of modern corporate governance as well as the requirements of efficient management. More than 4 200 employees are available around the clock to serve our clientele. We endeavour to understand our clients' financial needs as well as their private and cultural considerations. There is no substitute for being in close contact with clients. We are at well over 30 locations worldwide and wherever our clients need us to be.

Julius Baer Group: Assets under Management as of 30 June 2008



Well positioned and well regarded

Julius Baer is also one of the leading publicly traded financial companies in Switzerland. The main companies of the Group are Bank Julius Baer & Co. Ltd., GAM Holding Ltd. and Artio Global Management LLC. The Group's companies operate under the holding company Julius Baer Holding Ltd., whose registered shares are listed on the SWX Swiss Exchange. They form part of the Swiss Leader Index launched in mid-2007. Already since 2000, they have been a component of the Swiss Market Index (SMI), which comprises the 20 largest and most liquid stocks traded on the SWX. The market capitalisation as of 30 June 2008 was CHF 14.6 billion.

International rating agency Moody's assigns an Aa3 long-term obligations rating to Bank Julius Baer & Co. Ltd., together with the highest possible rating for short-term debt, Prime-1. All ratings have a stable outlook. "The strength of Bank Julius Baer's well-established global wealth management franchise, notably in Swiss and German onshore and international offshore private banking, is positive for its credit quality and ratings. In a fragmented market, the Group is one of the largest wealth managers internationally. The Bank's experienced management team can rely on Julius Baer's well-recognised brand and international presence and its comparatively large asset base and cash flows to expand its regional and client coverage and attract growing business volumes from newly emerging private banking markets, especially in Asia, Central & Eastern Europe and Latin America." (Moody's Credit Opinion, 28 March 2008)

Origins of Julius Baer

From the beginning of the company in the nineteenth century, its development has been driven by an entrepreneurial spirit, cultural openness and an intimate understanding of its clients' needs. This timeless business approach is reflected in the enduring motto of Julius Baer, the founder and namesake of the Group: "If contact between people is based on trust and absolute integrity, then it is of benefit for both sides."

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

Swiss Wealth Managers: Assets under Management as of 31 December 2007
CHF bn

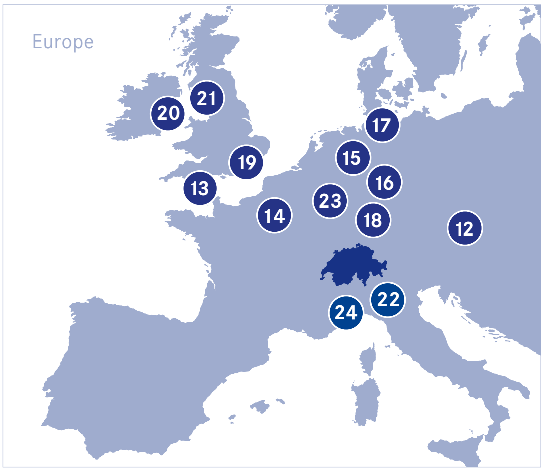
UBS Wealth Management	2134
Credit Suisse Private Banking	839
Julius Baer Group	405
Pictet & Cie	270
Lombard, Odier, Darier, Hentsch & Cie	177
Union Bancaire Privée	136
Banque Privée Edmond de Rothschild SA	100
EFG Bank	98
Bank Sarasin & Cie Ltd	83
Vontobel Holding AG	80

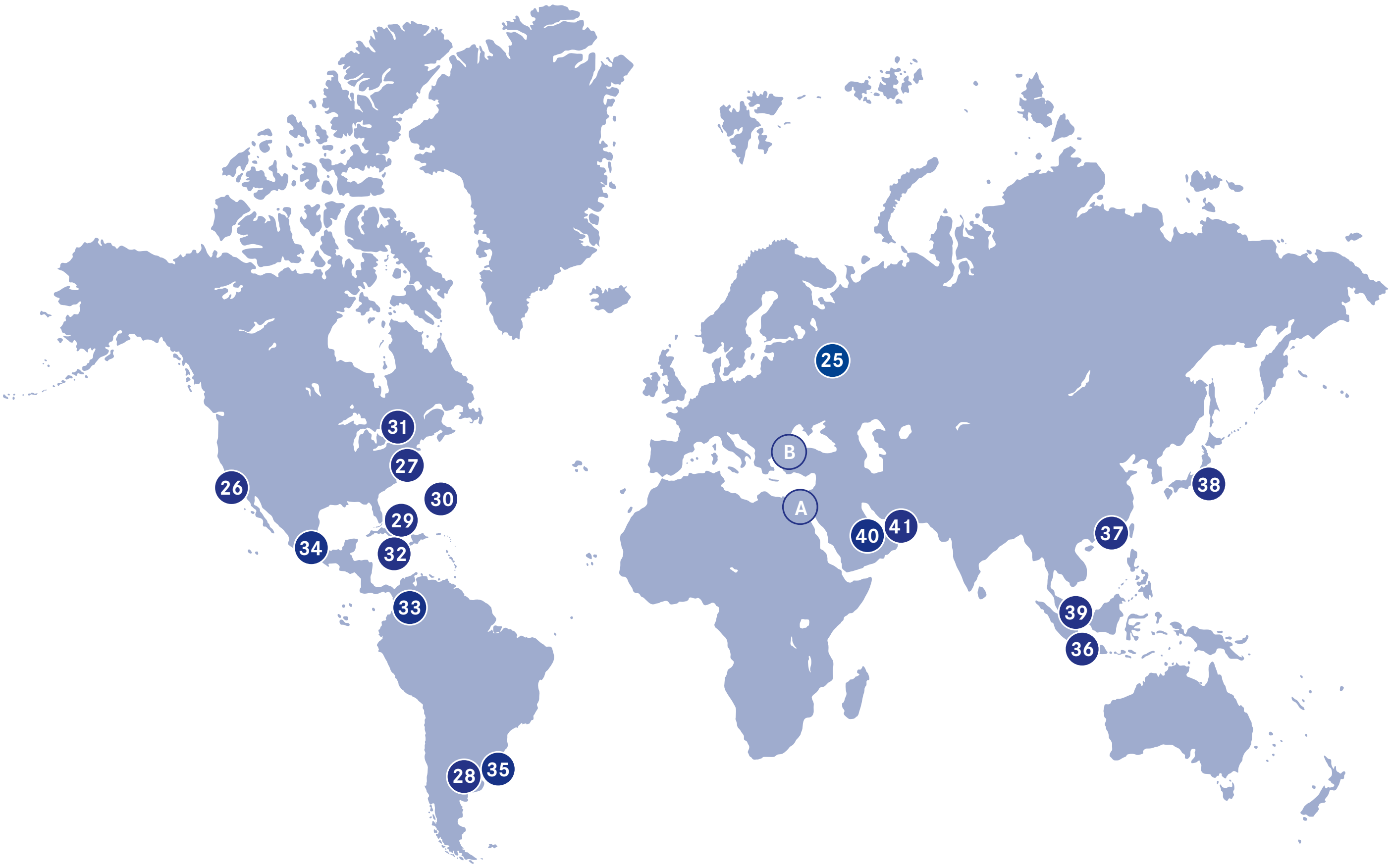
Source: Private Banking Magazine, Bloomberg

Contacts

			Private Banking	Investment Products / Asset Management*	GAM
Europe					
Switzerland	1	Zurich (head office)	+41 58 888 1111	+41 58 888 5820	+41 44 388 3030
	2	Basle	+41 58 889 4400		
	3	Berne	+41 58 889 5555		
	4	Crans-Montana	+41 58 889 7000		
	5	Geneva	+41 58 885 3838	+41 58 889 6509	
	6	Lausanne	+41 58 889 3400		
	7	Lucerne	+41 58 889 7900		
	8	Lugano	+41 58 885 8111		
	9	Sion	+41 58 889 3838		
	10	Verbier	+41 58 889 7100		
	11	Zug	+41 58 889 7800		
Austria	12	Vienna	+43 1 535 72 02 00	+41 58 888 4043	
Channel Islands	13	Guernsey	+44 148 172 6618		
France	14	Paris	+33 1 53 43 90 58		
Germany	15	Duesseldorf	+49 211 56940 200		
	16	Frankfurt	+49 69 90743 500	+49 69 90743 530	
	17	Hamburg	+49 40 570064 400		
	18	Stuttgart	+49 711 28470 700		
Great Britain	19	London	+44 207 166 8100	+44 207 166 8100	+44 207 493 9990
Ireland	20	Dublin			+353 1 609 3900
Isle of Man	21	Douglas			+44 1624 632632
Italy	22	Milan	+39 02 928 716 11	+39 02 433 315 111	
Luxembourg	23	Luxembourg		+41 58 888 4043	
Monaco	24	Monaco	+377 9797 7777		
Russia	25	Moscow	+7 495 662 33 20		
Americas					
USA	26	Los Angeles		+1 310 282 0200	
	27	New York		+1 212 297 3600	+1 212 407 4600
Argentina	28	Buenos Aires	+54 1 152 720 820		
Bahamas	29	Nassau	+1 242 394 91 00		
Bermuda	30	Hamilton			+1441 295 5825
Canada	31	Toronto		+1 416 862 2237	
Cayman Islands	32	Grand Cayman	+1 345 949 7212	+1 345 949 7212	
Colombia	33	Bogotá	+57 1 530 30 60		
Mexico	34	Mexico City	+52 55 5279 6450		
Uruguay	35	Montevideo	+598 2 600 5050		
Asia/Pacific					
Indonesia	36	Jakarta	+6221 2555 7500		
Japan	37	Tokyo		+852 2899 4851	+81 3 5219 8800
PR of China	38	Hong Kong	+852 2899 4788	+852 2899 4851	+852 2978 8566
Singapore	39	Singapore	+65 6827 1999	+852 2899 4851	
Middle East/Africa					
United Arab Emirates	40	Abu Dhabi	+971 2 66 73 903		
	41	Dubai	+971 4 33 00 751		+971 4 36 50 160

* Including Artio Global (USA)





Openings scheduled for 2008

A Cairo
B Istanbul
C St. Gallen
D St. Moritz

Financial calendar
Interim Management Statement: 11 November 2008
Publication of 2008 annual results: 6 February 2009
Date of 2009 Annual General Meeting: 8 April 2009

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

The Half-year Report 2008 of Julius Baer Holding Ltd. is available at www.juliusbaer.com.

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