Julius Bär

2004 Annual Report
Julius Baer Holding Ltd.

About Julius Baer

Julius Baer focuses on private banking and asset management as the leading Swiss private bank. Thanks to its comprehensive service and product range, spanning all areas of asset management, clients from around the world had entrusted Julius Baer with assets totaling CHF 135 billion at the end of 2004. Julius Baer also holds a significant position in the investment fund business. Securities and foreign exchange trading forms the third and final business segment, offering tailored products and services to private and institutional clients.

All of the Group companies are consolidated within Julius Baer Holding Ltd., Zurich, whose shares are listed on the SWX Swiss Exchange. The Group's most important company, Bank Julius Baer & Co. Ltd., is also domiciled in Zurich and traces its beginnings to 1890. Bank Julius Baer continues to enjoy a Prime-1 rating from Moody's, the highest rating for short-term debt, reflecting its internationally recognized position in asset management as well as its solid equity base. In addition to the seven Swiss offices, located in Zurich (Head Office), Basle, Geneva, Lausanne, Lugano, Lucerne and Zug, the operating units and companies abroad, in such locations as Dubai, Frankfurt, Grand Cayman, Guernsey, London, Luxembourg, Milan and New York, also make a decisive contribution to the international success of the Group.

The quality of our advice, the professionalism of our asset management services and the diversity of our product range are the cornerstones of our actions in the interest and for the benefit of our clients. Our core values of Commitment, Care and Competence result in the Credibility that makes us a trustworthy partner for our clients as well as our shareholders and employees.

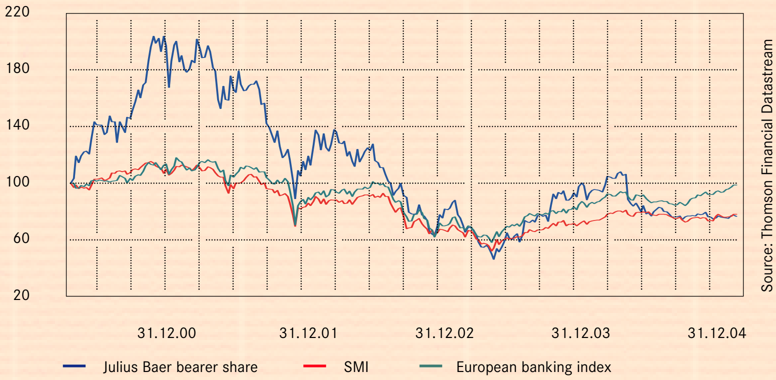
Key figures

Consolidated income statement	2003 CHF m	2004 CHF m	Change %
Net interest income	120.0	**120.8**	0.7
Results from commission and service fee activities	740.0	**780.6**	5.5
Results from trading operations	130.1	**134.0**	3.0
Other ordinary results	29.6	**1.8**	-93.8
Net operating income	1 019.6	**1 037.2**	1.7
Personnel expenses	505.7	**478.1**	-5.5
General expenses	241.8	**242.0**	0.1
Operating expenses	747.5	**720.0**	-3.7
Depreciation and write-offs, valuation adjustments and provisions	62.3	**43.2**	-30.7
Profit before restructuring costs and taxes	209.8	**274.0**	30.6
Restructuring costs	55.3	**-**	-
Profit before taxes	154.5	**274.0**	77.4
Taxes	73.6	**53.8**	-26.9
Consolidated profit	80.9	**220.2**	172.2
Minority interest	-1.0	**-2.3**	128.7
Net profit	81.9	**222.5**	171.7
Return on equity (ROE)	5.3%	**14.5%**	-
Cost/income ratio[1]	77.9%	**72.3%**	-
Net profit			
Private Banking	76.3	**88.8**	16.4
Asset Management	52.7	**107.9**	104.7
Trading & Sales	48.5	**62.4**	28.7
Brokerage	-88.5	**-**	-
Corporate Center	-7.1	**-36.6**	-418.1
Total	81.9	**222.5**	171.6

Consolidated balance sheet	31.12.2003 CHF m	31.12.2004 CHF m	Change %
Total assets	14 147.3	**16 038.2**	13.4
Shareholders' equity[2]	1 473.8	**1 557.0**	5.6
Shareholders' equity/total assets (equity ratio)	10.4%	**9.7%**	-
BIS ratio tier 1	19.1%	**17.7%**	-
Asset management			
Assets under management (CHF bn)	115.5	**135.4**	17.2
Personnel			
Number of employees (FTE)	1 766	**1 840**	4.2
of whom Switzerland	*1 378*	***1 434***	*4.1*
of whom abroad	*388*	***406***	*4.6*

1 Including depreciation and write-offs
2 Including minority interest

Performance of Julius Baer Holding bearer share (indexed)



Ticker symbols	
Reuters	BAER.VX
Bloomberg	BAER VX
Swiss securities number	1 208 300
Listing	
Switzerland	SWX Swiss Exchange

Key figures for shares

	2003 CHF	**2004** CHF	Change %
Information per bearer share			
Shareholders' equity (book value, as of 31.12.)	146.0	**155.6**	6.6
Net profit (EPS)	7.9	**21.9**	176.3
Dividend[1]	6.0	**8.0**	33.3
Market price (as of 31.12.)	417	**342**	-17.9
High price	457	**486**	-
Low price	177	**316**	-
Price/net profit ratio	52.3	**15.5**	-
Price/book value ratio	2.9	**2.2**	-
Market capitalization (CHF m, as of 31.12.)[2]	4 282	**3 449**	-19.4
Capital structure (as of 31.12.)			
Number of shares par value CHF 0.50	8 995 589	**8 855 094**	-1.6
of which entitled to dividends	*8 322 029*	***8 165 534***	*-1.9*
Number of registered shares par value CHF 0.10	9 727 665	**9 566 140**	-1.7
Weighted average number of shares	10 349 238	**10 176 699**	-1.7
Share capital (CHF m)	5.5	**5.4**	-1.6
of which entitled to dividends	*5.1*	***5.0***	*-1.8*

[1] As proposed to the Shareholders' Meeting
[2] Shares entitled to dividends, including registered shares

Julius Baer's stock

Performance in 2004

Julius Baer's stock did not perform to our satisfaction in 2004. Against a backdrop of sideways market movement on the whole, the shares failed to keep pace with the performance of the overall market or the sector, contrary to the outperformance in 2003. In the further course of the year, the stock gave up most of the above-average gains from 2003 and the first two months of 2004, ending the year down by 18%.

Introduction of single-class registered shares

The most important event, however, took place at the beginning of this year and had a positive influence on further share price performance: On 17 January 2005, we announced that the Board of Directors of Julius Baer Holding Ltd. will propose the introduction of single-class registered shares to the Annual General Meeting on 12 April 2005. To achieve this aim, each of the existing bearer shares at CHF 0.50 par value per share will be split and converted into five registered shares at CHF 0.10 par value per share. In the new capital structure, there will be no voting restrictions. Upon introduction of this new structure – subject to approval at the Annual General Meeting on 12 April 2005 – the share capital will consist of 53 841 610 registered shares at CHF 0.10 par value per share. The initial trading day will be 19 April 2005. As a result of this change, the voting rights of the Baer family members will in future correspond to their share of the equity capital.

Additional information on the share and capital structure is presented in the section on corporate governance (pages 40-45).

True to you.

"We are convinced that comprehensive asset management for private and institutional clients will remain a growth market."

Dear Shareholders and Clients

The most important event for our Group took place not during the 2004 financial year but at the beginning of this year: On 17 January 2005, we announced that the Board of Directors of Julius Baer Holding Ltd. will propose the introduction of single-class registered shares to the Annual General Meeting on 12 April 2005. As a result of this change, the voting rights of the Baer family members will in future correspond to their share of the equity capital.

Before we get ahead of ourselves, however, let us take a look back at the 2004 financial year, which like previous years turned out to be challenging in many respects. 2004 began with expectations of a steady upturn in the global economy, but these hopes were fulfilled only in specific industries and regions. Instead, political and especially economic problems took the upper hand in many corners of the world – a poor backdrop for a sustained economic recovery.

The Julius Baer Group nevertheless managed to cope well with this adverse market environment. We can be proud of our achievements despite not reaching all of the targets set for 2004. An improved earnings situation combined with the renewed focus on our core businesses of private and institutional asset management as well as on our trading activities had a positive impact on the results.

Assets under management rose by 17% to CHF 135 billion compared to the end of 2003, thanks mainly to a strong inflow of new money in Asset Management. These assets break down into CHF 61 billion in Private Banking and CHF 74 billion in Asset Management (CHF 45 billion of which relate to investment funds).

Operating income climbed by 2% to CHF 1 037 million compared to the previous year, largely thanks to higher value-based commissions. At the same time, operating expenses fell by 4% to CHF 720 million. In contrast to 2003, there were almost no one-time expenses to take into account during the 2004 financial year. Net profit was thus up sharply on the whole to CHF 222 million.

The profit distribution policy and the resulting dividend are based, on the one hand, on the development of operating business. But it is also important, on the other hand, to take into account the Julius Baer Group's solid level of equity capital, which generally does not require any significant increases in reserves through retained earnings. Hence, at the Annual General Meeting taking place on 12 April 2005 in Zurich, the Board of Directors will propose increasing the dividend compared to the previous year by CHF 2 or 33% to CHF 8 per bearer share. At the same time, another share repurchase program is foreseen for 2005/2006, up to a maximum amount of CHF 90 million. Our high equity capital ratio in international comparison, 18% according to BIS guidelines (BIS Tier 1 ratio), continues to underscore our financial strength.

Looking to the future, we face strategically important challenges. These include the direction of the Julius Baer Group with respect to its activities and geographic presence, the increasingly competitive environment in the core business areas, and the accelerating consolidation in the private banking industry in Switzerland. This latter development is being spurred in part by rising IT costs and regulatory expenses, which are growing ever more burdensome for smaller institutions in particular and should therefore lead to increased acquisitions and cooperative agreements. Furthermore, countries that are successful in providing cross-border private banking services, like Switzerland, face growing international pressure. One of the consequences of this is that the classical offshore business in the traditional core European markets is losing significance relative to onshore business. Parallel to this, competition is heating up between international financial centers such as London, Singapore and Switzerland. We may therefore assume that new money inflows from the traditional European markets into Switzerland will remain rather modest for the time being. Consequently, we need and want to quickly gain a foothold in the new growth markets, while fully taking advantage of our strengths as an internationally established and renowned Swiss private bank.

We are nevertheless convinced that comprehensive asset management for private and institutional clients will remain a growth market. As an international financial services provider offering a customized and versatile product range, Julius Baer is well established in the market without claiming to be a global player. The growth and ongoing development of the business should always be evaluated with this aspect in mind. Our vision is thus to be the leading Swiss private bank and to anchor Julius Baer in the minds of its clients as a company whose perceptible advantage derives from independence, comprehensive transparency, sustained profitability and, last but not least, the continuing commitment of the Baer family. Against this backdrop, the Board of Directors of Julius Baer Holding Ltd. has formulated the following strategic priorities:

Profitable growth. The top priority is strengthening our private banking position in Switzerland, and value-enhancing acquisitions are not explicitly ruled out in this regard. Parallel to this, we are selectively expanding the activities of Private Banking abroad, for example by means of the onshore presence in Germany, the offshore presence in Dubai and additional considerations regarding a suitable presence in the burgeoning markets of Eastern Europe and Latin America. At the same time, we are carefully examining sensible options for the Asian region. In Asset Management, on the other hand, we are focusing on broadening the product range in the international business and on strengthening our position in the institutional business in Switzerland. And finally, in Trading & Sales we are concentrating on further increasing our directly serviced client base in Switzerland and abroad. Of course, all of these measures are accompanied by a value-adding product range for our clients.

Improvement of efficiency in existing business operations. This primarily includes the optimization of the Private Banking business model and the implementation of a new IT platform in Switzerland. To support client relations as effectively as possible and increase the efficiency of workflows, it is crucial to provide suitable system architecture. Hence, through the introduction of a standard software package, the host system as well as additional system components and applications are scheduled to be replaced at the turn of the year 2006/2007. Julius Baer will thus be even better equipped to enhance its competitiveness with respect to customer care and its product range.

In light of profitability considerations, at the end of 2004 we announced the sale of our private banking business in the USA. The sale should be completed by the end of the first quarter of 2005.

Cost management. Ongoing cost-consciousness at all levels and in all areas will remain a high strategic priority in the future.

We must assume that the political and economic uncertainties will not diminish. Nevertheless, we are certain we have taken the right track with our business model to achieve sustained profitability and thus remain attractive for our current and future shareholders. At the same time, though, as a renowned financial center Switzerland must try in future to convey a less defensive posture. We thus need to make our acknowledged strengths and advantages more clearly visible to the public. These achievements range from political and social stability to the security of the legal system and the continuing high educational level of the Swiss population in international comparison.

Changes in the Board of Directors. Rudolf E. Baer and Guy E. Waldvogel have reached the age limit, and Felix R. Ehrat has been nominated to become Chairman of another banking institution. These gentlemen will therefore resign from the Board of Directors of Julius Baer Holding Ltd. and thus also step down from the Board of Directors of Bank Julius Baer & Co. Ltd. at the Annual General Meeting on 12 April 2005. Rudolf E. Baer's exceptional personal commitment over his many decades of service has made a decisive contribution to the good positioning of the Julius Baer Group evident today. His well-earned retirement represents the departure of the last member of the third generation from our Board of Directors. Guy E. Waldvogel has belonged to our Board of Directors since 1996, and his vast knowledge of industry has benefited the Julius Baer Group. During his four-year term on the Board of Directors, Felix R. Ehrat made a significant contribution to the current positioning of the Julius Baer Group. Furthermore, Marc Baer has decided not to seek reelection after expiration of his mandate. Marc Baer belonged to the Board of Directors for six years, serving as a member of the Executive Committee since 2002. He played a decisive role with respect to the new capital structure and the related positioning. Andreas J. Baer will relinquish his mandate after serving on the Board of Directors for two years, during which he provided significant input. Both decisions take into account the changed voting rights following the planned introduction of the single-class registered shares. We would like to express our sincere thanks and appreciation to all of these gentlemen. At the same time, Peter Kuepfer will be proposed for reelection and Rolf P. Jetzer will be proposed as the successor of Felix R. Ehrat for election to the Board of Directors at the Annual General Meeting.

Changes in the Group Executive Board. Michael P. Baer, member of the Group Executive Board and Head of Private Banking, will leave the Julius Baer Group at mid-2005. The Board of Directors also thanks him for his noteworthy personal commitment and his valuable contribution to the development of the Group over the past twelve years. His efforts in connection with the successful build-up of our presence in Dubai also deserve special recognition. Walter Knabenhans will take charge of the business line until a successor is named.

We thank you for your faith in us and would be grateful to count you among our shareholders and clients in the future as well. Our employees have also earned our sincerest thanks for their significant and unwavering commitment in a persistently demanding environment.

Raymond J. Baer
Chairman

Walter Knabenhans
President

Zurich, March 2005

Roman von Ah
Head of Asset Management

Michael P. Baer
Head of Private Banking

Charles W. Reber
Head of Group
Human Resources

Juergen Pulm
Chief Information
Technology Officer

Leo Th. Schrutt
Head of Group
Investment Research

Franco Taisch
Chief Legal Officer

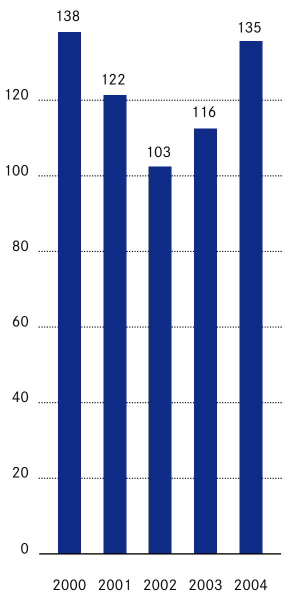
Consolidated financial results

"The Julius Baer Group is properly positioned to achieve sustained and profitable growth in the future."

Rolf W. Aeberli
Chief Financial Officer

In a market environment marked by many fluctuations and uncertainties, the Julius Baer Group recorded a net profit of CHF 222 million in its 115th year of operation, thus returning to the level of profitability achieved in previous years. Ongoing cost consciousness and a qualitatively improved revenue situation on the whole, thanks to sharply higher value-based commissions, had a positive impact on the annual financial results. It was thus possible to offset the anticipated drop in income resulting from the sale of Institutional Brokerage in 2003. Also bearing in mind the strategic growth initiatives, Julius Baer is convinced it is properly positioned to achieve sustained and profitable growth in the future.

Assets under management
(CHF bn)

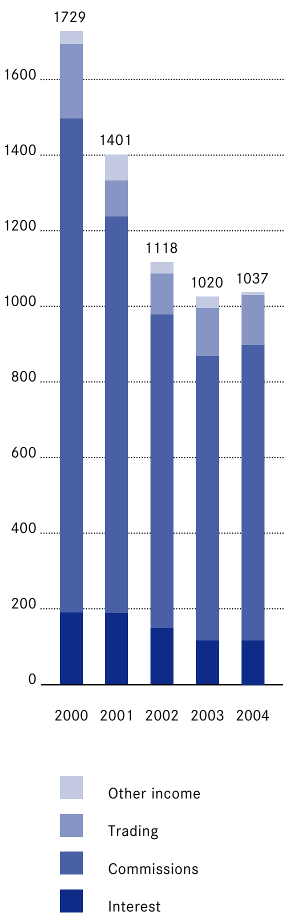


Steadily strong growth of assets under management by 17% to CHF 135 billion

Thanks mainly to robust net new money inflows of CHF 17 billion in Asset Management as well as to performance-driven growth of CHF 3 billion, assets under management of the Julius Baer Group (excluding Global Custody) climbed by a total of 17% to CHF 135 billion in the 2004 financial year (year-end 2003: CHF 116 billion). For the first time ever, Asset Management accounted for over half of the total assets. This business line's CHF 74 (54) billion of assets consisted of CHF 45 (33) billion in the investment funds and CHF 29 (21) billion in the institutional mandates. The reason for this favorable performance in Asset Management was the very successful institutional mandate and investment fund business in the USA, especially in the case of the International Equity Fund, whose assets grew by CHF 6 billion. The fund's consistently above-average performance over the years and its awards from internationally renowned institutions had a positive impact once again on the demand for this product. Also worth noting is the growth in the institutional mandate business, namely in the USA and Switzerland. Private Banking's assets under management amounted to a stable CHF 61 billion on balance. In total, money outflows exceeded inflows by a net amount of CHF 800 million. The business volume of Baer Custodian Service, which is not counted in the figure for assets under management, came to CHF 39 (36) billion.

The structural composition of the assets under management, the so-called asset mix, reflects the investment policy.

Net operating Income
(CHF m)



Compared to year-end 2003, the equity holdings within client portfolios managed by Julius Baer rose from 34% to 42%. The bond holdings declined once more, from 36% to 30%. Money market holdings fell from 10% to 8%, and investments in external investment funds receded from 9% to 8%. Client deposits remained unchanged at 6% of total assets.

There were also a few shifts in the currency mix of the assets under management. The Swiss franc allocation remained steady at 25%, as did the US dollar allocation at 31%. But the euro allocation dropped from 37% to 31%, and the remaining foreign currencies rose from 4% to 9%. Negative currency effects resulting from the pronounced weakness of the US dollar and to a lesser extent of the euro in the fourth quarter weighed down the growth of assets under management by a total value of CHF 3.3 (2.6) billion.

Qualitatively stronger earnings base thanks to value-based commissions

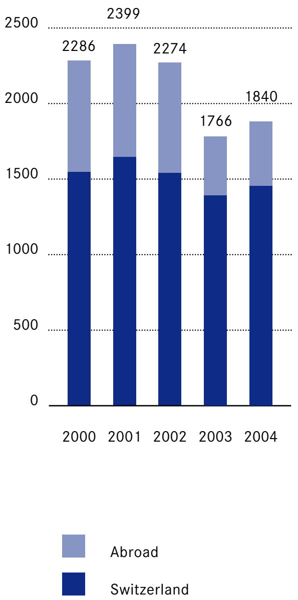
The continuing low interest rate level worldwide due to economic factors, the significantly higher average assets under management and the reduced level of client activity, particularly in the second half of the year, impacted earnings to varying degrees.

Net operating income increased by 2% to CHF 1.04 billion during the financial year. CHF 454 million or 44% (42%) of this amount was attributable to Private Banking, CHF 368 million or 35% (26%) to Asset Management, and CHF 152 million or 15% (14%) to Trading & Sales. Hence, the anticipated drop in income resulting from the sale of Brokerage (on 30 September 2003) was more than offset.

Net interest income was up by around 1% compared to the previous year, rising to CHF 121 million. Further narrowing of the interest margin due to the considerably flatter interest rate curves resulted in lower revenues, but this was offset by higher interest income on financial investments.

Results from commission and service fee activities (i.e. after deducting commission expenses) increased by 6% to CHF 781 million, thus making a considerable contribution to the qualitative improvement in earnings. Whereas the brokerage commissions and income from securities underwriting fell by 44% to CHF 140 million because of the discontinuation of Brokerage and the sluggish market, the gross commissions

Personnel of the Julius Baer Group *(FTE)*



from asset management and investment (which depend on the assets' market value) grew by 23% to CHF 791 million. This reflects the positive development of the average assets under management. The ratio of asset-value-related fees to average assets under management increased from 59 basis points to 63.

Trading recorded modest performance on the whole, in line with the market trend, following good results in the first half of the year. Income climbed by 3% to CHF 134 billion. The biggest income contribution came once again from foreign exchange and precious metals trading, which receded by 6% to CHF 105 million but still accounted for around four fifths of the total income from trading. Results were up in both equity and bond trading, increasing by a total of 56% to CHF 29 million.

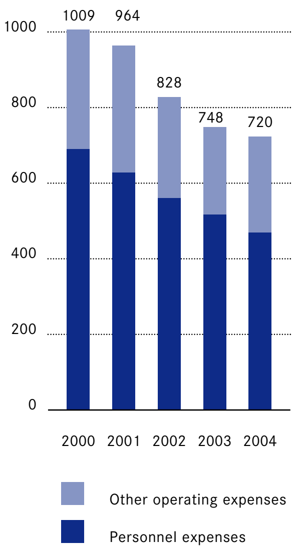
The sharp drop in other ordinary results by 94% to CHF 2 million may be explained largely by the fact that no significant loan provisions were released during the 2004 financial year.

Ongoing cost-consciousness showing results

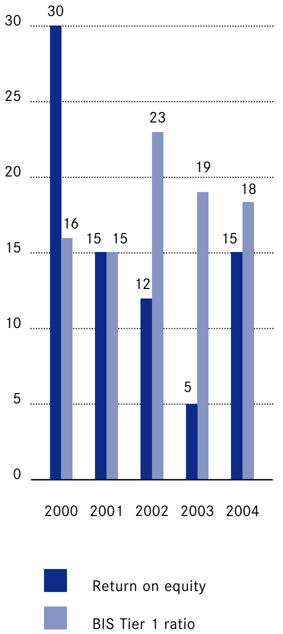
On the expense front, the discontinuation of Brokerage had a positive influence in view of the high costs associated with this business. However, operating expenses declined by only 4% to CHF 720 million because of higher performance-based payments, especially in Asset Management in the USA, and stable general expenses.

The drop in personnel expenses by 6% to CHF 478 million contrasts with an 11% decrease in the average number of employees from 2 020 to 1 802 compared to year-end 2003. But one should bear in mind the higher performance contributions in the individual business lines, which also resulted in higher bonus accruals totaling CHF 139 (102) million. The performance-based compensation components thus accounted for 29% (20%) of personnel expenses. At the same time, however, the ratio of personnel expenses to operating income declined from 50% to 46%. The expenses for the stock- and option-based participation plans rose to CHF 21 million, spurred by the sharply higher participation rate in taking up preferentially priced staff shares compared to the previous year. In accordance with IFRS guidelines, the resulting expenses were debited directly to shareholders' equity and stated under this position (cf. page 74). Starting in the 2005 financial year, such expenses will be recorded through the income

Operating expenses *(CHF m)*



BIS Tier 1 ratio and return on equity *(in %)*



statement, with corresponding restatements for the previous years (cf. Consolidation policies and valuation principles starting on page 76).

General expenses remained nearly stable at CHF 242 million, mainly attributable to the various investment projects that we already announced at the outset of 2004. This particularly relates to the planned replacement of the old IT system through the introduction of a new platform based on the standardized software Avaloq Banking System. Hence, the anticipated savings due to the discontinuation of Brokerage were not felt as strongly as expected despite the ongoing cost-consciousness in the Group. General expenses accounted for 34% of operating expenses, up just slightly from 32%. The cost/income ratio, i.e. operating expenses (including depreciation) as a percentage of operating income, improved from 77.9% to 72.3% and thus moved closer to the long-term target of significantly below 70%.

Improved expense/income ratio yields sharply higher gross and net profit

Gross profit was up by 17% to CHF 317 million owing to slightly higher income and somewhat lower expenses. Depreciation and write-offs of non-current assets fell by 37% in 2004 in the absence of one-time write-offs on IT systems such as those necessary in 2003. The accruals for valuation adjustments, provisions and losses receded by 10%, primarily due to lower provisions for operating risks. Thanks to the discontinuation of restructuring costs, profit before taxes climbed by 77% to CHF 274 million.

Ignoring the write-off of deferred tax assets in the amount of CHF 22 million last year, taxes increased by 4% to CHF 54 million because of the higher gross profit. Nevertheless, the tax rate sank from 33% to 20%, mainly attributable to the discontinuation of the non-tax privileged restructuring costs for Brokerage in 2003. The negative value of CHF 2 million from minority interest represents the pro rata share of start-up costs of our joint venture partner Credito Valtellinese for Julius Baer Creval Private Banking S.p.A. in Milan.

Net profit thus came to CHF 222 million for 2004, up sharply from CHF 82 million for 2003. This corresponds to earnings per bearer share of CHF 21.86 (7.91). The return on equity (ROE) climbed from 5.3% to 14.5% as a result of the sharply higher net profit. The proceeds from and the majority of the expenses connected with the sale of the private banking business in the USA, as announced in December 2004, will only be recorded after the conclusion of the transaction, which is planned for the end of the first quarter of 2005.

Increased distribution of profit in the form of dividends and share repurchases

In view of the solid level of equity capital and in keeping with the more flexibly defined profit distribution policy, the Board of Directors of the Julius Baer Group decided to further increase the total payout ratio in the form of dividends and share repurchases. The Board of Directors will therefore propose to the Annual General Meeting on 12 April 2005 to increase the dividend by CHF 2 or 33% to CHF 8 per bearer share for the 2004 financial year and to carry out another share repurchase program up to a maximum amount of CHF 90 million. Since launching the initial share repurchase program in 1998, Julius Baer Holding Ltd. has thus paid out more than CHF 900 million to the shareholders in addition to the regular dividend payments.

Active capital management reflected in the balance sheet structure

The consolidated balance sheet total grew by 13% to CHF 16 billion in 2004. This increase was mainly attributable to a rise in the financial investments, resulting from active balance sheet management.

On the assets side of the balance sheet, in addition to a 72% rise in the trading portfolios to CHF 1.0 billion, a simultaneous 9% increase in the derivative financial instruments to 1.4 billion and a 10% rise in loans to customers to CHF 3.3 billion, the asset & liability management activities played a major role. On the one hand, loans to banks were cut by 15% to CHF 3.3 billion, while on the other hand the financial investments were expanded by 32% to CHF 4.6 billion. Both measures served to improve the interest surplus, i.e. to boost the interest margin. And thanks to a simultaneous shortening of the average duration, no added risks were incurred.

On the liabilities side, due to banks were up by a notable 37% to CHF 1.9 billion, serving mainly as a source of optimal refinancing for the financial investments. The money due to customers was up by 10% to CHF 9.1 billion, representing below-average growth relative to that of the balance sheet total as well as of assets under management.

Strong equity base

In accordance with the resolutions of the Annual General Meeting of Julius Baer Holding Ltd. on 12 May 2004, the share capital was reduced by CHF 0.1 million from CHF 5.5 million to CHF 5.4 million. The capital was lowered through nullification of the 172 800 bearer shares held by the company in connection with the share repurchases.

The position own shares dropped by 12% from CHF 94 million to CHF 83 million. This position contains all own shares and derivative instruments on own shares.

The reduction of the capital reserve by CHF 21 million to CHF 162 million corresponds to the net expenditures for the staff participation programs. Retained earnings fell by 3% to CHF 1.2 billion, largely reflecting the consolidated profit in 2003 less the dividends paid in May 2004 as well as the capital reduction.

Shareholders' equity nevertheless rose by 6% to CHF 1.5 billion, driven by earnings, and thus continues to underscore the financial strength of Julius Baer. Our equity capital ratio of 17.7% (19.1%) according to the guidelines of the Bank for International Settlements (BIS) remains high in international comparison and continues to significantly exceed the legal requirements for banks in Switzerland and internationally. The decline in the BIS Tier 1 ratio compared to the previous year is attributable to the increase in risk-weighted assets, especially the financial investments.

Outlook

Against a backdrop of political and economic uncertainties, investors have been hesitant since the second half of 2004, resulting in a sideways trend and modest volatility in the stock markets, and we expect more of the same for the time being. We thus adapted our business model to this outlook in autumn of 2004 to enable us to achieve sustainably profitable growth in the future.

Walter Knabenhans
Chief Executive Officer

Antoinette Hunziker-Ebneter
Head of Trading & Sales

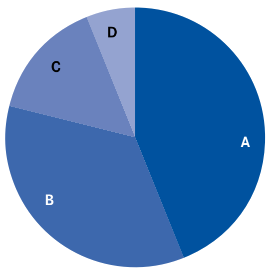
Jan A. Bielinski
Chief Communications Officer

Bernhard Hodler
Chief Risk Officer

Rolf W. Aeberli
Chief Financial Officer

	2003 *CHF m*	**2004** *CHF m*	Change *CHF m*	Change *%*
Net operating income				
Private Banking	430.9	**453.5**	22.6	5.2
Asset Management	264.9	**368.0**	103.1	38.9
Trading & Sales	138.4	**151.9**	13.5	9.8
Brokerage[2]	98.5	**-**	-98.5	-
Corporate Center	86.9	**63.8**	-23.1	-26.6
Total	1019.6	**1037.2**	17.6	1.7
Operating expenses				
Private Banking	328.6	**337.0**	8.4	2.6
Asset Management	184.7	**231.9**	47.2	25.6
Trading & Sales	78.4	**76.3**	-2.1	-2.7
Brokerage[2]	126.4	**-**	-126.4	-
Corporate Center	91.7	**118.0**	26.3	28.7
Total	809.8	**763.2**	-46.6	-5.8
Net profit				
Private Banking	76.3	**88.8**	12.5	16.4
Asset Management	52.7	**107.9**	55.2	104.7
Trading & Sales	48.5	**62.4**	13.9	28.7
Brokerage[2]	-88.5	**-**	88.5	-
Corporate Center	-7.1	**-36.6**	-29.5	-
Total	81.9	**222.5**	140.6	171.7

Net operating income by business line *(in %)*



A Private Banking, 44%

B Asset Management, 35%

C Trading & Sales, 15%

D Corporate Center, 6%

	31.12.2003 *CHF m*	**31.12.2004** *CHF m*	Change *CHF m*	Change *%*
Assets under management				
Private Banking	61 172	**61 103**	-69	-0.1
Asset Management	53 644	**73 606**	19 962	37.2
Trading & Sales	259	**299**	40	15.4
Corporate Center	471	**362**	-109	-23.1
Total	115 546	**135 370**	19 824	17.2

1 An additional overview may be found in Note 8.

2 Contribution up to 30.09.2003

Credibility

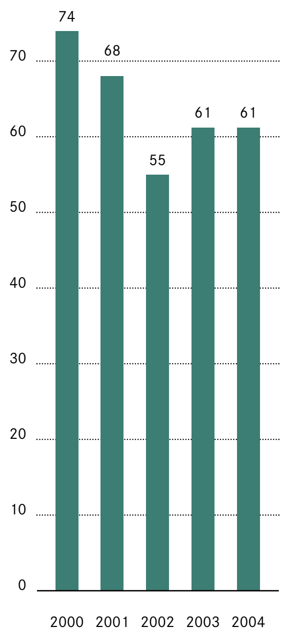

Trust
Reliability
Transparency

"Private Banking depends on openness and understanding for one another in order to create a climate of trust."

Michael P. Baer
Head of Private Banking (until 17 January 2005)

We proceeded to implement the strategic growth initiatives step by step during the financial year, opening our branch office in Dubai and revealing plans to reestablish a private banking presence in Germany. Parallel to this, we announced the sale of our private banking business in North America. Additional key expansion steps are planned for the future and should cement Julius Baer's image as the leading Swiss private bank in the minds of our clients and broaden the future earnings base.

Assets under management in Private Banking *(CHF bn)*



Strategic growth initiatives to bolster Private Banking

Assets under management in Private Banking recorded sluggish growth during the financial year, especially in the second half, hampered by the subdued market environment, the resulting client reticence and the lack of net new money inflows. Moreover, CHF 1.9 billion of negative currency effects from the US dollar and the euro had a noticeable impact.

We view the altogether lackluster development of new money as a particular challenge for the future. In total, money outflows exceeded inflows by a net amount of CHF 800 million. A shift into other investment categories was observable here on various occasions. Assets under management remained nearly unchanged from the previous year at CHF 61 billion.

Against this backdrop, the Board of Directors approved a number of strategic initiatives in autumn 2004 aimed at ensuring the sustained growth of assets under management and a higher level of profitability in Private Banking going forward. The top priority here is to strengthen our private banking position in Switzerland. In view of the expected increase in consolidation pressure, suitable opportunities for value-enhancing acquisitions may indeed arise. Parallel to this, we have already begun with the targeted build-up of private banking operations abroad: 2003 in Italy, 2004 in Dubai and 2005 (scheduled) in Germany. Additional thought is currently being given to a presence in the burgeoning markets of Eastern Europe and Latin America as well as to options in the Asian region.

Increasing importance of external asset managers

The target groups whom we wish to reach do not consist only of the direct private banking clients. For some time now, we have noticed the growing importance of external asset managers. Although we are already among the leaders in serving this special client group and a notable portion of our assets under management is attributable to this area, we see further growth potential here.

Competence and independence of Julius Baer Family Office

At the heart of our family office services is a comprehensive and holistic approach to wealth planning that considers not only monetary aspects but also the complex and wide-ranging needs of specific clients. In offering its services, Julius Baer Family Office Ltd. can draw on the formidable resources of the Group in such areas as research, investment products and trading. The increased activities resulted in a growing number of new mandates during the financial year. In future, we will continue to attach significant importance to this business.

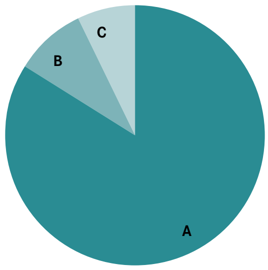
Emphasis on service quality

Furthermore, everything was and is being done to offer our clients reliably excellent service. These measures include the segmentation of clients based on their needs, the continual training of our staff members, constant innovation in the product area and the modernization of client-accessible office space at the head office.

Successful and market-oriented product innovation promotes client loyalty

The shift in investor behavior continues to reflect the uncertain market environment. As a consequence, it is more important than ever that the active counseling of our clients be accompanied by suitable product ideas. Accordingly, investor interest focused once again in 2004 on solutions designed to preserve capital and achieve long-term gains. These included capital-protection and return-optimization products. There was also robust demand for structured investment products, which are particularly well suited for safeguarding assets. These measures also support the targeted long-term improvement of our earnings situation and margin.

Breakdown of assets under management in Private Banking by accounting location *(in %)*



A Switzerland, 84%
B Rest of Europe, 9%
C North America, 7%

Business performance reflects the scarce new money inflows

On the one hand, the earnings situation was bolstered by the higher average assets under management and the corresponding value-based commission revenues compared to the previous year. At 85%, these represent by far the largest share of commissions. On the other hand, however, the notable hesitancy of clients to engage in investments resulted in significantly lower transaction-based revenues.

In light of the described developments, operating income increased by 5% to CHF 454 million. Initial positive effects came, for example, from the new fee model introduced in April 2004, which was very well received by our clients given its design and transparency. Despite ongoing cost-discipline, operating expenses climbed by 3% to CHF 337 million. Stable fixed personnel costs were accompanied by slightly higher performance-based compensation components. The rise in general expenses was mainly attributable to additional expenditures for the joint venture in Italy and the presence in Dubai as well as for new regulatory requirements. After taking into account taxes (up 11% due to higher income) and CHF 2.3 million of minority interest, net profit in Private Banking rose by 16% to CHF 89 million.

The result is also reflected by the relevant key figures: The cost/income ratio improved slightly to 72%, the gross margin remained stable at 74 basis points, and the net margin climbed by 2 basis points to 15.

Outlook

We are convinced the strategic steps and structural adjustments carried out during the financial year will have a positive impact on our results over the medium term. Furthermore, we have set ambitious profitability targets that should bring us up to the market level in the long run. Over the short term, however, our results will largely be determined by the limited new money inflows, by the market conditions and by their influence on client behavior.

Michael P. Baer, member of the Group Executive Board and Head of Private Banking until 17 January 2005, will leave the Julius Baer Group at mid-2005. Walter Knabenhans will take charge of the business line until a successor is named.

	2003 *CHF m*	**2004** *CHF m*	Change *CHF m*	Change *%*
Net operating income	430.9	**453.5**	22.6	5.2
Operating expenses	328.6	**337.0**	8.4	2.6
Segment result before taxes	102.3	**116.5**	14.2	13.9
Taxes	27.0	**30.0**	3.0	11.1
Segment result after taxes	75.3	**86.5**	11.2	14.9
Minority interest	-1.0	**-2.3**	-1.3	-
Net profit	76.3	**88.8**	12.5	16.4

Key figures		
Cost/income ratio	73.3%	**72.1%**
Tax rate	26.4%	**25.8%**
Growth of assets under management	11.9%	**-0.1%**
of which net new money	*1.3%*	***-1.3%***
of which market appreciation	*10.6%*	***1.2%***
Net new money (CHF bn)	0.7	**-0.8**
Gross profit / avg. assets under management (bp)	74	**74**
Net profit / avg. assets under management (bp)	13	**15**

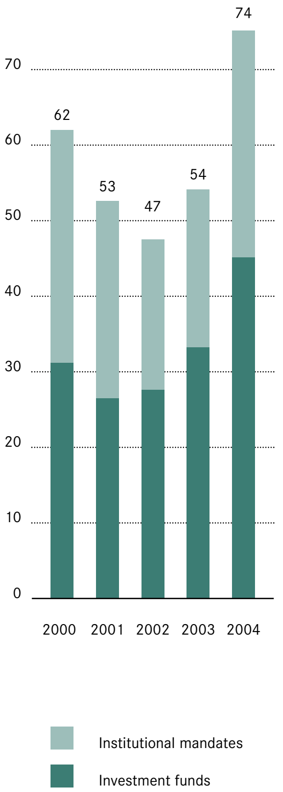
	31.12.2003	**31.12.2004**	Change	Change *%*
Assets under management (CHF m)	61 172	**61 103**	-69	-0.1
Number of employees (FTE)	473	**491**	18	3.8
Allocated FTE from Corporate Center	331	**317**	-14	-4.2
Total (FTE)	804	**808**	4	0.5

“We deserve your assets because we earn your assets.”

Roman von Ah
Head of Asset Management

The asset management business at Julius Baer comprises three core competencies: (1) institutional asset management as such and investment funds, (2) product distribution, including in-house and private label funds as well as alternative products, and (3) product management and development to maintain a competitive and innovative product portfolio. Our core markets include Switzerland, the USA, Germany and Italy.

Assets under management in Asset Management *(CHF bn)*



Robust growth of assets thanks to a successful product range

The Asset Management Business Line may look back on a noteworthy financial year in which our goals for asset growth and profitability were clearly exceeded. By far the biggest growth contribution came from the US business, led by the International Equity Fund, whose above-average investment performance over a number of years has encouraged robust new money inflows. But significant successes were also achieved in Europe. This positive performance was attributable in no small part to the launch of innovative products directly tailored to the needs of clients.

Thanks mainly to high net new money inflows of CHF 17 billion, total assets under management rose by 37% to CHF 74 billion. Investment performance contributed CHF 3 billion to this growth. The increasing weakness of the US dollar, particularly in the fourth quarter, resulted in a negative currency effect of CHF 1.2 billion but also spurred higher demand in the USA for internationally oriented products.

Steady rise of investment fund assets

Thanks to continuing high demand for Julius Baer funds, the assets of the 72 public investment funds and the 131 private label funds climbed by a total of 38% to CHF 45 billion.

The investment fund business generated somewhat more than half of the net new money inflows, with CHF 5.6 billion or 58% of the new money growth in this business segment attributable alone to the very successful International Equity Fund in the USA. This fund’s assets, totaling CHF 11 billion at the end of 2004, thus rose to more than twice the level of the previous year. The consistently above-average performance for years now, as reflected by a number of prestigious awards, has further raised the fund’s profile and increased its attractiveness.

24 new investment funds were also successfully launched during the year, such as the Asset Backed Securities Fund, the Absolute Return Bond Fund, the Multi-Strategy Fund and the Yield Concept Funds. A total of 11 funds belong to the category of alternative investment products, thus underscoring the growing importance of this investment segment for Julius Baer. Furthermore, the launch of the Julius Baer Multi-Strategy Fund introduced the first public fund in Switzerland with the characteristics of a hedge fund.

New business also developed favorably in the other European countries like Italy, Germany and Spain. Our partnership with Atlas Capital in Spain deserves special mention in this regard. Already in the first year of this cooperation, we recorded a sharp increase in market penetration and clearly exceeded the performance targets. And thanks to Julius Baer SGR S.p.A., which opened for business in autumn 2004, we also strengthened our activities in the institutional field in Italy.

Considerable growth was also recorded by the single hedge fund business, managed from London, whose total asset volume nearly reached CHF 2 billion. After the “soft closing” of the Diversified Fixed Income Hedge Fund, we launched Global Macro as well as Credit and Emerging Markets during the financial year, two new products that also enjoyed strong demand.

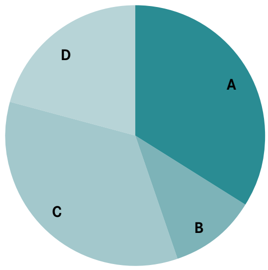
Our partnership business performed very favorably once more. Investment fund assets located outside of the Julius Baer Group amounted to CHF 38 billion at the end of 2004, or 84% of total fund assets, compared to CHF 26 billion at the end of 2003. Switzerland accounted for 37% of this volume, the USA 26%, Italy 10%, Germany 4% and other countries 7%.

In the private label fund business, Julius Baer further expanded its leading position in Europe. The fund assets grew by 19% to CHF 16 billion at the end of 2004. They thus represented 34% (40%) of our total fund volume. During the financial year, 18 new funds were launched in Switzerland, Luxembourg and the Cayman Islands. In view of our competence and market position in this business, we see good growth opportunities here for Julius Baer in the future, especially since other financial institutions appear to be outsourcing this field of activity.

Strong growth in institutional asset management

Thanks to the acquisition of large mandates in the USA and Switzerland, the volume of institutional assets under

Breakdown of assets under management in Asset Management by investment management center *(in %)*



A Switzerland, 34%

B UK, 11%

C USA, 34%

D Managed by third parties, 21%

management climbed by 37% to CHF 28 billion. These assets are managed from three locations: Zurich, New York and London. We are currently reworking the investment processes in Zurich to improve the risk-weighted investment performance over the medium term, thus enabling us to attract additional new money.

Custody money posts additional increase

Spurred by increased demand in Switzerland and abroad for our global custody services for institutional investors, the investment money in Baer Custodian Service, which is not counted in the figure for assets under management, rose by 9% to CHF 39 billion. In our home market, Switzerland, we are therefore in a position to offer institutional clients a broad range of products and services from a single source, thus enabling us to tap into cross-selling potential.

Profitable growth in all business segments

The income situation reflects the significantly higher average assets under management during the financial year. Operating income rose by 39% to CHF 368 million. At the same time, operating expenses were up by 26% to CHF 232 million, largely due to higher performance-based payments in the USA as well as expansion of the business operations in that country. Thanks to robust income growth and the absence of tax asset write-offs such as those in the previous year, the net profit after deducting ordinary taxes increased by 105% to CHF 108 million.

The following key figures underscore the positive overall performance: The cost/income ratio declined from 69% to 62%, the gross margin rose from 52 basis points to 58, and the net margin climbed from 14 basis points (adjusted for special tax factors) to 17.

Outlook

Despite reaching a relatively high level of profitability in Asset Management in the meantime, we still see room for improvement. In the US business, we expect continuing growth of net new money, but the regulatory environment could exert some pressure on the fees to be charged. On the other hand, the outsourcing of our back office operations in New York during the financial year will have a positive influence on expenses. By concentrating on specific target markets, we will be able to keep costs under control as we move forward. In Europe, we see sufficient market potential to expand the alternative products business in a selective and efficient manner. In order to ensure the flexibility and professionalism of our investment management procedures in the long run, we will introduce a new portfolio management system known as SimCorp Dimension at the end of 2005. And last but not least, we are convinced the internal adjustments completed in the past two years will have a positive impact on the overall business performance.

	2003 CHF m	2004 CHF m	Change CHF m	Change %
Net operating income	264.9	368.0	103.1	38.9
Operating expenses	184.7	231.9	47.2	25.6
Segment result before taxes	80.2	136.1	55.9	69.7
Taxes	27.5	28.2	0.7	2.5
Segment result after taxes	52.7	107.9	55.2	104.7
Minority interest	-	-	-	
Net profit	52.7	107.9	55.2	104.7
Key figures				
Cost/income ratio	68.8%	61.6%		
Tax rate	34.3%	20.7%		
Growth of assets under management	13.4%	37.2%		
of which net new money	*9.6%*	*30.9%*		
of which market appreciation	*3.8%*	*6.3%*		
Net new money (CHF bn)	4.5	16.6		
Gross profit / avg. assets under management (bp)	52	58		
Net profit / avg. assets under management (bp)	10	17		

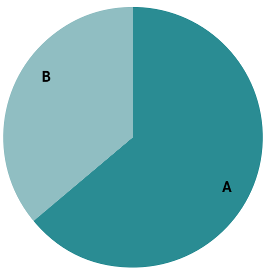
	31.12.2003	31.12.2004	Change	Change %
Assets under management (CHF m)	53 644	73 606	19 962	37.2
Number of employees (FTE)	305	344	39	12.8
Allocated FTE from Corporate Center	121	122	1	0.8
Total (FTE)	426	466	40	9.4

"We create tailored products and services for our Swiss and international clientele."

Antoinette Hunziker-Ebneter
Head of Trading & Sales

The business line offers a wide range of products and services, spanning the three areas of trading, counseling & sales and execution. The customer base consists mainly of institutional clients, but private clients are also served. Smooth cooperation with other business lines, such as Private Banking, resulted in notable growth in both the number and total volume of newly launched structured products during the financial year. This special type of investment covers nearly the entire range of equity, interest rate and precious metal products. Since structured products are more in tune with the financial market trend than are traditional investment products, demand for them particularly increases in times of prevailing market uncertainty.

Net operating income by field of business *(in %)*



A Sales & Execution, 64%

B Trading, 36%

A healthy two thirds of income stems from client activity

During the financial year, the business line benefited primarily in the first six months from high business volume in Private Banking and Asset Management as well as from securities trading income. But this momentum eased noticeably in the second half of 2004 as a result of the generally sluggish market environment. The ongoing expansion of business with institutional clients and trading-oriented private clients in Switzerland and abroad also had a positive impact. In the meantime, a healthy two thirds of the revenues are generated by our activities on behalf of clients. The remainder derives from market-making activities and proprietary trading. Furthermore, we succeeded in optimizing additional internal workflows during the year, thus achieving a higher overall degree of efficiency in the business line.

Successful capital market activities

Another example of fruitful cooperation with Julius Baer's other business lines was the issue of three convertible bonds, totaling CHF 220 million, for three Indian companies. This transaction came about thanks to our presence in Dubai. We see additional future potential in this business segment within the burgeoning markets of this region.

Good performance from trading operations

Despite adverse market conditions in the second half of the year, a good result was achieved on the whole. Mainly owing to the momentum of turnover in the first six months, operating income increased by 10% to CHF 152 million in 2004, with a significant contribution coming from client-driven foreign exchange trading. Equity trading revenues also rose disproportionately. A particularly strong influence factor here was the good development of proprietary trading in the first half of 2004. After moving past the difficulties of last year, bond trading rebounded sharply, but the results remained below the existing potential. The necessary corrective measures have been implemented in the meantime.

On the cost front, modestly higher personnel expenses were accompanied by slightly lower general expenses. All in all, operating expenses dropped by 3% to CHF 76 million. After deducting taxes (up by 15% in response to higher income), the net profit increased by a disproportionately strong 29% to CHF 62 million.

Outlook

We expect our business to face persistently tough financial market conditions. But as a niche player offering high-quality, value-adding products and services that are in growing demand by our clients, we believe we are well positioned to achieve profitable growth moving forward. In order to succeed, we must also continuously invest in the know-how of our staff members and constantly strive to optimize our internal workflows.

	2003 *CHF m*	**2004** *CHF m*	Change *CHF m*	Change *%*
Net operating income	138.4	**151.9**	13.5	9.8
Operating expenses	78.4	**76.3**	-2.1	-2.7
Segment result before taxes	60.0	**75.6**	15.6	26.0
Taxes	11.5	**13.2**	1.7	14.8
Segment result after taxes	48.5	**62.4**	13.9	28.7
Minority interest	-	**-**	-	
Net profit	48.5	**62.4**	13.9	28.7
Key figures				
Cost/income ratio	56.0%	**49.4%**		
Tax rate	19.2%	**17.5%**		

	31.12.2003	**31.12.2004**	Change	Change *%*
Number of employees (FTE)	137	**146**	9	6.6
Allocated FTE from Corporate Center	96	**87**	-9	-9.4
Total (FTE)	233	**233**	-	-

The Corporate Center houses the Group-wide service units Finance & Controlling, Group Legal Management, Communications & Investor Relations, Human Resources, Group Investment Research, Group Risk Management, and Information Technology & Operations, which faced numerous challenges during the financial year.

New core banking platform

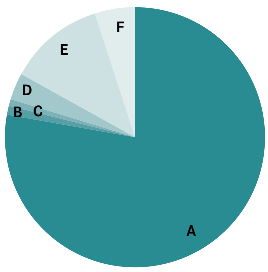
The current core banking platform of Bank Julius Baer consists of dozens of applications brought together over the course of decades to fulfill the steadily growing requirements of the business. In view of the age of the applications and the complex architecture, increasingly large technical efforts and financial outlays are necessary to maintain the host system and its environment.

Hence, the Group Executive Board commissioned the evaluation of various strategies in 2003, ranging from renovation of the existing platform to external outsourcing. The introduction of a standardized software package was identified as the best option. On the one hand, this alternative allows the Bank to benefit from standardization processes and synergies in the industry. And on the other hand, this variation displays significant advantages with respect to the initial start-up costs as well as the subsequent operating and maintenance expenses.

In early 2004, the Board of Directors therefore opted for the introduction of a new platform based on the standardized software Avaloq Banking System from the firm Avaloq Evolution AG in Zurich. The Avaloq software has already been successfully implemented numerous times in the Swiss financial industry and offers Julius Baer an ideal framework to enhance its competitiveness.

New Core Banking is the most extensive and, in view of the presumed investment outlay of CHF 120 million, the biggest project in the history of Julius Baer. It encompasses all of the Group's clients whose transactions are recorded in Switzerland or via Guernsey. Given its strategic importance, the responsibility for the project lies with the Group Executive Board, and the project team is broadly based,

Staff by location



A Switzerland, 78%

B Frankfurt, 1%

C Milan, 1%

D London, 3%

E New York, 12%

F Others, 5%

including members from all of the significantly involved areas in the Group.

The project will strengthen the integration of all the IT systems, based on modern system architecture. The new platform will offer the flexibility needed to act quickly with respect to customer wishes, market requirements and our own innovative new product ideas. Furthermore, it should allow us to lower the fixed-cost base. The project work is progressing according to plan, and the introduction of the new core banking platform is scheduled for the beginning of 2007.

Our staff

Our motto, True to you, reflects Julius Baer's core values of Commitment, Care and Competence, which in turn promote Credibility. These defining principles form the basis for the spirit of teamwork among our staff members.

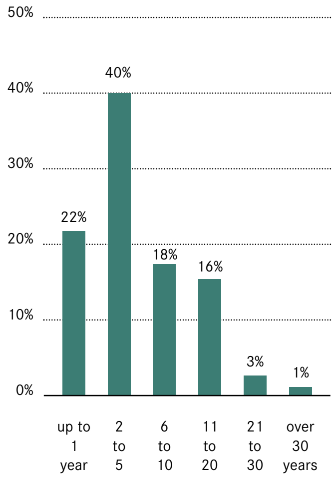
The long-term success of Julius Baer is determined to a large extent by its employees. Their personality, their competence and their readiness to serve clients through independent action are the key requirements of our corporate culture. Exuding a sense of cooperation is also a core requirement. These are the components of the brand. And with its brand, Julius Baer sets itself apart from the competition. It is the basis for the Bank's success.

Next to Switzerland, where a stable 78% of our staff were employed at the end of 2004 compared to the previous year, Julius Baer is also present in all of the world's major financial centers. 38% (37%) of our staff have been with Julius Baer for more than five years. The portion of our staff with up to one year of service rose within the last year from 20% to 22% due to the hiring of new employees. The age structure of our staff is balanced, though the portion of 31- to 40-year-olds clearly dominates at 40% (41%).

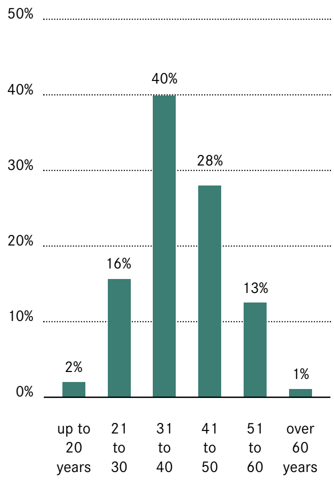
Fostering a spirit of partnership
Human Resources (HR) assists the business units of the Julius Baer Group in achieving their strategic objectives. In performing this task, it defines itself as:

- a focused personnel, training and development unit concentrating steadily on the competence requirements and know-how needs of the Group
- a committed counseling unit for staff with respect to the human aspects of work

Years of service



Age structure



- an efficient supplier of the relevant instruments and information needed to support the leadership role of management
- a conscientious steward of smooth, comprehensive personnel administration

Training and development

In the wake of organizational changes to the Group structure in 2003 prompted by the sale of Institutional Brokerage and the resulting sharp reduction in staff, the 2004 financial year was marked by a renewed focus on the front line. This was reflected, among other things, by the implementation and anchoring of HR's new product and service portfolio and especially by the concentration on tailored internal training offerings.

In the management development area, the main emphasis is on the MIRO project (Management Improvement and Development). This embodies a concept that more clearly defines the training and development process of staff and aligns it with the requirements of the company. At the same time, the objective remains to more optimally arrange and align all of the training and development measures, as well as the respective investments, with the corresponding needs. These are identified based on the personal assessments of performance and potential and flow into a tailored development plan. At the same time, the development of new management training programs has been initiated in order to promote the further advancement of Julius Baer's leadership culture.

Sustainability at Julius Baer

At Julius Baer, we view sustainability as the quality of being able to remain viable and adapt over time in harmony with the prevailing economic, social and ecological environment – a quality which our Group ideally possesses in going about our business.

The Julius Baer Group has recognized the importance of sustainability for some time now and formulated a comprehensive model in 2001 aimed at sustainable corporate development. As a practical design tool, it helps Julius Baer to continually evaluate and optimize its internal processes and activities. Through this sustainability model, we are placing an important instrument in the hands of all our employees. The aim is to make it easier for us to optimally map out and steadily move along the challenging path leading to the greatest possible added value for the benefit of our stakeholder groups – clients, shareholders and others.

The key points of our sustainability philosophy are as follows:

Integrated design principle. Sustainable development is not a visionary option that one discusses in grandiose language, only to subsequently return as fast as possible to business as usual. Sustainability is itself a core element of day-to-day business. Indeed, there is simply no way of getting around sustainable development if you want to be on the path to the future.

Intensified added value. Sustainable development means more to Julius Baer than one-sidedly focusing on environmental protection or stubbornly observing social standards. The primary focus is on the challenge of achieving the broadest and most comprehensive added value possible, which continually evolves and is optimized in harmony with the changing economic, ecological and social environment.

Intelligent networks. The development of Julius Baer in a sustainable manner requires a holistic perspective. The sustainability of Julius Baer depends largely on how it interfaces with its environment and organizes itself internally, so that this interaction can take place in an optimal way. Sustainability always builds on complementary, mutually beneficial structures. No company is viable without an environment that suits it, and no environment will be viable without companies that suit it.

Individual responsibility. The sustainable development of a company cannot be achieved only through a few individuals. In carrying out their functions, all of the employees of the Julius Baer Group share responsibility for assuring that the company can develop in a sustainable manner.

Objective and purpose of the sustainability model

The Julius Baer Group's model of sustainable development contains numerous guideposts. They indicate to the staff how they can gear their tasks and decisions to a few fundamental design principles of sustainable systems.

Whether in organizational matters or in formulating products and services, whether in laying out infrastructure or directing material and energy flows, the objective is to ensure that all decisions within the company can be reached in an optimal and professional manner with respect to sustainable development.

Additional information on the sustainable corporate development model of the Julius Baer Group and its cornerstones is provided in the annual publication "Profile for Investors" as well as at the Internet address www.juliusbaer.com.

Methodical techniques in Group Investment Research (GIR)

Within scope of implementing the "Directives on the Independence of Financial Research," issued by the Swiss Bankers Association, we have decided to disclose our methodical research techniques within the framework of the Annual Report. The methods described below relate to the equity analysis performed by GIR.

Methods and models

The equity analysis team of GIR employs the established methods of fundamental analysis. The investment recommendations are based on a comprehensive assessment of the company and the respective industry. In determining the fair value of a company, GIR primarily employs a multistage free cash flow discounting model. In order to round out the complete picture, sector-specific key figures of the company are taken into consideration.

Our multistage free cash flow discounting model is based on the assumption that over the long term, the share price reflects the intrinsic value, i.e. the present value of all future free cash flows that a company could pay out to its shareholders. It is assumed that over a long period of time, the growth rate of the free cash flows of all companies gradually approaches the growth rate of the global markets. The discount rate used to determine the present value is dependent on the risk-free interest rate, the security-specific risk and the market risk premium.

Rating	Recommendation	Expected excess return relative to benchmark index
+	Buy/ overweight	>5%
=	Neutral	+/-5%
–	Sell/ underweight	<5%

Over the short term, the market price can deviate substantially from the intrinsic value. Hence, periods in which the price lies below or above the ascertained intrinsic value of a stock represent opportunities to buy or sell the stock.

Rating system

The conclusions drawn from the valuation process are translated into investment recommendations by means of ratings. The rating reflects the expected total return (total return including dividends) of a stock over the coming 12 months. In this procedure, we distinguish between shares covered through Swiss primary research (absolute rating) and those covered through global sector research (rating relative to the regional MSCI Industry Group Index).

The rating system of GIR does not contain any risk classes; the company-specific risk is taken into account in the fundamental valuation through employment of an adequate discount rate. Furthermore, the credit quality is assessed, and the quality rating is made available within the Bank.

Distinction between the share recommendations of GIR and the investment procedures of Private Banking and Asset Management

The share recommendations of GIR reflect the opinion of our analysts with respect to individual companies. The construction of the client portfolios in Private Banking and Asset Management, however, are the responsibility of the Chief Investment Officer of each of these business lines, who in taking into account the specific circumstances of their respective clients, also determine the portfolio compositions independently from each other. Although both investment processes in Private Banking and Asset Management are based on the reports from GIR, it is possible for various reasons (e.g. sector weightings, client risk profile or general investment restrictions) that the recommendations of the research analysts will not be put into practice in the client portfolios.

Commentary on segment reporting

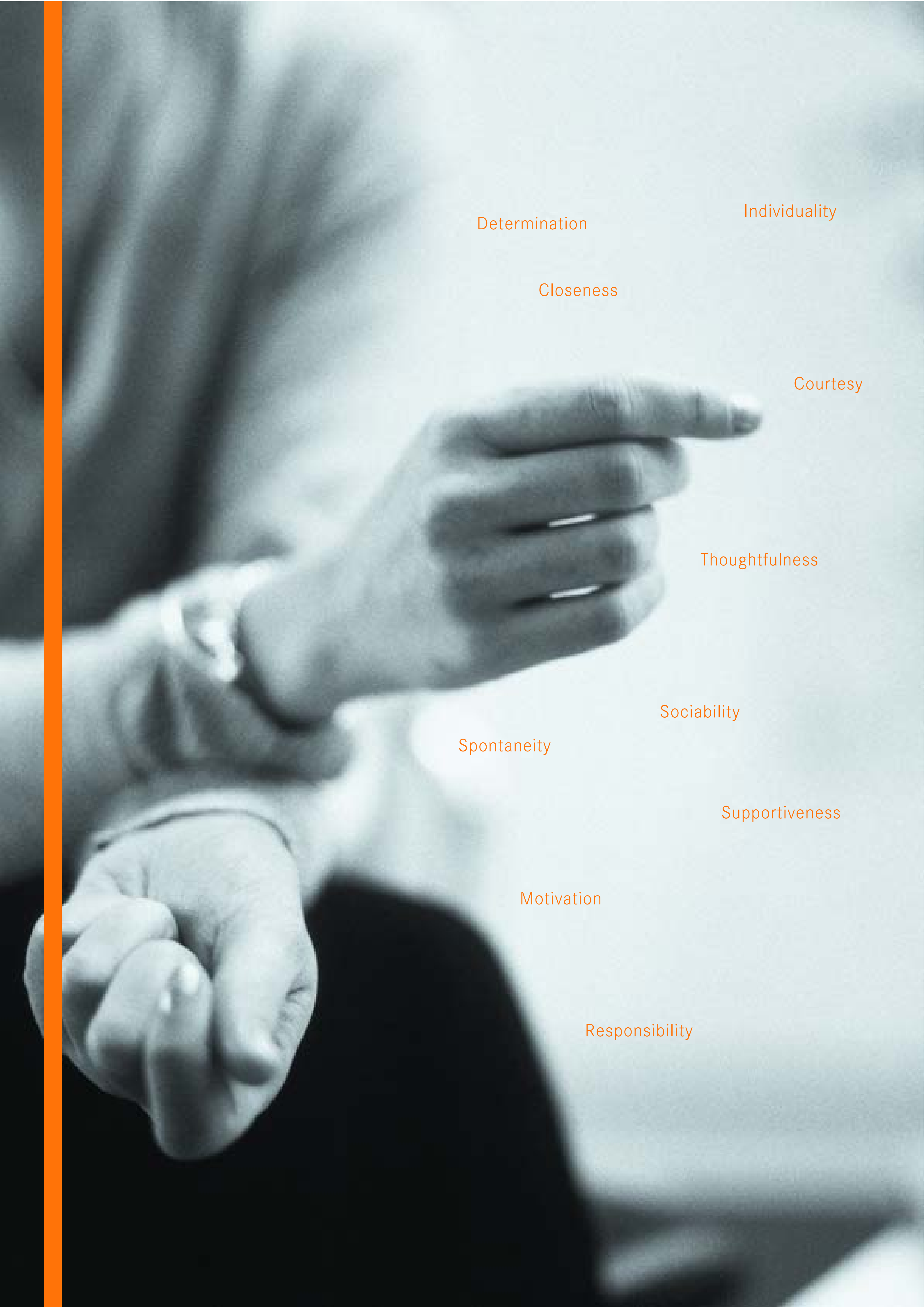
Income and expenses that are not directly connected with the operating business lines are attributed to the Corporate Center, especially income and expenses related to Asset & Liability Management. Moreover, the segment income statement contains internal eliminations in connection with the Group consolidation.

Operating income came primarily from Asset & Liability Management and amounted to CHF 64 million in 2004. The reduction by 27% is attributable to the fact that almost no loan provisions were released during the year. In contrast, operating expenses climbed by 29% to CHF 118 million. Expenditures were up mainly due to the inability to allocate certain centralized costs to Brokerage following its sale, the higher expenses for building maintenance and renovation, the payment of initial software licensing fees for the new IT platform being implemented by 2007, and increased personnel expenses because of the 10% rise in staff in the Corporate Center. After taking into account the segment accounting tax credit of CHF 18 million, the Corporate Center ended the year with a shortfall of CHF 37 million.

In view of the sale of Brokerage on 30 September 2003, the reporting and segment accounts for this business line have ceased.

	2003 CHF m	2004 CHF m	Change CHF m	Change %
Net operating income	86.9	63.8	-23.1	-26.6
Operating expenses	91.7	118.0	26.3	28.7
Segment result before taxes	-4.8	-54.2	-49.4	-
Taxes	2.2	-17.6	-19.8	-
Segment result after taxes	-7.1	-36.6	-29.5	-
Minority interest	-	-	-	-
Net profit	-7.1	-36.6	-29.5	-

	31.12.2003	31.12.2004	Change	Change %
Number of employees (FTE)	852	859	7	0.8
Allocated FTE to business lines	-548	-526	22	4.0
Total (FTE)	304	333	29	9.5


Determination
Individuality
Closeness
Courtesy
Thoughtfulness
Sociability
Spontaneity
Supportiveness
Motivation
Responsibility

Care

Corporate governance has become a decisive factor in business management. Shareholders, clients and staff are generally considered the key stakeholders 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 stakeholder groups therefore have a right to know what people and power circles determine the development of the company, who makes strategic decisions and who bears the responsibility for them. We therefore aim to thoroughly satisfy these 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 SWX Swiss Exchange that entered into force on 1 July 2002 and was subsequently revised as of 30 November 2003 and 1 August 2004, with the “Instructions for Applying the Corporate Governance Directive” of the Swiss Federal Banking Commission and 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.

The following information corresponds to the situation at 31 December 2004. It does not yet reflect the plans of the Baer family members, of the Julius Baer Group’s staff and of the Board of Directors that were announced on 17 January 2005, specifically to propose to the Annual General Meeting on 12 April 2005 the introduction of a single class of registered shares by converting the bearer shares at a 1-to-5 ratio as well as additional changes to the Articles of Incorporation.

1. Group structure and shareholders

1.1 Significant shareholders (as of 31.12.2004)

	Baer family and staff	Davis Selected Advisers, L.P.,Tucson, USA
Number of registered shares	9 566 140	-
Number of bearer shares	n.a.	1 818 000
Percentage of voting stock	51.9%	9.9%
Percentage of share capital	17.8%	16.9%

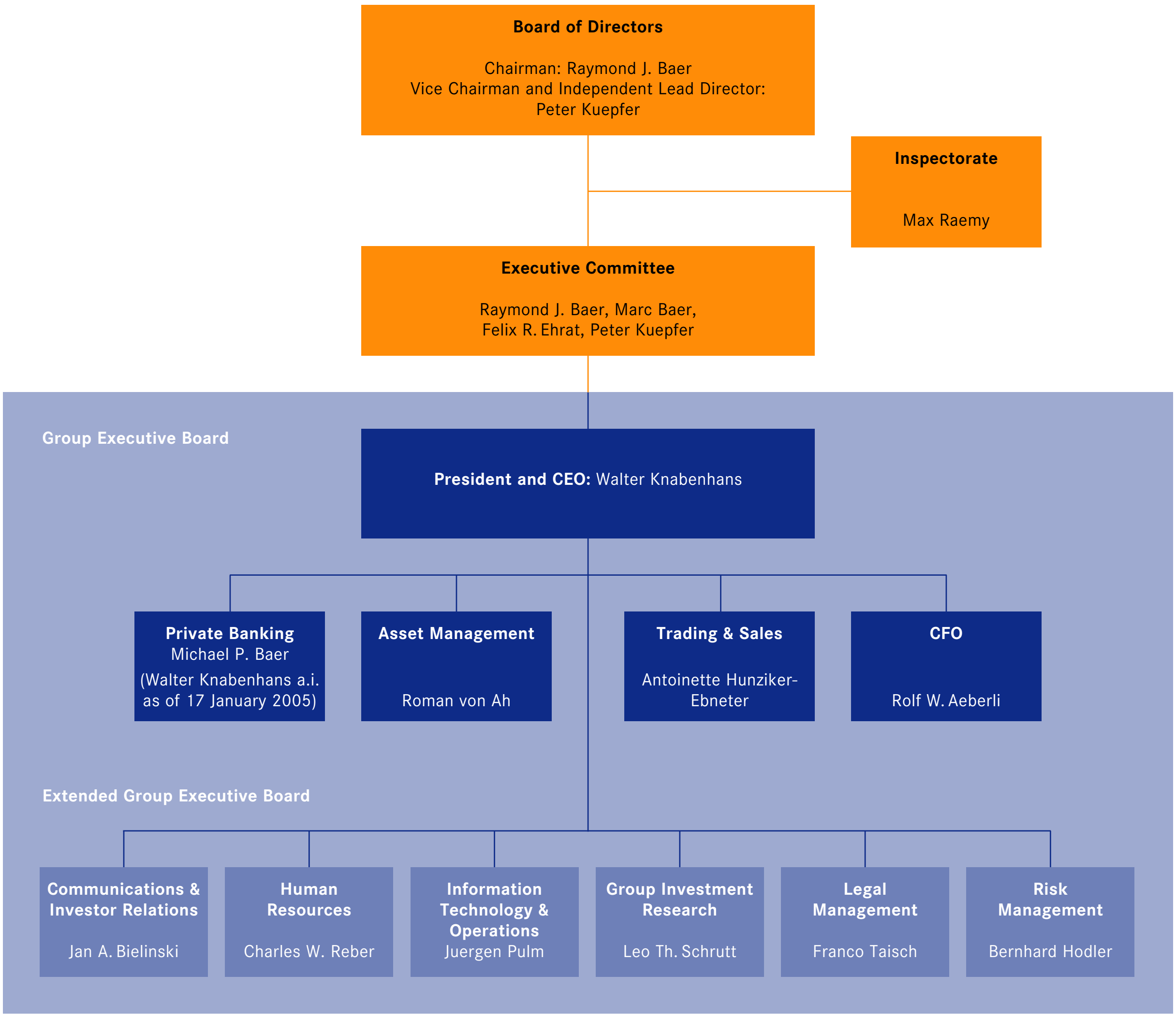
The registered shares are held entirely by the Baer family and staff. The latter hold 6.4% or 610 380 of the outstanding registered shares. The members of the Baer family and the staff of the Julius Baer Group are bound by a shareholders’ agreement.

1.2 Cross-shareholdings

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

1.3 Operational Group structure of Julius Baer Holding Ltd.

The consolidated companies are disclosed on pages 124 and 125.



2. Capital structure

2.1 Capital

As of 31 December 2004, ordinary capital in the amount of CHF 5 384 161 and conditional capital in the amount of CHF 500 000 existed. There is no authorized capital.

The share capital of the company amounts to CHF 5 384 161. It is fully paid in and divided into 9 566 140 registered shares of CHF 0.10 par value each as well as 8 855 094 bearer shares of CHF 0.50 par value each. Instead of or in addition to issuing individual share certificates, the company may issue blocks of shares. The bearer shares (security no. 1 208 300; ISIN CH 0012083009) are listed on the SWX Swiss Exchange, traded on the virt-X in London and are a component of the Swiss Market Index (SMI).

2.2 Conditional and authorized capital in particular

Conditional capital
The share capital of the company shall be increased by issuing a maximum of 1 000 000 bearer shares of CHF 0.50 par value each, to be fully paid in and corresponding to a maximum amount of CHF 500 000, by exercising warrant or conversion rights granted in association with bonds of the company or one of its subsidiaries. Existing shareholders are excluded from subscription rights.

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

Ensuring optimal conditions when issuing a bond as well as ensuring equal treatment of domestic and foreign shareholders are considered important reasons. If the Board of Directors excludes the advance 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. Convertible and warrant bonds shall be issued in line with market conditions (including customary antidilution provisions). The conversion or option price must not be less than the average of the last prices paid on the Zurich stock exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds.

Authorized capital
There is no authorized capital.

2.3 Changes of capital

The description of the changes of capital in the last three years is disclosed on page 74.

Share repurchase program
Julius Baer Holding Ltd. announced on 7 April 2000 that in the future it intends to repurchase bearer shares in the market on a regular basis in order to correspondingly reduce its capital. Since the repurchases are planned to be financed through current income, the repurchase volume is geared to the financial results.

Among the resolutions passed by the Annual General Meeting on 12 May 2004 were the following regarding the share repurchase program 2003/2004:

- Conversion of 161 525 registered shares of CHF 0.10 par value each (voting shares) into 32 305 bearer shares of CHF 0.50 par value each
- Nullification of 172 800 bearer shares of CHF 0.50 par value each held by the company itself
- Reduction of the share capital by CHF 86 400 to CHF 5 384 161

A maximum of CHF 65 million worth of bearer shares were supposed to be repurchased in the market through a second trading line on the SWX Swiss Exchange between 17 March 2004 and 28 February 2005. Up to 31 December 2004, 155 000 bearer shares with a total market value of CHF 54.3 million had been repurchased through this second trading line on the SWX Swiss Exchange.

Since instituting the share repurchase program in 1998, Julius Baer Holding Ltd. has repurchased a total of more than CHF 800 million worth of bearer shares in the market (excluding the share repurchase program for 2005/06).

The current status of the share repurchase program may be viewed at the Julius Baer Group website www.juliusbaer.com.

The proposal for the conversion and the reduction of share capital will be considered at the Annual General Meeting on 12 April 2005.

2.4 Shares and participation certificates

Shares

	2003	**2004**
Number of shares as of 31 December		
Registered shares of CHF 0.10 par value (all entitled to dividends)	9 727 665	**9 566 140**
Bearer shares of CHF 0.50 par value	8 995 589	**8 855 094**
of which entitled to dividends	*8 322 029*	***8 165 534***

There are no preferential rights or similar rights. Each share is entitled 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 (at 31 December 2004)

There are no limitations on the transferability of bearer shares.

Registered shares cannot be validly transferred by endorsement, but only through assignment with the assistance and approval of the Board of Directors. The property rights and membership rights can only be transferred jointly, not separately. As long as a required consent for the transfer of shares has not been given, the title to the shares and the rights connected therewith shall remain with the alienator. The Board of Directors may refuse its consent for the reasons stipulated in Article 4.4 of the Articles of Incorporation.

No nominee registrations are carried out in the share register.

2.7 Convertible bonds and options

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

2.8 Trading volume

Average daily trading volume amounted to CHF 19.7 million in 2004. Thus the cumulative turnover in 2004 reached a volume of CHF 4.99 billion.

2.9 Distribution of profit

Julius Baer Holding Ltd. follows a profit-oriented dividend policy (cf. page 14).

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; member of the Board of Directors of Julius Baer Creval Private Banking S.p.A., Milan, since 1 June 2003 (first-time election in 2003, term of office until 2006).

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 and Vice Chairman since 2002; Independent Lead Director (first-time election in 1999, term of office until 2005).

Andreas J. Baer (born 1968), Swiss citizen; Law Degree, University of Fribourg; bar exam, Canton of Zurich, 1997; LL.M. Degree in Law, Duke University School of Law, Durham, North Carolina, USA, 1998; attorney in the law firm of Wilmer, Cutler & Pickering, Washington D.C., USA, 1998–1999; attorney in the law firm of Baer & Karrer (Zurich, Lugano, Zug, Geneva, London) since 2000 and a Partner in the firm since 2004. The business relations between the law firm of Baer & Karrer and the Julius Baer Group are not of a material nature. Member of the Board of Directors of Julius Baer Investment Funds Services Ltd. and of various Luxembourg-based fund companies since 2000; member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2003 (first-time election in 2003, term of office until 2006).

Marc Baer (born 1955), Swiss citizen; Dr. of Veterinary Medicine, University of Zurich, 1982. Own veterinary practice in Zurich. Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2000. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. (first-time election in 1999, term of office until 2005).

Rudolf E. Baer (born 1938), Swiss citizen; Electrical Engineering Degree, Swiss Federal Institute of Technology Zurich (ETH), 1961; MBA, Harvard Graduate School of Business Administration, Cambridge, MA, USA, 1964. Director, Dow Corning AG, Zurich, 1964; European Area Controller, Dow Corning International Ltd., Brussels, 1965–1968. Entry into Julius Baer Holding Ltd. as a Senior Vice President, 1969; President of the Group Executive Board and CEO of Julius Baer Holding Ltd., 1993–2000; member of the Board of Directors of Julius Baer & Co. Ltd. since 1996 (Chairman 1996–2002); member of the Board of Directors of Julius Baer Holding Ltd. since 1990 (first-time election in 1990, term of office until 2005).

Daniel Borel (born 1950), Swiss citizen; Physics Degree, Swiss Federal Institute of Technology Lausanne (EPFL), 1973; MS, Department of Computer Science, Stanford University, California, USA, 1977; various management courses in Europe and the USA. Chief Executive Officer of Logitech International SA, 1992-1998; co-founder of Logitech SA, a Swiss holding company; Chairman of the Board of Directors of Logitech International SA since 1998. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. (first-time election in 2001, term of office until 2007).

Felix R. Ehrat (born 1957), Swiss citizen; Law Degree, University of Zurich, 1982; bar exam, Canton of Zurich, 1985; LL.M. in Business and Taxation-Transnational Practice, McGeorge School of Law, California, USA, 1986; worked as an attorney in law firms in the USA and Italy, 1986 and 1989; Dr. of Law, 1990. Partner in the law firm of Baer & Karrer (Zurich, Lugano, Zug, Geneva, London); responsible for the branch office in Lugano, 1992–2000; Managing Partner of the entire law firm 2000–2003; Senior Partner since 2003. The business relations between the law firm of Baer & Karrer and the Julius Baer Group are not of a material nature. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. (first-time election in 2001, term of office until 2007).

Paul Embrechts (born 1953), Belgian citizen; Mathematics Degree, University of Antwerp, 1975; Dr. Sc. (Math), Catholic University of Leuven, Belgium, 1979. Full Professor of Mathematics, Swiss Federal Institute of Technology Zurich, since 1989; Lecturer, University of Limberg, Belgium, 1985–1989; Lecturer in Statistics, Imperial College, London, 1983–1985; Visiting Professor, University of Strasbourg (1996), ESSEC-Paris (1995–1996), London School of Economics and Political Science (2003–2004). Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. (first-time election in 1997, term of office until 2006).

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 standardized 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, since 2000. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. (first-time election in 2001, term of office until 2007).

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. Practicing attorney in Basle since 1990; Lecturer at the University of Haute-Alsace since 1998; Alternate Judge at the Social Insurance Court of Basle City since 2002; Judge (part-time) at the Civil Court of Basle City since 2004. Member of the Board of Directors of Julius Baer Family Office Ltd., Zurich, since 2000; member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2003 (first-time election in 2003, term of office until 2006).

Guy E. Waldvogel (born 1936), Swiss citizen; Dr. Sc. in Chemical Engineering, Swiss Federal Institute of Technology Zurich, 1964; Program for Management Development, Harvard Business School, Cambridge, MA, USA, 1969. Administrateur Délégué, Givaudan, Geneva, 1973–1981; Senior Executive Vice President, Alusuisse-Lonza Group in the USA, 1981–1983; Senior Executive Vice President, Société Générale de Surveillance, Geneva, 1983–1989; independent management consultant, Geneva, since 1989. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. (first-time election in 1996, term of office until 2005).

Changes in the Board of Directors

At the Annual General Meeting of Julius Baer Holding Ltd. on 12 May 2004, existing Board members Monika Ribar Baumann, Daniel Borel and Felix R. Ehrat were reelected to another three-year term of office.

Rudolf E. Baer and Guy E. Waldvogel have reached the age limit, and Felix R. Ehrat has been nominated to become Chairman of another banking institution. These gentlemen will therefore resign from the Board of Directors of Julius Baer Holding Ltd. and thus also step down from the Board of Directors of Bank Julius Baer & Co. Ltd. at the Annual General Meeting on 12 April 2005. Furthermore, Marc Baer has decided not to seek reelection after expiration of his mandate, and Andreas J. Baer will relinquish his mandate after serving on the Board of Directors for two years. Both decisions take into account the changed voting rights following the planned introduction of the single-class registered shares. At the same time, Peter Kuepfer will be proposed for reelection for three years and Rolf Jetzer will be proposed as the successor of Felix R. Ehrat for election for two years to the Board of Directors at the Annual General Meeting, with the initial term of the new member to be equal to the remaining term of the predecessor.

3.2 Other activities and functions

In applying the Corporate Governance Directive and the corresponding commentary of the SWX 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 Executive Committee of the Board of the Swiss Bankers Association;
President of the Association of Swiss Commercial and Administrative Banks;
member of the Admissions Board of the SWX Swiss Exchange;
President of the Board of Trustees of the Swiss Banking School;
Vice President of the Board of the Swiss-American Chamber of Commerce.

Andreas J. Baer: member of the Board of Directors of Commerzbank (Schweiz) AG, Zurich.

Daniel Borel: Chairman of the Board of Directors of Logitech International SA, Romanel sur Morges;
member of the Board of Directors of Phonak Holding AG, Staefa;
member of the Board of Directors of Nestlé SA, Vevey.

Felix R. Ehrat: member of the Board of Directors of Charles Voegele Holding AG, Pfaeffikon;
member of the Board of Directors of Fideuram Bank (Suisse) SA, Zurich;
member of the Supervisory Board of austriamicrosystems AG, Oberpremstaetten, Austria.

Paul Embrechts: member of the Board of Directors of Swiss Life Holding AG, Zurich;
member of the Board of Directors of Rentenanstalt/Swiss Life, Zurich.

Peter Kuepfer: Chairman (until 25 January 2005) and member (as of 26 January 2005) of the Board of Directors of VALORA Holding AG, Berne;
member of the Board of Directors of Swisscom AG, Berne;
member of the Board of Directors of Unaxis Holding AG, Zurich;
member of the Board of Directors of Holcim Ltd., Jona;
member of the Board of Directors of LB (Swiss) Privatbank AG, Zurich;
member of the Board of Directors of UFJ Bank (Schweiz) AG, Zurich.

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

Guy E. Waldvogel: member of the Board of Directors of Banque Franck, Galland & Cie SA, Geneva.

3.3 Cross-involvement

Since 2004, Monika Ribar Baumann has been a member of the Board of Directors of Logitech International SA, Romanel-sur-Morges, whose Chairman is Daniel Borel.

3.4 Elections and terms of office

The members of the Board of Directors as well as the Chairman of the Board are elected by the Annual General Meeting for a term of three years. They may be reelected up to their 67th year of age.

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

3.5 Internal organizational structure

The Board of Directors consists of three or more members. It meets as often as business requires, but at least once per quarter. In order to pass a resolution, a majority of its members has to be present, except for declaratory decrees and changes to the Articles of Incorporation as well as for the capital increase report in the case of capital increases. Resolutions are passed by absolute majority of the votes of the members present. In the event of a tie vote, the Chairman casts the deciding vote. The Chief Executive Officer and the Chief Financial Officer 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 carries out an annual self assessment at the level of the respective committees. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results are brought to the attention of the entire Board of Directors.

The Board of Directors meets for a strategy seminar twice a year. The purpose of these meetings is to analyze 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.

From among its members, the Board of Directors elects the members of the Executive Committee as well as the chairmen and members of the additional 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 Group Executive Board as needed.

According to the Articles of Incorporation of Julius Baer Holding Ltd. (Article 10.8), the Board of Directors has the following non-transferable and inalienable duties:

a) the ultimate management of the company and the issuing of the necessary directives;
b) the determination of the organization;
c) the structuring of the accounting system, the financial controls and the financial planning, to the extent they are needed to facilitate the management of the company;
d) the appointment and removal of the persons entrusted with the management;
e) the ultimate supervision of the persons entrusted with the management, also regarding compliance with the law, the Articles of Incorporation, the Bylaws and directives;
f) the preparation of the annual report as well as the preparation of the Annual General Meeting and the implementation of its resolutions;
g) the notification of the judge in the event of overindebtedness.

The Board of Directors may delegate the preparation and the implementation of its resolutions or the supervision of business activities to committees or individual members. It shall provide for adequate reporting to its members.

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in section 3.6 on page 52.

The responsibilities and members of the currently existing committees of the Board of Directors are as follows:

The members of the Board of Directors discuss specific topics in the specialized committees. Except for the Executive Committee, each of these committees is chaired by an independent director.

Executive Committee
The Executive Committee consists of the Chairman of the Board and at least two other members. It is presided over by the Chairman of the Board. With the aim of providing overall guidance, supervision and control of management, the Executive Committee exercises the functions of the Board of Directors and its committees between the regular meetings. The Executive Committee generally convenes monthly for at least three hours each session.

The committee receives regular updates on business developments from the Chief Executive Officer and the Chief Financial Officer, who generally also attend its meetings. Each meeting also includes a so-called hearing, during which specialists provide information on their fields of expertise. Moreover, the committee signs off on proposals regarding profit appropriation and dividend distribution and forwards them to the complete Board of Directors and the Annual General Meeting. It is also responsible, based on Group Executive Board proposals, for the composition of the boards of directors of the Group companies.

Members: Raymond J. Baer (Chairman), Marc Baer, Felix R. Ehrat, Peter Kuepfer

Personnel Committee

The Personnel Committee is responsible for preparing all personnel proposals relating to the top two management levels of the Group and providing them to the Board of Directors. This particularly includes appointments, dismissals, compensation matters and career planning. With respect to decisions of a specialized nature, the Personnel Committee may seek advice from additional members of the Board of Directors. The Personnel Committee convenes at least four times a year for three hours on average.

Members: Peter Kuepfer (Chairman), Raymond J. Baer (ex officio), Andreas J. Baer, Daniel Borel, Guy E. Waldvogel

Risk Committee

The Risk Committee monitors compliance with the guidelines for total risk and the specific individual risks that are issued by the responsible corporate bodies in accordance with the definition of the areas of responsibility. In doing its work, the Risk Committee focuses largely on the so-called risk landscape. This comprehensive document contains a current description of all the tangible risks of the Bank – e.g. market risks, credit risks and reputational risks, as well as operating risks such as legal, regulatory and IT matters – conveying both the details and the big picture while also listing the responsibilities in this regard. The Risk Committee convenes at least four times a year for three hours on average.

Members: Paul Embrechts (Chairman), Raymond J. Baer (ex officio), Rudolf E. Baer, Monika Ribar Baumann, Guy E. Waldvogel

Audit Committee

The Audit Committee is responsible for monitoring business operations and controlling compliance with legal requirements, the Articles of Incorporation and Bylaws, behavioral conduct and ethical guidelines. The committee directs and monitors the activities of the internal auditors. It ensures contact with the external auditors at the level of the Board of Directors and monitors the joint efforts of the internal and external auditors. The committee is also responsible for assessing the performance of the external auditors on an annual basis and providing a recommendation to the complete Board of Directors regarding election of the external auditors at the Annual General Meeting. Moreover, it inspects the annual financial statements and the interim financial statements before they are presented to the complete Board of Directors for approval. It also reviews the internal and external communication regarding financial data and accounting. The Chairman of the committee meets with the Head of Internal Auditing on a regular basis throughout the year, usually monthly. The Audit Committee controls the appropriateness and effectiveness of the internal control systems in relation to the risk profile of the Group. Most members of the Audit Committee are independent, including its Chairman. The Audit Committee convenes at least four times a year for four hours on average.

Members: Felix R. Ehrat (Chairman), Raymond J. Baer (ex officio), Peter Kuepfer, Monika Ribar Baumann, Béatrice Speiser

Nominating Committee (ad hoc)
The Nominating Committee is responsible for the assessment and preliminary selection of new Board members as well as for preparing the corresponding election recommendations of the Board of Directors for the Annual General Meeting. Members of the Baer family abstain from voting when additional family members are considered for nomination. The Nominating Committee convenes as needed.

Members: Peter Kuepfer (Chairman), Raymond J. Baer, Felix R. Ehrat

3.6 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 organization, 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 oversee the maintenance of the Group as a whole and coordinate the activities of the business lines, the corporate functions and the legal units.

The individual responsibilities and powers of the governing bodies arise from the Organizational Directives and Bylaws as well as the appendix thereto, which forms an integral part of the Organizational Directives and Bylaws.

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 fulfills within scope of the duties stipulated in Article 716a of the Swiss Code of Obligations and through calling on its various committees.

Group Executive Board
The Group Executive Board is responsible for all operational and organizational matters as well as for the operational results. Within scope of this, all matters that have not been entrusted to other corporate bodies or units fall within the responsibility of the Group Executive Board.

The Group Executive Board has the right to issue binding directives to and demand reporting or consultation before a decision from individual or all business lines, corporate functions and Group companies, generally or regarding individual matters.

Within scope of the business line organizational structure, the Group Executive Board delegates powers to the individual heads of the business lines and the Group corporate functions. These persons run their areas and issue the corresponding regulations and directives for these areas.

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

3.7 Information and control instruments vis-à-vis the Group Executive Board

In order to control the various business activities of the Julius Baer Group, the Board of Directors has formed the committees listed in section 3.5. The different committees are regularly kept informed by means of relevant reports from the corresponding specialized areas. 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 elements of the Group. Furthermore, the Chairman of the Board of Directors and the Chief Executive Officer (in consultation with the Chairman of the Board of Directors) may order 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 and, with respect to running the internal auditing unit, has the same responsibilities and powers as the Head of the Group corporate functions.

4. Group Executive Board

4.1 Members of the Group Executive Board

Group Executive Board

Walter Knabenhans (born 1950), Swiss citizen; Civil Engineering Degree, Swiss Federal Institute of Technology Zurich, 1975; Economics Degree, University of Zurich, 1978. Credit Suisse, various functions, 1978–1994; Credit Suisse Financial Products London, Managing Director and COO, 1994–1996; Credit Suisse Group, Managing Director and Chief Risk Officer, member of the Extended Executive Board, 1997–1998. Entry into the Julius Baer Group as Vice President of the Group Executive Board and Head of the Trading Business Line, 1998; President of the Group Executive Board and Chief Executive Officer of Julius Baer Holding Ltd. since 2001.

Rolf W. Aeberli (born 1959), Swiss citizen; Dr. of Economics, University of Zurich, 1989; Executive Program, University of Michigan, USA, 1998. Credit Suisse Zurich, most recently Chief Financial Officer and member of the Executive Board of Credit Suisse Banking Zurich, 1990–2002. Member of the Group Executive Board and Chief Financial Officer of Julius Baer Holding Ltd. since 2002.

Michael P. Baer (born 1962), Swiss citizen; Bachelor’s Degree in Business Administration, Texas Christian University, Fort Worth, Texas, USA, 1985; Sloan Fellow Program, Master of Science in Management, Massachusetts Institute of Technology, Boston, USA, 1992. James Capel & Co., London and Frankfurt, Sales Manager, 1987–1989; CBI-TDB Union Bancaire Privée, Tokyo, Director and Manager, 1989–1991. Entry into Bank Julius Baer & Co. Ltd., 1992; member of the Management Committee of Bank Julius Baer & Co. Ltd. (Deputy President as of 1999) and Head of the Foreign Exchange Department, 1998–2000; member of the Group Executive Board of Julius Baer Holding Ltd. since 2001; Head of the Trading Business Line until December 2002; Co-Head of the Private Banking Business Line of Julius Baer Holding Ltd. as of January 2003 and sole Head of this business line since 14 May 2003.

Antoinette Hunziker-Ebneter (born 1960), Swiss citizen; Business Administration Degree, University of St. Gallen, 1985; Executive Program, Swiss Banking School, 1989. Bank Leu AG, Zurich, Head of Securities Trading and Sales, member of management, 1987–1992; independent consultant, 1993–1995; member of the Management Committee of the SWX Swiss Exchange as of 1995 and its President as of 1997; Chairman of the SWX Group, as of 2000; Chief Executive Officer of the virt-X, 2001–2002. Member of the Group Executive Board of Julius Baer Holding Ltd. since December 2002 and Head of the Trading & Sales Business Line of Julius Baer Holding Ltd. since January 2003.

Roman von Ah (1962), Swiss citizen; Economics Degree, University of Fribourg, 1989; Dr. of Economics (rer. pol.), 1995; Program for Executive Development, IMD, 2000. Portfolio Manager, Union Bank of Switzerland, Zurich, 1989–1993; Unit Head for marketing and PR as well as Portfolio Manager in the foreign currency funds group, Investment Foundation for Pension Funds (IST), Zurich, 1993–1995; Swissca Portfolio Management Ltd., Zurich, most recently a member of Senior Management and the Executive Board, 1995–2004. Member of the Group Executive Board of Julius Baer Holding Ltd. since 1 March 2004 and Head of the Asset Management Business Line of Julius Baer Holding Ltd. since 1 April 2004.

Changes in the Group Executive Board

Roman von Ah joined the Julius Baer Group as a member of the Group Executive Board on 1 March 2004 and took over as Head of the Asset Management Business Line on 1 April 2004.

On 17 January 2005, Michael P. Baer relinquished his position as Head of Private Banking and a member of the Group Executive Board. He will leave the Julius Baer Group on 30 June 2005. Walter Knabenhans took charge of Private Banking on an interim basis on the same date in January.

Extended Group Executive Board

Jan A. Bielinski (born 1954), Swiss citizen; Dr. of Law, University of Zurich, 1983; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 1989. Entry into Bank Julius Baer & Co. Ltd., 1983; Head of Corporate and Marketing Communications, 1987–1995; switch to Julius Baer Holding Ltd., 1996; Chief Communications Officer of the Julius Baer Group and Head of Investor Relations since 1996; member of the Extended Group Executive Board of Julius Baer Holding Ltd. since 2002.

Bernhard Hodler (born 1960), Swiss citizen; Business Administration Diploma, College of Economics and Business (HWV), Berne, 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 Head of Group Risk Management of Julius Baer Holding Ltd. since 2001.

Juergen Pulm (born 1963), German citizen; Dr. of Economics (rer. pol.), University of Paderborn, 1992; MBA, State University of New York at Buffalo, USA, 1987. Deutsche Bank Frankfurt, Head of E-Commerce and Technology, most recently a member of the Executive Board of Private Banking, 1990–2000; Credit Suisse, member of the Senior Management of Credit Suisse e-business, 2001; Credit Suisse, member of the Senior Management of Credit Suisse Private Banking International, Head of IT & Operations, 2002. Chief Information Technology Officer of the Julius Baer Group and member of the Extended Group Executive Board of Julius Baer Holding Ltd. since 1 December 2002.

Charles W. Reber (born 1957), Swiss citizen; Law Degree, University of St. Gallen, 1985; Executive Program, Swiss Banking School, 1993–1995. Professional in the Legal Department of Bank Julius Baer & Co. Ltd., 1985–1989; Deputy Head of Credit in New York, 1990–1992; Senior Credit Officer of Bank Julius Baer & Co. Ltd., 1993–1994; Group Compliance Officer of Bank Julius Baer & Co. Ltd., 1995–1996; Head of Credit Risk for the Julius Baer Group, 1997–2002; Deputy Chief Risk Officer and Head of Operational Risk for the Julius Baer Group, 2002; Head of Group Human Resources of Julius Baer Holding Ltd. and member of the Extended Group Executive Board since 2003.

Leo Th. Schrutt (born 1957), Swiss citizen; Dr. of Economics (rer. pol.), University of Basle, 1984. UBS Basle, Asset Management, 1989–1993; UBS Zurich, Head of Investment Counseling and Investment Research, 1993–1996; UBS Zurich, Managing Director and Head of Institutional Investment Counseling Switzerland, 1996; SBC Basle, Domestic Division, member of the Management Committee, Corporate Clients, 1997. Entry into Julius Baer Asset Management Ltd. as President of the Management Committee, 1997; Head of the Institutional Asset Management Business Line from 1999 until June 2002 and member of the Group Executive Board of Julius Baer Holding Ltd. (until the end of 2002); Head of the newly formed corporate function Group Investment Research and member of the Extended Group Executive Board since 2003.

Franco Taisch (born 1959), Swiss citizen; Dr. of Law, University of Zurich, 1987; bar exam, Canton of Zurich, 1989; Advanced Training, Practising Law Institute, New York, USA, 1992. Practicing attorney in Zurich, Geneva and New York, 1989–1994; Lecturer at the Universities of Zurich, St. Gallen and Lucerne since 1993; Head of Law/Compliance, Liechtensteinische Landesbank AG, Vaduz, 1994–1998; member of the Management Committee of LLB (Schweiz) AG, Zurich, 1997–1998. Entry into Julius Baer Holding Ltd. in 1998 and Chief Legal Officer since that time; member of the Extended Group Executive Board of Julius Baer Holding Ltd. since 2002.

Changes in the Extended Group Executive Board
There were no changes in the Extended Group Executive Board during the 2004 financial year or after the balance sheet date.

4.2 Other activities and functions

In applying the Corporate Governance Directive and the corresponding commentary of the SWX 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 4.2 than those listed below:

Walter Knabenhans: member of the Takeover Board of the Swiss Federal Banking Commission;
member of the Board of Directors of Kepler Equities SA, Paris.

Bernhard Hodler: member of the Board of Directors of ifb International AG, Pfaeffikon, Schwyz.

Antoinette Hunziker-Ebneter: Chairman of the Board of Directors of creInvest AG, Zug.

Franco Taisch: Election in 2004 to the position of Professor of Financial Market Law, including banking law, legal management and compliance, at the University of Lucerne (to take effect on 1 October 2005).

4.3 Management contracts

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

5. Compensation, shareholdings and loans with respect to members of the Board of Directors and the Group Executive Board

5.1 Content and method of determining the compensation and the Equity Participation Programs (at 31 December 2004)

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. bearer shares and/or options on such bearer shares based on a fixed amount per term of office. There is no additional compensation for attending meetings.

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

Equity Participation Programs

The Personnel Committee of the Board of Directors is responsible for determining and making changes to all of the Equity Participation Programs. The programs described in detail below reflect the situation at 31 December 2004 and are being revised in view of the introduction of the single-class registered shares.

Staff Participation Plan

The equity participation program enables the employees of the Julius Baer Group to buy a specific number of registered shares of Julius Baer Holding Ltd. on one occasion at book value and, in connection with this, a specific number of bearer shares annually at a discounted price, with the latter shares subject to a sales restriction period.

The number of registered shares that individual employees may buy and hold during the length of their employment depends on their professional rank or management level. The purchase price and repurchase price for registered shares corresponds to the book value per share in accordance with the consolidated equity of Julius Baer Holding Ltd. stated in the most recently published semi-annual or annual financial statements.

Every staff registered shareholder is given the opportunity each year to purchase bearer shares of Julius Baer Holding Ltd. at a preferential price. The number of bearer shares also depends on professional rank or management level and is proportional to the number of registered shares held. The purchase price is set each year by a committee of the Board of Directors and is linked to the average market value of the bearer shares in the preceding year on the SWX Swiss Exchange.

	2003	**2004**
Staff Participation Plan		
Number of registered shares taken up	58 800	**84 100**
Purchase price per share (CHF book value 2002/03)	30.14	**29.20**
Number of bearer shares taken up	38 050	**55 839**
Preferential price per share (CHF)	157[1]	**190**[2]

1 The preferential price is 33 $^1/_3$% below the average weighted market value for the period from 20 March until 31 March 2003 (corresponds to a preferential price of 63% relative to the average weighted market value for the preceding year).

2 The preferential price is 43% below the average weighted market value for the preceding year.

Equity Bonus Plan
Senior Management may choose to have part or all of their bonus paid out in the form of Julius Baer Holding Ltd. bearer shares and options on such bearer shares at market prices. The shares and options (at a 1:1 conversion ratio) acquired in this way are subject to a sales restriction period. Further details regarding options ownership are disclosed in section 5.6 on page 62.

	2003	**2004**
Equity Bonus Plan		
Number of bearer shares taken up	8 466	**6 249**
Purchase price per share (CHF)	227[1]	**407.50**[2]
Number of options taken up	20 060	**14 642**
Exercise price (CHF)	227[1]	**407.50**[2]

1 Average weighted market value for the period from 25 February 2003 until 27 March 2003.
2 Average weighted market value for the period from 24 February 2004 until 25 March 2004.

The bearer shares of Julius Baer Holding Ltd. required for the Staff Participation Programs are procured in the market.

Long-Term Incentive Plan
The Julius Baer Long-Term Incentive Plan is 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 Plan 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. bearer shares and/or options on such bearer shares (at a 1:1 conversion ratio) whose value depend, among other things, on the long-term success of the organization as a whole. In line with the objectives of the plan, the shares and options are tied to a vesting and forfeiture clause. The shares and options acquired in this way are subject to a sales restriction period. Further details regarding options ownership are disclosed in section 5.6 on page 62. Until expiration of the vesting period, the Loteco Foundation manages the shares and options that have been distributed to the beneficiaries within scope of the LTI plan.

	2003	**2004**
Long-Term Incentive Plan		
Number of shares allotted	15 217	**14 008**
Share price on allotment date (CHF)	323[1]	**339**[2]
Number of options allotted	51 545	**55 202**
Exercise price (CHF)	323[1]	**339**[2]
Number of options allotted	4 160	**–**
Exercise price (CHF)	253[3]	**–**

1 Average weighted market value in June.
2 Average weighted market value for the period from 29 July 2004 until 28 August 2004.
3 Average weighted market value in January.

5.2 Compensation for acting members of governing bodies

		2003 *CHF 1000*	**2004** *CHF 1000*
a)	The members of the Group Executive Board in toto[1]	11 142	**11 451**
b)	The members of the Board of Directors in toto	3 127[2]	**2 674**
c)	Severance payments to persons mentioned under 5.2 a) and b) who gave up their functions	3 875	**–**

1 Includes the members of the Extended Group Executive Board and also applies to sections 5.3 through 5.8.
2 The compensation for the entire financial year for Raymond J. Baer, Vice President of the Group Executive Board until 14 May 2003 and Chairman of the Board of Directors since that date, is listed under “The members of the Board of Directors in toto” (section 5.2b). This also applies for the year 2003 to sections 5.4, 5.5, 5.6, 5.8 and 5.9.

5.3 Compensation for former members of governing bodies who gave up their functions in the preceding year or earlier

	2003 *Persons*	2003 *CHF 1000*	**2004** *Persons*	**2004** *CHF 1000*
a) The former members of the Group Executive Board in toto	4	1 288	**1**	**275**
b) The former members of the Board of Directors in toto	–	–	**1**	**65**

5.4 Share allotment

	2003 *Number*	**2004** *Number*
a) The members of the Group Executive Board and parties closely linked to such persons, in toto[1]		
Registered shares	15 000	**–**
Bearer shares	9 235	**7 337**
b) The members of the Board of Directors and parties closely linked to such persons, in toto		
Registered shares	–	**–**
Bearer shares	2 693	**2 236**

1 Closely linked parties are third-party individuals or legal entities who are linked to members of the Board of Directors or the Group Executive Board on the basis of close personal, economic, legal or tangible ties.

5.5 Share ownership

	2003 *Number*	**2004** *Number*
a) The members of the Group Executive Board and parties closely linked to such persons, in toto		
Registered shares	239 000	**235 290**
Bearer shares	14 779	**17 068**
b) The members of the Board of Directors and parties closely linked to such persons, in toto		
Registered shares	1 676 955	**1 647 240**
Bearer shares	22 493	**29 443**

5.6 Options ownership[1]

		2003 *Number*	**2004** *Number*
a)	The members of the Group Executive Board and parties closely linked to such persons, in toto	98 251	**90 656**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto	47 673	**33 831**

[1] A-Call Julius Baer Hld 2000/31.03.2005, maturity 5 years, conversion ratio 1:1, exercise price CHF 513.90, number: 15 590
A-Call Julius Baer Hld 2001/31.03.2006, maturity 5 years, conversion ratio 1:1, exercise price CHF 785.50, number: 20 310
A-Call Julius Baer Hld 2001/09.07.2006, maturity 5 years, conversion ratio 1:1, exercise price CHF 720.50, number: 12 150
A-Call Julius Baer Hld 2002/31.03.2007, maturity 5 years, conversion ratio 1:1, exercise price CHF 520.00, number: 12 206
A-Call Julius Baer Hld 2002/09.07.2007, maturity 5 years, conversion ratio 1:1, exercise price CHF 425.00, number: 30 160
A-Call Julius Baer Hld 2003/31.03.2008, maturity 5 years, conversion ratio 1:1, exercise price CHF 227.00, number: 17 296
A-Call Julius Baer Hld 2003/23.07.2008, maturity 5 years, conversion ratio 1:1, exercise price CHF 323.00, number: 5 522
A-Call Julius Baer Hld 2004/31.03.2009, maturity 5 years, conversion ratio 1:1, exercise price CHF 407.50, number: 11 253
A-Call Julius Baer Hld 2004/31.08.2009, maturity 5 years, conversion ratio 1:1, exercise price CHF 339.00, number: 19 801[2]

[2] The LTI options allotted in 2004 only come into the possession of the entitled persons once the vesting conditions have been fulfilled (vesting period of 3 years, $^1/_3$ per year) and are therefore not contained under 5.6 a) and b).

5.7 Additional honorariums

Felix R. Ehrat is a senior partner and Andreas J. Baer is a partner in the law firm of Baer & Karrer. This law firm was paid a honorarium of CHF 1.1 million for legal services it provided to various Group companies during the 2004 financial year.

No additional honorariums or disbursements were paid to other members of the Board of Directors or the Group Executive Board (including parties closely linked to such persons) during the 2004 financial year as set forth in section 5.7 of the directive.

5.8 Loans granted by governing bodies

		2003 *Persons*	2003 *CHF 1000*	**2004** *Persons*	**2004** *CHF 1000*
a)	The members of the Group Executive Board and parties closely linked to such persons, in toto	6	12 613	9	**17 375**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto	8	13 584	8	**14 274**

The loans granted by governing bodies consist of lombard loans on a secured basis (through pledging of the securities portfolio) and mortgage loans on a fixed and variable basis.

The interest rates of the mortgage loans are in line with normal market rates at the time the loans are granted, though as in the case of employees a discount of 1% is granted up to a maximum loan amount of CHF 1 million per borrower. Interest rates of 0.99% to 4.39% (prior to the discount) are applied to the mortgage portfolio as of 31 December 2004. The residual maturities of the mortgage loans as of 31 December 2004 range from less than 1 year to 9 years.

Interest rates ranging from 1% to 3% are charged on the lombard loans outstanding as of 31 December 2004.

5.9 Highest total compensation in the Board of Directors

	2003	**2004**
Compensation (CHF)	1 565 557	**1 675 479**
Share allotment (number of shares)	1 298	**907**
of which		
Registered shares	–	–
Bearer shares	*1 298*	*907*
Option allotment (number of options)	3 965	**3 762**

6. Shareholders' participation rights (at 31 December 2004)

6.1 Voting-rights restrictions and representation

Except for representation through a legal representative, a registered shareholder may only be represented by another registered shareholder who is entered in the share register and is authorized by a written proxy. The voting rights of shares which are in usufruct shall be exercised by the owner and not by the usufructuary. In other respects, the applicable legal regulations apply.

There are no voting-rights restrictions for bearer shares.

6.2 Statutory quorums

The statutory quorums comply with the applicable legal regulations. The Articles of Incorporation specify with respect to Article 704, paragraph 2, subparagraph 2 of the Swiss Code of Obligations, that the dissolution of shares with privileged voting rights requires a qualified majority in the spirit of Article 704 of the Swiss Code of Obligations.

6.3 Convocation of the Annual General Meeting

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

6.4 Agenda

Shareholders representing shares with a par value of at least CHF 1 million may request the inclusion of items on the agenda. Such requests must be submitted to the company at least six weeks prior to the day of the Annual General Meeting. The convocation and the inclusion on the agenda shall be requested in written form, listing the items and the motions.

6.5 Registrations in the share register

From the date on which the invitation to the Annual General Meeting is published until the date of the Annual General Meeting, no new holdings of registered shares will be entered in the share register.

7. Changes of control and defense 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 Group Executive Board and/or other members of management.

8. Auditors

8.1 Duration of mandate and term of office of Head Auditor

PricewaterhouseCoopers Ltd., Zurich, has been the statutory external auditor of the Julius Baer Group and Julius Baer Holding Ltd. since 1994. In accordance with the applicable governance regulations, Albert Schoenenberger has served as the Head Auditor since the 2003 financial year.

8.2 Auditing honorarium

The Julius Baer Group paid PricewaterhouseCoopers Ltd. an auditing honorarium of approximately CHF 2.2 million in the 2004 financial year (2003: CHF 3.2 million).

8.3 Additional honorariums

The Julius Baer Group paid PricewaterhouseCoopers Ltd. CHF 0.1 million during the 2004 financial year for additional services (2003: CHF 0.2 million). This consisted of tax counseling honorariums and other honorariums.

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 PricewaterhouseCoopers 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 are assured 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. Moreover, it publishes the "Profile for Investors" (fact book), as well as press releases, presentations and brochures as needed. The documents are generally available to the public, in both electronic form at www.juliusbaer.com as well as in print form.

Important dates

9 March 2005	Media conference on 2004 results, Zurich
9 March 2005	Analyst conference on 2004 results, Zurich
12 April 2005	Annual General Meeting, Zurich
15 April 2005	Dividend payment
19 April 2005	First trading day of single-class registered shares
12 August 2005	Release of half-year results, Zurich

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

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Commitment


Integrity
Attachment
Passion
Partnership
Dedication
Respect
Duty
Identification
Dependability

Financial Report Group 2004

Notes

Five-year Overview

Consolidated income statement

	Note	2003 CHF 1000	**2004** CHF 1000	Change CHF 1000	Change %
Interest and discount income		154 808	**151 140**	-3 668	-2.4
Interest and dividend income on financial investments		86 701	**125 075**	38 374	44.3
Interest expenses		121 547	**155 423**	33 876	27.9
Net interest income	1	119 962	**120 792**	830	0.7
Commission income on lending activities		2 520	**1 644**	-876	-34.8
Commission income on securities and investment transactions	2	889 881	**931 544**	41 663	4.7
Commission income on other services		22 381	**26 309**	3 928	17.6
Commission expenses		174 789	**178 892**	4 103	2.3
Results from commission and service fee activities		739 993	**780 605**	40 612	5.5
Results from trading operations	3	130 058	**133 951**	3 893	3.0
Other ordinary results	4	29 586	**1 838**	-27 748	-93.8
Net operating income	8	1 019 599	**1 037 186**	17 587	1.7
Personnel expenses[1]	5	505 672	**478 073**	-27 599	-5.5
General expenses[2]	6	241 828	**241 969**	141	0.1
Operating expenses		747 500	**720 042**	-27 458	-3.7
Gross profit	8	272 099	**317 144**	45 045	16.6
Depreciation and write-offs of non-current assets[3]	14	47 252	**29 647**	-17 605	-37.3
Valuation adjustments, provisions and losses	11, 21	15 085	**13 525**	-1 560	-10.3
Profit before restructuring costs and taxes	8	209 762	**273 972**	64 210	30.6
Restructuring costs	21	55 300	**-**	-55 300	-
Profit before taxes	8	154 462	**273 972**	119 510	77.4
Taxes	7, 8	73 585	**53 821**	-19 764	-26.9
Consolidated profit	8	80 877	**220 151**	139 274	172.2
Minority interest in consolidated profit	8	-1 014	**-2 319**	-1 305	-128.7
Net profit	8	81 891	**222 470**	140 579	171.7
[1] *of which costs for streamlining measures*		*20 461*	**-**	*-20 461*	-
[2] *of which costs for streamlining measures*		*1 125*	**-**	*-1 125*	-
[3] *of which costs for streamlining measures*		*2 109*	**-**	*-2 109*	-

	Note	2003 CHF	**2004** CHF	Change CHF	Change %
Net profit per share					
Net profit per bearer share	9	7.91	**21.86**	13.95	176.3
Net profit per registered share	9	1.58	**4.37**	2.79	176.3
Diluted net profit per share					
Diluted net profit per bearer share	9	7.91	**21.86**	13.95	176.3
Diluted net profit per registered share	9	1.58	**4.37**	2.79	176.3

Consolidated balance sheet

	Note	31.12.2003 CHF 1000	**31.12.2004** CHF 1000	Change CHF 1000	Change %
Assets					
Cash		43 262	**157 500**	114 238	264.1
Money market instruments	10	1 292 787	**1 711 136**	418 349	32.4
Due from banks		3 889 336	**3 299 410**	-589 926	-15.2
Due from customers	11	2 983 729	**3 286 906**	303 177	10.2
Trading portfolios	12	600 353	**1 030 652**	430 299	71.7
Derivative financial instruments	30	1 292 765	**1 410 904**	118 139	9.1
Financial investments	13	3 494 820	**4 614 544**	1 119 724	32.0
Property and equipment	14	166 921	**176 272**	9 351	5.6
Intangible assets	14	73 481	**72 456**	-1 025	-1.4
Accrued income and prepaid expenses		174 864	**210 541**	35 677	20.4
Deferred tax assets	20	2 188	**2 770**	582	26.6
Other assets		132 841	**65 154**	-67 687	-51.0
Total assets		14 147 347	**16 038 245**	1 890 898	13.4

Total subordinated claims		18 690	**29 962**	11 272	60.3
Total due from significant shareholders	25	40 324	**35 479**	-4 845	-12.0

Liabilities and shareholders' equity	Note	31.12.2003 CHF 1000	**31.12.2004** CHF 1000	Change CHF 1000	Change %
Money market instruments		18 119	**16 090**	-2 029	-11.2
Due to banks		1 411 999	**1 933 405**	521 406	36.9
Due to customers in savings and investment accounts		650 847	**557 720**	-93 127	-14.3
Due to customers, other		7 666 982	**8 555 692**	888 710	11.6
Trading liabilities		351 883	**70 016**	-281 867	-80.1
Derivative financial instruments	30	1 721 534	**2 481 646**	760 112	44.2
Cash bonds	18	395	**150**	-245	-62.0
Bonds and mortgage-backed bonds	19	301 592	**435 195**	133 603	44.3
Accrued expenses and deferred income		196 773	**224 994**	28 221	14.3
Other liabilities		154 683	**55 719**	-98 964	-64.0
Current tax liabilities		100 564	**46 257**	-54 307	-54.0
Deferred tax liabilities	20	62 860	**63 628**	768	1.2
Provisions	21	35 300	**40 689**	5 389	15.3
Total liabilities		12 673 531	**14 481 201**	1 807 670	14.3
Minority interest in shareholders' equity		19 463	**16 843**	-2 620	-13.5
Share capital	23	5 471	**5 384**	-87	-1.6
less treasury shares	23	-94 368	**-83 113**	11 255	11.9
Capital reserve		182 804	**161 722**	-21 082	-11.5
Retained earnings		1 276 936	**1 232 955**	-43 981	-3.4
Reserves IAS 39		10 065	**15 148**	5 083	50.5
Translation differences		-8 446	**-14 365**	-5 919	-70.1
Net profit		81 891	**222 470**	140 579	171.7
Total shareholders' equity, excluding minority interest		1 454 353	**1 540 201**	85 848	5.9
Total liabilities and shareholders' equity		14 147 347	**16 038 245**	1 890 898	13.4
Total due to significant shareholders	25	46 594	**32 947**	-13 647	-29.3

Consolidated shareholders' equity

	2002 CHF 1000	2003 CHF 1000	**2004** CHF 1000
Share capital[1]			
Balance at the beginning of the year	5 664	5 575	**5 471**
Capital reduction	-89	-104	**-87**
Balance at the end of the year	5 575	5 471	**5 384**
Treasury shares[1]			
Balance at the beginning of the year	-117 347	-91 302	**-94 368**
Capital reduction	99 965	74 993	**64 966**
Change in treasury shares	-73 920	-78 059	**-53 711**
Balance at the end of the year	-91 302	-94 368	**-83 113**
Capital reserve[2]			
Balance at the beginning of the year	219 108	195 338	**182 804**
Participation plans[3]	-23 770	-12 534	**-21 082**
Balance at the end of the year	195 338	182 804	**161 722**
Retained earnings			
Balance at the beginning of the year	1 419 389	1 421 721	**1 358 827**
Julius Baer Holding Ltd. dividend	-74 310	-62 440	**-61 403**
Capital reduction	-99 876	-74 889	**-64 879**
Change in treasury shares	-3 324	-7 456	**410**
Other	-2 823	-	**-**
Subtotal	1 239 056	1 276 936	**1 232 955**
Net profit	182 665	81 891	**222 470**
Balance at the end of the year	1 421 721	1 358 827	**1 455 425**
Reserves IAS 39			
Balance at the beginning of the year	-4 084	24 484	**10 065**
Unrealized gains and losses on:			
- Available-for-sale investments, net of tax	26 306	-20 209	**9 083**
- Hedging reserve for cash flow hedges, net of tax	2 262	5 790	**-4 000**
Balance at the end of the year	24 484	10 065	**15 148**
Translation differences			
Balance at the beginning of the year	-1 359	-10 394	**-8 446**
Change	-9 035	1 948	**-5 919**
Balance at the end of the year	-10 394	-8 446	**-14 365**
Total shareholders' equity	1 545 422	1 454 353	**1 540 201**

[1] See Note 23, page 113
[2] The capital reserve represents the additional proceeds (premium) received from the issue of shares by Julius Baer Holding Ltd. and from the exercise of conversion rights and warrants for Julius Baer Holding Ltd.
[3] See Corporate Governance, pages 57 to 60, participation plans

Major shareholders: Please see chapter Corporate Governance, page 40.

Consolidated statement of cash flows

		2003		**2004**
	1000 CHF	*1000 CHF*	*1000 CHF*	*1000 CHF*
Interest received (excluding financial investments)	176 182		**153 844**	
Commissions received	919 226		**957 914**	
Interest paid	-125 557		**-151 793**	
Commissions paid	-176 864		**-177 247**	
Payments for personnel and other operating expenses	-820 086		**-688 588**	
Other income	886		**-36 494**	
Subtotal	-26 213		**57 636**	
Changes in assets and liabilities from operating activities:				
Claims and investments	-153 883		**584 196**	
Trading portfolios	225 646		**322 967**	
Liabilities	1 389 053		**1 166 451**	
Other	68 774		**-33 076**	
Cash flow from operating activities before taxes	1 503 377		**2 098 174**	
Taxes paid	-76 093		**-108 497**	
Cash flow from operating activities after taxes		1 427 284		**1 989 677**
Acquisition of financial investments	-2 970 573		**-2 093 549**	
Acquisition of non-current assets	-35 900		**-40 246**	
Sale of financial investments	1 501 761		**1 003 924**	
Sale of non-current assets	9 761		**1 612**	
Interest received from financial investments and participations	98 070		**134 966**	
Dividends received from financial investments and participations	1 084		**2 210**	
Acquisition of subsidiaries and participations	-2 346		**-301**	
Sale of subsidiaries and participations	17 438		**-**	
Cash flow from investing activities		-1 380 705		**-991 384**
Dividend payments	-62 439		**-61 403**	
Change in holdings of treasury shares	-85 514		**-53 300**	
Staff participation	-12 535		**-21 081**	
Other	-		**-**	
Cash flow from financing activities		-160 488		**-135 784**
Total		-113 909		**862 509**
Cash and cash equivalents at beginning of the year		1 250 515		**1 146 494**
Cash flow from operating activities after taxes		1 427 284		**1 989 677**
Cash flow from investing activities		-1 380 705		**-991 384**
Cash flow from financing activities		-160 488		**-135 784**
Effects of exchange rate changes		9 888		**45 984**
Cash and cash equivalents at end of the year		1 146 494		**2 054 987**

Cash and cash equivalents include cash, credit balances at central banks, as well as bills and notes which are eligible for refinancing at central banks. They are structured as follows:

		31.12.2003	**31.12.2004**
	Note	*1000 CHF*	*1000 CHF*
Cash		43 262	**157 500**
Bills and money market instruments eligible for discount at central banks	10	350 596	**1 066 392**
Securities acceptable to central banks	12, 13	752 636	**831 095**
Total		1 146 494	**2 054 987**

Consolidation policies and valuation principles

General accounting policies

Julius Baer Holding Ltd. is a Swiss corporation. Values in the annual financial statements are stated in thousands of Swiss francs. The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) and employed the historical cost principle, with the exception of the trading positions, derivative financial instruments and available-for-sale financial investments, which are valued at fair value.

Consolidation policies

Method of consolidation
The consolidation of capital is based on the purchase method, i.e. capital is consolidated on the date of acquisition.

The consolidated financial statements include, in addition to the figures for Julius Baer Holding Ltd., the results from participations according to the following rules:

Consolidated participations
Group 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 on pages 124 and 125. All internal Group claims, liabilities, off-balance-sheet transactions, expenses and income are eliminated. The interest of minority shareholders in the equity and consolidated profit are stated in the consolidated balance sheet as minority interest in shareholders' equity and in the consolidated income statement as minority interest in consolidated profit.

Non-consolidated participations
Participations in which Julius Baer Holding Ltd. holds between 20% and 50% of the voting stock and/or in which it can wield significant influence (affiliated companies) are reported in the consolidated accounts in accordance with the equity method. These companies are recorded in the consolidated financial statements according to the percentage share of the Group in their equity and net profit. The remaining participations are included in the balance sheet at fair value in available-for-sale financial investments.

Currency translation
The balance sheets of Group companies that are denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Average exchange rates for the year are used for the consolidated income statement. Translation differences arising from consolidation are shown as accumulated currency differences in the shareholders' equity.

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the prevailing daily exchange rates. Assets and liabilities are translated at year-end rates. The resulting gains and losses are recorded in the income statement as currency gains/losses.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2003	31.12.2004	2003	2004
USD/CHF	1.2368	1.1371	1.3375	1.2394
EUR/CHF	1.5600	1.5457	1.5240	1.5441
GBP/CHF	2.2140	2.1833	2.1980	2.2730
JPY/CHF	1.1540	1.1097	–	–

Consolidation period
The period covered by the consolidation is the calendar year for all participations.

Accounting policies and valuation principles

The drawing up of the balance sheet and valuation of all Group companies is performed in accordance with uniform guidelines. These guidelines remain the same as in the previous year.

Reporting of transactions
All completed transactions are reported and valued. Foreign exchange and money market transactions are posted to the balance sheet on the value date. Until the value date, they are stated in the off-balance-sheet transactions. Spot transactions in securities and securities underwriting transactions are posted to the balance sheet on the contract date in the Group. According to IAS 39, all financial assets shall be assigned to one of the four categories ("trading", "held-to-maturity financial instruments", "originated loans and receivables" and "available-for-sale financial assets") and uniformly recorded within these categories on the value date or settlement date. The divergent recognition of securities transactions, cash transactions and securities underwriting transactions within the four categories mentioned above does not have a significant effect on the balance sheet reporting.

Income from services is recorded 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.

Money market instruments on the assets side and on the liabilities side
Claims and liabilities are valued at their amortized cost using the effective interest rate method.

Due from banks and customers, mortgages
Amounts due from banks are initially reported at their nominal value. Amounts due from clients and mortgages are initially recorded at cost, which in general is equal to the principal amount for originated loans.

Impaired claims, i.e. claims for which it is unlikely that the counterparty will be able to fulfill its future obligations, are valued on an individual basis, and specific valuation adjustments are established for impaired amounts. Off-balance-sheet transactions, such as firm commitments, guarantees or derivative financial instruments, are also evaluated. Impaired claims are classified as non-performing no later than when the contractually stipulated payments of capital and/or interest are more than 90 days in arrears. Interest that is more than 90 days in arrears is considered overdue. Overdue interest and interest whose collection is doubtful are accrued for collection purposes, and a corresponding provision is set up. Claims can be further downgraded to non-interest earning when the collection of interest is so doubtful that the accrual of such interest is deemed not reasonable.

Impairment is measured in terms of the difference between the book value of the claim and its estimated recoverable amount, taking into account the counterparty risk and the net proceeds from the liquidation of any collateral.

A write-off is made against the established specific valuation adjustment 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 adjustments, valuation adjustments are established to account for latent risks. These valuation adjustments are calculated on the basis of prudently estimated default rates for each rating class. Changes in the valuation adjustments are recorded through the income statement. The internal credit ratings 1–10 form the basis for calculating valuation adjustments. Claims are allocated to one of the ten rating classes. In the case of claims in rating classes 1–6, the debt is being serviced, the advance rate of collateral is appropriate, and the repayment of the loan is not doubtful. For these claims, no specific valuation adjustments are established. The credit risks of classes 9 and 10 are very high, and specific valuation adjustments are established for claims in these classes. For the risks of classes 7 and 8, specific valuation adjustments are established provided that it is more likely than not that a loss could arise.

In the balance sheet, the specific valuation adjustments and the valuation adjustments established to account for latent risks are netted against the corresponding claims.

Impaired claims are rated as fully realizable 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 and securities lent are recorded at the amount of cash collateral advanced or received including accrued interest.

Securities borrowed and securities received as collateral for loaned securities under securities lending transactions are only recorded in the balance sheet if the Group obtains control of the contractual rights associated with these securities. Securities lent as well as securities provided as collateral for borrowed securities under securities borrowing transactions are only derecognized from the balance sheet if the Group relinquishes control of the contractual rights associated with these securities. If loaned securities and securities provided as collateral remain in the balance sheet, the unrealized gains and losses on remeasurement to fair value of trading book securities are included in the income statement, whereas banking book securities are measured according to the rules stated under the section on financial investments. The fair values of securities borrowed and lent are monitored daily in order to provide or request additional collateral if needed.

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

Repurchase and reverse repurchase transactions
Repurchase and reverse repurchase transactions are employed in connection with financing and refinancing or the acquisition of securities of a specific type.

Securities received under reverse repurchase transactions and securities delivered under repurchase transactions are treated as collateralized financing transactions and are carried at the amounts of cash advanced or received including accrued interest.

Securities received and securities delivered are only recorded in the balance sheet or derecognized from the balance sheet if control of the contractual rights associated with these securities is relinquished. The fair values of the securities received or delivered are monitored daily in order to provide or request additional collateral if needed.

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.

Trading positions
All trading positions are valued at fair value. The resulting realized and unrealized gains and losses are stated in the results from trading operations.

The results from trading operations also include the interest and dividend income from trading positions. The refinancing costs for holding trading positions are debited to the results from trading operations and credited to interest income at money market rates.

Costs that are directly related to trading, such as brokerage, transport, insurance and smelting costs, as well as fees and taxes, are also debited to the results from trading operations.

Derivative financial instruments and hedging
Derivative financial instruments, 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 initially recorded in the balance sheet at cost (including transaction expenses) and subsequently reported 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.

In the case of hedging transactions involving derivative financial instruments, on the settlement date it is determined whether the specific transaction is (1) a hedge of the value of a balance sheet item (a fair value hedge) or (2) a hedge of a future cash flow or obligation (a cash flow hedge).

Derivatives categorized in this manner are treated as hedging instruments in the financial statements if they fulfill 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 elimination of the hedged risks through the hedging transaction during the entire reporting period (high correlation)

c) Sustained effectiveness of the hedging transaction

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk are recorded in the income statement, along with the corresponding change in the fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting, in the case of interest-bearing financial instruments the difference between the book value of the hedged position at that time and the value that this position would have exhibited without hedging is amortized to net profit or loss over the remaining period to maturity of the original hedge. In the case of non-interest-bearing financial instruments, on the other hand, this difference is immediately recorded in the income statement.

Changes in the fair value of derivatives that have been recorded as a cash flow hedge, that fulfill the criteria mentioned above and that prove to be effective in hedging risk are reported under the item Reserves IAS 39 in shareholders' equity. If a future financial transaction or an obligation results in a balance sheet item, the gains or losses previously recorded in shareholder's equity are derecognized and set off against the cost of this balance sheet item. If the hedged cash flow or the obligation leads to direct recognition in the income statement, the hedging instrument's cumulative gains or losses from previous periods in shareholders' equity are included in the income statement in the same period as the hedged transaction.

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 fulfill the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as trading positions. Changes in value are recorded in the income statement in the corresponding period.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in Note 30.

Financial investments
Security positions acquired with long-term investment objective are reported under this item.

In accordance with IAS 39, there are two categories of financial investments:

1. Debt securities categorized as "held-to-maturity" are initially recorded at cost and subsequently stated at amortized cost in the balance sheet. The effective interest rate method is used to amortize the difference between the cost and the repayment value over the life of the securities.

2. Available-for-sale debt securities are stated at fair value. Unrealized gains and losses are reported under the item Reserves IAS 39 in shareholders' equity until the financial asset is sold, or until a drop in value is recognized, at which point the cumulative gain or loss previously recorded in shareholders' equity is posted to the income statement.

Equities as well as similar securities and rights belong to the available-for-sale financial investments and are stated at their fair values. Unrealized gains and losses are reported under the position Reserves IAS 39 in shareholders' equity. In the event of the sale or a recognizable drop in value of these financial investments, the cumulative gain or loss recorded in shareholders' equity up to that point in time is posted to the income statement.

A drop in value occurs if there is a significant decline in the creditworthiness, a breach of contract, an increased likelihood of bankruptcy or other signs of difficulties on the part of the corresponding security issuer.

Tangible fixed assets and intangible assets
Tangible fixed assets include Bank premises, other real estate, EDP and telecommunications equipment as well as other installations and business equipment. They are stated at acquisition value less necessary depreciation. Depreciation policies remain unchanged from the prior year.

Building costs of real estate are written off over a period of 66 years, business equipment costs over ten years. Depreciation of IT hardware is based on a useful life of three years, while a period of five years is employed for other tangible fixed assets. Depreciation is calculated on a straight-line basis. Minor purchases are debited directly to General expenses.

Maintenance and renovation expenses are generally posted to General expenses. When such expenses are substantial and result in a significant increase in value, they will be capitalized as an asset. Gains from the sale of tangible fixed assets are stated as Other ordinary income. Losses result in additional depreciation and write-offs of non-current assets.

Similarly to purchased software, internally generated software is also capitalized insofar as the conditions of IAS 38 are fulfilled, i.e. it is probable that the future economic benefits that are attributable to the asset will flow to the company and that the costs of the asset can be measured reliably. The capitalized assets are written off over their useful life. The depreciation period usually lasts for three to five years.

On each balance sheet date, the tangible fixed assets and intangible assets are evaluated to determine any indications of a drop in value or a change in the estimated future benefits. If such indications exist, it is determined whether the book value of the tangible fixed assets or intangible assets is fully realizable. A write-off is carried out if the book value exceeds the realizable value.

Leasing
The expenses from operating leases (the rights and responsibilities of ownership remain with the lessor within the context of the leasing contract) are debited to the item General expenses.

There are presently no claims or commitments from finance leases.

Goodwill
The assets and liabilities of acquired subsidiaries are revalued for the capital consolidation at the time of acquisition. The resulting fair value of the net assets is set off against the purchase price paid, and any resulting difference is recorded in the balance sheet as goodwill and written off over its useful life (with the amortization subject to an annual assessment). Goodwill that no longer merits capitalization as an asset based on annual assessment is immediately written off.

Liabilities
Liabilities are reported at par value or redemption value. Interest and discounts are debited to interest expenses on an accrual basis.

Bonds and mortgage-backed bonds
Issued bonds and mortgage-backed bonds are initially recorded at cost, i.e. at the fair value of the remuneration received minus the transaction expenses. They are subsequently stated in the balance sheet at amortized cost using the effective interest rate method.

Netting
Assets are only offset against liabilities in the balance sheet if there is a legal basis for such netting and the corresponding positions are intended to be closed out at the same time through settlement.

Irrevocable commitments and contingent liabilities
The irrevocable commitments relate to unutilized irrevocable commitments to extend credit.

The contingent liabilities comprise, among other things, credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit, bid and performance bonds, and irrevocable liabilities under documentary letters of credit.

Fiduciary transactions
Fiduciary transactions consist of investments, credits and participations that the Bank enters into or grants in its own name but for the account of and at the risk of the client as per written instruction.

Taxes and deferred taxes
Taxes are calculated and recorded based on the taxable results of the financial year.

Deferred taxes on assets and liabilities are taken into account in accordance with the liability method for the expected future tax consequences of all temporary differences between the values in the consolidated financial statements and the values in the tax balance sheets.

Pension liabilities
In addition to the legally prescribed social security plans, 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 fulfill all the criteria of a defined contribution pension plan according to

IAS 19. For this reason, the Swiss pension plans are disclosed 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 organization, management and financing of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations. Current 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 contributions 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, every other year.

The pension expenses recorded in the income statement for the defined benefit pension plans correspond to the actuarially determined expenses minus the employee contributions. The sum of these expenses is charged to the income statement as personnel expenses.

Actuarial gains and losses that exceed the greater of 10% of the present value of the plan obligation and 10% of the fair value of plan assets are systematically amortized over the remaining working 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, which normally occurs in the same year in which the contributions are paid.

Other commitments following retirement
The Group companies in the USA pay part of the contributions to the health insurance plans of retired long-time employees. The expected expenses are accrued during the duration of employment based on actuarial calculations.

Business and geographic segments
The Group is divided into three operational and internationally active business lines that form the basis for the primary reporting. Income and expenses that are not directly connected with these three business lines are attributed to the Corporate Center. Direct income and expenses are assigned to the segments based on the principle of accountability. Indirect costs for internal service relationships between the segments are fundamentally accounted for according to the principle of causation and recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary. These internal service allocations are based on a transfer price system and are carried out at actual cost. The financial information on the business lines and geographic segments is presented in Note 8.

Sales

The proceeds and expenses from the sale of the Private Banking business in the USA will not be recorded until the 2005 financial year.

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 2004 financial year.

The Audit Committee of the Board of Directors, together with representatives of the Group Executive Board and the external auditors, considered the consolidated financial statements at its meeting on 21 February 2005.

The Board of Directors considered and approved the consolidated financial statements at its meeting on 8 March 2005. These consolidated financial statements will be presented for approval at the Ordinary Shareholders' Meeting on 12 April 2005.

International Financial Reporting Standards (IFRS) recently issued but not yet implemented

Revised IAS 32 and IAS 39
In December 2003, the International Accounting Standards Board (IASB) issued the revised versions of IAS 32 and IAS 39. Both standards are effective for financial years beginning on or after 1 January 2005. These two standards provide comprehensive guidelines for the recognition, measurement, presentation and disclosure of financial instruments. Since they have to be applied retrospectively, the comparison data for 2004 provided in the 2005 financial statements must be restated accordingly, as if the revised standards had always been in force.

Under revised IAS 32, certain derivatives linked to the bearer shares of Julius Baer Holding Ltd. are classified as assets or liabilities and not as equity instruments. Under old IAS 32, these derivatives and the bearer shares of Julius Baer Holding Ltd. held for economic hedging purposes were classified as equity instruments. As of 1 January 2005, obligations to repurchase own shares for cash, e.g. arising through the issue of put options, must be recognized as a financial liability in the balance sheet by transferring the fair value of the obligation out of shareholders' equity. The obligation is subsequently accreted to the settlement amount through recognizing interest expense. All contracts that may be settled by the exchange of a fixed amount of cash for a fixed number of own shares, or on a net basis in cash, must now be classified as derivatives, whereas they were classified as equity instruments under old IAS 32. In contrast, the bearer shares of Julius Baer Holding Ltd. held for economic hedging purposes still have to be recognized through shareholders' equity. For the Julius Baer Group, an undesired volatility of profit and loss thus arises because the changes in the value of the hedging instrument do not flow through to the income statement.

Under revised IAS 39, financial instruments that are held for trading and derivatives that do not form part of an effective hedging relationship must continue to be recognized at fair value through profit and loss. Additionally, any other financial instrument may now be designated and measured at fair value through profit and loss upon initial recognition or adoption of this standard. The Julius Baer Group will measure its issued hybrid financial instruments at fair value, with changes in fair value recognized through the income statement, thus eliminating the requirement to account for the embedded derivative financial instrument and its host contract separately.

Julius Baer Holding Ltd. is currently assessing what impact the implementation of both revised standards will have on the consolidated financial statements.

IASB Improvements Project
In December 2003, the IASB issued 13 revised International Accounting Standards under its Improvements Project in an attempt to improve the wording, eliminate inconsistencies and achieve convergence with other accounting standards, notably US GAAP. All of the revised standards are effective for financial years beginning on or after 1 January 2005. Only one of these 13 improved standards, IAS 28, "Accounting for Investments in Associates", will have an impact on the Group's profit and loss account. Participations in which Julius Baer Holding Ltd. exercises significant influence must be accounted for under the equity method and may no longer be classified as available-for-sale financial investments. The share of Julius Baer Holding Ltd. in the net profit or loss of the associate will now be accounted for through the income statement. This accounting change has only minor consequences for the consolidated financial statements.

All of the other revised standards under the Improvements Project primarily relate to presentation and disclosure, but not to recognition and measurement of assets and liabilities, and will therefore not have any material effect on the consolidated financial statements.

IFRS 2 Share-based Payment
In February 2004, the IASB issued IFRS 2, Share-based Payment, which prescribes the accounting for share-based payments. When such payments are made to employees in the form of shares or share options, the fair value of these payments at the grant date must be recognized as compensation expense. Share-based payments that are subject to a vesting period must be expensed over the vesting period. The new standard is effective for financial years beginning on or after 1 January 2005. It applies only to share-based payments granted after 7 November 2002 that have not yet vested as of 1 January 2005. It also applies to liabilities arising from share-based payments that exist at the effective date. Julius Baer Holding Ltd. currently discloses the compensation expense attributable to share-based payments in the development of consolidated shareholders' equity and in the corporate governance text. Up to now, the fair value of the share-based payments has been charged against the capital reserve at the grant date. The change in accounting due to the new standard IFRS 2 will result, in the 2005 financial year, in the restatement of the figures for the 2004 financial year. This should have the following consequences:

Consolidated shareholders' equity (excluding minority interest) will decline by a net CHF 14.6 million as of 1 January 2004, with the following changes taking place among the individual positions within shareholders' equity:

- The treasury shares, which are deducted from shareholders' equity, will increase by CHF 7.6 million as of 1 January 2004.
- The capital reserve will increase by CHF 99.8 million as of 1 January 2004.
- The retained earnings will decline by CHF 106.8 million as of 1 January 2004.

The liabilities will increase by CHF 14.6 million as of 1 January 2004.

Personnel expenses will increase by CHF 10.5 million for the 2004 financial year.

Comment on risk management

1. Risk management framework

Risk is defined as a 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. The Group is exposed to various risks, resulting in the following risk landscape:

- Business risks
- Credit risks
- Market risks (trading book)
- Liquidity and balance sheet risks (especially banking book)
- Operational risks (including legal risks, compliance and personnel risks)
- Reputational risks

The Board of Directors defines and regularly reviews an appropriate risk policy to effectively manage the risks of the Group and to determine suitable processes and instruments. The Board of Directors is assisted by its Risk Committee.

The overall responsibility for the implementation of the Group's risk management lies with the Group Executive Board. It is assisted by its Group Risk Committee (GRIC), by its Group Asset & Liability Management Committee (GALM) and by the following Group functions:

- Group Risk Management (GRM) for the management and controlling of credit risks, market risks (trading book), liquidity and balance sheet risks (especially banking book) and of operational risks (excluding legal risks, compliance and personnel risks)

- Group Legal Management for the management and controlling of legal risks and compliance

- Human Resources for the management and controlling of personnel risks

- Communications for the management and controlling of reputational risks

These functions establish appropriate risk guidelines and directives, coordinate and contribute directly to the risk management of the business lines and ensure independent risk controlling. The main responsibility for risk management, however, lies with the business lines.

2. Business risks

Business risks cover strategic risk and business risk, especially expense and revenue risk. These risks are managed and controlled by the individual business lines, the Group Executive Board and the Board of Directors. All of the strategic and business risks are depicted on a "risk map" featuring the probability of occurrence and the potential impact.

Following the principles of value- and risk-oriented management and controlling, an annual strategic check-up is carried out to determine the necessary strategic and structural projects and adjustments. After the analysis of the mid-term financial and risk-relevant implications, implementation is then initiated through a rolling 3-year planning cycle, and then in the annual budgets accordingly.

This process provides the basis for active and efficient financial, capital and risk management. The various controlling processes and tools – such as monthly comparison of the actual results with the budget or rolling forecasts – allow an analysis of the sensitivity of the Group's earnings to various scenarios.

3. Credit risks

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

The Julius Baer Group primarily assumes credit risk with private clients on a collateralized basis. Such credit risk may be composed of lending and derivatives exposure from trading activities in foreign exchange, securities and interest products. Portfolios are analyzed and rated individually by the Credit Supervision System, and an advanceable value (exposure limit) is assigned based on the quality of the collateral. Limit and exposure supervision is effected on a daily basis.

The Julius Baer Group offers a wide range of trading instruments and deals with banks, institutional clients and selected corporates on an unsecured basis. Individual risk limits and settlement limits are approved for each counterparty. Trading limits and exposures are controlled on a daily basis, and netting agreements are used to limit potential risk.

The portfolio of the Group is broadly diversified. There were no engagements on 31 December 2003 or on 31 December 2004 which resulted in a concentration of assets or liabilities. The clients and other counterparties from the Group's lending operations are domiciled primarily in Switzerland and in other OECD countries. The following schedule shows the credit risks by type of counterparty as well as by domicile. Loans to clients are generally granted in the form of lombard credits with broadly diversified collateral.

Counterparty risks

	Central governments CHF m	Banks CHF m	Other (collateral) CHF m	Other (no collateral) CHF m	Total CHF m
31.12.2004					
Balance sheet transactions					
Switzerland	170.9	839.2	825.8	668.1	**2504.0**
Other OECD countries	717.0	6905.9	2515.6	1122.4	**11260.9**
Latin America	-	-	29.9	3.9	**33.8**
Other countries	0.2	141.9	1348.7	221.6	**1712.4**
Total balance sheet transactions	888.1	7887.0	4720.0	2016.0	**15511.1**
Contingent liabilities					
Switzerland	-	2.5	41.9	20.1	**64.5**
Other OECD countries	-	3.2	191.7	10.2	**205.1**
Latin America	-	-	4.3	13.3	**17.6**
Other countries	-	-	103.0	8.3	**111.3**
Total contingent liabilities	-	5.7	340.9	51.9	**398.5**
Total counterparty risks	888.1	7892.7	5060.9	2067.9	**15909.6**
31.12.2003					
Balance sheet transactions					
Switzerland	193.7	916.6	684.9	620.3	**2415.5**
Other OECD countries	625.5	5881.2	2545.1	816.1	**9867.9**
Latin America	-	-	32.1	1.9	**34.0**
Other countries	5.5	230.3	957.1	86.8	**1279.7**
Total balance sheet transactions	824.7	7028.1	4219.2	1525.1	**13597.1**
Contingent liabilities					
Switzerland	-	2.6	41.0	24.3	**67.9**
Other OECD countries	-	3.2	214.0	13.7	**230.9**
Latin America	-	-	4.6	9.5	**14.1**
Other countries	-	-	128.3	5.6	**133.9**
Total contingent liabilities	-	5.8	387.9	53.1	**446.8**
Total counterparty risks	824.7	7033.9	4607.1	1578.2	**14043.9**

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

Assets by countries/country groups

	31.12.2003		**31.12.2004**	
	CHF 1000	*%*	*CHF 1000*	*%*
Switzerland	2 727 077	19.3	**2 983 923**	**18.6**
Other OECD countries	10 006 446	70.7	**11 235 283**	**70.1**
of which USA	*1 914 407*	*13.5*	***1 935 711***	***12.1***
of which Japan	*132 819*	*0.9*	***81 373***	***0.5***
of which EU	*7 076 791*	*50.0*	***8 449 088***	***52.7***
Central and Eastern Europe	6 286	0.0	**40 668**	**0.3**
Rest of Europe	20 945	0.1	**4 457**	**0.0**
Latin America	34 102	0.2	**35 236**	**0.2**
Asia	104 965	0.7	**122 788**	**0.8**
Other countries	1 247 526	8.8	**1 615 890**	**10.1**
Total	14 147 347	100.0	**16 038 245**	**100.0**

The breakdown is performed in strict accordance with the principle of domicile of our counterparties. The broadly diversified collateral, especially in the area of lombard credits, is not taken into account.

It is not a policy of the Julius Baer Group to engage in corporate lending activities.

The department Credit reports to the Chief Risk Officer (CRO), who is a member of the Extended Group Executive Board.

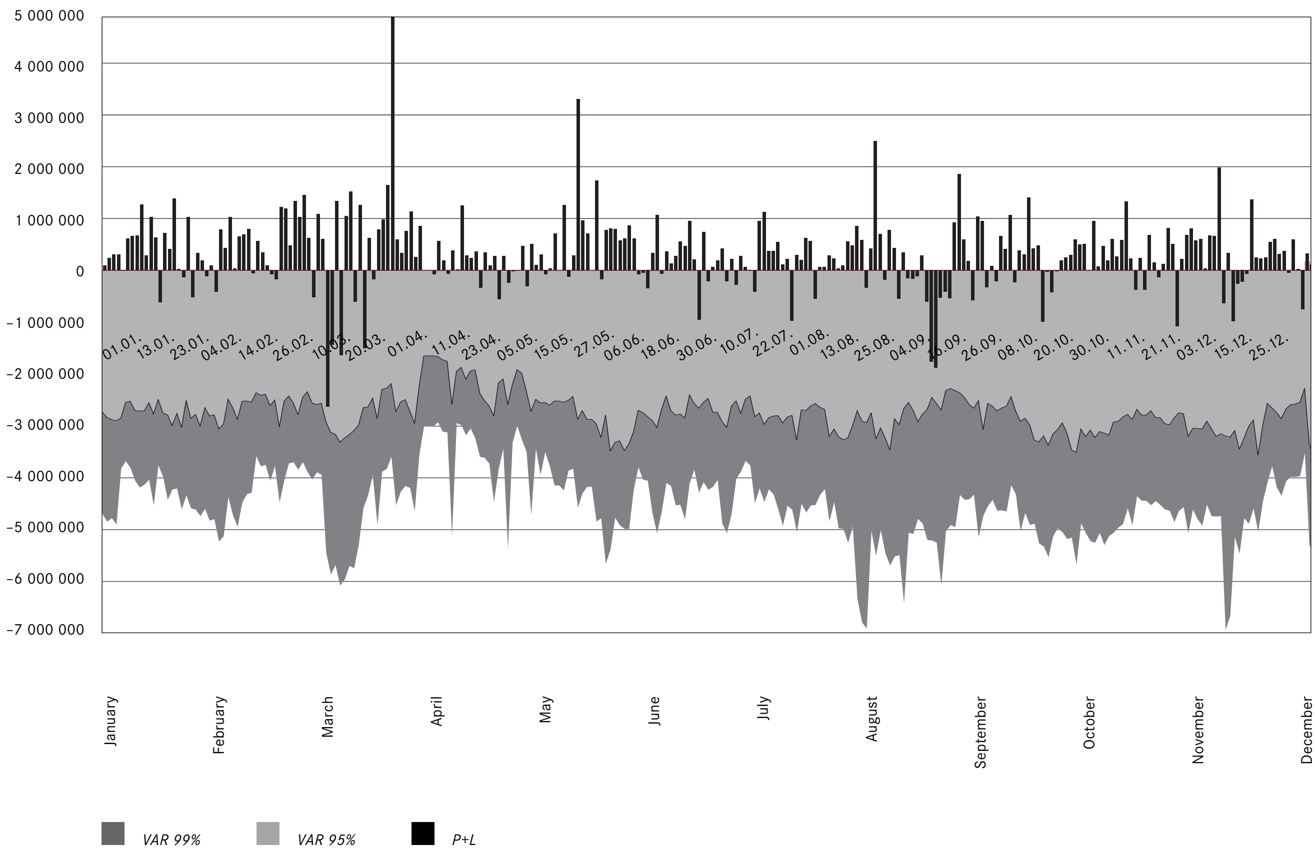
4. Market risks (trading book)

The term market risk is defined as the possibility of sudden losses arising in the Group's trading book as a result of unforeseen changes in market prices and rates (e.g. interest rates, equity prices, foreign exchange rates, volatilities). Market risk management involves the identification, measurement, control and steering of the market risks assumed. The trading units enter into market risk positions within prescribed limits. The department Group Risk Management Market Risk is independent from trading and carries out a supervisory and guidance function in market risk management. This department also reports to the CRO.

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

The Julius Baer Group uses the following types of measurement and limitation of market risks: value at risk (VAR) limits, sensitivity or concentration limits (delta, vega, basis point and nominal limits as well as scenario analysis) and country limits for trading positions. The key risk figure, value at risk (VAR), meas-

Back testing trading Julius Baer Group for 2004 (CHF)



ures 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 Julius Baer Group amounted to CHF 3.6 million on 31 December 2004 (1-day holding period, 95% confidence level). The maximum VAR recorded in 2004 amounted to CHF 3.6 million; the minimum was CHF 1.6 million. The pertinence of the VAR procedure, 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 chart above shows the daily calculations of VAR in 2004 (at confidence levels of 95% and 99%) compared with the actual daily gains and losses generated by the trading operations of the Julius Baer Group.

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

VAR method and regulatory capital

For its VAR calculations, the Julius Baer Group employs 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, interest rates, volatilities) over the latest 300-trading-day period. As a result, correlation may be employed 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 Julius Baer Group fulfill the relevant regulatory requirements and have been approved by the Swiss Federal Banking Commission 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.

5. Liquidity and balance sheet risks (especially banking book)

The Group Asset & Liability Management Committee (GALM) has Group responsibility for the management of liquidity and balance sheet risks, which especially relate to interest rate risks in the banking book as well as to general financing risks in the balance sheet. Trading book market risks are managed separately and are monitored by the Group Risk Committee (GRIC). The following definitions are used to separate trading 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, in the short term, from actual or expected differences between their buying or selling prices.
The *banking book* 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.

GALM has delegated the daily management of liquidity and balance sheet risks to the Group's ALM Sub-Business Line. The risk is independently measured and controlled by GRM. Risk reports are reviewed monthly at the GALM meeting and quarterly at the Board of Directors' Risk Committee Meetings.

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. An objective measure of this risk can be provided by showing the impact of a positive change of one percent (+100 basis points) in the entire interest rate curve in the respective currency. This enables us to predict the consequences for the projected interest income of the Group as well as the sensitivity of the net present value of assets and liabilities. This risk measure is also used to carry out scenario analyses on a regular basis.

Interest rate sensitivity positions

	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Interest sensitivity by time bands as of 31.12.2004 (and 31.12.2003), CHF 1000 per +100 basis points						
CHF						
2004	212	337	9 272	-11 789	515	-1 453
2003	262	-80	11 014	-29 528	-6 197	-24 529
USD						
2004	-240	-883	-3 596	-3 218	-	-7 937
2003	-99	-11	-4 087	-15 023	-262	-19 482
EUR						
2004	-12	200	-1 010	-16 366	-	-17 188
2003	324	-410	-6 459	-21 732	-455	-28 732
Other						
2004	-28	-105	926	160	-	953
2003	-48	-347	-184	-68	1	-646

Exposures to risks, other than interest rate and liquidity risks, arising from the asset and liability positions held by the Group are limited and monitored using market value limits. These risk exposures include currency risks. The following table shows the balance sheet and net position of the Julius Baer Group broken down according to the major currencies.

Assets and liabilities by currencies

	CHF *CHF 1000*	USD *CHF 1000*	EUR *CHF 1000*	Other *CHF 1000*	Total *CHF 1000*
Assets					
Cash	133 829	17 350	5 596	725	**157 500**
Money market instruments	322 900	749 420	471 423	167 393	**1 711 136**
Due from banks	998 088	793 951	856 555	650 816	**3 299 410**
Due from customers	1 048 067	1 552 543	382 202	304 094	**3 286 906**
Trading portfolios	475 301	389 209	113 545	52 597	**1 030 652**
Derivative financial instruments	207 092	365 294	529 927	308 591	**1 410 904**
Financial investments	1 711 911	1 103 721	1 639 603	159 309	**4 614 544**
Property and equipment	161 122	11 608	3 498	44	**176 272**
Intangible assets	55 241	6 635	10 580	-	**72 456**
Accrued income and prepaid expenses	101 089	83 534	20 237	5 681	**210 541**
Deferred tax assets	108	2 655	-	7	**2 770**
Other assets	39 193	6 485	18 860	616	**65 154**
Total assets 31.12.2004	5 253 941	5 082 405	4 052 026	1 649 873	**16 038 245**
Total assets 31.12.2003	5 301 192	3 751 373	3 660 907	1 433 875	**14 147 347**

	CHF	USD	EUR	Other	Total
Liabilities and shareholders' equity					
Money market instruments	2 610	397	12 205	878	**16 090**
Due to banks	750 154	277 450	751 481	154 320	**1 933 405**
Due to customers in savings and investment accounts	557 709	-	11	-	**557 720**
Due to customers, other	2 718 352	2 398 395	2 199 864	1 239 081	**8 555 692**
Trading liabilities	6 573	15 494	37 210	10 739	**70 016**
Derivative financial instruments	517 249	1 595 361	264 065	104 971	**2 481 646**
Cash bonds	150	-	-	-	**150**
Bonds and mortgage-backed bonds	422 628	-	12 567	-	**435 195**
Accrued expenses and deferred income	136 449	62 873	21 154	4 518	**224 994**
Other liabilities	36 629	14 442	3 416	1 232	**55 719**
Current tax liabilities	29 786	11 764	2 758	1 949	**46 257**
Deferred tax liabilities	63 628	-	-	-	**63 628**
Provisions	22 502	14 519	3 668	-	**40 689**
Total liabilities	5 264 419	4 390 695	3 308 399	1 517 688	**14 481 201**
Shareholders' equity, including minority interest	1 557 044	-	-	-	**1 557 044**
Total liabilities and shareholders' equity 31.12.2004	6 821 463	4 390 695	3 308 399	1 517 688	**16 038 245**
Total liabilities and shareholders' equity 31.12.2003	6 174 593	3 773 747	3 208 387	990 620	**14 147 347**

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.

Strategy in using derivative financial instruments
The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to maximize interest margins by investing these funds in high-quality assets. Through consoli-

dating the short-term client money taken up and lending it out at longer maturities, an effort is made to increase this 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 balance sheet risks, the Group employs derivative instruments within scope of its ordinary business activities. The table below shows the maturity structure of the assets and liabilities. It is based on the deadlines for repayment of capital, which coincide for the most part with the interest renewal deadlines.

Maturity structure of current assets and borrowed funds

	On demand *CHF 1000*	Callable *CHF 1000*	Due within 3 months *CHF 1000*	Due within 3 to 12 months *CHF 1000*	Due within 12 months to 5 years *CHF 1000*	Due after 5 years *CHF 1000*	Total *CHF 1000*
Current assets							
Cash	157 500	-	-	-	-	-	**157 500**
Money market instruments	-	-	966 392	744 744	-	-	**1 711 136**
Due from banks	526 427	70 637	1 951 808	749 340	1 198	-	**3 299 410**
Due from customers	-	626 679	1 888 172	536 955	220 737	14 363	**3 286 906**
Trading portfolios	1 030 652	-	-	-	-	-	**1 030 652**
Derivative financial instruments	1 410 904	-	-	-	-	-	**1 410 904**
Financial investments	106 026	12 319	255 478	1 262 323	2 475 108	503 290	**4 614 544**
Accrued income and prepaid expenses	210 541	-	-	-	-	-	**210 541**
Deferred tax assets	2 770	-	-	-	-	-	**2 770**
Other assets	65 154	-	-	-	-	-	**65 154**
Total current assets 31.12.2004	3 509 974	709 635	5 061 850	3 293 362	2 697 043	517 653	**15 789 517**
Total current assets 31.12.2003	2 937 717	827 609	4 262 723	2 531 035	3 193 639	154 222	**13 906 945**
Borrowed funds							
Money market instruments	2 921	-	10 478	2 691	-	-	**16 090**
Due to banks	193 345	47 451	1 692 609	-	-	-	**1 933 405**
Due to customers in savings and investment accounts	-	557 720	-	-	-	-	**557 720**
Due to customers, other	3 404 408	1 148 638	3 898 044	103 862	740	-	**8 555 692**
Trading liabilities	70 016	-	-	-	-	-	**70 016**
Derivative financial instruments	2 481 646	-	-	-	-	-	**2 481 646**
Cash bonds	-	-	70	-	80	-	**150**
Bonds and mortgage-backed bonds	-	-	-	154 669	132 803	147 723	**435 195**
Accrued expenses and deferred income	224 994	-	-	-	-	-	**224 994**
Other liabilities	55 719	-	-	-	-	-	**55 719**
Current tax liabilities	46 257	-	-	-	-	-	**46 257**
Deferred tax liabilities	63 628	-	-	-	-	-	**63 628**
Total borrowed funds 31.12.2004	6 542 934	1 753 809	5 601 201	261 222	133 623	147 723	**14 440 512**
Total borrowed funds 31.12.2003	6 658 198	1 721 044	3 940 101	32 446	286 442	-	**12 638 231**

Hedges
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 2004 amounted to a net CHF -2.5 million.

On 31 December 2004, the Group carried no fair value hedges on its books.

6. Operational risks

In accordance with the regulatory definition of the Basle Committee of Banking Supervision, we define operational risk as the potential occurrence of losses as a result of the inappropriateness or failure of internal procedures, personnel and systems or due to external events. This framework also includes regulatory and supervisory risks.

Within this context, in its paper *Sound Practices for the Management and Supervision of Operational Risk* the Basle Committee formulates qualitative standards regarding organizational structure and risk management as well as quantitative guidelines for identifying and measuring operational risks. We already adhere to these standards today while preparing for the demands of the future by implementing targeted measures and taking a proactive approach.

The department Group Operational Risk Management has Group responsibility for developing and implementing an internal framework for steering operational risk (excluding legal risks, compliance and personnel risks), which includes guidelines and methods for identification and early detection of risks as well as the definition of appropriate reporting structures for achieving timely and efficient management reporting. In addition, this department coordinates all topics associated with operational risk (excluding legal risks, compliance and personnel risks) in order to chronicle and illuminate these topics throughout the Group as well as to be able to minimize the potential financial consequences from operational risks by taking appropriate measures. The objectives of operational risk management are as follows:

- Avoiding potential substantial losses
- Reinforcing a high degree of risk awareness at all levels
- Reinforcing an efficient early warning system
- Reinforcing the existing “culture of risk awareness, risk responsibility and risk control”
- Assessing all operational risk issues (excluding legal risks, compliance and personnel risks) before new services or products are offered by the organization
- Assuring the smooth operation of business in the event of infrastructure breakdowns and catastrophes by regularly monitoring and updating the business recovery plan as well as the crisis management preparations within scope of effective business continuity management (BCM)
- Defining a method for quantifying operational risks (excluding legal risks, compliance and personnel risks) in order to allocate capital in line with these risks and measure risk-adjusted performance

The department Group Operational Risk Management is supported by the decentrally integrated but independent risk management units of the respective business lines. These units consist of specially trained personnel with line experience who serve as operational risk managers within the various business lines and thus assist the business line management in all matters related to operational risks. The operational risk managers report to the head of the business line as well as to the head of Group Operational Risk, who coordinates the overall management of operational risks for the Group. The department Group Operational Risk Management reports to the CRO.

7. Legal risks and compliance

The terms legal risks and compliance refer to those risks that stem from the legal and regulatory dimension of the business environment. The main risks in this regard are liability and default risks, regulatory risks as well as conduct risks. Group Legal Management manages and controls these risks.

The Julius Baer Group fully respects the given legal and regulatory framework within which it operates. Its conduct adheres to the highest ethical standards and good market practices. Personal sense of responsibility on the part of management and staff as well as fairness in business dealings are central to the Group's business philosophy. Liability and default risks are consistently and carefully evaluated, taking into account the associated opportunities and dangers. In the interest of clients, shareholders and the other stakeholder groups, franchise protection ultimately receives top priority.

The corresponding controlling and monitoring functions are carried out Group-wide by Legal Controlling Services. Legal Controlling Services together with Legal Engineering Services comprise Group Legal Management. Legal Controlling Services is responsible for legal services regarding liability and default risks under civil law, criminal law and administrative law as well as for compliance services related to regulatory risks and conduct risks concerning business ethics and corporate integrity. The organizational units Legal Services Europe, Legal & Compliance Services Americas and Compliance Services run the local legal controlling centers. They are independent from the frontline management and report to the Chief Legal Officer. In turn, the Chief Legal Officer is a member of the Extended Group Executive Board and has the authority to call directly on the Chairman of the Board of Directors.

The various Legal Engineering Services in the areas Private Banking, Asset Management, Trading & Sales and the Corporate Center also support effective legal risk and compliance management by directly contributing to the development and management of products and services with specific and partially standardized legal architecture and promote sound selling policies as well as state-of-the-art structures and procedures. The Legal Engineering Services are, therefore, directly integrated into the reporting structures of frontline management or the Corporate Center and, via matrix, under the command of the Chief Legal Officer.

8. Personnel Risks

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.

9. Reputational risks

The Group's ability to conduct its business is critically dependent on the reputation that it has established over the more than hundred years of its existence. Reputational risk is understood as the risk of events occurring which could materially impair the Group's reputation and thus the value of the Julius Baer franchise. Consequently, the potential for reputational risk exists throughout all business lines and corporate functions, and it is the responsibility of each business line and corporate function head to monitor and control reputational risk within his business line/corporate function.

Information on the consolidated income statement

	2003 *CHF 1000*	**2004** *CHF 1000*	Change *CHF 1000*	Change *%*

1 Net interest income

	2003	2004	Change CHF 1000	Change %
Interest income on amounts due from customers and banks	133 487	**129 691**	-3 796	-2.8
Interest and discount income from bills and money market instruments	25 243	**23 948**	-1 295	-5.1
Refinancing income from trading positions	-3 956	**-2 622**	1 334	33.7
Loan commissions with the character of interest	34	**123**	89	261.8
Total interest and discount income	154 808	**151 140**	-3 668	-2.4
Interest income on financial investments	85 617	**122 865**	37 248	43.5
Dividend income on financial investments	1 084	**2 210**	1 126	103.9
Interest expenses	121 547	**155 423**	33 876	27.9
Total	119 962	**120 792**	830	0.7

2 Commission income on securities and investment transactions

	2003	2004	Change CHF 1000	Change %
Commissions from asset management and investment[1]	641 359	**791 315**	149 956	23.4
Income from brokerage and securities underwriting	248 522	**140 229**	-108 293	-43.6
Total	889 881	**931 544**	41 663	4.7

[1] All-in fees, management fees, custodian fees, coupon collection commissions, investment fund commissions, fiduciary commissions, lending fees

	2003 *CHF 1000*	**2004** *CHF 1000*	Change *CHF 1000*	Change *%*

3 Results from trading operations

	2003	2004	Change CHF 1000	Change %
Securities	18 703	**29 162**	10 459	55.9
Foreign exchange and precious metals	111 355	**104 789**	-6 566	-5.9
Total	130 058	**133 951**	3 893	3.0

4 Other ordinary results

	2003	2004	Change CHF 1000	Change %
Results from the sale of participations	70	**-**	-70	-100.0
Results from financial investments	1 959	**-2 412**	-4 371	-223.1
Real estate income	2 051	**3 030**	979	47.7
Other ordinary results	25 506	**1 220**	-24 286	-95.2
Total	29 586	**1 838**	-27 748	-93.8

The evaluation of provisions within scope of IAS 37 led to a non-recurring release in the amount of CHF 1.2 million (2003: CHF 16.7 million) during the 2004 financial year, which was booked as other ordinary results.

5 Personnel expenses

	2003 CHF 1000	2004 CHF 1000	Change CHF 1000	Change %
Salaries and bonuses	407 990	**398 273**	-9 717	-2.4
Contributions to retirement plans	29 561	**26 243**	-3 318	-11.2
Other social benefits	35 478	**25 462**	-10 016	-28.2
Other personnel expenses	32 643	**28 095**	-4 548	-13.9
Total[1]	505 672	**478 073**	-27 599	-5.5

6 General expenses

	2003 CHF 1000	2004 CHF 1000	Change CHF 1000	Change %
Premises expense	39 769	**39 173**	-596	-1.5
Expense for EDP, machinery, furniture, vehicles and other equipment	44 831	**44 406**	-425	-0.9
Information, communication and advertising expense	86 253	**80 856**	-5 397	-6.3
Service expense, fees and taxes	69 779	**76 447**	6 668	9.6
Other general expenses	1 196	**1 087**	-109	-9.1
Total[1]	241 828	**241 969**	141	0.1

[1] In line with the treatment of project expenses according to IAS 38, CHF 10.1 million (2003: CHF 7.8 million) of personnel expenses and CHF 13.6 million (2003: CHF 11.1 million) of other operating expenses were charged directly to the income statement for costs incurred within the preliminary studies and the not capitalizable development activities relating to IT projects.

7 Taxes

	2003 *CHF 1000*	**2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Income tax on profit before taxes	38616	**65753**	27137	70.3
Tax rate difference on income components subject to foreign taxation	-11775	**-17807**	-6032	-51.2
Tax rate difference from local differences in domestic tax rates	6566	**859**	-5707	-86.9
Effect of utilization of prior-year losses	-7150	**-3527**	3623	50.7
Effect from not capitalized losses	22883	**4768**	-18115	-79.2
Deferred tax write-offs	21912	**-**	-21912	-100.0
Non-tax-deductible expenses	1725	**2303**	578	33.5
Other influences	808	**1472**	664	82.2
Total	73585	**53821**	-19764	-26.9

A tax rate of 24% (2003: 25%) was employed in the calculation of income tax in Switzerland. Not capitalized accumulated deficits brought forward in the amount of CHF 57.5 million (2003: CHF 52.9 million) exist in the Group that can be asserted for more than five years.

	2003 *CHF 1000*	**2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Domestic taxes	45218	**39156**	-6062	-13.4
Foreign taxes	28367	**14665**	-13702	-48.3
Total	73585	**53821**	-19764	-26.9

8 Segment reporting by business line

	Private Banking		Asset Management	
	2003	**2004**	2003	**2004**
	CHF m	*CHF m*	*CHF m*	*CHF m*
Net operating income	430.9	**453.5**	264.9	**368.0**
Operating expenses[3]	328.6	**337.0**	184.7	**231.9**
Segment result before restructuring costs and taxes	102.3	**116.5**	80.2	**136.1**
Restructuring costs				
Segment result before taxes	102.3	**116.5**	80.2	**136.1**
Taxes	27.0	**30.0**	27.5	**28.2**
Segment result after taxes	75.3	**86.5**	52.7	**107.9**
Minority interest	-1.0	**-2.3**	-	**-**
Net profit	76.3	**88.8**	52.7	**107.9**
Assets under management	61 172	**61 103**	53 644	**73 606**
Segment assets	2 638	**2 673**	612	**733**
Segment liabilities	3 107	**3 522**	1 836	**1 901**
Capital expenditure	6.8	**0.9**	2.5	**2.5**
Depreciation	9.1	**2.7**	3.4	**1.1**
Number of employees (FTE)	473	**491**	305	**344**
Allocated FTE from Corporate Center[4]	331	**317**	121	**122**
Total (FTE)	804	**808**	426	**466**

1 Contribution up to 30.09.2003
2 Including residual items and eliminations
3 Including depreciation, valuation adjustments, provisions and losses as well as the costs for streamlining measures
4 In accordance with the transfer price system

The segment reporting comprises the three operating business lines Private Banking, Asset Management and Trading & Sales; it also includes data for Brokerage in 2003, up to the sale of the business line on 30 September 2003. Income and expenses that are not directly connected with the three ongoing business lines are attributed to the Corporate Center.

Management accounting policies

The external segment reporting reflects the internal organizational structure and management financial accounts. Income and expenses are assigned to the business lines according to the principle of accountability based on the client relationships. Indirect costs for internal service relationships between the segments are fundamentally accounted for according to the principle of causation and recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary. These internal service allocations are based on a transfer price system and are carried out at actual cost.

The depreciation and write-offs of non-current assets as well as the provisions and losses taken into account in the operating expenses relate to actual costs. Income and expenses in connection with overarching services that cannot be assigned to the seg-

	Trading & Sales		Brokerage[1]		Corporate Center[2]		Total Group	
	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
	138.4	**151.9**	98.5	**-**	86.9	**63.8**	1019.6	**1037.2**
	78.4	**76.3**	126.4	**-**	91.7	**118.0**	809.8	**763.2**
	60.0	**75.6**	-27.9	**-**	-4.8	**-54.2**	209.8	**274.0**
			55.3	**-**			55.3	**-**
	60.0	**75.6**	-83.2	**-**	-4.8	**-54.2**	154.5	**274.0**
	11.5	**13.2**	5.3	**-**	2.2	**-17.6**	73.6	**53.8**
	48.5	**62.4**	-88.5	**-**	-7.1	**-36.6**	80.9	**220.2**
	-	**-**			-	**-**	-1.0	**-2.3**
	48.5	**62.4**	-88.5	**-**	-7.1	**-36.6**	81.9	**222.5**
	259	**299**	-	**-**	471	**362**	115546	**135370**
	1713	**3261**	-	**-**	9185	**9371**	14147	**16038**
	1936	**3000**	-	**-**	5794	**6058**	12674	**14481**
	1.8	**-**	0.1	**-**	24.7	**36.9**	35.9	**40.2**
	5.1	**0.2**	4.8	**-**	24.8	**25.7**	47.3	**29.6**
	137	**146**	-	**-**	852	**859**	1766	**1840**
	96	**87**	-	**-**	-548	**-526**		
	233	**233**	-	**-**	304	**333**	1766	**1840**

ments remain in the Corporate Center. Moreover, the consolidation positions are contained in the Corporate Center. The effective taxes of the individual companies are assigned on the basis of the business line results.

Assets under management contain client portfolios, investment fund assets and client money.

The personnel total reflects the staff of the individual business lines as well as the manpower involved in the provision of services obtained from the Corporate Center.

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

Investments are additions to fixed assets, real estate and intangible assets.

Geographical segments

	31.12.2003	31.12.2004	2003	2004	2003	2004	2003	2004
		Total assets		Net operating income		Gross profit		Investments
	CHF 1000	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
Reporting by segment								
Switzerland	10 321 523	**11 317 276**	753 439	**725 291**	230 204	**207 152**	30 595	**27 860**
Europe (excl. Switzerland)	4 438 306	**5 410 975**	225 197	**148 216**	28 057	**56 961**	6 183	**9 948**
Americas	2 808 382	**2 973 094**	157 482	**251 333**	13 838	**53 681**	8 030	**11 883**
Other countries	-	**3 995**	-	**144**	-	**-650**	-	**319**
Consolidation items	3 420 864	**3 667 095**	116 519	**87 798**	-	**-**	8 908	**9 764**
Total	14 147 347	**16 038 245**	1 019 599	**1 037 186**	272 099	**317 144**	35 900	**40 246**

Reporting is based on the principle of domicile of operations.

9 Earnings per share

	2003	2004
Net profit per share		
Net profit (CHF 1000)	81 891	**222 470**
Weighted average number of shares	10 349 238	**10 176 699**
Net profit per bearer share (CHF)	7.91	**21.86**
Net profit per registered share (CHF)	1.58	**4.37**
Diluted net profit per share		
Net profit (CHF 1000)	81 891	**222 470**
Adjusted net profit (CHF 1000)	81 891	**222 470**
Weighted average number of shares	10 349 238	**10 176 699**
Number of shares for calculation of diluted net profit	10 349 238	**10 176 699**
Diluted net profit per bearer share (CHF)	7.91	**21.86**
Diluted net profit per registered share (CHF)	1.58	**4.37**

Information on the consolidated balance sheet

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*

10 Money market instruments

	31.12.2003	31.12.2004	Change CHF 1000	Change %
Bills and money market instruments discountable at Swiss National Bank and other central banks	350 596	**1 066 392**	715 796	204.2
of which rescriptions and treasury bills	*6 175*	***31 778***	*25 603*	*414.6*
Other	942 191	**644 744**	-297 447	-31.6
Total	1 292 787	**1 711 136**	418 349	32.4

11a Due from customers

	31.12.2003	31.12.2004	Change CHF 1000	Change %
Due from customers	2 672 563	**2 957 056**	284 493	10.6
Mortgages	335 609	**345 945**	10 336	3.1
Total	3 008 172	**3 303 001**	294 829	9.8
Provisions for doubtful debt	-24 443	**-16 095**	8 348	34.2
Total	2 983 729	**3 286 906**	303 177	10.2

Claims due from customers, grouped according to type of collateral, are as follows:

	31.12.2003	31.12.2004	Change CHF 1000	Change %
Mortgage collateral	334 774	**345 078**	10 304	3.1
Other collateral	2 508 620	**2 925 325**	416 705	16.6
Without collateral	140 335	**16 503**	-123 832	-88.2

11b Allowance and provision for credit losses

	31.12.2003	31.12.2004	Change CHF 1000	Change %
Balance at the beginning of the year	45 898	**28 887**	-17 011	-37.1
Write-offs	-387	**-10 710**	-10 323	-
Recoveries	-	**2**	2	
Increase in credit loss allowance and provision	15	**1 048**	1 033	-
Decrease in credit loss allowance and provision	-16 416	**-801**	15 615	95.1
Translation differences and other adjustments	-223	**2 509**	2 732	-
Balance at the end of the year	28 887	**20 935**	-7 952	-27.5

11c Non-performing loans

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Gross claims	51 302	**42 476**	-8 826	-17.2
Specific valuation adjustments	11 943	**4 779**	-7 164	-60.0
Net claims	39 359	**37 697**	-1 662	-4.2

The non-value-adjusted portion of these loans is substantially covered by collateral. General valuation adjustments of CHF 16.1 million exist in order to cover the latent risk (2003: CHF 14.3 million). Regarding the calculation of these adjustments, see the corresponding accounting policies and valuation principles on pages 77 to 83.

12 Trading portfolios

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Debt instruments	166 000	**247 514**	81 514	49.1
of which listed	*114 233*	***169 923***	*55 690*	*48.8*
of which unlisted	*51 767*	***77 591***	*25 824*	*49.9*
Shares and similar securities and rights[1]	431 779	**780 464**	348 685	80.8
Other	2 574	**2 674**	100	3.9
Total	600 353	**1 030 652**	430 299	71.7
of which securities acceptable to central banks	*66 469*	***45 556***	*-20 913*	*-31.5*

[1] In accordance with the interpretation of the Standing Interpretations Committee (SIC 16), own shares are deducted from shareholders' equity.

13 Financial investments

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Available-for-sale securities				
Debt securities - at fair value	2 968 714	**4 013 166**	1 044 452	35.2
of which listed	*2 840 172*	***3 846 679***	*1 006 507*	*35.4*
of which unlisted	*128 542*	***166 487***	*37 945*	*29.5*
Equity securities - at fair value[1]	46 466	**101 607**	55 141	118.7
of which listed	*19 442*	***3 402***	*-16 040*	*-82.5*
of which unlisted	*27 024*	***98 205***	*71 181*	*263.4*
Total	3 015 180	**4 114 773**	1 099 593	36.5
Held-to-maturity securities				
Debt securities - at amortized cost	479 640	**499 771**	20 131	4.2
of which listed	*231 840*	***178 099***	*-53 741*	*-23.2*
of which unlisted	*247 800*	***321 672***	*73 872*	*29.8*
Total	479 640	**499 771**	20 131	4.2
Total financial investments	3 494 820	**4 614 544**	1 119 724	32.0
of which securities acceptable to central banks	*686 167*	***785 539***	*99 372*	*14.5*
of which own bonds	-	**-**	-	-
Market value of financial investments, including securities lent out	3 499 821	**4 617 098**	1 117 277	31.9

[1] In accordance with the interpretation of the Standing Interpretations Committee (SIC 16), own shares are deducted from shareholders' equity.

14 Intangible assets and property and equipment

	Goodwill *CHF 1000*	Other intangible assets *CHF 1000*	**Total intangible assets** *CHF 1000*	Bank premises *CHF 1000*	Other real estate *CHF 1000*	Other property and equipment *CHF 1000*	**Total property and equipment** *CHF 1000*
Historical cost							
Balance on 01.01.2003	57 736	116 260	173 996	156 936	16 108	78 165	251 209
Foreign exchange differences	–	-2 002	-2 002	–	–	-747	-747
Additions	–	27 572	27 572	3 829	–	4 499	8 328
Disposals/transfers[1]	57 736	4 272	62 008	-16 108	16 108	29 982	29 982
Balance on 31.12.2003	–	137 558	137 558	176 873	–	51 935	228 808
Foreign exchange differences	–	-1 712	-1 712	–	–	-533	-533
Additions	–	18 568	18 568	–	–	21 678	21 678
Disposals/transfers[1]	–	8 497	8 497	–	–	19 582	19 582
Balance on 31.12.2004	–	145 917	145 917	176 873	–	53 498	230 371
Depreciation and write-offs							
Balance on 01.01.2003	55 332	36 275	91 607	16 810	–	52 484	69 294
Foreign exchange differences	–	-421	-421	–	–	-980	-980
Additions	963	29 800[2]	30 763	3 229	–	13 260	16 489
Disposals/transfers[1]	56 295	1 577	57 872	–	–	22 916	22 916
Balance on 31.12.2003	–	64 077	64 077	20 039	–	41 848	61 887
Foreign exchange differences	–	-1 043	-1 043	–	–	-541	-541
Additions	–	18 856[2]	18 856	3 353	–	7 438	10 791
Disposals/transfers[1]	–	8 429	8 429	–	–	18 038	18 038
Balance on 31.12.2004	–	73 461	73 461	23 392	–	30 707	54 099
Book value							
Balance on 31.12.2003	–	73 481	73 481	156 834	–	10 087	166 921
Balance on 31.12.2004	**-**	**72 456**	**72 456**	**153 481**	**-**	**22 791**	**176 272**

[1] Includes derecognition of fully depreciated assets

[2] Includes impairment charges of CHF 0.5 million (2003: CHF 12.3 million) for internally generated intangible assets

There are no property and equipment arising from finance leases.

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Fire insurance value				
Real estate	199 132	**198 604**	-528	-0.3
Other tangible assets	115 504	**115 097**	-407	-0.4

15 Future commitments under building occupancy agreements

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Maturity of up to 1 year	11466	**11246**	-220	-1.9
Maturity of up to 5 years	13932	**20663**	6731	48.3
Maturity of up to 10 years	6164	**8239**	2075	33.7
Maturity of up to 15 years	3362	**840**	-2522	-75.0
Maturity of over 15 years	834	**-**	-834	-100.0

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

		31.12.2003		**31.12.2004**
	Book value *CHF 1000*	Effective commitment *CHF 1000*	Book value *CHF 1000*	Effective commitment *CHF 1000*
Securities	1549743	1261279	**814407**	**521624**
Money market instruments	302294	6175	**5103**	**5103**
Other	-	-	**16107**	**8936**
Total	1852037	1267454	**835617**	**535663**

The assets are pledged for commitments from securities borrowing, for lombard limits at central banks, for stock exchange security deposits and to secure the business activities of the foreign organizations according to local laws.

17 Commitments to own pension plans

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Commitments to own pension plans	4845	**4687**	-158	-3.3

The commitments to own pension plans reflect credit balances of the pension plans which are deposited in the Group.
The employer contributions have been credited to the individual pension plans.

18 Cash bonds outstanding as of 31.12.2004

	Interest rate 1-1¾%	Interest rate 2-2¾%	Interest rate 3-3¾%	Interest rate 4-4¾%	Interest rate 5-5¾%	Interest rate 6% and higher	Total *CHF 1000*
Maturity							
2005	-	20	50	-	-	-	70
2006	-	-	10	-	-	-	10
2007	-	-	70	-	-	-	70
2008	-	-	-	-	-	-	-
Total	**-**	**20**	**130**	**-**	**-**	**-**	**150**
Total 31.12.2003	-	20	335	40	-	-	395

The average interest rate as of 31 December 2004 is 3.30% (2003: 3.49%).

19 Bonds outstanding

Year of issue	Interest rate *%*		Maturity		Amount outstanding *1 000*	31.12.2003 Total *CHF 1000*	**31.12.2004** Total *CHF 1000*
Julius Baer Holding Ltd.							
1998[1]	3.25	CHF bond	2005	CHF	150 000	143 300	**143 300**
1999[1]	3.00	CHF bond	2007	CHF	150 000	130 550	**131 605**
2004	2.50	CHF bond	2010	CHF	150 000	-	**147 723**
Julius Baer Bank and Trust Co. Ltd.							
2000		Baer Pro Units	2005	EUR	7 008	10 933	**11 369**
Julius Baer Creval Private Banking S.p.A.							
2001	5.50	EUR bond	2006	EUR	775	1 209	**1 198**
2002	floating	EUR bond	2004	EUR	2 500	3 900	**-**
2002	floating	EUR bond	2004	EUR	7 500	11 700	**-**
Total						301 592	**435 195**

[1] Own bonds of CHF 25.095 million (2003: CHF 26.15 million) are offset with bonds outstanding.

20a Deferred tax assets

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*
Balance at the beginning of the year	21 270	**2 188**
Income statement - credit	2 328	**1 378**
Income statement - charge	-24 135	**-**
Translation differences and other adjustments	2 725	**-796**
Balance at the end of the year	2 188	**2 770**

The deferred tax assets arising from loss carryforwards result from deductible temporary differences. These are recognized in the balance sheet to the extent that it is probable that a taxable profit will be available.

20b Deferred tax liabilities

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*
Balance at the beginning of the year	67 982	**62 860**
Income statement - charge	1 850	**580**
Income statement - credit	-6 972	**-658**
Translation differences and other adjustments	-	**846**
Balance at the end of the year	62 860	**63 628**

21 Provisions

	31.12.2003 Total *CHF 1000*	**31.12.2004** Operating risks *CHF 1000*	**31.12.2004** Legal risks *CHF 1000*	**31.12.2004** Restructuring *CHF 1000*	**31.12.2004** Total *CHF 1000*
Balance at the beginning of the year	21 034	**6 627**	**25 617**	**3 056**	**35 300**
Provisions applied – restructuring	-52 244	**-**	**-**	**-**	**-**
Provisions applied – other	-5 039	**-2 284**	**-3 554**	**-**	**-5 838**
Income statement - charge	17 122	**3 491**	**11 600**	**-**	**15 091**
Income statement charge – restructuring	55 300		**-**	**-**	**-**
Income statement - credit	-1 050	**-1 917**	**-1 107**	**-**	**-3 024**
Recoveries and other adjustments	177	**-86**	**-754**	**-**	**-840**
Balance at the end of the year	35 300	**5 831**	**31 802**	**3 056**	**40 689**
Analysis of total provisions					
– up to one year	7 491				**18 586**
– over one year	27 809				**22 103**

Details to restructuring provisions		
Balance at the beginning of the year	-	**3 056**
Income statement - charge	55 300	**-**
Provisions applied:		**-**
– Personnel	-37 370	**-**
– IT	-4 209	**-**
– Honorariums	-5 338	**-**
– Premises expense	-3 497	**-**
– Other	-1 830	**-**
Income statement - credit	-	**-**
Balance at the end of the year	3 056	**3 056**

22 Pending legal proceedings

The Julius Baer Group is involved in various legal proceedings in the course of normal business operations. The Julius Baer Group establishes provisions for current and pending legal proceedings if the relevant attorneys are 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. All provisions for risks stemming from legal proceedings are contained in the item other provisions in the consolidated balance sheet.

23 Corporate capital

	Bearer shares (CHF 0.50 par)		Registered shares (CHF 0.10 par)		Total
	Number	*CHF 1000*	*Number*	*CHF 1000*	*CHF 1000*
Balance on 01.01.2003	9 165 597	4 583	9 923 125	992	**5 575**
of which entitled to dividends	*8 466 737*	*4 233*	*9 923 125*	*992*	***5 225***
Changes	-170 008	-85	-195 460	-19	**-104**
Balance on 31.12.2003	8 995 589	4 498	9 727 665	973	**5 471**
of which entitled to dividends	*8 322 029*	*4 161*	*9 727 665*	*973*	***5 134***
Changes	-140 495	-70	-161 525	-17	**-87**
Balance on 31.12.2004	8 855 094	4 428	9 566 140	956	**5 384**
of which entitled to dividends	*8 165 534*	*4 083*	*9 566 140*	*957*	***5 040***

All shares are fully paid in.

Conditional capital					
For warrant and convertible bonds					
Resolution of the Ordinary Shareholders' Meeting on 24.06.1993	1 000 000	500	-	-	**500**

There is no authorized capital.

	Bearer shares		Registered shares	
	Number	*CHF 1000*	*Number*	*CHF 1000*
Deduction of treasury shares in the financial investments				
Balance on 01.01.2003	698 860	61 743	104 030	3 049
Purchases	237 067	77 215	114 076	3 378
Sales to staff	38 050	5 974	86 126	2 571
Capital reduction	209 100	74 994	-	-
Price difference from sales to staff	-	3 615	-	-
Derecognition	-	-	-	25
Balance on 31.12.2003	688 777	54 375	131 980	3 831
Purchases	252 501	114 782	62 900	1 839
Sales to staff	55 839	26 084	84 100	2 454
Capital reduction	172 800	64 966	-	-
Price difference from sales to staff	-	15 475	-	-
Derecognition	-	-	-	-28
Balance on 31.12.2004	**712 639**	**62 632**	**110 780**	**3 244**

In accordance with the interpretation of the Standing Interpretations Committee (SIC 16), in addition to the own shares in the financial investments, the CHF 25.3 million (2003: CHF 41.1 million) of own shares held in the trading securities are also deducted from shareholders' equity.

24 Due from and due to associated companies

	31.12.2003 CHF 1000	**31.12.2004** CHF 1000	Change CHF 1000	Change %
Due from associated companies	-	**773**	773	-
Due to associated companies	-	**-**	-	-

25 Due from and due to significant shareholders

Due from customers	40324	**35479**	-4845	-12.0
Due to customers	46594	**32947**	-13647	-29.3

26 Loans to members of the Group's corporate bodies

Loans to members of the Group's corporate bodies[1]	26197	**31649**	5452	20.8

[1] Including due from significant shareholders

Details are to be found in the Corporate Governance section, pages 62 to 63.

27 Pension plans and other employee benefits

Actuarial calculation of pension obligations with respect to employees[1]

	31.12.2003 CHF 1000	**31.12.2004** CHF 1000
1. Balance sheet		
Fair value of plan assets	807 388	**838 716**
Defined benefit obligation	-825 967	**-893 866**
Unfunded status	-18 579	**-55 150**
Unrecognized actuarial losses[2]	43 138	**80 258**
Pension asset in the balance sheet	24 559	**25 108**
Deferred taxes	-6 140	**-6 277**
Retained earnings	18 419	**18 831**

	2003 CHF 1000	**2004** CHF 1000
2. Income statement		
Service cost	-38 240	**-37 137**
Interest cost	-30 341	**-29 942**
Expected net return on plan assets	36 215	**37 345**
Amortization of actuarial gains/losses	-81	**-80**
Past service cost	-4 584	**-2 617**
Adjustment due to IAS 19.58	-2 786	**-8 172**
Net periodic pension cost	-39 817	**-40 603**
Employees' contributions	13 316	**12 081**
Expense recognized in the income statement	-26 501	**-28 522**
3. Movements in the net asset recognized in the balance sheet		
Pension asset in balance sheet at the beginning of the year	24 559	**24 559**
Expense recognized in the income statement	-26 501	**-28 522**
Employer's contributions	26 501	**29 071**
Prepaid (accrued) pension cost	-	**549**
Net asset in balance sheet at the end of the year	24 559	**25 108**
Actual return on plan assets	40 906	**23 643**

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

[2] Considering the asset limitation according to IAS 19.58

27 Pension plans and other employee benefits (continued from page 115)

Commentary on actuarial calculation of pension obligations
Based on the corridor approach, actuarial gains and losses are recognized systematically over the remaining average working lives of the employees as income or expense if the net cumulative unrecognized actuarial gains and losses exceed the greater of 10% of the defined benefit obligation and 10% of the fair value of any pension plan assets. The pension asset consists only of deferred actuarial losses. The funded pension plan assets are invested in accordance with local laws and include no shares of Julius Baer Holding Ltd.

The Julius Baer Group maintains a number of defined contribution pension plans, primarily abroad. 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 4.2 million during the 2004 financial year (2003: CHF 3.9 million).

The latest actuarial calculation was carried out as of 31 December 2003. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 90% of all benefit obligations and plan assets:

	2003	**2004**
Discount rate	3.75%	**3.50%**
Expected net return on plan assets	4.50%	**4.50%**
Average future salary increases	2.00%	**2.00%**
Future pension increases	0.50%	**0.50%**

Participation programs

See Corporate Governance, pages 57 to 60.

28 Assets and liabilities by domestic and foreign origin

	31.12.2003		**31.12.2004**			Change
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
	CHF 1000	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
Assets						
Cash	20635	22627	**139608**	**17892**	118973	-4735
Money market instruments	-	1292787	**2900**	**1708236**	2900	415449
Due from banks	447591	3441745	**229025**	**3070385**	-218566	-371360
Due from customers	798041	2185688	**862274**	**2424632**	64233	238944
Trading portfolios	345274	255079	**399569**	**631083**	54295	376004
Derivative financial instruments	196004	1096761	**417955**	**992949**	221951	-103812
Financial investments	603791	2891029	**602387**	**4012157**	-1404	1121128
Property and equipment	161949	4972	**160821**	**15451**	-1128	10479
Intangible assets	52341	21140	**55242**	**17214**	2901	-3926
Accrued income and prepaid expenses	73376	101488	**93667**	**116874**	20291	15386
Deferred tax assets	-	2188	**108**	**2662**	108	474
Other assets	28075	104766	**20367**	**44787**	-7708	-59979
Total	2727077	11420270	**2983923**	**13054322**	256846	1634052

Liabilities and shareholders' equity						
Money market instruments	18119	-	**16090**	**-**	-2029	-
Due to banks	746089	665910	**810461**	**1122944**	64372	457034
Due to customers in savings and investment accounts	638405	12442	**547462**	**10258**	-90943	-2184
Due to customers, other	4238771	3428211	**5496481**	**3059211**	1257710	-369000
Trading liabilities	351883	-	**70016**	**-**	-281867	-
Derivative financial instruments	350961	1370573	**847887**	**1633759**	496926	263186
Cash bonds	395	-	**150**	**-**	-245	-
Bonds and mortgage-backed bonds	273850	27742	**422628**	**12567**	148778	-15175
Accrued expenses and deferred income	122082	74691	**134903**	**90091**	12821	15400
Other liabilities	67312	87371	**21984**	**33735**	-45328	-53636
Current tax liabilities	92898	7666	**29522**	**16735**	-63376	9069
Deferred tax liabilities	62860	-	**63628**	**-**	768	-
Provisions	18837	16463	**22568**	**18121**	3731	1658
Total liabilities	6982462	5691069	**8483780**	**5997421**	1501318	306352
Shareholders' equity, including minority interest	1473816	-	**1557044**	**-**	83228	-
Total	8456278	5691069	**10040824**	**5997421**	1584546	306352

29 Consolidated off-balance-sheet transactions

	Note	31.12.2003 CHF 1000	**31.12.2004** CHF 1000	Change CHF 1000	Change %
Contingent liabilities					
Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit		431 648	**383 486**	-48 162	-11.2
Other contingent liabilities		15 145	**15 000**	-145	-1.0
Total		446 793	**398 486**	-48 307	-10.8
Irrevocable commitments					
Unutilized irrevocable commitments to extend credit		9 300	**27 128**	17 828	191.7
Confirmed credits					
Acceptance liabilities		2 106	**1 802**	-304	-14.4

Amounts already contained in balance sheet.

	Note	31.12.2003 CHF 1000	**31.12.2004** CHF 1000	Change CHF 1000	Change %
Derivative financial instruments					
Contract volume	30	66 291 848	**91 300 078**	25 008 230	37.7
Fiduciary transactions					
Fiduciary deposits[1]		4 728 906	**4 493 648**	-235 258	-5.0
Other fiduciary transactions (securities lending & borrowing on an agent basis)		14 910	**13 169**	-1 741	-11.7
Total		4 743 816	**4 506 817**	-236 999	-5.0

[1] Investments which Group companies enter into at banks outside of the consolidated companies for the account of and at the risk of the client.

In connection with the withdrawal from the institutional brokerage and the sale of this business line during the 2003 financial year the acquirer was provided with customary indemnification provisions. These indemnification provisions generally shift the potential risk of certain unquantifiable and unknowable loss contingencies (e.g. litigations, tax and intellectual property matters) from the acquirer to the seller, as known or quantifiable loss contingencies generally are reflected in the value of the assets or business sold. To date there have not been any payments arising from these indemnification provisions and we are not aware of any circumstances giving reasons for any indemnifications.

29 Consolidated off-balance-sheet transactions

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Securities lending and borrowing transactions / repurchase and reverse repurchase transactions				
Receivables from cash collateral provided in securities borrowing and reverse repurchase transactions	60421	**1026971**	966550	1599.7
Obligations to return cash collateral received in securities lending and repurchase transactions	669637	**859113**	189476	28.3
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	240671	**307553**	66882	27.8
of which the right to pledge or sell on the securities has been granted without restriction	*240671*	***307553***	*66882*	*27.8*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase	9008278	**13634741**	4626463	51.4
of which repledged or resold securities	*6452600*	***9252575***	*2799975*	*43.4*

30 Derivative financial instruments

	Contract/ Notional amount *CHF m*	Fair values Assets *CHF m*	Fair values Liabilities *CHF m*
Year ended 31 December 2004			
Derivatives held for trading			
Foreign exchange derivatives			
Forward contracts	61 048.8	1 155.0	1 219.4
Futures	1 049.0	5.0	6.5
Options (OTC)	12 988.2	156.7	185.4
Total foreign exchange derivatives 31.12.2004	**75 086.0**	**1 316.7**	**1 411.3**
Total foreign exchange derivatives 31.12.2003	57 851.6	1 200.8	1 311.1
Interest rate derivatives			
Swaps	12 151.9	23.2	25.2
Futures	177.0	0.2	-
Options (OTC)	-	-	3.9
Options traded	30.0	-	-
Total interest rate derivatives 31.12.2004	**12 358.9**	**23.4**	**29.1**
Total interest rate derivatives 31.12.2003	5 962.0	23.8	33.8
Precious metals			
Forward contracts	158.2	5.2	5.7
Futures	30.9	0.3	-
Options (OTC)	570.7	4.1	18.5
Total precious metals derivatives 31.12.2004	**759.8**	**9.6**	**24.2**
Total precious metals derivatives 31.12.2003	446.9	13.1	9.6
Equity/indices derivatives			
Futures	328.2	0.1	3.3
Options (OTC)	1 091.8	54.1	882.2
Options traded	585.9	5.4	127.4
Total equity/indices derivatives 31.12.2004	**2 005.9**	**59.6**	**1 012.9**
Total equity/indices derivatives 31.12.2003	1 631.8	54.7	361.3
Other			
Futures	-	-	-
Total other derivatives 31.12.2004	**-**	**-**	**-**
Total other derivatives 31.12.2003	20.0	0.3	-
Total derivatives held for trading 31.12.2004	**90 210.6**	**1 409.3**	**2 477.5**
Total derivatives held for trading 31.12.2003	65 912.3	1 292.7	1 715.7

30 Derivative financial instruments

	Contract/ Notional amount *CHF m*	Fair values Assets *CHF m*	Fair values Liabilities *CHF m*
Derivatives held for hedging			
Derivatives designated as cash flow hedges:			
Interest rate swaps	1089.5	1.6	4.1
Total derivatives held for hedging 31.12.2004[1]	**1089.5**	**1.6**	**4.1**
Total derivatives held for hedging 31.12.2003	379.5	0.1	5.8
Total derivative financial instruments 31.12.2004	**91300.1**	**1410.9**	**2481.6**
Total derivative financial instruments 31.12.2003	66291.8	1292.8	1721.5

[1] Compare to Comment on risk management, page 95

31 Financial instruments

The table below compares the book values with the fair values of the balance sheet and off-balance-sheet transactions.

	Book value CHF m	Fair value CHF m	2003 Appreciation/ depreciation CHF m	Book value CHF m	Fair value CHF m	2004 Appreciation/ depreciation CHF m
Financial assets						
Cash	43.3	43.3	-	**157.5**	**157.5**	**-**
Claims	8165.9	8205.2	39.3	**8297.5**	**8332.6**	**35.1**
Trading portfolios	600.4	600.4	-	**1030.7**	**1030.7**	**-**
Derivative financial instruments	1292.8	1292.8	-	**1410.9**	**1410.9**	**-**
Financial investments	3494.8	3499.8	5.0	**4614.5**	**4617.1**	**2.6**
Financial liabilities						
Commitments	9748.3	9789.1	-40.8	**11063.1**	**11110.2**	**-47.1**
Trading liabilities	351.9	351.9	-	**70.0**	**70.0**	**-**
Derivative financial instruments	1721.5	1721.5	-	**2481.6**	**2481.6**	**-**
Bonds	301.6	318.2	-16.6	**435.2**	**446.0**	**-10.8**
Difference between fair value and book value, excluding deferred taxes			-13.1			**-20.2**

The following methods are used in calculating the estimated fair value of financial instruments[1] 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 includes the balance sheet items cash and money market instruments. Depending on the maturity, it also includes the following: due from banks; due from customers; mortgages; due to banks; due to customers in savings and investment accounts; due to customers, other; cash bonds and bonds. For short-term financial instruments which do not have a market price published by a recognized stock exchange or notable market (referred to hereinafter as a market price), the book value fundamentally approximates the market value.

Long-term financial instruments
Depending on the maturity, these include the following balance sheet items: due from banks; due from customers; mortgages; due to banks; due to customers, other; 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 securities and financial investments
For the majority of the financial instruments in the securities trading portfolio and in the financial investments as well as for the entire precious metal trading portfolio (see Notes 12 and 13), 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. The market price is used for derivative instruments which have one.

[1] Compare to IAS 32, Financial Instruments: Disclosure and Presentation

32 Risk-weighted assets (BIS)

	31.12.2003		31.12.2004	
	Nominal amount *CHF 1000*	Risk-weighted *CHF 1000*	Nominal amount *CHF 1000*	Risk-weighted *CHF 1000*
Balance sheet assets				
Due from banks	3 889 336	787 422	**3 299 410**	**671 796**
Due from customers	2 983 729	2 165 394	**3 286 906**	**2 280 055**
Property and equipment and intangible assets	240 402	240 402	**248 728**	**234 799**
Accrued income and prepaid expenses	174 864	174 864	**210 541**	**210 541**
Derivative financial instruments	1 292 765	405 067	**1 410 904**	**435 411**
Other assets	132 841	134 739	**65 154**	**61 337**
Default risk positions[1]	4 897 520	2 451 514	**6 518 735**	**3 380 931**
Market risks in trading[2]	-	912 288	**-**	**816 775**
Off-balance-sheet transactions				
Contingent liabilities	446 793	441 435	**398 486**	**393 748**
Irrevocable commitments	3 639	1 820	**1 040**	**520**
Forward contracts and options (add-ons)	51 179 935	191 237	**55 195 035**	**196 641**
Total risk-weighted positions		7 906 182		**8 682 554**
Imputed tier 1 regulatory capital		1 506 579		**1 532 660**
Imputed tier 1 and tier 2 regulatory capital		1 506 579		**1 532 660**
BIS ratio tier 1		19.1%		**17.7%**
BIS ratio tier 1 and 2		19.1%		**17.7%**

[1] Net long positions in securities and money market instruments in the banking book

[2] Risk-weighted figure calculated by taking 12.5 times the capital adequacy requirement according to the modeling procedure

33 Companies consolidated as of 31 December 2004

	Place of Listing	Capitalization as of 31.12.2004 m	Head Office	Currency	Capital m
Listed companies which are consolidated					
Julius Baer Holding Ltd.	Swiss Exchange Zurich	3 449	Zurich	CHF	5.384
Security number: 1 208 300, Reuters: BAER.VX, Bloomberg: BAER VX					

Unlisted companies which are consolidated

	Head Office	Currency	Capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	175.000	100
Branches in Geneva, Guernsey, Lucerne, New York				
Agencies in Basle, Lausanne, Lugano				
Representative Offices in Los Angeles, Palm Beach, Vienna				
Bank Julius Bär (Deutschland) AG	Frankfurt	EUR	7.270	100
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.024*	*100*
Julius Baer Bank and Trust Company Ltd.	Grand Cayman	CHF	20.000	100
including				
Julius Baer Trust Company (Cayman) Ltd.	*Grand Cayman*	*CHF*	*1.000*	*100*
including				
Baer Select Management Ltd.	*Grand Cayman*	*USD*	*0.0001*	*100*
C.I. Directors Ltd.	*Grand Cayman*	*USD*	*0.020*	*100*
Cervin Management Ltd.	*Grand Cayman*	*USD*	*0.0001*	*100*
Directorate Inc.	*Tortola, BVI*	*USD*	*0.020*	*100*
Julius Bär Kapital AG	Frankfurt	EUR	2.600	100
Julius Baer (Middle East) Ltd.	Dubai	USD	3.000	100
Julius Baer Creval Private Banking S.p.A.	Milan	EUR	15.534	51

Major changes in the companies consolidated:
Julius Baer Asset Management Ltd., Zurich, merged with Bank Julius Baer & Co. Ltd.
Julius Baer Investment Management LLC, New York, name changed from Julius Baer Investment Management Inc.
Julius Baer Investment Management Inc., London, integrated into Julius Baer Investments Ltd., London
Julius Baer (Middle East) Ltd., Dubai, new

	Head Office	Currency	Capital m	Equity interest %
Finance companies				
Julius Baer Invest Ltd.	Zurich	CHF	10.250	100
including				
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 (Luxembourg) S.A.	*Luxembourg*	*EUR*	*0.125*	*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 Multitrading 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 Multiclient Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer SGR S.p.A.	*Milan*	*EUR*	*2.000*	*100*
Julius Baer International Ltd.	London	GBP	4.800	100
Infidar Investment Advisory Ltd.	Zurich	CHF	1.000	74 [1]
Julius Baer Securities Inc.	New York	USD	0.400	100
Branch in Los Angeles				
including				
Julius Baer Investment Management LLC	*New York*	*USD*	*0.100*	*100*
Ursa Company Ltd.	Grand Cayman	CHF	0.500	100
Julius Baer Investment Advisory (Canada) Ltd.	Montreal	CAD	0.500	100
Julius Baer Investments Ltd.	London	GBP	0.200	100
Julius Baer Family Office Ltd.	Zurich	CHF	0.100	100
Branch in Zug				
BCT Services Ltd.	Zug	CHF	0.100	100
JB Swiss Capital Market Research Ltd.	Zurich	CHF	0.100	100
Julius Baer Trust Company (Channel Islands) Ltd.	Guernsey	CHF	0.100	100
Julius Baer Fiduciaria S.r.l.	Milan	EUR	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
Associates				
Atlas Capital Patrimonio SL.	Madrid	EUR	1.224	20
PortfolioNet Ltd.	Zurich	CHF	0.100	20

[1] Remainder: stakes held by management, not entitled to dividends

34 Requirements of Swiss banking law

The Julius Baer Group is subject to consolidated supervision by the Swiss Federal Banking Commission.

The following differences exist between the International Financial Reporting Standards (IFRS), according to which the Group prepares its financial statements, and the accounting regulations for banks in accordance with Swiss law:

According to Swiss accounting standards, realized gains and losses on financial assets that are valued in accordance with the accrual method and that are sold or repaid before final maturity are not recorded immediately but rather are accrued over the residual term of the transaction until the final maturity. In accordance with IFRS, such gains and losses are recorded immediately in the income statement. In addition, changes in the fair value of available-for-sale financial investments as well as in the fair value of cash flow hedges are directly set off against the shareholders' equity. According to Swiss banking law, such value adjustments are not recognized.

According to IFRS, nearly all income and expenses shall be attributed to ordinary business operations. In line with the Swiss accounting regulations applicable to banks, income and expenses are already classified as extraordinary if they do not relate to the period under review or to normal operations (compare to Note 4).

Moreover, according to IFRS, deferred taxes must be calculated on additional gains from valuation adjustments.

In accordance with IFRS, treasury shares are deducted from the equity capital in the balance sheet. Gains or losses resulting from the purchase/sale of treasury shares in the financial investments are not stated in the income statement but are directly set off against the equity capital. According to Swiss law, treasury shares not held for trading purposes are included in the position financial investments in the balance sheet and correspondingly separated into a reserve for treasury shares (stated on a gross basis). Gains or losses resulting from the purchase/sale of treasury shares are stated in the income statement.

With the exception of the CHF 83.1 million of treasury shares deducted from the equity capital in the consolidated financial statements in accordance with IFRS, and the classification of extraordinary income and expenses of CHF 1.2 million as other ordinary income and expenses, these differences between the requirements of IFRS and Swiss banking law are not material for the consolidated financial statements.

Report of the Group auditors to the Ordinary Shareholders' Meeting of Julius Baer Holding Ltd., Zurich

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, shareholders' equity, statement of cash flows and notes to the consolidated financial statements/pages 71–126) of Julius Baer Holding Ltd. for the year ended 31 December 2004.

The consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers Ltd

Albert Schoenenberger *Rolf Birrer*

Zurich, 8 March 2005

Key figures 2000-2004

	2000 CHF m	2001 CHF m	2002 CHF m	2003 CHF m	**2004 CHF m**	Change 04/03 %
Consolidated income statement						
Interest income	624.9	542.1	320.3	241.5	**276.2**	14.4
Interest expenses	434.1	354.4	169.4	121.5	**155.4**	27.9
Net interest income	190.8	187.7	151.0	120.0	**120.8**	0.7
Commission income	1 505.1	1 252.9	1 013.7	914.8	**959.5**	4.9
of which commissions from asset management and investment	*906.0*	*824.6*	*673.9*	*641.4*	***791.3***	*23.4*
of which brokerage and securities underwriting	*575.5*	*389.0*	*315.8*	*248.5*	***140.2***	*-43.6*
Commission expenses	197.4	203.3	183.9	174.8	**178.9**	2.3
Results from commission and service fee activities	1 307.7	1 049.6	829.8	740.0	**780.6**	5.5
Results from trading operations	196.1	93.7	108.0	130.1	**134.0**	3.0
of which securities	*83.3*	*-17.5*	*22.1*	*18.7*	***29.2***	*55.9*
of which foreign exchange and precious metals	*112.8*	*111.2*	*85.9*	*111.4*	***104.8***	*-5.9*
Other ordinary results	34.1	69.9	29.2	29.6	**1.8**	-93.8
Net operating income	1728.6	1401.0	1 117.9	1019.6	**1037.2**	1.7
Personnel expenses	691.3	626.8	560.0	505.7	**478.1**	-5.5
General expenses	317.3	337.0	268.2	241.8	**242.0**	0.1
Operating expenses	1008.6	963.8	828.2	747.5	**720.0**	-3.7
Depreciation and write-offs of non-current assets	41.5	37.1	45.9	47.3	**29.6**	-37.3
Valuation adjustments, provisions and losses	22.4	69.4	7.6	15.1	**13.5**	-10.3
Profit before restructuring costs and taxes	656.1	330.7	236.1	209.8	**274.0**	30.6
Restructuring costs	-	-	-	55.3	**-**	-
Profit before taxes	656.1	330.7	236.1	154.5	**274.0**	77.4
Taxes	192.2	80.5	51.2	73.6	**53.8**	-26.9
Consolidated profit	463.9	250.2	184.9	80.9	**220.2**	172.2
Minority interest in consolidated profit	31.2	25.3	2.3	-1.0	**-2.3**	128.7
Net profit	432.7	224.9	182.7	81.9	**222.5**	171.7
Return on equity (ROE)	30.0%	15.3%	11.8%	5.3%	**14.5%**	-
Cost/income ratio[1]	60.7%	71.4%	78.2%	77.9%	**72.3%**	-

[1] Including depreciation and write-offs

Key figures 2000–2004

	2000 CHF m	2001 CHF m	2002 CHF m	2003 CHF m	**2004 CHF m**	Change 04/03 %
Consolidated balance sheet (as of 31.12.)						
Total assets	19 874.6	14 880.3	12 434.7	14 147.3	**16 038.2**	13.4
Shareholders' equity[1]	1 672.4	1 589.7	1 550.9	1 473.8	**1 557.0**	5.6
Shareholders' equity/total assets (equity ratio)	8.4%	10.7%	12.5%	10.4%	**9.7%**	–
BIS ratio tier 1	16.4%	15.3%	23.4%	19.1%	**17.7%**	–
Asset management (as of 31.12.)						
Assets under management (CHF bn)	138.0	121.9	103.0	115.5	**135.4**	17.2
Personnel (as of 31.12.)						
Number of employees (FTE)	2 286	2 399	2 274	1 766	**1 840**	4.2
of whom Switzerland	*1 545*	*1 644*	*1 543*	*1 378*	***1 434***	*4.1*
of whom abroad	*741*	*755*	*731*	*388*	***406***	*4.6*

Key figures for shares 2000–2004

	2000 CHF	2001 CHF	2002 CHF	2003 CHF	**2004 CHF**	Change 04/03 %
Information per bearer share						
Shareholders' equity (book value, as of 31.12.)	152.7	146.6	150.7	146.0	**155.6**	6.6
Net profit (EPS)	39.7	20.9	17.3	7.9	**21.9**	176.3
Dividend[2]	12.0	7.0	6.0	6.0	**8.0**	33.3
Market price (as of 31.12.)	887.0	560.0	300.0	417.0	**342.3**	–17.9
High price	925.0	894.0	616.0	457.0	**485.5**	–
Low price	442.0	353.5	251.0	177.0	**315.8**	–
Price/net profit ratio	22.2	26.5	17.2	52.3	**15.5**	–
Price/book value ratio	5.8	3.8	2.0	2.9	**2.2**	–
Market capitalization (CHF m, as of 31.12.)[3]	9 595	5 967	3 135	4 282	**3 449**	–19.4
Capital structure (as of 31.12.)						
Number of shares par value CHF 0.50	9 410 880	9 309 750	9 165 597	8 995 589	**8 855 094**	–1.6
of which entitled to dividends	*8 776 320*	*8 638 090*	*8 466 737*	*8 322 029*	***8 165 534***	*–1.9*
Number of registered shares par value CHF 0.10	10 205 160	10 088 860	9 923 125	9 727 665	**9 566 140**	–1.7
Weighted average number of shares	10 910 700	10 746 319	10 567 132	10 349 238	**10 176 699**	–1.7
Share capital (CHF m)	57.3	5.7	5.6	5.5	**5.4**	–1.6
of which entitled to dividends	*54.1*	*5.3*	*5.2*	*5.1*	***5.0***	*–1.8*

[1] Including minority interest
[2] As proposed to the Shareholders' Meeting
[3] Shares entitled to dividends, including registered shares

Assets under management

	2000 CHF m	2001 CHF m	2002 CHF m	2003 CHF m	**2004** CHF m	Change 04/03 %
Assets in own-managed funds	31 170	26 540	26 792	32 928	**44 833**	36.2
Assets with management mandate	45 614	39 661	30 310	31 046	**41 391**	33.3
Other assets under management	61 184	55 677	45 928	51 572	**49 146**	-4.7
Total client assets (including double counting)	137 968	121 878	103 030	115 546	**135 370**	17.2
of which double counting	*8 414*	*7 207*	*5 987*	*6 680*	***7 359***	*10.2*
Net new money inflow/outflow	19 057	609	498	5 321	**15 654**	194.2
Baer Custodian Service	33 861	30 830	24 695	35 952	**39 125**	8.8

Method of calculation

Assets under management are stated according to the guidelines of the accounting regulations of the Swiss Federal Banking Commission (SFBC Newsletter No. 29 on the disclosure of assets under management).

Assets in own-managed funds

This item covers the assets of all the actively marketed investment funds of the Julius Baer Group.

Assets with management mandate

The calculation of assets with management mandate takes into account client deposits as well as the market value of securities, loan-stock rights, precious metals, and fiduciary investments placed with third-party institutions. The information covers both 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 the market value of securities, loan-stock rights, precious metals, and fiduciary investments placed with third-party institutions. The information covers assets for which an administrative or advisory mandate is exercised.

Double counting

This item covers investment fund units from own-managed funds that are included in the assets with management mandate and the other assets under management.

Net new money inflow/outflow

This item consists of new client acquisitions, client departures and the inflow or outflow attributable to existing clients.

Breakdown of assets under management

	2000 %	2001 %	2002 %	2003 %	**2004 %**
By types of investment					
Equities	42	36	29	34	**42**
Bonds (including convertible bonds)	30	34	39	36	**30**
Money market investments	10	10	12	10	**8**
Third-party funds	7	8	7	9	**8**
Client deposits	5	6	7	6	**6**
Other[1]	6	6	6	5	**6**
Total	100	100	100	100	**100**

[1] Including non-categorized, own-managed funds

By currencies					
CHF	26	25	27	25	**25**
EUR	35	32	33	37	**31**
GBP	3	3	3	3	**4**
USD	30	33	30	31	**31**
JPY	4	4	3	3	**4**
Other	2	3	4	1	**5**
Total	100	100	100	100	**100**

Financial Report of Julius Baer Holding Ltd. 2004

Commentary on the income statement and balance sheet

Income statement

The 2004 financial year ended with net profit up by 163% from CHF 77 million to CHF 202 million, reflecting the analogous earnings trend of the Group.

Operating income declined by 6% from CHF 239 million to CHF 225 million. Decisive for this development were the various smaller income components, while the current-period income from participations, corresponding to the dividend payouts of Group companies for the 2004 financial year, remained stable as the major income component.

The negative balance of net interest income increased by CHF 3 million to CHF 10 million. Whereas interest income from the investment of liquid assets receded by CHF 0.3 million, interest expenses for outstanding bond issues rose by CHF 3 million in view of the additional CHF 150 million bond issue at the beginning of 2004.

Results from commission and service fee activities fell by CHF 4.4 million from CHF 5.6 million to CHF 1.2 million due to lower guarantee commissions and management fees paid to Julius Baer Holding by the Group companies. Other ordinary results decreased from CHF 21 million to CHF 18 million, mainly on account of lower currency gains on the liquid investments.

Operating expenses dropped from CHF 55 million to CHF 22 million in 2004. In particular, personnel expenses were down sharply from CHF 45 million to CHF 16 million. This was attributable to the lower number of staff as well as to the discontinuation of the previous year's compensation payments to the management of the former Julius Baer Brokerage SA as a result of its sale in 2003. General expenses also declined, falling from CHF 10 million to CHF 6 million due to the discontinuation of special charges in connection with the sale of Brokerage.

In line with the trend of income and expenses, gross profit increased by 11% from CHF 184 million to CHF 203 million in the year under review. Depreciation on participations fell sharply from CHF 106 million to CHF 1 million due to the lack of special factors.

Balance sheet

Total assets of Julius Baer Holding Ltd. climbed by CHF 227 million from CHF 972 million to CHF 1 199 million in the 2004 financial year.

On the assets side of the balance sheet, within non-current assets the participations rose by CHF 33 million to CHF 634 million. This change includes increases relating to the establishment of Julius Baer (Middle East) Ltd., Dubai, as well as to capital injections for Julius Baer International Ltd., London, Julius Baer Investments Ltd., London, and Bank Julius Bär (Deutschland) AG, Frankfurt, in view of the resumption of business activities. The position own shares increased by CHF 5 million to CHF 54 million, which coincides with the value of the 155 000 (2003: 139 000) bearer shares repurchased in the course of the financial year. No goodwill was incurred.

The changes in current assets were driven by the CHF 191 million rise in the amount due from banks from CHF 79 million to CHF 270 million. This reflects additional liquid investments. Accrued income and prepaid expenses, which mainly relate to the current-period reporting of income from participations in 2004, remained nearly stable at CHF 216 million. Whereas other claims fell by CHF 3 million to CHF 10 million, other assets were up from CHF 1.7 million to CHF 3.7 million.

On the liabilities and shareholders' equity side of the balance sheet, within the liabilities the increase in outstanding bonds to CHF 450 million relates to the additional CHF 150 million bond issue at the beginning of 2004. Accrued expenses and deferred income rose from CHF 1.5 million to CHF 20 million. Other liabilities remained nearly stable at CHF 14 million.

In accordance with the resolutions of the Ordinary Shareholders' Meeting of Julius Baer Holding Ltd. on 12 May 2004, the share capital was reduced by CHF 86 400 from CHF 5.5 million to CHF 5.4 million. The capital was lowered through nullification of the 172 800 bearer shares held by the company in connection with the share repurchases. The new share capital structure as of 31 December 2004 is presented in the detailed table on page 113 of this Annual Report.

Among the reserve positions, the general legal reserve remained constant at CHF 204 million. The reserve for own shares climbed from CHF 53 million to CHF 58 million. CHF 54 million of this amount relates to the bearer shares repurchased in the market since the 2004 Ordinary Shareholders' Meeting. The remainder corresponds to the par value of the reserved shares as well as the net asset value of the registered shares held by Bank Julius Baer & Co. Ltd. within scope of the staff participation program of the Julius Baer Group. Other reserves sank from CHF 294 million to CHF 239 million as a result of the addition of CHF 15 million in accordance with the resolution of the 2004 Ordinary Shareholders' Meeting and the subtraction of CHF 70 million for posting to the reserve for own shares.

Retained earnings brought forward of CHF 5 million and net income of CHF 202 million result in total retained earnings of CHF 207 million that are available for allocation at the Ordinary Shareholders' Meeting on 12 April 2005.

The contingent liabilities in the amount of CHF 181 million stated in the notes consist almost entirely of guarantees for the Group companies.

Income statement

	2003 *CHF 1000*	**2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Income				
Interest income	2 454	**2 121**	-333	-13.6
Interest expenses	8 992	**11 971**	2 979	33.1
Net interest income	-6 538	**-9 850**	-3 312	50.7
Commission income on services	5 675	**1 247**	-4 428	-78.0
Commission expenses	73	**68**	-5	-6.8
Results from commission and service fee activities	5 602	**1 179**	-4 423	-79.0
Income from securities	2 723	**-**	-2 723	-100.0
Income from participations	215 782	**215 666**	-116	-0.1
Other ordinary results	21 227	**18 014**	-3 213	-15.1
Operating income	238 796	**225 009**	-13 787	-5.8
Expenses				
Personnel expenses	45 365	**16 088**	-29 277	-64.5
General expenses	9 836	**5 574**	-4 262	-43.3
Operating expenses	55 201	**21 662**	-33 539	-60.8
Gross profit	183 595	**203 347**	19 752	10.8
Depreciation	106 329	**1 223**	-105 106	-98.8
Extraordinary income	-	**1 529**	1 529	100.0
Extraordinary expense	-	**764**	764	100.0
Taxes	393	**600**	207	52.7
Net profit	76 873	**202 289**	125 416	163.1

Balance sheet

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Assets				
Current assets				
Due from banks	78 818	**269 947**	191 129	242.5
Securities	11 387	**11 387**	-	-
Other claims	13 268	**10 074**	-3 194	-24.1
Accrued income and prepaid expenses	216 950	**215 966**	-984	-0.5
Other assets	1 730	**3 746**	2 016	116.5
Non-current assets				
Participations	600 942	**633 970**	33 028	5.5
Treasury shares	49 189	**54 348**	5 159	10.5
Total assets	972 284	**1 199 438**	227 154	23.4
Due from Group companies	91 574	**269 947**	178 373	194.8
Liabilities and shareholders' equity				
Borrowed funds				
Bonds	300 000	**450 000**	150 000	50.0
Accrued expenses and deferred income	18 258	**19 807**	1 549	8.5
Other liabilities	13 818	**13 502**	-316	-2.3
Valuation adjustments and provisions	2 086	**2 086**	-	-
Shareholders' equity				
Share capital	5 471	**5 384**	-87	-1.6
General legal reserve	204 054	**204 141**	87	0.0
Reserve for treasury shares	53 288	**57 859**	4 571	8.6
Other reserves	293 818	**239 282**	-54 536	-18.6
Disposable profit	81 491	**207 377**	125 886	154.5
of which retained earnings	*4 618*	***5 088***	*470*	*10.2*
of which net profit	*76 873*	***202 289***	*125 416*	*163.1*
Total liabilities and shareholders' equity	972 284	**1 199 438**	227 154	23.4

Notes to the balance sheet

	31.12.2003 *CHF 1000*	**31.12.2004** *CHF 1000*	Change *CHF 1000*	Change *%*
Contingent liabilities				
Surety and guarantee obligations and assets pledged in favor of third parties	182 213	**180 811**	-1 402	-0.8

Financial investments

Financial investments are valued at fair value. Unrealized gains and losses are recorded in other ordinary result.

Participations

Please see consolidated financial statements, pages 124 and 125. Participation income from subsidiaries is recorded based on an economic standpoint, i.e. at the same time that the corresponding income is registered at the subsidiary.

Outstanding bonds

Please see consolidated financial statements, page 110.

Conditional capital

Please see consolidated financial statements, page 113.

Treasury shares

Please see consolidated financial statements, page 113.
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 subisidiaries, is stated in shareholders' equity in accordance with Article 663b, paragraph 1, section 10 of the Swiss Code of Obligations.
Compliant with the corresponding legal provisions of the Swiss Federal Law and the Ordinance on Banks and Savings Banks, the shares of Julius Baer Holding Ltd. held in the trading portfolio of Bank Julius Baer & Co. Ltd. are not included. 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).

Major shareholders

Please see the Corporate Governance section, page 40.

There are no further items requiring disclosure under Art. 663b of the Swiss Code of Obligations.

Proposal of the Board of Directors to the Ordinary Shareholders' Meeting on 12 April 2005

The Board of Directors proposes to the Ordinary Shareholders' Meeting that the disposable profit for the 2004 financial year of CHF 207 377 026, consisting of net profit for the financial year in the amount of CHF 202 289 115 plus CHF 5 087 911 of retained earnings brought forward from the prior financial year, be distributed as follows:

- Dividend of CHF 8.00
  per bearer share at CHF 0.50 par value

- Dividend of CHF 1.60
  per registered share at CHF 0.10 par value

- Total dividends on the dividend-bearing share capital of CHF 5 039 381:
  CHF 80 630 096

- Allocation to other reserves:
  CHF 120 000 000

- Balance brought forward:
  CHF 6 746 930

If additional bearer shares are repurchased by 28 February 2005 within the scope of the share repurchase program, total dividends will be reduced and the balance brought forward will be increased accordingly.

Dividends

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
per bearer share	8.00	2.80	5.20
per registered share	1.60	0.56	1.04

The dividends will be paid from 15 April 2005 as follows:

Bearer shares: Against presentation of Coupon No. 4
Registered shares: To shareholders registered in the Share Register on 15 April 2005

On behalf of the Board of Directors
The Chairman

Raymond J. Baer

Report of the statutory auditors to the Ordinary Shareholders' Meeting of Julius Baer Holding Ltd., Zurich

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes/pages 136–138) of Julius Baer Holding Ltd. for the year ended 31 December 2004.

The financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and the financial statements as well as the proposed appropriation of retained earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers Ltd

Albert Schoenenberger *Rolf Birrer*

Zurich, 8 March 2005

Competence


Expertise
Flexibility
Prudence
Creativity
Foreshight
Quality
Experience
Wisdom
Innovation
Sophistication

Addresses and contacts

The major Group companies

Switzerland

BANK JULIUS BAER & CO. LTD. Zurich (Head Office) Geneva, Lucerne, Guernsey, New York (Branches) Basle, Lausanne, Lugano (Agencies) Vienna (Representative Office)	100%
JULIUS BAER FAMILY OFFICE LTD. Zurich (Head Office) Zug (Branch)	100%
JULIUS BAER INVESTMENT FUNDS SERVICES LTD. Zurich	100%
INFIDAR INVESTMENT ADVISORY LTD. Zurich	74%[1]

Germany

BANK JULIUS BÄR (DEUTSCHLAND) AG Frankfurt	100%

Great Britain

JULIUS BAER INTERNATIONAL LTD. London	100%
JULIUS BAER INVESTMENTS LTD. London	100%

Channel Islands

JULIUS BAER TRUST COMPANY (CHANNEL ISLANDS) LTD. Guernsey	100%

Italy

JULIUS BAER CREVAL PRIVATE BANKING S.P.A. Milan	51%[2]
JULIUS BAER SGR S.P.A. Milan	100%
JULIUS BAER ITALIA INVESTMENT FUNDS SERVICES S.R.L. Milan	100%

Luxembourg

JULIUS BAER (LUXEMBOURG) S.A. Luxembourg	100%

North America

JULIUS BAER INVESTMENT MANAGEMENT LLC New York	100%
JULIUS BAER SECURITIES INC. New York	100%

Cayman Islands

JULIUS BAER BANK AND TRUST COMPANY LTD. Grand Cayman	100%
JULIUS BAER TRUST COMPANY (CAYMAN) LTD. Grand Cayman	100%

Middle East

JULIUS BAER (MIDDLE EAST) LTD. Dubai	100%

[1] Remainder: stakes held by management, not entitled to dividend
[2] Remainder: stakes held by Credito Valtellinese S.c.a.r.l., Sondrio

Companies consolidated: please refer to pages 124 and 125

Business lines and Group companies

BUSINESS LINES

Private Banking
Walter Knabenhans (Head of Business Line a.i.),
Juerg Berger, Peter Gerlach, Markus Gonseth, Paul Matthews*
Filippo La Scala*, Juerg Moll*, Philippe Monti*, Gérard Piasko,
Gustavo Raitzin, Markus D. Voegelin, Patrick A. Wild
* Extended Management Committee

Asset Management
Roman von Ah (Head of Business Line), Edward Dove,
Daniel Hunziker, Markus Kobler, Urs Georg Landolt, Bill Marr,
André Rueegg, René Schneider, Hans Speich, Martin Vogel,
Tony Williams

Trading & Sales
Antoinette Hunziker-Ebneter (Head of Business Line),
Gérard Berclaz, Joachim Corbach, Stephan Jaeger,
Juerg W. Sturzenegger, Andreas Vogelsanger,
Valentin Vonder Muehll

Senior Management Corporate Center
Peter E. Brunner, Roberto Kuettel, Fabio Oetterli,
Juerg Staehelin, Helmut U. Vollert, Rudolf Ziegler

GROUP COMPANIES

BANK JULIUS BAER & CO. LTD., Zurich
Bernhard Hodler (President), Urs Georg Landolt,
Istvan S. Nagy, Juerg W. Sturzenegger, Michel Vukotic

Branches

Geneva
Philippe Monti (Branch Manager), Patrick Bonzon,
Istvan S. Nagy

Lucerne
Alfred Grieder (Branch Manager), Fredy Duss,
Juerg Haverkamp

Guernsey
Paul Mathews (Branch Manager), Michael Caseby,
Geoff King, Michael Rivett-Carnac, Gary Tapp

New York
Glen Wisher (Branch Manager), Hendricus Bocxe,
Caleb B. David, Joseph Gerdes, Barbara Hahn, Francis Harte,
Hansruedi Wuergler

Agencies

Basle
Claude Scharowski (Agency Manager)

Lausanne
Robert-Philippe Bloch (Agency Manager)

Lugano
Daniel Vigini (Agency Manager)

Representative Office

Vienna
Erich Groeger (Senior Representative)

JULIUS BAER FAMILY OFFICE LTD., Zurich
Patrick A. Wild (President), Martyn Carré,
Marco Regotz, Guy Simonius

Branch

Zug
Josef Wyss (Branch Manager)

JULIUS BAER INVESTMENT FUNDS SERVICES LTD., Zurich
Martin Jufer (Managing Director),
Nicla Haefliger (Vice Managing Director)

INFIDAR INVESTMENT ADVISORY LTD., Zurich
Thomas Fedier*, Andreas Hofmann*, Werner Reist*
Brigitta Hassler**, Amaury Jordan**, Joerg Meier**,
Alois Reidhaar**, Roger B. Rothenbuehler**, Walter Tobler**
* Partner and Management
** Partner

BANK JULIUS BÄR (DEUTSCHLAND) AG, Frankfurt
Alexander Gerstadt, Gerhard Grebe, Rudolf Ziegler

JULIUS BAER INTERNATIONAL LTD., London
Trevor Forbes, Phil Jones, Ruth-Marie Mackrodt, Paul Matthews, Melanie Satterthwaite, Charlotte Vilen

JULIUS BAER INVESTMENTS LTD., London
Edward Dove (Managing Director), Timothy Haywood, Dick Howard, Jeremy Shacklock

JULIUS BAER TRUST COMPANY (CHANNEL ISLANDS) LTD., Guernsey
Andy Smith (Trust Director)

JULIUS BAER CREVAL PRIVATE BANKING S.P.A., Milan
Maurizio Sella (Managing Director)

JULIUS BAER SGR S.P.A., Milan
Filippo La Scala (Managing Director), Carlo Benetti, Riccardo Cervellin (General Manager)

JULIUS BAER FIDUCIARIA S.R.L., Milan
Vincenzo Agosta (Managing Director)

JULIUS BAER ITALIA INVESTMENT FUNDS SERVICES S.R.L., Milan
Filippo La Scala (Managing Director and General Manager), Riccardo Cervellin, Massimo Sabatini

JULIUS BAER (LUXEMBOURG) S.A., Luxembourg
Gerhard Grebe, Dieter Steberl

JULIUS BAER INVESTMENT MANAGEMENT LLC, New York
Tony Williams (Managing Director), William Marr, Richard Pell, Glen Wisher

JULIUS BAER SECURITIES INC., New York
Hector Santiago (Managing Director), Francis Harte, Hansruedi Wuergler

JULIUS BAER BANK AND TRUST COMPANY LTD., Grand Cayman
Charles Farrington (Managing Director), Pamela Bodden, Christine Godfray, Valerie Mullen, Max Obrist, Leon Schvartz

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