Julius Bär

2005 Annual Report
Julius Baer Holding Ltd.

About Julius Baer

The Julius Baer Group is the leading pure-play wealth manager in Switzerland and has a strong international focus. The Group, whose roots date back to the 19th century, concentrates exclusively on the fields of private banking and asset management for private and institutional clients. A decisively client-centric approach as well as premium investment products combined with comprehensive investment know-how are the strengths of Julius Baer. With 3 427 employees worldwide, the Group managed assets amounting to approximately CHF 304 billion at the end of 2005. The Julius Baer Group's global presence comprises 31 locations in Europe, North America, Latin America and Asia, including Zurich (Head Office), Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, New York, Singapore and Tokyo. Bank Julius Baer, the key company of the Group, has a debt rating of Aa3 from Moody's. The shares of Julius Baer Holding Ltd. are listed on the SWX Swiss Exchange.

Much of Julius Baer's success up to now, and especially that of the new Group, is attributable to the employees. Their personality, their competence and their readiness to provide excellent service to clients are the cornerstones of our self-image and of the image we wish to convey externally.

Key figures

	2004 CHF m *restated*	**2005** CHF m	Change %
Consolidated income statement			
Net interest income	120.8	**127.9**	5.9
Results from commission and service fee activities	780.6	**1 132.8**	45.1
Results from trading operations	129.0	**148.9**	15.4
Other ordinary results	1.8	**94.8**	-
Operating income	1 032.2	**1 504.4**	45.7
Personnel expenses	489.2	**839.2**	71.5
General expenses	242.0	**326.2**	34.8
Depreciation, amortization, valuation adjustments and provisions	43.2	**150.3**	-30.7
Operating expenses	774.4	**1 315.7**	69.9
Net profit before taxes	257.8	**188.7**	-26.8
Taxes	49.9	**43.9**	-12.2
Net profit	207.9	**144.8**	-30.3
Attributable to:			
Shareholders of Julius Baer Holding Ltd.	210.2	**146.1**	-30.5
Minority interest	-2.3	**-1.3**	42.4
	207.9	**144.8**	-30.3
Return on equity (ROE)	13.9%	**5.9%**	-
Return on equity (ROE)	13.9%	**14.8%** [1]	-
Cost/income ratio	73.7% [2]	**84.5%** [2]	-
Cost/income ratio	73.7% [2]	**71.5%** [3]	-
Net profit before taxes per business line			
Private Banking	111.8	**43.0**	-61.5
Asset Management	133.5	**231.0**	73.0
Trading & Sales	73.1	**57.0**	-22.0
Corporate Center	-60.6	**-142.3**	-134.8
Total	257.8	**188.7**	-26.8

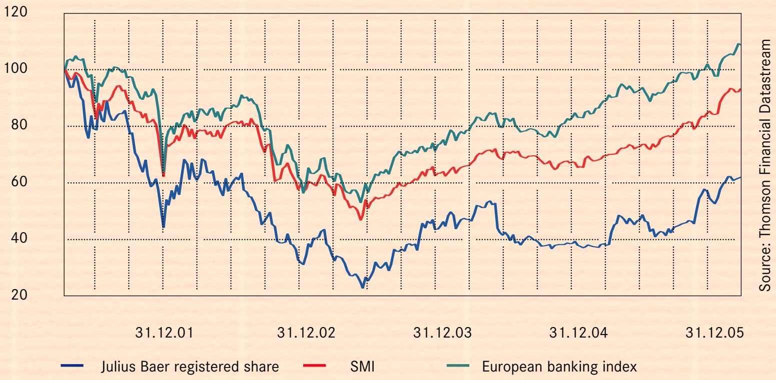
	31.12.2004 CHF m *restated*	**31.12.2005** CHF m	Change %
Consolidated balance sheet			
Total assets	16 030.0	**28 648.4**	78.7
Total equity	1 538.7	**6 207.3**	303.4
Total equity/total assets (equity ratio)	9.6%	**21.7%**	-
BIS ratio Tier 1	17.7%	**12.7%**	-
Asset management			
Assets under management (CHF bn)	135.4	**304.3**	124.8
Personnel			
Number of employees (FTE)	1 840	**3 427**	86.3
of whom Switzerland	*1 434*	***2 465***	*71.9*
of whom abroad	*406*	***962***	*136.9*

1 Net profit of the shareholders of Julius Baer Holding Ltd. less the amortization of intangible assets and significant financial events/average equity less goodwill

2 Excluding valuation adjustments, provisions and losses

3 Excluding valuation adjustments, provisions and losses, amortization of intangible assets and significant financial events

Performance of Julius Baer Holding registered share (indexed)



Ticker symbols

Reuters	BAER.VX
Bloomberg	BAER VX

Swiss securities number	1 208 301

Listing

Switzerland	SWX Swiss Exchange

Key figures for shares

	2004 CHF	**2005** CHF	Change %
Information per registered share			
Equity (book value, as of 31.12.)	30.8	**56.1**	82.4
Net profit (EPS)	4.1	**2.6**	-37.3
Dividend[1]	1.6	**1.0**	-37.5
Market price (as of 31.12.)	68	**93**	36.0
High price	97	**95**	-
Low price	63	**58**	-
Price/net profit ratio	16.4	**35.9**	-
Price/book value ratio	2.2	**1.7**	-
Market capitalization (CHF m, as of 31.12.)[2]	3 449	**10 393**	201.3

Capital structure (as of 31.12.)

Number of registered shares par value CHF 0.10	53 841 610	**111 628 239**	107.3
of which entitled to dividends	*50 393 810*	***111 628 239***	*121.5*
Weighted average number of shares	50 883 495	**56 405 547**	10.9
Share capital (CHF m)	5.4	**11.2**	107.3
of which entitled to dividends	*5.0*	***11.2***	*121.5*

[1] As proposed to the Shareholders' Meeting
[2] Shares entitled to dividends

Julius Baer's stock

Performance in 2005

The performance of Julius Baer's stock during the financial year was shaped by the favorable stock market climate and especially by the outperformance of the Swiss equity market. But the 61% gain in the share price, almost double that of the SMI (+33%) and significantly better than the industry index, also reflects the following specific corporate developments:

On 17 January 2005, we announced the introduction of single-class registered shares, marking the end of the majority voting interest of the Baer family. Following approval at the Annual General Meeting on 12 April 2005, each of the existing bearer shares at CHF 0.50 par value per share were split and converted into five registered shares at CHF 0.10 par value per share. There are no voting restrictions in the new capital structure.

The resulting enhanced entrepreneurial flexibility led to the announcement on 5 September 2005 of the proposed acquisition of the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano as well as the specialized asset manager GAM Holding AG from UBS AG for total compensation of CHF 6.01 billion. This caused a jump in the share price despite the fact that part of the financing was supposed to come from a CHF 2.5 billion capital increase, with subscription rights for existing shareholders, and that UBS was supposed to be granted a 21.5% equity stake in the new Julius Baer Group. Based on the resolution of the shareholders at the Extraordinary General Meeting on 10 November 2005, the transaction was successfully completed on 2 December 2005. As a result, the total number of registered shares outstanding more than doubled.

Additional information on the share and capital structure is presented in the section on corporate governance (pages 32–59).

Annual Report 2005

Dear Shareholders and Clients

Following a year of extensive changes, Julius Baer has emerged at the end of 2005 as the largest pure-play wealth manager in Switzerland, with a strong international focus. Our concentration on our core competencies of private banking and asset management has enabled us to bring together significant capabilities in wealth management, a premium range of products and services, and acknowledged expertise in the field of alternative investments. A new management team with extensive international experience will assertively lead our Group into a new era and new markets – in 2005 the Julius Baer Group was reinvented, so to speak.

The foundation for this was laid by the Annual General Meeting on 12 April 2005, which approved the introduction of the single-class registered shares. Relinquishment of the controlling interest by the Baer family through unification of the share structure provided our Group, for the first time, with the full entrepreneurial freedom of an exchange-listed enterprise. The resulting enhanced flexibility to be able to focus the enterprise more resolutely on our growth strategy announced in autumn 2004 also included the possibility of external growth. With the announcement on 5 September 2005 of our intention to acquire the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano as well as the specialized asset manager GAM Holding AG from UBS AG, we exercised this option decisively and much faster than anticipated by quite a few people.

This decision represents the next logical step in our corporate strategy focused on sustainable growth. It paved the way for a sustainably independent and competitive Group which, under the moniker of Julius Baer together with the investment competence of GAM, offers a unique product and service range to our discerning clients, an attractive investment opportunity to our shareholders and an attractive work environment to our employees. Given that all of the involved entities hold a nearly identical notion of personal customer care and progressive wealth management, the acquisition was deemed positive in both the public arena and the financial markets and recognized to be that which it essentially is, namely a merger of like-minded organizations.

The Board of Directors proposed the transaction for approval at the Extraordinary General Meeting on 10 November 2005. With the strong vote in favor of all proposals, our shareholders underscored their great confidence in the planned course of action. This confidence was also shared by the financial markets. Indeed, not only was the approved capital increase carried out within the planned time frame, and quite successfully; Julius Baer's stock also trended sharply higher during this period. We were already able to formally complete the acquisition on 2 December 2005 and commence the actual business operations within the new structure.

Successful navigation of a challenging landscape. The significant changes during the reporting period took place against a backdrop of favorable economic conditions and attractive financial market prospects. The broad-based rise in the confidence of economic participants was driven by a robust economic trend in most regions of the world, though the development was somewhat weaker than in the previous year. These conditions enabled the corporate sector to continue its impressive return to profitability, as was reflected through correspondingly favorable stock market performance, namely in Europe and Japan.

On the whole, the international financial market trend was strongly influenced by varying and at times contrary market estimates, which posed a major challenge for portfolio management. Even though the redirection of our Group resulted in an added burden for both management and the entire organization, our clients were able to count on receiving the customary degree of personal and individually tailored care from us at all times. Parallel to this, we specifically worked toward improving the service and product offering through various initiatives. As a result, progress was achieved at the operational level.

Annual financial results reflect the new Julius Baer Group. The Julius Baer Group managed CHF 304.3 billion of assets at the end of 2005. The former Julius Baer Group was responsible for CHF 173.6 billion of this amount, representing a year-on-year increase of 28%, whereas the three private banks and GAM contributed CHF 130.8 billion. Broken down according to the business divisions, Private Banking accounted for CHF 121.7 billion and Asset Management for CHF 181.8 billion (CHF 118.5 billion of which related to investment funds). The new Julius Baer Group employed 3 427 persons on a full-time basis at the end of the year.

Operating income totaled CHF 1 504 million, with 88% of this amount coming from commission and service fee activities, which underscores the stable quality of our core business. The remaining 12% represents transaction-based income.

Operating expenses came to CHF 1 316 million. Owing to good progress in the integration of the various business entities, restructuring costs of CHF 138 million were already incurred during the reporting period. After also taking into account one-time write-offs and provisions of CHF 49 million due to the decision to suspend the project to replace the IT platform of Julius Baer, a net profit of CHF 146 million resulted for the shareholders of Julius Baer Holding Ltd.

Changes in the Board of Directors. At the Annual General Meeting on 12 April 2005, Rolf P. Jetzer was elected to the Board of Directors for the first time. At the next Annual General Meeting, scheduled for 12 April 2006, Georges Gagnebin and Charles Stonehill will be proposed for election to the Board of Directors. Georges Gagnebin can look back on a career of more than 35 years at the former Swiss Bank Corporation and subsequently with the UBS Group. Thanks to his in-depth knowledge of the international private banking business, he will be able to provide the Julius Baer Group with valuable insights as to how we can successfully push forward with our strategic growth initiatives in private banking. Charles Stonehill has vast experience in international banking and investing, which he has acquired during nearly three decades in various positions with prominent banks and brokerage firms. This wealth of knowledge will directly benefit our Group in view of its expanded geographic focus.

Changes in the Group Executive Board. Given the concentration of the Group's activities on two business areas and the marked decentralization of staff functions, the members of the former Group Executive Board will take on new responsibilities both within and outside of the Julius Baer Group. Walter Knabenhans, President of the Group Executive Board and CEO, stepped back from day-to-day business at the end of 2005 as planned. Having joined the Julius Baer Group in 1998, he had a decisive influence on the recent development of the organization. He will continue to place his profound knowledge at the disposal of our Group. Rolf W. Aeberli, Chief Financial Officer since 2002, left the Julius Baer Group in December 2005 to be able to take up the position of Chief Executive Officer of Banca del Gottardo, Lugano, as of 1 February 2006. We owe Rolf W. Aeberli a significant debt of gratitude for the efficient structuring of our Group and sustained increase in its earnings power.

Antoinette Hunziker-Ebneter, Head of the former Trading & Sales business line, also left the Julius Baer Group shortly before year-end to pursue a new professional challenge. Under her leadership, the trading activities of Julius Baer became an even more efficient and profitable business unit. Roman von Ah, Head of the former Asset Management business line, will in future be responsible for Julius Baer's asset management business in Europe that is managed from Zurich.

The Board of Directors thanks all the members of the former Group Executive Board for their valuable contribution and exceptional service during their tenure.

Where the main focus is on clients. The establishment of the new Julius Baer Group represents the birth of a unique wealth manager in many respects. The straightforward and clearly laid-out business model, free from conflicts of interest, comprises the two divisions Private Banking and Asset Management and should enable us to offer our clients comprehensive wealth management and professional investment solutions tailored to their respective needs while providing the best possible service quality. The basis for this is an open and holistic advisory approach based on trust and interaction in the spirit of partnership.

The significant economies of scale arising from the merger result in sharply increased earnings power and financial strength for the new Group and should become perceptible to our clients as directly as possible. Factors that stand out in this connection are the greatly expanded expertise in the field of alternative investments thanks to GAM as well as the strongly technology-based, highly developed portfolio management process.

Geographically, the new Group will have a presence in nearly all areas of Switzerland. As a result, we will be in a position to appeal to our domestic clients both in terms of what we offer and our cultural familiarity. And we can expect continuation of the consolidation process in the highly fragmented Swiss private banking market, which has been spurred in part by our own actions. We want to continue our selective participation in this process, focusing on smaller-scale private banks and independent wealth managers.

Outside of Switzerland, the new Julius Baer Group will be present in the major financial centers, whether through branch offices or sales representatives. It is the goal of our growth strategy to more closely link this network, both in our core markets and in promising growth markets. During the reporting period, we made significant progress in tapping into the Latin American market through the recruitment of a talented local team in Argentina. And since opening new offices in Germany in November 2005, we are now also able to serve our German private clients in Frankfurt, Stuttgart, Duesseldorf and Hamburg directly on location. Outside of our core markets, we will intensify our business activities in Asia and the Middle East as well as in Central and Eastern Europe. Thanks to BDL Banco di Lugano’s banking license in the regionally important financial center of Singapore, we will be able to proceed more quickly with expansion in the highly promising Asian region.

Cause for confidence. The various stages of the legal integration as well as the consolidation of the individual units and locations will be largely completed by mid-2007. Step-by-step unification of the corporate identity under the Julius Baer brand will already take place in 2006. Only GAM will be maintained as an independent brand, due to its specific market focus. The Board of Directors is convinced that these demanding tasks can be carried out successfully and according to the planned schedule, parallel to the implementation of the growth strategy. The newly constituted senior management team will see to this. They are led by Johannes A. de Gier, President of the Group Executive Board and Chief Executive Officer. The Private Banking division is headed by Alex W. Widmer, and the Asset Management division is run by David M. Solo. Apart from their individual strengths, they are connected by their profound professional experience in international finance and considerable expertise in the leadership and integration of companies.

Our confidence in the future and earnings power of the new Julius Baer Group shall be reflected by a progressive dividend policy in line with the operating results, similar to that of the former Julius Baer Group. Apart from the gratifying performance of Julius Baer's stock, the more than doubling of the number of outstanding shares had to be taken into account when determining the dividend for the 2005 financial year. The Board of Directors will propose a dividend of CHF 1.00 per registered share at the Annual General Meeting scheduled for 12 April 2006 in Zurich. This represents an increase in the total dividend payout from CHF 80 million to CHF 112 million.

The high anticipated cash flow will enable our Group to finance the various growth initiatives through own means and thus contribute to efficient capital management. The new Julius Baer Group exhibits very healthy financial strength despite a targeted reduction of the BIS ratio Tier 1 to 12.7% in connection with the acquisition. The available surplus capital up to now was always invested in expansion of the core business – as always intended – and thus used to strengthen the earnings power of the Group. This is also reflected by the Aa3 rating for long-term debt that has been assigned to Bank Julius Baer for the first time by the rating agency Moody's, apart from the Group maintaining the highest possible rating for short-term debt, Prime-1.

2005 will go down in the history of Julius Baer as a year of new beginnings. The major step toward the new Julius Baer Group would not have been possible without the vigorous support and considerable time commitment of our employees, for which we express our appreciation and sincerest thanks. The close and cooperative teamwork between all of the involved entities in the past few months, and last but not least the many positive reactions from clients, confirm to us that we are on the right track. We enter the 2006 financial year with confidence that we will successfully master the demanding integration work ahead of us and live up to our goal of shaping an attractive new Julius Baer Group for all stakeholders.

We thank you for your support and faith in us and, with you as our shareholders and clients, look forward to continuing together along our chosen path.

Raymond J. Baer
Chairman

Johannes A. de Gier
President

Zurich, February 2006

2005 consolidated financial results

The 2005 consolidated financial results comprise the full financial year of the former Julius Baer Group and the month of December 2005 results of the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano as well as that of GAM Holding AG. The balance sheets of the acquired entities were fully consolidated as of 31 December 2005. Only selective references are made to previous reporting periods.

In a generally favorable but challenging market environment, for its 116th financial year the Julius Baer Group achieved a net profit of CHF 145 million after deducting CHF 187 million for the portion of the one-time integration costs that were recognized in the reporting period and before the related tax effect (CHF 144 million after the related tax effect). Assuming continuing positive development of market conditions, Julius Baer is confident of its ability to grow its franchise and significantly increase profitability.

Rapid integration boosting efficiency and customer focus

Persistently volatile but generally favorable international financial markets during the year and flattening yield curves worldwide formed the backdrop for business activity in 2005. The key internal factors determining the 2005 financial results of the Julius Baer Group were sharply higher average assets under management, diverse measures to improve operating efficiency, expansion steps as part of various growth strategies, consolidation of the December financial results of the three private banks and GAM as well as one-time write-offs and provisions in connection with the acquisition.

Integration of the acquired three private banks and GAM proceeded ahead of schedule, resulting in recognition of CHF 138 million of integration expenses in the 2005 financial statements. This figure mainly consists of the previously announced reductions in personnel over the next two years as part of the integration as well as the integration costs in the IT/Operations area. Furthermore, to ensure rapid, smooth and customer-focused integration of the three private banks, the decision has been made to suspend the planned 2006 introduction of a new IT platform for the time being. This gave rise to one-time write-offs and provisions of CHF 49 million. A significant portion of the anticipated one-time integration expenses are therefore already included in the 2005 financial statements. Additional but significantly less costs will be incurred in 2006, 2007 and 2008, with recognition coinciding with the integration progress.

Julius Baer: the leading pure-play wealth manager in Switzerland

Assets under management of the Julius Baer Group amounted to CHF 304.3 billion as per year-end (excluding CHF 47.4 billion in Global Custody). The former Julius Baer Group accounting for CHF 173.6 billion (+28% year-on-year) or 57% of this amount, while the three private banks and GAM, consolidated as of December 2005, accounted for CHF 130.8 billion (+21%) or 43%. Broken down according to business areas, Private Banking was responsible for CHF 121.7 billion and Asset Management for CHF 181.8 billion, with investment fund assets accounting for CHF 118.5 billion of the latter figure.

The structural composition of the assets under management, i.e. the asset mix, experienced some shifts due to strategic considerations, acquisition effects and the strengthened US dollar. Broken down according to investment categories, equity holdings dominated at 41%, followed by bond holdings at 21% and money market holdings at 7%. External investment fund holdings and client deposits represented 12% on the balance sheet date. The currency breakdown was as follows: Swiss franc 19%, US dollar 36%, euro 30% and other foreign currencies 15%.

Sustainably bolstered income structures

Operating income totaled CHF 1.5 billion, of which the former Julius Baer Group accounted for CHF 1.3 billion (+27%). CHF 198 million came from the three acquired private banks and GAM, whose financial results for the month of December are included for the 2005 financial year. When viewing this figure, it is important to consider that it includes performance fees relating to certain of GAM's investment funds which are accounted for only at the end of the year. Broken down according to the different business units, CHF 583 million or 39% of the operating income was attributable to Private Banking, CHF 695 million or 46% to Asset Management, CHF 149 million or 10% to Trading & Sales and CHF 78 million or 5% to the Corporate Center.

Net interest income was affected by significant flattening of the yield curves, causing a further general narrowing of margins, and amounted to CHF 128 million.

Results from commission and service fee activities came to CHF 1.1 billion. This total consists of CHF 1.3 billion of commission income on securities and investment transactions, plus CHF 21 million of commission income on other services, minus CHF 229 million of commission expenses. All in all, 88% of commissions earned were value-based and 12% transaction-based. The commission and service fee activities of the Julius Baer Group thus proved once again to be the most decisive and stable source of income. Results from trading operations totaled CHF 149 million.

The CHF 95 million of other ordinary results was largely attributable to recognition of the CHF 61 million of proceeds from the sale of Private Banking USA, the CHF 5 million investment in Kepler Equities SA recorded in the balance sheet as a financial investment as well as to the release of provisions and accruals relating to prior years.

Expenses marked by one-time integration costs

The operating expenses of the Julius Baer Group amounted to CHF 1.3 billion in 2005, of which personnel expenses accounted for CHF 839 million, including CHF 78 million relating to integration measures. Included in the personnel expenses are CHF 282 million of bonus accruals, CHF 38 million of costs relating to stock- and option-based participation plans and CHF 14 million relating to staff participation plans. The performance-based compensation components from operating business thus accounted for 34% of personnel expenses. The number of employees (FTE) at the end of 2005 was 3 427, of which 1 646 worked for the three private banks and GAM. General expenses amounted to CHF 326 million or 25% of total expenses. This figure includes integration costs of CHF 63 million. Depreciation and write-offs of non-current assets together with valuation adjustments, provisions and losses amounted to CHF 150 million, with CHF 47 million of this amount resulting from integration measures.

Net profit before taxes was CHF 189 million, and after deducting CHF 44 million of taxes net profit amounted to CHF 145 million. For the shareholders this corresponds to CHF 2.59 per registered share, based on a weighted average of 56 million shares outstanding during the reporting period. The return on equity (ROE), calculated by dividing the net profit attributable to shareholders of Julius Baer Holding Ltd. by the average equity for the period, amounted to 5.9%. When based on the net profit attributable to shareholders of Julius Baer Holding Ltd. minus the amortization of intangible assets as well as special financial factors and divided by the average equity for the period minus goodwill, the return on equity (ROE) came to 14.8%. The cost/income ratio came to 84.5% or 71.5%, respectively, based on the same calculation methods.

Our confidence in the future and earnings power of the new Julius Baer Group shall be reflected by a progressive dividend policy in line with the operating results, similar to that of the former Julius Baer Group. It is important to consider, however, that the number of shares outstanding has more than doubled and that the acquired entities are only consolidated for the month of December. The Board of Directors of Julius Baer Holding Ltd. will therefore propose a dividend of CHF 1.00 per registered share for the 2005 financial year to the Annual General Meeting scheduled for 12 April 2006. This represents an increase in the total dividend payout from CHF 80 million to CHF 112 million.

Significantly expanded balance sheet

The consolidated balance sheet total grew by CHF 12.6 billion or 79% to CHF 28.6 billion in 2005. This increase is exclusively attributable to the first-time consolidation of the three private banks and the asset manager GAM, which were acquired from UBS on 2 December 2005. The fair value of the revalued assets and liabilities of the three private banks and GAM amounted to CHF 14 billion at the time of acquisition. This figure includes fair value adjustments of CHF 1.75 billion for the acquired client relationships and CHF 0.3 billion for the GAM brand. The goodwill resulting from the acquisition amounted to CHF 2.9 billion. Otherwise, the activities of Asset & Liability Management had a significant influence on the assets side of the balance sheet, with loans to banks dropping by about CHF 0.6 billion and money market investments rising by around CHF 0.3 billion. In view of the flattening yield curves, the average duration of fixed income investments was further reduced over the course of the year in order to avoid incurring any added risks.

Excluding the acquisition effects, the major change on the liabilities side of the balance sheet was an increase in the volume of structured products issued, which rose by around CHF 1.2 billion or 164% year-on-year. The refinancing measures by Asset & Liability Management caused the item Due to banks to fall by about CHF 0.6 billion, which was offset by a corresponding growth of client deposits. The CHF 149 million increase in provisions was primarily attributable to the CHF 131 million of expenses recognized for restructuring measures as a result of the rapidly progressing integration of the three private banks and GAM.

Julius Baer's share capital is now divided into 111 628 239 registered shares with a par value of CHF 0.10 each. Treasury shares amounted to CHF 81 million on the balance sheet date. This position contains all own shares and derivative instruments linked to own shares that are held in the trading portfolio. The new share repurchase program launched in March 2005, allowing for repurchases of up to CHF 90 million, was suspended as of 5 September 2005.

The acquisition entailed a targeted reduction of the equity ratio in exchange for expansion of the core business. The financial strength of the new Julius Baer Group remains robust, as reflected by the BIS ratio Tier 1 of 12.7% as well as by the long-term debt rating of Aa3 recently assigned to Julius Baer for the first time by Moody's.

	2004 CHF m restated	**2005** CHF m	Change CHF m	Change %
Operating income				
Private Banking	453.5	**583.2**	129.7	28.6
Asset Management	368.0	**695.0**	327.0	88.9
Trading & Sales	150.8	**148.7**	-2.1	-1.4
Corporate Center	59.9	**77.5**	17.6	29.4
Total	1 032.2	**1 504.4**	472.2	45.7
Operating expenses				
Private Banking	341.7	**540.2**	198.5	58.1
Asset Management	234.5	**464.0**	229.5	97.9
Trading & Sales	77.7	**91.7**	14.0	18.0
Corporate Center	120.5	**219.8**	99.3	82.4
Total	774.4	**1 315.7**	541.3	69.9
Net profit before taxes per business line				
Private Banking	111.8	**43.0**	-68.8	-61.5
Asset Management	133.5	**231.0**	97.5	73.0
Trading & Sales	73.1	**57.0**	-16.1	-22.0
Corporate Center	-60.6	**-142.3**	-81.7	-
Total	257.8	**188.7**	-69.1	-26.8

	31.12.2004 CHF m	**31.12.2005** CHF m	Change CHF m	Change %
Assets under management				
Private Banking[2]	61 103	**121 739**	60 636	99.2
Asset Management[2]	73 606	**181 817**	108 211	147.0
Trading & Sales	299	**292**	-7	-2.3
Corporate Center	362	**474**	112	30.8
Total	135 370	**304 322**	168 952	124.8

[1] An additional overview may be found in Note 8.

[2] The strong increase in assets under management relates primarily to the acquisition of the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano as well as GAM Holding AG, which have been acquired from UBS AG as per 02.12.2005.

Business lines

Private Banking

Private Banking's financial year was marked by the acquisition of the three private banks from UBS in the fourth quarter, broadly expanding the client base and nearly doubling the assets under management to CHF 122 billion.

The development of new money reflected, among other things, various special factors like portfolio shifts in connection with the introduction of the single-class registered shares as well as the acquisitions announced in September. All in all, an outflow of CHF 1.5 billion resulted after adjusting for the sale of Private Banking USA. At the same time, however, CHF 10.7 billion of asset growth came from investment performance, with CHF 3.2 billion of this amount due to the strengthening US dollar.

Decisive for the growth of income, also adjusted for the sale of Private Banking USA, were the increased assets under management compared to the previous year. The higher value-based commission revenues attributable to these assets represent the largest share of commissions at 71%. Following the hesitancy of our clients in the first half of 2005, transaction volume picked up in the second half of the year. This, together with inclusion of the December results of the newly acquired entities, caused operating income to rise by 29% to CHF 583 million. Included in this figure are the proceeds of CHF 61 million from the sale of Private Banking USA.

Operating expenses were up by 58% to CHF 540 million, reflecting the costs relating to the acquisition as well as investments in general and human resources needed for the implementation of various strategic initiatives designed to boost earnings and margins over the long term. These include the intensified expansion of our activities in the offshore growth markets of Eastern Europe, Latin America, the Middle East and the Far East as well as the build-up of our Private Banking presence in Germany as planned. Rapid implementation of the integration measures leading to the new Julius Baer Group resulted in CHF 103 million of expenses for Private Banking, and the sale of Private Banking USA caused an additional CHF 33 million of costs. After accounting for these one-time items, Private Banking's net profit before taxes came to CHF 43 million.

The following table presents the former Julius Baer Group for all of 2005 and also contains the December 2005 profit and loss figures of the acquired entities attributable to Private Banking. Some significant differences appear as a result. Comparable pro-forma figures for 2004 are not available. The restatement of figures for 2004 relates to the IFRS changes (cf. page 78 ff.).

	2004 CHF m restated	2005 CHF m	Change CHF m	Change %
Operating income	453.5	583.2	129.7	28.6
Personnel expenses[1]	130.3	223.6	93.3	71.6
General expenses[1]	58.7	107.4	48.7	83.0
Services to/from other business lines	139.9	156.3	16.4	11.7
Depreciation and write-offs of non-current assets[1]	2.7	15.3	12.6	466.7
Valuation adjustments, provisions, losses	10.1	37.6	27.5	272.3
Operating expenses	341.7	540.2	198.5	58.1
Net profit before taxes per business line	111.8	43.0	-68.8	-61.5
Net profit before taxes per business line[2]	111.8	123.3	11.5	10.3
Key figures				
Cost/income ratio	73.1%	86.2%		
Cost/income ratio[2]	73.1%	69.2%		
Growth of assets under management	-0.1%	99.2%		
of which acquisition[3]	-	*93.7%*		
of which divestment[4]	-	*-9.5%*		
of which net new money	*-1.3%*	*-2.4%*		
of which market appreciation	*1.2%*	*17.4%*		
Gross margin on assets under management (bp)[5]	74	87		
Gross margin on assets under management (bp)[2, 5]	74	78		
Net margin on assets under management (bp)[5]	18	6		
Net margin on assets under management (bp)[2, 5]	18	18		

	31.12.2004	31.12.2005	Change	Change %
Assets under management (CHF m)	61 103	121 739	60 636	99.2
of which acquisition[3]	-	*57 255*	*57 255*	-
of which divestment[4]	-	*-5 825*	*-5 825*	-
of which net new money	*-814*	*-1 456*	*-642*	-
of which market appreciation	*745*	*10 662*	*9 917*	-
Number of employees (FTE)[6]	491	1 447	956	194.7
Allocated FTE from Corporate Center	317	242	-75	-23.7
Total (FTE)	808	1 689	881	109.0

[1] In relation to the integration, the following costs incurred: within personnel expenses CHF 54.9 million, within general expenses CHF 42.3 million and within depreciation CHF 5.7 million.
[2] Excluding amortization of intangible assets and significant financial events.
[3] As per 02.12.2005, Julius Baer acquired the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano from UBS AG.
[4] As per 01.04.2005, Julius Baer sold the Private Banking activities in the USA to UBS AG
[5] Operating income / net profit before taxes divided by average assets under management. The acquired companies have been included as follows in the calculation of the key figures: average assets under management as per end of November and December divided by 12.
[6] The increase in the number of employees (FTE) relates to the above-mentioned acquisition.

Asset Management

Asset Management can look back on another profitable financial year marked by robust growth. The strong double-digit increase in new money inflows is attributable to all business areas within the division. The International Equity Fund in the USA and its follow-up product remained highly attractive to investors. Just as successful were the activities in the fixed income hedge funds area as well as the fund and mandate business in continental Europe thanks to innovative, strong-performing new and existing products.

The acquisition of specialized asset manager GAM from UBS caused assets under management to increase by CHF 71 billion at the time of purchase. Total assets climbed to CHF 182 billion as a result of high net new money inflows (NNM) of CHF 18 billion and good investment performance of approximately CHF 20 billion.

Assets managed in investment funds of Julius Baer Asset Management and GAM as well as in private label funds totaled CHF 118 billion at the end of 2005 (NNM CHF 13.4 billion, performance CHF 12.3 billion). The very successful fund category International Equity in the USA accounted for CHF 6.8 billion of the new money inflows all by itself. The volume of the two funds came to CHF 23 billion at the end of 2005.

Group-wide, Asset Management managed CHF 63.3 billion on a mandate basis (NNM CHF 4.2 billion, performance CHF 7.5 billion). CHF 21 billion of this sum related to institutional mandates in the USA (NNM CHF 5.1 billion, performance CHF 4.9 billion), which invest in international equities similarly to both funds, but on an individual basis.

The securities held within Baer Custodian Service, which are not counted in the figure for assets under management, rose by 21% to CHF 47.4 billion and primarily reflect the service-based success with institutional investors from Switzerland.

Thanks to the sharply higher average assets under management, operating income increased by 89% to CHF 695 million including the December results of GAM. When viewing this increase, it is important to consider that it includes performance fees of certain investment funds, from both Julius Baer and GAM, which are collected only at the end of the year. Operating expenses were up by 98% to CHF 464 million, largely due to higher performance-based compensation in the USA and London as well as ongoing expansion of business operations at those locations. Included in these expenses are integration costs of CHF 23 million. All in all, Asset Management's net profit before taxes rose by 73% to CHF 231 million.

The following table presents the former Julius Baer Group for all of 2005 and also contains the December 2005 profit and loss figures of the acquired entities attributable to Asset Management. Some significant differences appear as a result. Comparable pro-forma figures for 2004 are not available. The restatement of figures for 2004 relates to the IFRS changes (cf. page 78 ff.).

	2004 CHF m restated	2005 CHF m	Change CHF m	Change %
Operating income	368.0	**695.0**	327.0	88.9
Personnel expenses[1]	136.2	**321.3**	185.1	135.9
General expenses[1]	42.7	**64.4**	21.7	50.8
Services to/from other business lines	49.3	**56.4**	7.1	14.4
Depreciation and write-offs of non-current assets[1]	1.1	**17.0**	15.9	-
Valuation adjustments, provisions, losses	5.2	**4.9**	-0.3	-5.8
Operating expenses	234.5	**464.0**	229.5	97.9
Net profit before taxes per business line	133.5	**231.0**	97.5	73.0
Net profit before taxes per business line[2]	133.5	**262.6**	129.1	96.7
Key figures				
Cost/income ratio	62.3%	**66.1%**		
Cost/income ratio[2]	62.3%	**61.5%**		
Growth of assets under management	37.2%	**147.0%**		
of which acquisition[3]	-	***96.3%***		
of which net new money	*30.9%*	***23.9%***		
of which market appreciation	*6.3%*	***26.8%***		
Gross margin on assets under management (bp)[4]	58	**71**		
Net margin on assets under management (bp)[4]	21	**24**		
Net margin on assets under management (bp)[2, 4]	21	**27**		

	31.12.2004	31.12.2005	Change	Change %
Assets under management (CHF m)	73 606	**181 817**	108 211	147.0
of which acquisition[3]	-	***70 851***	*70 851*	-
of which net new money	*16 572*	***17 611***	*1 039*	*6.3*
of which market appreciation	*3 390*	***19 749***	*16 359*	*482.6*
Number of employees (FTE)[5]	344	**1 043**	699	203.2
Allocated FTE from Corporate Center	122	**92**	-30	-24.6
Total (FTE)	466	**1 135**	669	143.6

1 In relation to the integration, the following costs incurred: within personnel expenses CHF 12.2 million, within general expenses CHF 5.4 million and within depreciation CHF 5.7 million.
2 Excluding amortization of intangible assets and significant financial events.
3 As per 02.12.2005, Julius Baer acquired GAM Holding AG from UBS AG.
4 Operating income / net profit before taxes divided by average assets under management. The acquired companies have been included as follows in the calculation of the key figures: average assets under management as per end of November and December divided by 12.
5 The increase in the number of employees (FTE) relates to the above-mentioned acquisition.

Trading & Sales

As part of the Group's strategic realignment following completion of the acquisition on 2 December 2005, the decision was made to restructure the former Trading & Sales business line and tailor it to the needs of Julius Baer's private banking clients. The newly formed Markets unit, as part of the Asset Management division, will in the future provide Julius Baer's private clients with the best possible access to the financial markets. This lays the foundation for optimal decision-making with respect to clients' trading activity and product selection.

At the same time, Markets will offer its own institutional clients a range of services in those areas in which existing core competencies and platforms make it possible – e.g. in the foreign exchange area. Initial steps were already taken near the end of the financial year, involving the termination of the institutional equity sales and research areas as well as the closure of the capital market activities, with some corporate finance staff transferred to Private Banking.

Against a backdrop of largely unpredictable stock and foreign exchange markets with low volatilities in the first six months and a significantly improved market environment in the second half of the year, Trading & Sales performed quite well. But in spite of the accompanying pick-up in client-related trading activity, the transaction volumes from Private Banking and Asset Management fell on average over the course of the year.

Operating income receded by 1% to CHF 149 million in 2005. This result was mainly attributable to a drop in the largely client-driven equity and foreign exchange trading activities in the first six months of the year due to the aforementioned market situation. Over the financial year as a whole, income from bond and foreign exchange trading declined, whereas income from equity trading was up. The ongoing good demand for structured products and the increased capital market activities had a positive impact on results.

Operating expenses rose by 18%, reflecting higher personnel expenses owing to partial expansion of business operations in the first six months as well as to integration expenses of CHF 9 million. Trading & Sales' net profit before taxes came to CHF 57 million, corresponding to a 22% drop.

Comparable pro-forma figures for 2004 are not available. The restatement of figures for 2004 relates to the IFRS changes (cf. page 78 ff.).

	2004 CHF m restated	2005 CHF m	Change CHF m	Change %
Operating income	150.8	**148.7**	-2.1	-1.4
Personnel expenses[1]	45.5	**60.9**	15.4	33.8
General expenses	11.9	**13.2**	1.3	10.9
Services to/from other business lines	18.9	**16.7**	-2.2	-11.6
Depreciation and write-offs of non-current assets	0.2	**0.1**	-0.1	-50.0
Valuation adjustments, provisions, losses	1.2	**0.8**	-0.4	-33.3
Operating expenses	77.7	**91.7**	14.0	18.0
Net profit before taxes per business line	73.1	**57.0**	-16.1	-22.0
Net profit before taxes per business line[2]	73.1	**65.9**	-7.2	-9.8
Key figures				
Cost/income ratio	50.7%	**61.1%**		
Cost/income ratio[2]	50.7%	**55.1%**		

	31.12.2004	31.12.2005	Change	Change %
Number of employees (FTE)	146	**149**	3	2.1
Allocated FTE from Corporate Center	87	**61**	-26	-29.9
Total (FTE)	233	**210**	-23	-9.9

[1] In relation to the integration, within personnel expenses costs of CHF 8.9 million incurred.

[2] Excluding amortization of intangible assets and significant financial events.

Corporate Center

Income and expenses that are not directly connected with the operating businesses are recognized in the Corporate Center, especially income and expenses related to Asset & Liability Management.

Income within the Corporate Center was up by 29% year-on-year to CHF 77 million in 2005. The interest surplus from Asset & Liability Management was negatively influenced in the first half of 2005 by the significantly flatter yield curves. But this was offset by higher income stemming from the sale of financial investments, the release of provisions no longer needed and the settlement of lawsuits.

At the same time, however, operating expenses increased by 83% to CHF 220 million. Primarily responsible for this were higher personnel expenses as well as integration costs of CHF 53 million incurred in the reporting period. This latter item included one-time costs totaling CHF 49 million for the indefinitely postponed project to replace the existing IT platform in Switzerland. All in all, the Corporate Center reported a shortfall of CHF 142 million before taxes at the end of 2005.

Our staff

Much of Julius Baer's success up to now, and especially that of the new Group, is attributable to the employees. Their personality, their competence and their readiness to accommodate the diverse needs of our esteemed clients are the cornerstones of our self-image and of the image we wish to convey externally.

The Julius Baer Group, in its new configuration, employed 3 427 persons on a full-time basis at the end of 2005. In view of the broader geographic presence of the Group in the major international financial centers, the proportion of staff in Switzerland declined from 78% for the former Julius Baer Group to 72%. The proportion of staff with more than five years of service climbed to 44% (2004: 38%). As a result of the build-up and expansion of various locations and fields of business, 25% of staff were in their first year of service. The age structure is balanced, though the segment of 31- to 40-year-olds still dominates at 39% (40%).

Sustainability at Julius Baer

The Julius Baer Group is aware of its responsibility regarding sustainable development. Since 2001, the Group has employed a comprehensive sustainability model, containing numerous guideposts to help staff optimize their tasks and decisions based on elementary principles of sustainable system design. Whether in organizational matters or in formulating products and services, whether in laying out infrastructure or in directing material and energy flows, our objective is to reach all decisions in the Julius Baer Group optimally and professionally with respect to sustainable development of the enterprise and its environment.

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 the 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.

Our model of sustainable corporate development gives us an effective instrument to continually optimize our corporate goal of generating the greatest possible added value for our clients, shareholders and employees as well as for other stakeholder groups on all levels of the organization in the spirit of sustainability.

The 2005 financial year was primarily influenced by the acquisition of the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano as well as the asset manager GAM Holding AG from UBS. The aforementioned sustainability model, among other things, will play an important role in the successful integration of these new entities. The Julius Baer Group will therefore dedicate part of its management resources to fundamentally cultivating and optimally applying the elements of sustainability in the new organization as swiftly as possible.

The Julius Baer Group is convinced that a sustainable corporate design which stems from internal conviction will bring major advantages. It will therefore maintain its commitment to sustainability. Additional information on the sustainable development model of the Julius Baer Group and its underlying principles is available at www.juliusbaer.com.

Comparable pro-forma figures for 2004 are not available. The restatement of figures for 2004 relates to the IFRS changes (cf. page 78 ff.).

	2004 *CHF m* *restated*	2005 *CHF m*	Change *CHF m*	Change *%*
Operating income	59.9	**77.5**	17.6	29.4
Personnel expenses[1]	177.2	**233.4**	56.2	31.7
General expenses[1]	128.7	**141.2**	12.5	9.7
Services to/from other business lines	-208.1	**-229.4**	-21.3	10.2
Depreciation and write-offs of non-current assets[1]	25.7	**73.5**	47.8	186.0
Valuation adjustments, provisions, losses	-3.0	**1.1**	4.1	-
Operating expenses	120.5	**219.8**	99.3	82.4
Net profit before taxes per business line	-60.6	**-142.3**	-81.7	-
Net profit before taxes per business line[2]	-60.6	**-85.0**	-24.4	40.3

	31.12.2004	31.12.2005	Change	Change *%*
Number of employees (FTE)	859	**788**	-71	-8.3
Allocated FTE to business lines	-526	**-395**	131	24.9
Total (FTE)	333	**393**	60	18.0

[1] In relation to the integration, the following costs incurred: within personnel expenses CHF 2.2 million, within general expenses CHF 14.9 million and within depreciation CHF 35.4 million.

[2] Excluding amortization of intangible assets and significant financial events.

Corporate Governance

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 2005 and therefore reflects the changes that occurred at Senior Management level as a result of the acquisitions completed in early December 2005.

1. Group structure and shareholders

1.1 Significant shareholders (as of 31 December 2005)

	Davis Selected Advisers, L.P., Tucson, USA	UBS
Number of registered shares	6 082 396	23 107 046
Percentage of voting stock	5.45%	20.7%[1]
Percentage of share capital	5.45%	20.7%

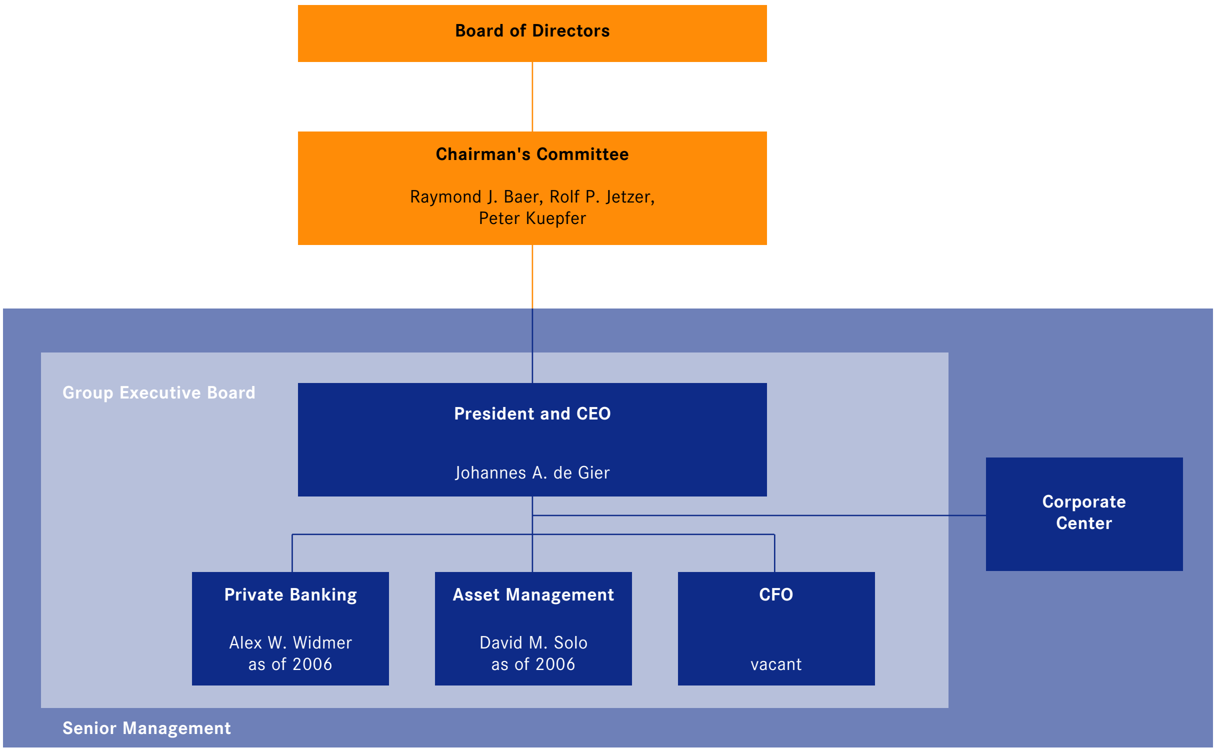
[1] Contractual voting and selling restriction: abstention from exercising voting rights (until 2 December 2008) and abstention from selling (until 2 June 2007) for 19.9%, respectively subject to certain exceptions

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. (as of 31 December 2005)

The consolidated companies are disclosed on pages 124 to 127.



2. Capital structure

2.1 Capital

As of 31 December 2005, ordinary capital in the amount of CHF 11 162 823.90 existed. There is no authorized capital.

The share capital of the company amounts to CHF 11 162 823.90. It is fully paid-up and divided into 111 628 239 registered shares with a par value of CHF 0.10 each. The registered shares (security no. 1 208 301; ISIN CH 0012083017) 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 company's share capital is to be increased by the issue of up to 5 000 000 registered shares, to be fully paid-up and each with a par value of CHF 0.10, in a maximum total amount of CHF 500 000 through the exercise of conversion or warrant rights in connection with bonds issued by the company or its subsidiaries. Existing shareholders are excluded from subscription rights. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares are subject to the entry limitations as set forth in Article 4.3 ff. of the Articles of Incorporation.

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

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

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

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

2.3 Changes of capital

The description of the changes of capital in the last three years is disclosed on page 66.

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 April 2005 were the following regarding the share repurchase program 2004/2005:

- Nullification of 907 000 registered shares held by the company itself
- Reduction of the share capital by CHF 90 700 to CHF 5 293 461

A maximum of CHF 90 million worth of bearer and/or registered shares were supposed to be repurchased in the market through a second trading line on the SWX Swiss Exchange between 16 March 2005 and 28 February 2006. As a result of the acquisitions announced on 5 September 2005 and their financing, the share repurchase program was suspended and some of the 446 000 registered shares with a total market value of CHF 35.3 million repurchased up to that point through the second trading line on the SWX Swiss Exchange were sold on the stock exchange, while the remainder of these shares were used as part of the transaction with UBS.

Since instituting the share repurchase program in 1998, Julius Baer Holding Ltd. has repurchased a total of more than CHF 785 million worth of shares in the market and nullified them as well as carried out a partial repayment of equity par value of CHF 50 million.

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

2.4 Shares and participation certificates

Shares

	2004	**2005**[1]
Number of shares as of 31 December		
Registered shares with par value of CHF 0.10	9 566 140	**111 628 239**
(all entitled to dividends)		
Bearer shares with par value of CHF 0.50	8 855 094	**-**
of which entitled to dividends	*8 165 534*	-

[1] The change in the capital structure and the increase of the share capital occurred in three steps:
- Creation of single-class registered shares in April through the splitting and conversion of the 8 855 094 bearer shares with a par value of CHF 0.50 each into 44 275 470 registered shares with a par value of CHF 0.10 each. This resulted in CHF 5 384 161 of share capital, divided into 53 841 610 registered shares with a par value of CHF 0.10 each.
- Ordinary increase of the share capital in November through the issue of 37 696 358 new registered shares with a par value of CHF 0.10 each, at a subscription ratio of 4:3 and an offer price of CHF 68 per share. This resulted in CHF 9 063 096.80 of share capital, divided into 90 630 968 registered shares with a par value of CHF 0.10 each.
- Creation of CHF 2.1 million of authorized share capital in November for the purpose of issuing 20 997 271 registered shares with a par value of CHF 0.10 each in order to, in combination with 2 672 800 treasury shares and 330 000 additional own shares, grant UBS AG a stake of 21.5% in the share capital of Julius Baer Holding Ltd. This resulted in CHF 11 162 823.90 of share capital upon completion of the transaction, divided into 111 628 239 registered shares with a par value of CHF 0.10 each.

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 (as of 31 December 2005)

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

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

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

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

2.7 Convertible bonds and options

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

2.8 Trading volume

Average daily trading volume amounted to CHF 36.9 million in 2005. Thus the cumulative turnover in 2005 reached a volume of CHF 9.42 billion.

2.9 Distribution of profit

Julius Baer Holding Ltd. follows a profit-oriented dividend policy (cf. page 15).

3. Board of Directors

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

3.1 Members of the Board of Directors

Raymond J. Baer (born 1959), Swiss citizen; Law Degree, University of St. Gallen, 1984; LL.M. Degree in Law, Columbia Law School, New York, USA, 1985. Salomon Bros. Inc., New York and London, 1985–1988. Entry into Bank Julius Baer & Co. Ltd., Zurich, as Head of the Swiss Capital Market Group, 1988; Deputy Branch Manager of Bank Julius Baer & Co. Ltd., New York, 1990–1993; Member of the Management Committee of Bank Julius Baer & Co. Ltd., Zurich, 1993–1996; Member of the Group Executive Board of Julius Baer Holding Ltd. and Head of the Private Banking business line as of 1996; Vice President of the Group Executive Board of Julius Baer Holding Ltd. from 2001 until 13 May 2003; Co-Head of the Private Banking business line from January 2003 until 13 May 2003; Chairman of the Board of Directors of Julius Baer Holding Ltd. since 14 May 2003 and of Bank Julius Baer & Co. Ltd. since 28 March 2003 (first-time election in 2003, term of office until 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 (first-time election in 1999, term of office until 2008).

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).

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).

Rolf P. Jetzer (born 1950), Swiss citizen; Law Degree, University of Zurich, 1975; Dr. of Law, University of Zurich, 1979; Certificat des Hautes Etudes Européennes (H.E.E.), College of Europe, Bruges, Belgium, 1981; bar exam, Canton of Zurich, 1981; courses on American banking law at New York University, USA, 1981. Attorney in the law firm of Lillic McHose & Charles, Los Angeles, California, USA, 1981–1982. Attorney in the law firm of Niederer Kraft & Frey, 1982–1987, and Partner in the firm since 1988. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2005 (first-time election in 2005, term of office until 2007).

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, 2000 until mid–2005; CFO and Member of the Group Executive Board of Panalpina Ltd., Basle, since mid-2005. 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).

Changes in the Board of Directors

Given that Rudolf E. Baer and Guy E. Waldvogel had reached the age limit and that Felix R. Ehrat had been nominated to become Chairman of another banking institution, these gentlemen resigned from the Board of Directors of Julius Baer Holding Ltd. at the Annual General Meeting on 12 April 2005 and thus also stepped down from the Board of Directors of Bank Julius Baer & Co. Ltd. Furthermore, Marc Baer decided not to seek reelection after expiration of his mandate, and Andreas J. Baer also relinquished his mandate after serving on the Board of Directors for two years. Both decisions took into account the changed voting rights following the introduction of the single-class registered shares in April 2005.

At the same time, Peter Kuepfer was reelected to the Board of Directors for three years and Rolf P. Jetzer was elected to the Board for two years as the successor of Felix R. Ehrat, with the initial term of the new member amounting to the remaining term of the predecessor.

At the Annual General Meeting on 12 April 2006, Georges Gagnebin and Charles Stonehill will be proposed for election to the Board of Directors.

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 Chairman's Committee of the Board of the Swiss Bankers Association;
President of the Association of Swiss Commercial and Administrative Banks;
Member of the Foundation Board of the Swiss Finance Institute (SFI);
Member of the Admissions Board of the SWX Swiss Exchange.

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.

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.

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

Peter Kuepfer: Member of the Board of Directors of VALORA Holding AG, Berne;
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;
Member of the Supervisory Board of Metro AG, Duesseldorf, Germany.

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

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 are elected by the Annual General Meeting for a term of three years. The period between two Ordinary General Meetings is deemed to be one year. The term of office for each director shall be fixed with his/her election. The various terms of office shall be fixed in a way to assure that approximately one-third of all members is newly elected or reelected each year. Members whose term of office has expired are immediately eligible for reelection. The Board of Directors shall constitute itself. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members who have reached their 67th year of age generally do not seek reelection after their term of office expires. In exceptional instances, however, the Board of Directors may propose the reelection of such a member to the Annual General Meeting. The term of office of a member of the Board of Directors ends automatically at the Annual General Meeting in the year in which he/she completes his/her 70th year of age.

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

3.5 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. The presence of a majority of its members is necessary for resolutions to be passed with the exception of the ascertainment resolution and the resolution concerning the amendment of the Articles of Incorporation as well as the capital increase report in the case of capital increases. Resolutions are passed by an absolute majority of votes of members present. In the case of a tie vote, the Chairman shall have the casting vote. The 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 complete 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 Chairman's 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 irrevocable duties:

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

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

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in section 3.6 on page 44.

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 Chairman's Committee, each of these committees is chaired by an independent director.

Chairman's Committee

The Chairman's 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 Chairman's Committee exercises the functions of the Board of Directors and its committees between the regular meetings. The Chairman's Committee generally convenes monthly for at least three hours each session.

The Chairman's Committee receives regular updates on business developments from the Chief Executive Officer and the Chief Financial Officer, who generally also attend its meetings. So-called hearings take place on a regular basis, during which specialists provide information on their fields of expertise. Moreover, the Chairman's 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), Rolf P. Jetzer, Peter Kuepfer

Compensation Committee

The Compensation 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 Compensation Committee may seek advice from additional members of the Board of Directors. The Compensation Committee convenes at least four times a year for three hours on average.

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

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), Monika Ribar Baumann, Béatrice Speiser

Audit Committee

The Audit Committee is responsible for monitoring business operations and controlling compliance with laws, statutes and regulations, 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: Monika Ribar Baumann (Chairman), Raymond J. Baer (ex officio), Peter Kuepfer, Rolf P. Jetzer, 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. It convenes as needed.

Members: Peter Kuepfer (Chairman), Raymond J. Baer, Daniel Borel

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 divisions, the corporate functions and the legal units.

The individual responsibilities and powers of the governing bodies arise from the Organization Bylaws as well as the appendix thereto, which forms an integral part of the Organization 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 divisions, corporate functions and Group companies, generally or regarding individual matters.

Within scope of the business division organizational structure, the Group Executive Board delegates powers to the individual heads of the business divisions 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, in consultation with the Chairman of the Board of Directors, the Chief Executive Officer 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. Senior Management

4.1 Members of the Group Executive Board

Johannes A. de Gier (born 1944), Dutch citizen; Law Degree, University of Amsterdam, 1970. Swiss Bank Corporation, SBC Warburg and Warburg Dillon Read, various functions, 1980–1991; UBS Warburg, Chairman of the Board of Directors and Member of the Group Executive Board of UBS AG, 1991–2001; UBS AG, Executive Vice Chairman of the Board of Directors, 2001–2003; GAM Holding AG, Chairman of the Board of Directors, since 2002; SBC Wealth Management AG, Chairman of the Board of Directors, since 2003; Banco di Lugano, Vice Chairman of the Board of Directors, since 2003; Ehinger & Armand von Ernst, since 2003, most recently Chairman of the Board of Directors; Ferrier Lullin & Cie SA, since 2003, most recently Vice Chairman of the Board of Directors. Entry into the Julius Baer Group on 2 December 2005 as President of the Group Executive Board and Chief Executive Officer of Julius Baer Holding Ltd.

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., from 2001 until the beginning of December 2005; additionally served as interim Head of the Private Banking business line during 2005.

Changes in the Group Executive Board

Alex W. Widmer (born 1956), Swiss citizen; Economics Degree, University of St. Gallen, 1981; Dr. of Economics, University of St. Gallen, 1985. Credit Suisse Group, various functions, 1986–2005; Chief Marketing Officer, Tokyo, 1991–1995; Managing Director and Co-Head Asia, Singapore, 1996–1998; CEO Asia Pacific and Member of the Group Executive Board, Zurich und Singapore, 1991–2001; Global Head of Private Banking and Member of the Group Executive Board, Zurich, 2002–2005; Senior Advisor, Zurich, 2004–2005. Entry into the Julius Baer Group on 1 January 2006 as Member of the Group Executive Board of Julius Baer Holding Ltd. and CEO Private Banking.

David M. Solo (born 1965), American citizen; Bachelor of Science, Massachusetts Institute of Technology, Cambridge, Mass., USA, 1987; Master of Science, Massachusetts Institute of Technology, 1987. O'Connor & Associates, Chicago, USA, 1987–1991, ultimately as General Partner; Swiss Bank Corporation, Head of Global Rates Division and Managing Director, 1992–1995; SBC Warburg, Chief Operating Officer and Member of the

Group Managing Board of UBS AG, 1996–1998; UBS AG, Chief Risk Officer and Member of the Group Executive Board, 1998–1999; UBS Capital, Chief Executive Officer, 2001–2002; Diversified Credit Investments, San Francisco, USA, Founder and Chairman of the Board of Directors, 2002–2004; GAM Holding AG, Chief Executive Officer, since 2004. Entry into the Julius Baer Group at the beginning of 2006 as Member of the Group Executive Board of Julius Baer Holding Ltd. and CEO Asset Management.

With the entering into force of the new organizational structure (closing of the acquisition), the Group Executive Board that existed up to that point was discharged and its responsibilities were transferred to the new Group Executive Board. Walter Knabenhans stepped down from the Group Executive Board at the end of 2005; Alex W. Widmer joined the Group Executive Board at the beginning of 2006 as his successor and CEO Private Banking. Rolf W. Aeberli, hitherto CFO of the Julius Baer Group and Member of the Group Executive Board, left the Group on 2 December 2005 to pursue a new challenge as CEO of a Swiss bank. David M. Solo became CEO Asset Management and Member of the Group Executive Board at the beginning of 2006.

4.2 Corporate Center

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; transfer 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. from 2002 until 2 December 2005; Head of Group Communications & Investor Relations within the Corporate Center since 3 December 2005.

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. from 2001 until 2 December 2005; Chief Risk Officer and Head of the Corporate Center since 3 December 2005.

Juergen Pulm (born 1963), German citizen; MBA, State University of New York at Buffalo, USA, 1987; Dr. of Economics (rer. pol.), University of Paderborn, 1992. 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. from 1 December 2002 until 2 December 2005; Member of Private Banking Senior Management and Head of IT & Operations since 3 December 2005.

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 from 2003 until 2 December 2005; Head of Group Human Resources within the Corporate Center since 3 December 2005.

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, 1993–1995; Professor of Financial Market Law (including banking law as well as legal management and compliance) at the University of Lucerne, since 1 October 2005; 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. from 2002 until 2 December 2005; Group General Counsel and Secretary of the Group Executive Board since 3 December 2005.

Helmut U. Vollert (born 1950), German citizen; Degree in Mathematics, University of Erlangen-Nuremberg, 1977; Dr. of Economics (rer. pol.), University of Berne, 1982; Advanced Management Program, INSEAD, Fontainebleau, 1992. University of Berne, Assistant Lecturer and Lecturer at the Institute of Operations Research and Planning, 1977–1986; UBS, Zurich, various positions and ultimately Head of Group Management Information and Deputy Head of Group Planning and Controlling, 1986–1996. Entry into Julius Baer Holding Ltd. in 1996; Group Strategic Controller, 1996–1998; Chief Financial Officer and Member of the Extended Group Executive Board, 1999–2002; Group Finance Director, 2003–2005; Managing Director and Group Treasurer since mid-2005.

Andrew Wills (born 1962), British citizen; Chartered Certified Accountant, 1987. Entry into Global Asset Management (U.K.) Limited, 1986; Chief Accountant, 1988–1997; Group Financial Services Controller, 1997–2000; Group Financial Services Director; Group Head of Finance, 2002–2005; Chief Financial Officer of SBC Wealth Management Group, 2005. Entry into the Julius Baer Group on 3 December 2005 as Group Financial Controller within the Corporate Center.

4.3 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.

4.4 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 Senior Management

5.1 Content and method of determining the compensation and the equity participation programs (as of 31 December 2005)

Compensation
The compensation of the members of the Board of Directors consists of a base honorarium, dependent on each member's function within this corporate body, and an allotment of Julius Baer Holding Ltd. registered shares and/or options on such registered shares based on a fixed amount per term of office (as of 2006, based on a fixed number of registered shares per year). There is no additional compensation for attending meetings.

The compensation of Senior Management members 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. registered shares as well as options on such registered shares. Individual bonus allocation is fundamentally contingent on a performance appraisal based on the annually defined goals, guidelines and expectations. The Compensation Committee of the Board of Directors is responsible for determining the compensation (and individual components thereof) of Senior Management members.

Equity Participation Programs

The Compensation 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 as of 31 December 2005. The future shape of the Equity Participation Programs as of 2006 is being redefined as part of the integration and harmonization processes.

Staff Participation Plan

The existing Staff Participation Plan that entered into force in 1998 was suspended in January 2005 due to the introduction of the single-class registered shares.

For the year 2005, it was decided to grant the employees a one-off opportunity to purchase registered shares of Julius Baer Holding Ltd. at a preferential price. The registered shares acquired in this way are subject to a sales restriction period. The number of registered shares in each instance depends on the employee's professional rank. The offer price is 40% below the average weighted market value of the registered stock for the period from 23 November until 6 December 2005.

The statement of the number of shares and options that follows as well as the corresponding prices in CHF were adjusted to reflect the conversion ratio of 1 bearer share = 5 registered shares as a result of the introduction of the single-class registered shares in April 2005.

	2004	**2005**
Staff Participation Plan		
Number of registered shares taken up (prior to single-class reg. shares)	84 100	-
Purchase price per share (CHF book value 31.12.2003)	29.20	-
Number of bearer shares taken up (prior to single-class reg. shares)	279 195	-
Preferential price per bearer share (CHF)	38[1]	-
Number of registered shares taken up (after single-class reg. shares)	-	**364 074**
Preferential price per registered share (CHF)	-	**55.95**[2]

[1] The preferential price is 43% below the average weighted market value for the preceding year.
[2] The preferential price is 40% below the average weighted market value for the period from 23 November until 6 December 2005.

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. registered shares and options on such registered shares at market prices. The shares and options (taking into account the adjustment at a ratio of 1:1.1805 as a result of the capital increase in November 2005) acquired in this way are subject to a sales restriction period. Further details regarding options ownership are disclosed in section 5.6 on page 54.

	2004	**2005**
Equity Bonus Plan		
Number of bearer shares taken up (prior to single-class reg. shares)	31 245	**23 675**
Purchase price per bearer share (CHF)	81.50[1]	**82.60**[2]
Number of options taken up	73 210	**58 880**
Exercise price (CHF)	81.50[1]	**82.60**[2]

1 Average weighted market value for the period from 24 February until 25 March 2004.
2 Average weighted market value for the period from 22 February until 24 March 2005.

The registered 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. registered shares and/or options on such registered shares (taking into account the adjustment at a ratio of 1:1.1805 as a result of the capital increase in November 2005) 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 54. 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. In the course of the capital increase during the period from 14 November until 22 November 2005, the Loteco Foundation exercised all of the subscription rights relating to the non-vested registered shares of Julius Baer Holding Ltd. at the time.

	2004	**2005**
Long-Term Incentive Plan		
Number of bearer shares allotted (prior to single-class reg. shares)	70 040	-
Share price on allotment date (CHF)	67.80[1]	-
Number of registered shares allotted (after single-class reg. shares)	-	**128 998**
Share price on allotment date (CHF)	-	**83.20**[2]
Number of registered shares allotted (after single-class reg. shares)	-	**91 784**
Share price on allotment date (CHF)	-	**93.7**[3]
Number of registered shares allotted from capital increase (exercise of rights Loteco Foundation)	-	**143 096**
Share price on allotment date (CHF)	-	**68**[4]
Number of options allotted	276 010	**-**
Exercise price (CHF)	67.80[1]	**-**

1 Average weighted market value for the period from 29 July until 28 August 2004.
2 Average weighted market value for the period from 27 July until 26 August 2005.
3 Market value on 2 December 2005.
4 Offer price for capital increase from 14 November until 22 November 2005.

5.2 Compensation for acting members of governing bodies

		2004	**2005**
		CHF 1000	*CHF 1000*
a)	The members of Senior Management in toto[1]	11 451	**13 665**
b)	The members of the Board of Directors in toto	2 674	**3 174**
c)	Severance payments to persons mentioned under 5.2 a) and b) who gave up their functions	-	**2 450**

1 Group Executive Board and Extended Group Executive Board for the 2004 financial year; Group Executive Board and Corporate Center functions for the 2005 financial year according to section 4 (the former designation “Extended Group Executive Board” was discarded as of 2 December 2005). This also applies to sections 5.3 through 5.8.

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

		2004 *Persons*	2004 *CHF 1000*	**2005** *Persons*	**2005** *CHF 1000*
a)	The former Senior Management members in toto	1	275	**1**	**3 841**
b)	The former members of the Board of Directors in toto	1	65	-	**-**

5.4 Share allotment

		2004 *Number*	**2005** *Number*
a)	The Senior Management members and parties closely linked to such persons, in toto[1]		
	Bearer shares (prior to single-class reg. shares)	36 685	**-**
	Registered shares (after single-class reg. shares)	-	**137 634**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto		
	Bearer shares (prior to single-class reg. shares)	11 180	**-**
	Registered shares (after single-class reg. shares)	–	**18 642**

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

5.5 Share ownership

		2004 *Number*	**2005** *Number*
a)	The Senior Management members and parties closely linked to such persons, in toto		
	Registered shares (prior to single-class reg. shares)	235 290	**-**
	Bearer shares (prior to single-class reg. shares)	85 340	**-**
	Registered shares (after single-class reg. shares)	-	**645 113**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto		
	Registered shares (prior to single-class reg. shares)	1 647 240	**-**
	Bearer shares (prior to single-class reg. shares)	147 215	**-**
	Registered shares (after single-class reg. shares)	-	**885 825**

5.6 Options ownership[1]

		2004 *Number*	**2005** *Number*
a)	The Senior Management members and parties closely linked to such persons, in toto	453 280	**323 073**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto	169 155	**89 661**

[1] A-Call Julius Baer Hld 2001/31.03.2006, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 133.08, number: 70 950
A-Call Julius Baer Hld 2001/09.07.2006, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 122.07, number: 26 250
A-Call Julius Baer Hld 2002/31.03.2007, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 88.10, number: 53 070
A-Call Julius Baer Hld 2002/09.07.2007, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 72.00, number: 30 325
A-Call Julius Baer Hld 2003/31.03.2008, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 38.46, number: 66 265
A-Call Julius Baer Hld 2003/23.07.2008, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 54.72, number: 36 820
A-Call Julius Baer Hld 2004/31.03.2009, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 69.04, number: 52 580
A-Call Julius Baer Hld 2004/31.08.2009, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 57.43, number: 22 329
A-Call Julius Baer Hld 2005/31.03.2010, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 69.97, number: 54 145

5.7 Additional honorariums

No additional honorariums or disbursements were paid to members of the Board of Directors or to Senior Management members (including parties closely linked to such persons) during the 2005 financial year as set forth in section 5.7 of the directive.

5.8 Loans granted by governing bodies

		2004 *Persons*	2004 *CHF 1000*	**2005** *Persons*	**2005** *CHF 1000*
a)	The Senior Management members and parties closely linked to such persons, in toto	9	17 375	**7**	**22 281**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto	8	14 274	7	**13 101**

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 1.55% to 4.39% (prior to the discount) are applied to the mortgage portfolio as of 31 December 2005. The residual maturities of the mortgage loans as of 31 December 2005 range between 3 months and 10 years.

Interest rates ranging from 1.75% to 7.25% are charged on the lombard loans outstanding as of 31 December 2005.

5.9 Highest total compensation in the Board of Directors

	2004	**2005**
Compensation (CHF)	1 675 479	**2 822 089**
Share allotment (number of shares)	4 535	8 124
of which		
Bearer shares (prior to single-class reg. shares)	*4 535*	**-**
Registered shares (after single-class reg. shares)	-	***8 124***
Option allotment (number of options)	18 810	**11 400**

6. Shareholders' participation rights (as of 31 December 2005)

6.1 Voting-rights restrictions and representation

Shareholders may represent their shares themselves or have them represented by a third party at the Annual General Meeting.

There are no voting-rights restrictions.

6.2 Statutory quorums

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

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 may also be requested by one or more shareholders who together represent at least 10% of the share capital. The Board of Directors must convene the requested General Meeting within six weeks of receiving the request.

6.4 Agenda

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

6.5 Registrations in the share register

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

7. Changes of control and 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 2.3 million in the 2005 financial year (2004: CHF 2.2 million).

8.3 Additional honorariums

The Julius Baer Group paid PricewaterhouseCoopers Ltd. CHF 0.1 million during the 2005 financial year for additional services (2004: CHF 0.1 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 Pricewaterhouse-Coopers 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. It also publishes 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

16 February 2006	Media and analyst conference, Zurich
12 April 2006	Annual General Meeting, Zurich
19 April 2006	Dividend payment
11 August 2006	Release of half-year results, Zurich

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

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Financial Report

Financial Report Group 2005

Notes

Consolidated income statement

	Note	2004 *CHF 1000* *restated*	**2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Interest and discount income		151 140	**215 420**	64 280	42.5
Interest and dividend income on financial investments		125 075	**123 208**	-1 867	-1.5
Interest expenses		155 423	**210 735**	55 312	35.6
Net interest income	1	120 792	**127 893**	7 101	5.9
Commission income on lending activities		1 644	**1 992**	348	21.2
Commission income on securities and investment transactions	2	931 544	**1 338 464**	406 920	43.7
Commission income on other services		26 309	**21 002**	-5 307	-20.2
Commission expenses		178 892	**228 655**	49 763	27.8
Results from commission and service fee activities		780 605	**1 132 803**	352 198	45.1
Results from trading operations	3	128 955	**148 856**	19 901	15.4
Other ordinary results	4	1 838	**94 805**	92 967	-
Operating income	8	1 032 190	**1 504 357**	472 167	45.7
Personnel expenses	5	489 227	**839 174**	349 947	71.5
General expenses	6	241 969	**326 156**	84 187	34.8
Depreciation and amortization	14	29 647	**105 969**	76 322	257.4
Valuation adjustments, provisions and losses		13 525	**44 374**	30 849	228.1
Operating expenses		774 368	**1 315 673**	541 305	69.9
Net profit before taxes	8	257 822	**188 684**	-69 138	-26.8
Taxes	7, 8	49 945	**43 873**	-6 072	-12.2
Net profit	8	207 877	**144 811**	-63 066	-30.3
Attributable to:					
Shareholders of Julius Baer Holding Ltd.	8	210 196	**146 146**	-64 050	-30.5
Minority interest	8	-2 319	**-1 335**	984	42.4
		207 877	**144 811**	-63 066	-30.3

	Note	2004 *CHF* *restated*	**2005** *CHF*	Change *CHF*	Change *%*
Share information					
Basic net profit per registered share	9	4.13	**2.59**	-1.54	-37.3
Diluted net profit per registered share	9	4.13	**2.58**	-1.55	-37.6

Consolidated balance sheet

	Note	31.12.2004 CHF 1000 restated	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Assets					
Cash		157 500	**483 553**	326 053	207.0
Due from banks		3 299 410	**6 791 893**	3 492 483	105.9
Due from customers	10	3 286 906	**5 831 338**	2 544 432	77.4
Trading portfolios	11	1 027 856	**1 189 347**	161 491	15.7
Derivative financial instruments	28	1 409 331	**1 336 543**	-72 788	-5.2
Financial investments	12	6 318 068	**7 033 029**	714 961	11.3
Investments in associates	13	1 472	**927**	-545	-37.0
Property and equipment	14	176 272	**334 524**	158 252	89.8
Goodwill and other intangible assets	14	72 456	**4 987 787**	4 915 331	6 783.9
Accrued income and prepaid expenses		210 541	**455 146**	244 605	116.2
Deferred tax assets	20	4 993	**49 441**	44 448	890.2
Other assets		65 154	**154 849**	89 695	137.7
Total assets		16 029 959	**28 648 377**	12 618 418	78.7

	Note	31.12.2004 CHF 1000 restated	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Liabilities and equity					
Due to banks		1933405	**2445177**	511772	26.5
Due to customers in savings and investment accounts		557720	**388884**	-168836	-30.3
Due to customers, other		8555692	**14062409**	5506717	64.4
Trading liabilities		486139	**432375**	-53764	-11.1
Derivative financial instruments	28	1374559	**1394861**	20302	1.5
Financial liabilities designated at fair value	18	700255	**1851505**	1151250	164.4
Debt issued	19	451435	**513478**	62043	13.7
Accrued expenses and deferred income		224994	**775021**	550027	244.5
Other liabilities		55719	**172791**	117072	210.1
Current tax liabilities		46257	**125556**	79299	171.4
Deferred tax liabilities	20	64385	**89830**	25445	39.5
Provisions	21	40689	**189213**	148524	365.0
Total liabilities		14491249	**22441100**	7949851	54.9
Share capital	23	5384	**11163**	5779	107.3
less treasury shares	23	-88784	**-80769**	8015	9.0
Capital reserve		282628	**4931242**	4648614	1644.8
Retained earnings		1118252	**1179132**	60880	5.4
Reserves IAS 39		8556	**6698**	-1858	-21.7
Translation differences		-14365	**13520**	27885	194.1
Net profit attributable to shareholders of Julius Baer Holding Ltd.		210196	**146146**	-64050	-30.5
Equity attributable to shareholders of Julius Baer Holding Ltd.		1521867	**6207132**	4685265	307.9
Minority interest		16843	**145**	-16698	-99.1
Total equity		1538710	**6207277**	4668567	303.4
Total liabilities and equity		16029959	**28648377**	12618418	78.7

Consolidated equity

	2003 *CHF 1000*	2004 *CHF 1000*	**2005** *CHF 1000*
Share capital[1]			
Balance at the beginning of the year	5 575	5 471	**5 384**
Capital reduction/capital increase	-104	-87	**5 779**
Balance at the end of the year	5 471	5 384	**11 163**
Treasury shares[1]			
Balance at the beginning of the year, restated	-91 302	-105 541	**-88 784**
Capital reduction/capital increase	74 993	64 966	**59 130**
Change in treasury shares	-89 232	-48 209	**-51 115**
Balance at the end of the year	-105 541	-88 784	**-80 769**
Capital reserve[2]			
Balance at the beginning of the year, restated	195 338	282 628	**282 628**
Participation plans[3]	87 290	-	**-**
Capital increase[3]	-	-	**4 648 614**
Balance at the end of the year	282 628	282 628	**4 931 242**
Retained earnings			
Balance at the beginning of the year, restated	1 421 721	1 253 742	**1 328 448**
Julius Baer Holding Ltd. dividend	-62 440	-61 403	**-80 419**
Capital reduction	-74 889	-64 879	**-64 909**
Change in treasury shares	-112 541	-9 208	**-3 988**
Subtotal	1 171 851	1 118 252	**1 179 132**
Net profit attributable to shareholders of Julius Baer Holding Ltd.	81 891	210 196	**146 146**
Balance at the end of the year	1 253 742	1 328 448	**1 325 278**
Reserves IAS 39			
Available-for-sale investments, net of taxes			
Balance at the beginning of the year, restated	26 133	-318	**8 415**
Unrealized gains and losses	-24 492	6 321	**6 571**
Impairment charges reclassified to the income statement	6 250	-	**-**
Realized (gains)/losses reclassified to the income statement	-8 209	2 412	**-5 990**
Subtotal	-318	8 415	**8 996**
Hedging reserve for cash flow hedges, net of taxes			
Balance at the beginning of the year, restated	-1 649	4 141	**141**
Unrealized gains and losses	5 790	-4 000	**-2 439**
Subtotal	4 141	141	**-2 298**
Balance at the end of the year	3 823	8 556	**6 698**

	2003 *CHF 1000*	2004 *CHF 1000*	**2005** *CHF 1000*
Translation differences			
Balance at the beginning of the year	-10 394	-8 446	**-14 365**
Changes	1 948	-5 919	**27 885**
Balance at the end of the year	-8 446	-14 365	**13 520**
Equity attributable to shareholders of Julius Baer Holding Ltd.	1 431 677	1 521 867	**6 207 132**
Minority interest			
Balance at the beginning of the year	5 454	19 463	**16 843**
Changes	15 023	-301	**-15 364**
Minority interest in consolidated profit	-1 014	-2 319	**-1 334**
Balance at the end of the year	19 463	16 843	**145**
Total equity, restated	1 451 140	1 538 710	**6 207 277**

1 See Note 23, page 111

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 For participation plans, see Note 33, pages 130 ff.

Consolidated statement of cash flows

		2004		2005
	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Interest received (excluding financial investments)	153 844		182 094	
Commissions received	957 914		1 157 704	
Interest paid	-151 793		-196 531	
Commissions paid	-177 247		-150 350	
Payments for personnel and other operating expenses	-688 588		-576 984	
Other income	-36 494		110 992	
Subtotal	57 636		526 925	
Changes in assets and liabilities from operating activities:				
Claims and investments	584 196		1 131 348	
Trading portfolios	322 967		1 239 456	
Liabilities	1 166 451		-1 505 892	
Other	-33 076		-160 030	
Cash flow from operating activities before taxes	2 098 174		1 231 807	
Taxes paid	-108 497		-101 972	
Cash flow from operating activities after taxes		1 989 677		1 129 835
Acquisition of financial investments	-2 093 549		-1 821 274	
Acquisition of non-current assets	-40 246		-51 634	
Sale of financial investments	1 003 924		2 163 236	
Sale of non-current assets	1 612		4 272	
Interest received from financial investments	134 966		131 385	
Dividends received from financial investments	2 210		4 558	
Investments of subsidiaries	-301		-5 766 129	
Disposal of subsidiaries	-		11 871	
Cash flow from investing activities		-991 384		-5 323 715
Dividend payments	-61 403		-80 419	
Change in holdings of treasury shares	-74 381		-60 973	
Capital increase			4 654 483	
Repayment of long-term debt			-150 000	
Decrease in minority interests	-		-17 681	
Issuance of preferred securities	-		225 000	
Cash flow from financing activities		-135 784		4 570 410
Total		862 509		376 530
Cash and cash equivalents at beginning of the year		1 146 494		2 054 987
Cash flow from operating activities after taxes		1 989 677		1 129 835
Cash flow from investing activities		-991 384		-5 323 715
Cash flow from financing activities		-135 784		4 570 410
Effects of exchange rate changes		45 984		-69 474
Cash and cash equivalents at end of the year		2 054 987		2 362 043

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:

		31.12.2004	31.12.2005
	Note	1000 CHF	1000 CHF
Cash		157 500	483 553
Bills and money market instruments eligible for discount at central banks	12	1 066 392	963 715
Securities acceptable to central banks	11, 12	831 095	914 775
Total		2 054 987	2 362 043

Consolidation policies and valuation principles

General accounting policies

Julius Baer Holding Ltd. is a Swiss corporation. Amounts 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 measured at fair value.

Use of estimates in preparing the consolidated financial statements

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

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 to 127. All internal Group claims, liabilities, off-balance-sheet transactions, expenses and income are eliminated. The interest of minority shareholders in the equity and net profit are stated in the consolidated balance sheet within the equity position and in the consolidated income statement as net profit attributable to minority interest.

Non-consolidated participations
Investments in entities in which Julius Baer Holding Ltd. holds between 20% and 50% of the voting stock and/or over which it can wield significant influence (associates) are reported in the consolidated accounts using 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 Group companies prepare their financial statements in the respective functional currency. The balance sheets of Group companies that are denominated in foreign currencies are translated into Swiss francs at the closing exchange rate on the balance sheet date. An average exchange rate for the year is used for the income statements. Exchange differences arising from consolidation are shown as accu-

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2004	31.12.2005	2004	2005
USD/CHF	1.1371	1.3178	1.2394	1.2510
EUR/CHF	1.5457	1.5546	1.5441	1.5480
GBP/CHF	2.1833	2.2626	2.2730	2.2660
JPY/CHF	1.1097	1.1166	–	–

mulated translation 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 rate of exchange on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognized in the income statement as currency gains/losses. Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. For non-monetary assets classified as held for trading, unrealized exchange differences are recognized in the income statement. For non-monetary financial investments classified as available for sale, unrealized exchange differences are recorded directly in shareholders' equity until the asset is sold.

Based on the revised provisions of IAS 21, the reporting currency of several Group companies was changed from the Swiss franc to the respective functional currency. The effect of this change is not material.

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 instruments shall be assigned to one of the four categories ("loans and receivables," "held-to-maturity investments," "financial assets and financial liabilities at fair value through profit or loss," and "available-for-sale financial assets") and uniformly recognized within these categories on the settlement date or the trade 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.

Income and income components that are based on performance are recorded at the time in which all performance criteria are fulfilled.

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 and customers as well as mortgages are initially recognized at fair value.

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. Furthermore, there is no firm evidence that such claims will be made good by later payments or the liquidation of collateral, or insolvency proceedings have commenced, or obligations have been restructured on concessionary terms. 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. The increase of the present value of impaired claims due to the passage of time is reported as interest income.

Impairment is measured in terms of the difference between the carrying amount 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 recoverable if the creditworthiness has improved such that there is a reasonable assurance of timely collection of principal and interest according to the original contractual terms.

Securities lending and borrowing transactions
Securities borrowed 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.

Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and recorded at the value of the provided or received cash deposit 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 initially recognized in the balance sheet at fair value (excluding transaction expenses) and subsequently reported at fair value without deducting transaction expenses that could arise through their sale or disposal in some other way. 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.

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 recognized in the balance sheet at fair value (excluding transaction expenses) and subsequently reported at fair value without deducting transaction expenses that could arise through their sale or disposal in some other way. 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 high effectiveness of the hedging transaction

A hedge is regarded as highly effective if actual results are within a range of 80% to 125%.

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 carrying amount 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 29.

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.
   A held-to-maturity financial investment is deemed impaired if it is likely that the amount due according to the contractual terms cannot be entirely collected. The reasons for impairment are specific to the relevant counterparties or countries. When impairment occurs, the corresponding reduction in the carrying amount to the recoverable amount is recognized in the income statement.
   Interest is accrued in the period incurred using the effective interest rate method and recognized in the item net interest income.

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 recognized in the income statement under the item other ordinary results.

Equities as well as similar securities and rights belong to the available-for-sale financial investments and are stated at fair value. 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 recognized in the income statement.

Equities as well as similar securities and rights are deemed impaired if, due to a significant or prolonged decline of the fair value, the acquisition cost is not recoverable. A debt instrument is deemed impaired if the creditworthiness of the corresponding debtor significantly deteriorates or if other signs of difficulty are observable. Impairment reversals on debt instruments are recognized in the position other ordinary results, whereas impairment reversals on equities are recognized in shareholders' equity.

Interest is accrued in the period incurred using the effective interest rate method and, together with dividend income, recognized in the item net interest income.

Tangible fixed assets
Tangible fixed assets include bank premises, other properties, IT, software and communication systems, leasehold improvements 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 depreciated over a period of 66 years; leasehold improvements are depreciated over the residual lease term, but not exceeding ten years; business equipment costs are depreciated 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 carried out using the straight-line method over the respective estimated useful life. Minor purchases are debited directly to general expenses.

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

Maintenance and renovation expenses are generally posted to general expenses. When such expenses are substantial and result in a significant increase in value, they are capitalized. 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.

On each balance sheet date, the tangible fixed assets are reviewed for indications of impairment, changes in estimated future benefits or reasons for altering depreciation method. If such indications exist, it is determined whether the carrying amount of the tangible fixed assets is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Changes in useful life or in depreciation method are recognized in the income statement.

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.

Intangible assets
Intangible assets are classified into the categories of goodwill, customer relationships, brand and other. Customer relationships comprise long-term customer relationship intangibles from the acquisition of the three private banks and GAM and are amortized using the straight-line method over their estimated useful life of ten years. The Julius Baer Group expects there to be no foreseeable end to the useful life of the intangible assets in the brand category. These intangible assets have an indefinite useful life and are therefore not written off.

The assets and liabilities of acquired subsidiaries are revalued for the capital consolidation at the time of acquisition. The resulting fair value of the identifiable net assets is set off against the purchase price paid, and any resulting difference is recognized in the balance sheet as goodwill. If, based on the annual impairment test at the cash-generating-unit level, goodwill no longer merits capitalization, a write-off is made at that time. Until the end of the 2004 financial year, goodwill was amortized using the straight-line method over its estimated useful life, but not exceeding 20 years.

Software that is purchased is capitalized and written off over its useful life. Minor purchases are debited directly to general expenses.

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 identified and measured reliably. The capitalized assets are written off using the straight-line method over their useful life. The depreciation period usually lasts for three to five years.

On each balance sheet date, the intangible assets are reviewed for indications of impairment, changes in estimated future benefits or reasons for altering depreciation method. If such indications exist, it is determined whether the carrying amount of the intangible assets is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Changes in useful life or in depreciation method are recognized in the income statement. Intangible assets with an indefinite useful life are capitalized in the balance sheet and tested annually for impairment and to confirm their indefinite status.

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

Debt issued
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.

Provisions
A provision is recognized if, as a result of a past event, a current liability exists on the balance sheet date that will probably lead to an outflow of resources and whose amount can be reliably estimated. If an outflow of resources is not likely or the amount of the liability cannot be reliably estimated, a contingent liability is recognized. If, as a result of a past event, there is a possible liability on the balance sheet date whose existence depends on future developments that are not fully under the control of Julius Baer Holding Ltd., a contingent liability is likewise recognized. The recognition and release of provisions are recorded in the income statement through the item valuation adjustments, provisions and losses.

Restructuring provisions in the event of sale or termination of a line of business, closure or relocation of business locations, changes in management structure or fundamental reorganization are recognized if, in addition to the general accounting policies, the following condition is fulfilled and a constructive obligation is incurred:

A detailed formal plan containing at least the following points exists:

- affected line of business
- main affected business locations
- location, function and approximate number of employees
- arising expenditures
- time of implementation
- start of implementation before balance sheet date or announcement of main features to those affected

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

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.

Taxes and deferred taxes
Current taxes are calculated on the basis of the applicable tax laws of the respective countries and recognized as expense in the financial year in which related profits arise. Liabilities related to current taxes are recognized in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account using the liability method for the expected future tax consequences of all temporary differences (timing differences) between the carrying amounts of assets and liabilities and the corresponding tax values.

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

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled. Current and deferred tax assets and tax liabilities are offset against each other when they refer to the same taxable entity, concern the same tax authority, and an enforceable right to offset exists.

Current and deferred taxes are credited or charged directly to shareholders' equity if the taxes refer to items that are immediately credited or charged directly to shareholders' equity in the same or a different period.

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 recognized in the income statement over the expected average 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
In 2005, the Group was divided into three operational and internationally active business lines that formed the basis for the primary reporting. Income and expenses that were not directly connected with the three business lines were attributed to the Corporate Center. Direct income and expenses were assigned to the segments based on the principle of accountability. Indirect costs for internal service relationships between the segments were 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 were 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.

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

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

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

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 2005 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 6 February 2006.

The Board of Directors considered and approved the consolidated financial statements at its meeting on

15 February 2006. These consolidated financial statements will be presented for approval at the Annual General Meeting on 12 April 2006.

Changes in accounting policies and comparability

The Group applied all new and revised IFRS for the first time in 2005. Adoption of these new and revised IFRS resulted in the following changes in the accounting policies of the Group:

IFRS 2 – Share-based Payment
IFRS 2, Share-based Payment, prescribes the accounting for share-based payments to employees and other parties. 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 using the straight-line method over the vesting period. Granted options are recognized in the balance sheet as a liability at fair value until they are exercised. 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.

The change in accounting due to the new standard IFRS 2 resulted in restatement of the 2004 figures in the 2005 financial year. This had the following consequences:

Consolidated shareholders' equity (excluding minority interest) declined by a net CHF 22.7 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, increased by CHF 11.2 million as of 1 January 2004.
- The capital reserve increased by CHF 99.8 million as of 1 January 2004.
- The retained earnings declined by CHF 105.1 million as of 1 January 2004.

The liabilities increased by CHF 9.3 million as of 1 January 2004.

Personnel expenses increased by CHF 11.2 million for the 2004 financial year.

IFRS 3 – Business Combinations
IFRS 3 requires that all business combinations be accounted for using the purchase method. The pooling-of-interests method is no longer permitted. The key change within scope of the new standard is that existing goodwill can no longer be amortized over an estimated useful life, but must instead be tested for impairment annually. Intangible assets may be treated as having an indefinite useful life if supported by the facts and circumstances. These intangibles are not amortized, but tested for impairment periodically.

The change in accounting due to the new standard IFRS 3 does not result in any restatement of the 2004 figures in the 2005 financial year.

Revised IAS 32 and IAS 39 – Financial Instruments
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. The standards must be applied retrospectively. Hence, the comparison data for 2004 provided in the 2005 financial statements had to be restated accordingly, as if the revised standards had always been in force.

Under revised IAS 32, certain derivatives linked to the 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 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 issued 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. 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 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.

Structured products containing a debt instrument and an embedded derivative are reported under the item financial liabilities at fair value.

Due to these accounting changes, the results from trading operations for the 2004 financial year fell by CHF 5.0 million (securities trading income dropped by CHF 3.9 million, foreign exchange trading income by CHF 1.1 million). The trading portfolio was down by CHF 2.8 million. The derivative financial instruments (assets) receded by CHF 1.6 million. And the financial investments declined by CHF 7.6 million, with CHF 1.5 million of this amount relating to reclassification as investments in associates. In addition, the derivative financial instruments (liabilities) increased by CHF 9.3 million.

IAS 28 – Investments in Associates
Investments in entities over which Julius Baer Holding Ltd. has significant influence must be accounted for using the equity method and may no longer be classified as available-for-sale financial investments.

The carrying amount is increased or decreased to recognize Julius Baer Holding Ltd.'s share of the investee's profits or losses after the date of acquisition.

IAS 1 – Presentation of Financial Statements
IAS 1 prescribes that the presentation of net profit and equity must also include minority interest. Net profit is allocated to net profit attributable to shareholders of Julius Baer Holding Ltd. and to minority interest. Earnings per share as well as all analyses of Julius Baer's net profit are presented on the basis of net profit attributable to shareholders of Julius Baer Ltd.

Due to the IFRS accounting changes, the diluted and basic consolidated earnings per registered share calculated for the shareholders of Julius Baer Holding Ltd. declined from CHF 4.37 to CHF 4.13.

Detailed information is contained in the separate report "IFRS Accounting changes Julius Baer Holding Ltd." published on 14 July 2005.

International Financial Reporting Standards (IFRS) recently issued but not yet implemented, interpretations and revisions

Numerous new standards, revisions and interpretations of existing standards were published that must be applied for financial years beginning on or after 1 January 2006. The Julius Baer Group chooses not to adopt these in advance. The standards, revisions and interpretations that will be relevant to the Group are as follows:

IAS 19 (revised) – Employee Benefits
Actuarial gains and losses arising as a result of changes in actuarial assumptions can be recognized in shareholders' equity in the period in which they occur. The Julius Baer Group will not make use of this alternative, opting instead for 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 to be systematically recognized in the income statement over the expected average remaining working lives of employees participating in the plan. Moreover, the disclosure requirements are being expanded. The Julius Baer Group will adopt the revised standard as of 1 January 2006.

IFRS 7 Financial Instruments: Disclosures and Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures
IFRS 7 replaces the existing standards IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and IAS 32, Financial Instruments: Disclosure and Presentation, and enters into force on 1 January 2007.

The objective of the new disclosure requirements is to convey relevant decision-making information about the amount, timing and probability of future cash flows resulting from financial instruments.

The Group is currently analyzing the consequences of IFRS 7. The standard will be adopted by the Group for the financial year beginning on 1 January 2007.

IAS 39 (revised) – Fair Value Option
The revised standard changes the definition of "financial assets and financial liabilities at fair value through profit or loss" and limits the possibility of classifying financial instruments in this category. The Julius Baer Group is convinced that this change will not have a material influence on classification of the financial instruments since the Group is able to fulfill the revised criteria for classifying financial instruments as "at fair value through profit or loss." The revised standard will be adopted as of 1 January 2006.

Comment on risk management

1. Risk management framework and process

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:

- Strategic and business risks
- Credit risks
- Market risks (trading book)
- Liquidity and financing risks (including market risk 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 Risk Committee of the Executive Board (RCEB) and the following Group functions:

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

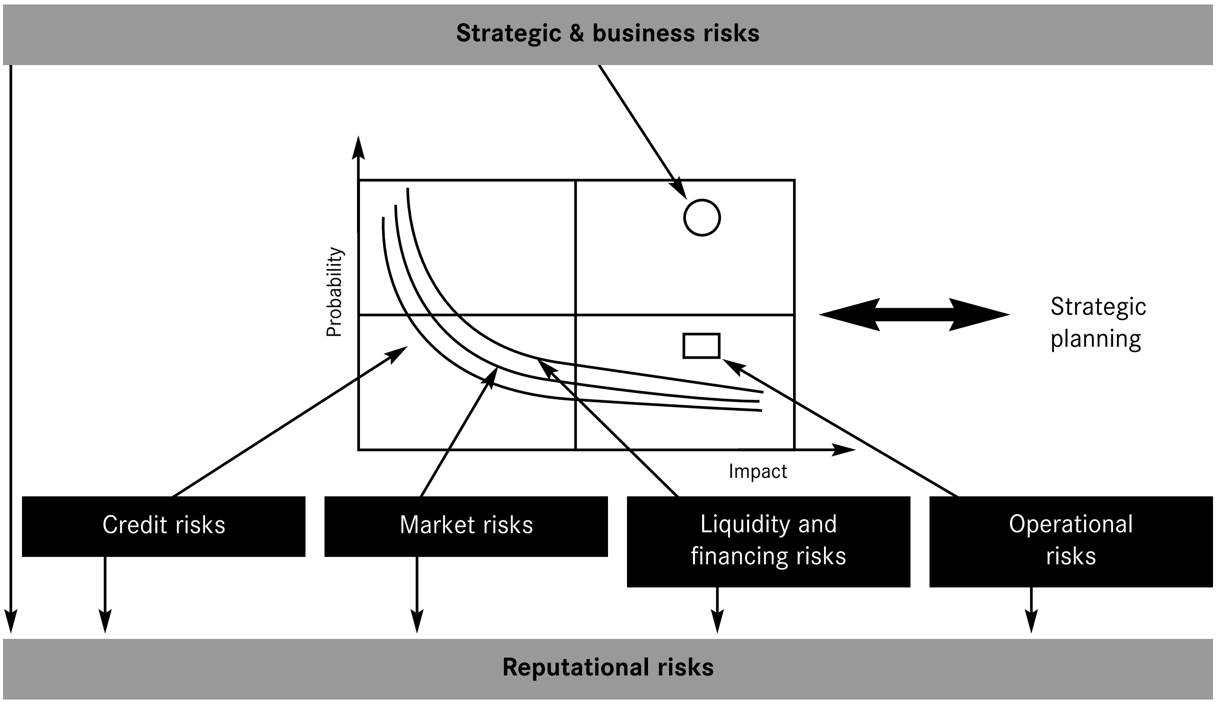
These functions establish appropriate risk guidelines and directives, coordinate and contribute directly to the risk management of the divisions and ensure independent risk controlling. The main responsibility for risk management, however, lies with the divisions.

All risks are mapped to a 'risk landscape' featuring the probability of occurrence and the potential impact and are managed by the divisions. The risk landscape is also used for the yearly strategic planning process by the divisions, the Group Executive Board and the Board of Directors.

2. Strategic and business risks

Strategic and business risks are managed and controlled by the divisions, the Group Executive Board and the Board of Directors. 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 exposures. Country limits are established to limit the potential exposure to any country or region. It is not a policy of the Julius Baer Group to engage in corporate lending activities.

The credit department reports to the Chief Risk Officer (CRO).

The portfolio of the Group is broadly diversified. There were no engagements on 31 December 2004 or on 31 December 2005 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
31.12.2005					
Balance sheet transactions					
Switzerland	167.3	1883.0	2134.9	695.7	**4880.9**
Other OECD countries	240.8	10224.7	3993.1	1086.2	**15544.8**
Latin America	-	-	31.1	0.3	**31.4**
Other countries	-	358.9	1614.1	235.6	**2208.6**
Total balance sheet transactions	408.1	12466.6	7773.2	2017.8	**22665.7**
Contingent liabilities					
Switzerland	-	8.4	124.5	39.0	**171.9**
Other OECD countries	-	5.9	217.8	0.3	**224.0**
Latin America	-	-	27.4		**27.4**
Other countries	-	2.8	239.0	0.1	**241.9**
Total contingent liabilities	-	17.1	608.7	39.4	**665.2**
Total counterparty risks	408.1	12483.7	8381.9	2057.2	**23330.9**
31.12.2004					
Balance sheet transactions					
Switzerland	170.9	839.5	822.2	668.1	2500.7
Other OECD countries	715.6	6907.6	2510.3	1120.1	11253.7
Latin America	-	-	29.9	3.9	33.8
Other countries	0.2	141.9	1348.7	221.6	1712.4
Total balance sheet transactions, restated	886.7	7889.0	4711.1	2013.7	15500.5
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	886.7	7894.7	5052.0	2065.6	15899.0

Assets by countries/country groups

	31.12.2004		**31.12.2005**	
	CHF 1000 restated	*%*	*CHF 1000*	*%*
Switzerland	2 982 823	18.6	**10 325 812**	**36.0**
Other OECD countries	11 228 097	70.0	**15 247 579**	**53.2**
of which USA	*1 930 982*	*12.0*	***1 580 481***	***5.5***
of which Japan	*81 373*	*0.5*	***71 937***	***0.3***
of which EU	*8 446 631*	*52.7*	***12 424 395***	***43.4***
Central and Eastern Europe	40 668	0.3	**22 457**	**0.1**
Rest of Europe	4 457	0.0	**573 086**	**2.0**
Latin America	35 236	0.2	**54 114**	**0.2**
Asia	122 788	0.8	**191 277**	**0.7**
Other countries	1 615 890	10.1	**2 234 052**	**7.8**
Total	16 029 959	100.0	**28 648 377**	**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.

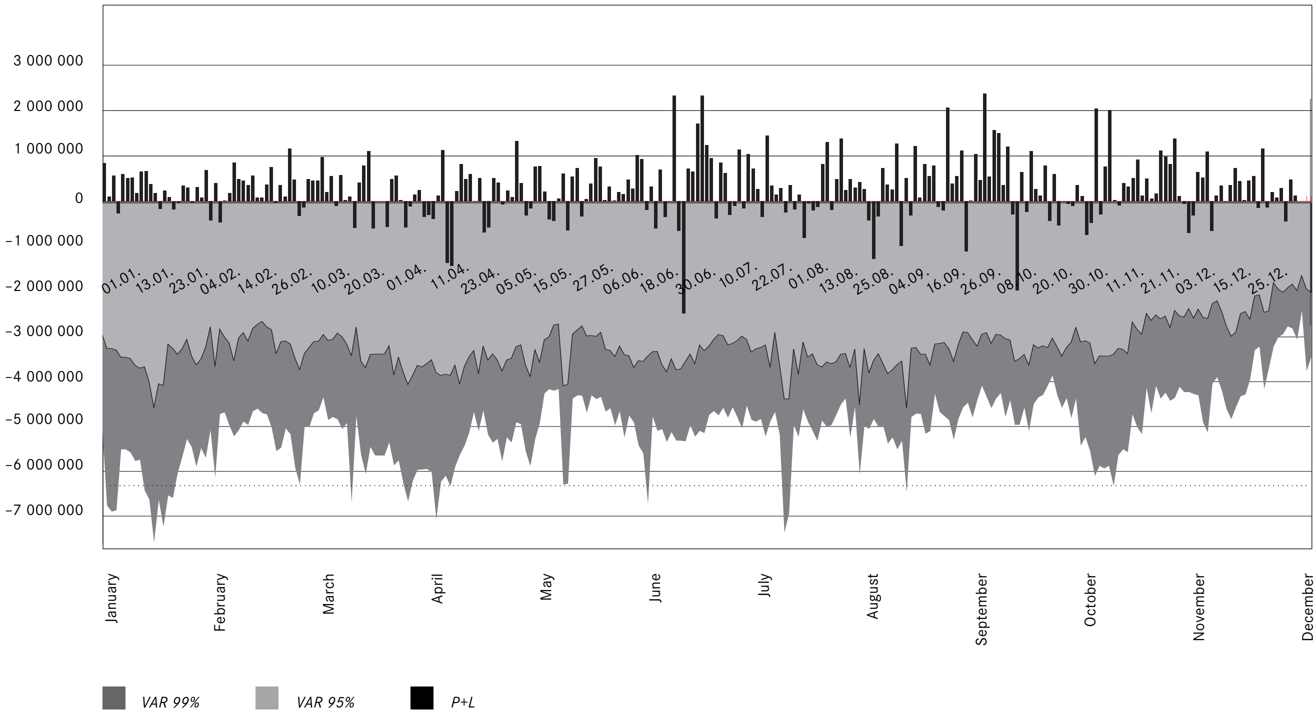
4. Market risks (trading book)

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, backtesting 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), measures the magnitude of the loss of a portfolio that, under normal circumstances and for a specific probability (confidence level), will not be exceeded during the observed holding period. The VAR of the Julius Baer Group amounted to CHF 2.0 million on 31 December 2005 (1-day holding period, 95% confidence level). The maximum VAR recorded in 2005 amounted to CHF 4.6 million; the minimum was CHF 1.6 million. The adequacy of the VAR calculation, which is based on historical market movements, is monitored through regular backtesting. 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 2005 (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.

Back testing trading Julius Baer Group for 2005 (CHF)



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

VAR method and regulatory capital
For its VAR calculation, the Julius Baer Group uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, interest rates, volatilities) over the latest 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the 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 financing risks

The Group Treasurer 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. The daily management of liquidity and balance sheet risks is conducted by the Group Treasury sub-division. The risk is independently measured and controlled by GRM. Risk reports are reviewed monthly at the RCEB meeting and quarterly at the Board of Directors' Risk Committee Meetings. Trading book market risks are managed separately and are monitored by GRM. 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.

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 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 31.12.2005 (and 31.12.2004), CHF 1000 per +100 basis points						
CHF						
2005	-289	-858	10 324	-19 216	11 820	1 781
2004	212	337	9 272	-11 789	515	-1 453
USD						
2005	-342	-924	-2 425	833	-	-2 858
2004	-240	-883	-3 596	-3 218	-	-7 937
EUR						
2005	-5	-1 249	-1 457	-14 934	-305	-17 950
2004	-12	200	-1 010	-16 366	-	-17 188
Other						
2005	54	-124	2 179	795	-	2 904
2004	-28	-105	926	160	-	953

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	457 262	1 781	22 772	1 738	**483 553**
Due from banks	1 963 919	1 203 946	2 083 544	1 540 484	**6 791 893**
Due from customers	2 858 951	1 609 388	972 403	390 596	**5 831 338**
Trading portfolios	546 573	433 395	147 567	61 812	**1 189 347**
Derivative financial instruments	399 847	625 472	161 910	149 314	**1 336 543**
Financial investments	1 838 992	1 819 885	2 960 753	413 399	**7 033 029**
Investments in associates	927	-	-	-	**927**
Property and equipment	312 324	12 381	1 624	8 195	**334 524**
Intangible assets	4 625 073	356 940	5 113	661	**4 987 787**
Accrued income and prepaid expenses	129 456	131 183	34 098	160 409	**455 146**
Deferred tax assets	5 286	22 519	435	21 201	**49 441**
Other assets	70 654	43 526	34 547	6 122	**154 849**
Total assets 31.12.2005	13 209 264	6 260 416	6 424 766	2 753 931	**28 648 377**
Total assets 31.12.2004, restated	5 252 224	5 076 425	4 051 157	1 650 153	16 029 959

	CHF *CHF 1000*	USD *CHF 1000*	EUR *CHF 1000*	Other *CHF 1000*	Total *CHF 1000*
Liabilities and shareholders' equity					
Due to banks	712 119	605 408	979 370	148 280	**2 445 177**
Due to customers in savings and investment accounts	388 884	-	-	-	**388 884**
Due to customers, other	3 610 004	3 436 893	4 518 925	2 496 587	**14 062 409**
Trading liabilities	96 828	249 420	37 272	48 855	**432 375**
Derivative financial instruments	661 421	274 478	267 979	190 983	**1 394 861**
Financial liabilities designated at fair value	858 500	598 148	361 600	33 257	**1 851 505**
Debt issued	510 586	536	2 115	241	**513 478**
Accrued expenses and deferred income	357 181	236 998	26 307	154 535	**775 021**
Other liabilities	43 628	23 058	30 580	75 525	**172 791**
Current tax liabilities	68 900	6 151	7 388	43 117	**125 556**
Deferred tax liabilities	89 741	-	81	8	**89 830**
Provisions	135 397	44 441	2 534	6 841	**189 213**
Total liabilities	7 533 189	5 475 531	6 234 151	3 198 229	**22 441 100**
Total equity	6 207 277	-	-	-	**6 207 277**
Total liabilities and equity 31.12.2005	13 740 466	5 475 531	6 234 151	3 198 229	**28 648 377**
Total liabilities and equity 31.12.2004, restated	6 813 177	4 390 695	3 308 399	1 517 688	16 029 959

The liquidity position of Bank Julius Baer & Co. Ltd. and its newly acquired banking subsidiaries 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 consolidating 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 on page 90 shows the maturity structure of the assets and liabilities. It is based on the tenor for repayment of capital, which coincides most of the time with the interest renewal tenor.

Maturity structure of assets and liabilities

	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
Assets							
Cash	483 553	-	-	-	-	-	**483 553**
Due from banks	1 648 356	79 127	3 569 193	1 493 497	1 720	-	**6 791 893**
Due from customers	-	1 381 718	2 443 358	1 134 508	778 797	92 957	**5 831 338**
Trading portfolios	1 189 347	-	-	-	-	-	**1 189 347**
Derivative financial instruments	1 336 543	-	-	-	-	-	**1 336 543**
Financial investments	88 576	32 068	1 397 255	2 202 310	2 485 728	827 092	**7 033 029**
Investments in associates	927	-	-	-	-	-	**927**
Property and equipment	-	-	-	-	-	334 524	**334 524**
Intangible assets	-	-	-	-	-	4 987 787	**4 987 787**
Accrued income and prepaid expenses	455 146	-	-	-	-	-	**455 146**
Deferred tax assets	49 441	-	-	-	-	-	**49 441**
Other assets	154 849	-	-	-	-	-	**154 849**
Total assets 31.12.2005	5 406 738	1 492 913	7 409 806	4 830 315	3 266 245	6 242 360	**28 648 377**
Total assets 31.12.2004, restated	3 507 828	709 515	5 061 300	3 293 575	2 692 220	765 521	16 029 959
Borrowed funds							
Due to banks	352 387	30 805	1 197 434	258 670	293 993	311 888	**2 445 177**
Due to customers in savings and investment accounts	-	388 884	-	-	-	-	**388 884**
Due to customers, other	6 731 762	859 964	6 044 343	423 326	3 014	-	**14 062 409**
Trading liabilities	432 375	-	-	-	-	-	**432 375**
Derivative financial instruments	1 394 861	-	-	-	-	-	**1 394 861**
Financial liabilities designated at fair value	-	-	810 032	719 247	246 448	75 778	**1 851 505**
Debt issued	7 174	-	2 525	-	278 779	225 000	**513 478**
Accrued expenses and deferred income	775 021	-	-	-	-	-	**775 021**
Other liabilities	172 791	-	-	-	-	-	**172 791**
Current tax liabilities	125 556	-	-	-	-	-	**125 556**
Deferred tax liabilities	89 830	-	-	-	-	-	**89 830**
Provisions	-	-	-	24 005	165 208	-	**189 213**
Total liabilities 31.12.2005	10 081 757	1 279 653	8 054 334	1 425 248	987 442	612 666	**22 441 100**
Total liabilities 31.12.2004, restated	5 904 278	1 847 992	5 892 889	542 641	155 726	147 723	14 491 249

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 2005 amounted to a net CHF –1.0 million.

On 31 December 2005, the Group carried no fair value hedges on its books.

6. Operational risks

6.1. Operational risk framework and process

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 Basel 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 Risk Management Operational Risk has Group-wide responsibility for developing and implementing an internal framework for steering operational risk (excluding legal risks and compliance 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 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 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 the scope of effective Business Continuity Management (BCM)

The goal of BCM is to ensure that precautionary measures are in place to mitigate the vulnerability for interruption of vital business functions due to natural disasters, catastrophic events and other events over which businesses have no control such as fire, earthquake, terrorist attacks, war, floods and epidemics. Therefore respective directives and standards are in place.

If a catastrophic event occurs, an Emergency Management Team (EMT) consisting of pre-determined members will convene with the purpose of ensuring that Julius Baer Group reacts to any catastrophic event in a way that minimizes any interruption to the business. The EMT investigates the origin, and assesses the effects of potentially catastrophic events and is responsible for identifying and implementing adequate counter-measures. The EMT is supported by several sub-committees, responsible for, among other things, taking emergency measures, gathering information and resuming business. Each branch has its own emergency organization, tailormade to the size of the branch. All local EMTs are supported by the main team in Zurich. All processes are documented in the Emergency Management Team Plan (EMTP). As a result of the assessment the EMT can decide to activate the Business Recovery Plan (BRP). The BRP enables the business to perform vital activities at the designated recovery site within the required time. Tailor-made BRPs are established in all branches of the Julius Baer Group.

Standards are in place for operational and physical security to enforce the required protection of staff, information and valuables.

The department Group Risk Management Operational Risk is supported by the risk management units of the divisions. These units consist of specially trained personnel with line experience who serve as operational risk managers within the divisions and thus assist the division management in all matters related to operational risks. The department Group Operational Risk Management reports to the CRO.

6.2. 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.

The Julius Baer Group fully respects the given legal and regulatory framework within which it operates. Its conduct adheres to high ethical standards and good market practices. Personal sense of responsibility on the part of management and staff as well as fairness in business dealings is 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 tasks are carried out Group-wide by Legal & Compliance Functions. Legal Functions are responsible for liability and default risks under civil law, criminal law and administrative law, whereas Compliance Functions are responsible for regulatory risks and conduct risks concerning business ethics and corporate integrity.

The organizational units Legal & Compliance Private Banking and Legal & Compliance Asset Management run the divisional legal controlling as well as engineering centers. The legal engineering centers 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. They all report into the division management and to the Group General Counsel.

The organizational units Legal & Compliance on a Corporate Center level take care of Group corporate and regulatory matters and ensure appropriate Group-wide legal risk controlling and governance. They are independent from the frontline management and report to the Group General Counsel.

6.3. 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.

7. 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 the divisions and the Corporate Center, and it is the responsibility of the division management and the Corporate Center management to monitor and control reputational risk within its area.

Information on the consolidated income statement

	2004 CHF 1000 restated	**2005** CHF 1000	Change CHF 1000	Change %

1 Net interest income

	2004	2005	Change CHF 1000	Change %
Interest income on amounts due from customers and banks	129 691	**177 775**	48 084	37.1
Interest and discount income from bills and money market instruments	23 948	**45 049**	21 101	88.1
Refinancing income from trading positions	-2 622	**-7 517**	-4 895	-186.7
Loan commissions with the character of interest	123	**113**	-10	-8.1
Total interest and discount income	151 140	**215 420**	64 280	42.5
Interest income on financial investments	122 865	**118 650**	-4 215	-3.4
Dividend income on financial investments	2 210	**4 558**	2 348	106.2
Interest expenses	155 423	**210 735**	55 312	35.6
Total	120 792	**127 893**	7 101	5.9

2 Commission income on securities and investment transactions

	2004	2005	Change CHF 1000	Change %
Commissions from asset management and investment[1]	791 315	**1 177 205**	385 890	48.8
Income from brokerage and securities underwriting	140 229	**161 259**	21 030	15.0
Total	931 544	**1 338 464**	406 920	43.7

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

	2004 *CHF 1000* *restated*	**2005** *CHF 1000*	Change *CHF 1000*	Change *%*

3 Results from trading operations

	2004	2005	Change CHF 1000	Change %
Securities	25 260	**35 625**	10 365	41.0
Foreign exchange and precious metals	103 695	**113 231**	9 536	9.2
Total	128 955	**148 856**	19 901	15.4

4 Other ordinary results

	2004	2005	Change CHF 1000	Change %
Results from sale of subsidiaries	-	**-1 371**	-1 371	-
Results from sale of financial investments	-2 412	**9 520**	11 932	494.7
Equity in income of associates	-861	**-472**	389	45.2
Real estate income	3 030	**3 760**	730	24.1
Other ordinary results	2 081	**83 368**	81 287	3 906.2
Total	1 838	**94 805**	92 967	5 058.1

The evaluation of provisions within scope of IAS 37 led to a non-recurring release in the amount of CHF 7.9 million during the 2005 financial year (2004: CHF 1.2 million), which was booked as other ordinary results. The position other ordinary results also contains the proceeds of CHF 61.4 million from the sale of Private Banking USA.

	2004 *CHF 1000* *restated*	**2005** *CHF 1000*	Change *CHF 1000*	Change *%*

5 Personnel expenses

	2004	2005	Change CHF 1000	Change %
Salaries and bonuses	392 967	**650 452**	257 485	65.5
Contributions to retirement plans	26 243	**36 761**	10 518	40.1
Other social benefits	25 462	**40 543**	15 081	59.2
Other personnel expenses	44 555	**111 418**	66 863	150.1
Total[1]	489 227	**839 174**	349 947	71.5

6 General expenses

	2004	2005	Change CHF 1000	Change %
Premises expense	39 173	**46 984**	7 811	19.9
Expense for EDP, machinery, furniture, vehicles and other equipment	44 406	**85 037**	40 631	91.5
Information, communication and advertising expense	80 856	**81 798**	942	1.2
Service expense, fees and taxes	76 447	**103 895**	27 448	35.9
Other general expenses	1 087	**8 442**	7 355	676.6
Total[1]	241 969	**326 156**	84 187	34.8

[1] In line with the treatment of project expenses according to IAS 38, CHF 9.8 million (2004: CHF 10.1 million) of personnel expenses and CHF 13.4 million (2004: CHF 13.6 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.

	2004 CHF 1000 restated	**2005** CHF 1000	Change CHF 1000	Change %

7 Taxes

	2004	2005	Change CHF 1000	Change %
Income tax on profit before taxes	61 877	**43 397**	-18 480	-29.9
Tax rate difference on income components subject to foreign taxation	-17 807	**-12 250**	5 557	31.2
Tax rate difference from local differences in domestic tax rates	859	**7 700**	6 841	796.4
Effect of utilization of prior-year losses	-3 527	**-2 000**	1 527	43.3
Effect from not capitalized losses	4 768	**5 561**	793	16.6
Adjustments related to prior years	-	**-7 122**	-7 122	
Non-tax-deductible expenses	2 303	**6 693**	4 390	190.6
Other influences	1 472	**1 894**	422	28.7
Total	49 945	**43 873**	-6 072	-12.2

A tax rate of 23% (2003: 24%) was employed in the calculation of income tax in Switzerland. Not capitalized accumulated deficits brought forward in the amount of CHF 105.2 million (2004: CHF 57.5 million) exist in the Group that can be asserted for more than five years.

Domestic taxes	35 280	**13 280**	-22 000	-62.4
Foreign taxes	14 665	**30 593**	15 928	108.6
Total	49 945	**43 873**	-6 072	-12.2

Current tax liabilities	51 657	**66 561**	14 904	28.9
Deferred taxes	-1 712	**-22 688**	-20 976	-1 225.2
Total	49 945	**43 873**	-6 072	-12.2

8 Segment reporting by business line

	Private Banking		Asset Management	
	2004	**2005**	2004	**2005**
	CHF m	*CHF m*	*CHF m*	*CHF m*
	restated		*restated*	
Operating income	453.5	**583.2**	368.0	**695.0**
Personnel expenses	130.3	**223.6**	136.2	**321.3**
General expenses	58.7	**107.4**	42.7	**64.4**
Services to/from other business lines	139.9	**156.3**	49.3	**56.4**
Depreciation and write-offs of non-current assets	2.7	**15.3**	1.1	**17.0**
Valuation adjustments, provisions and losses	10.1	**37.6**	5.2	**4.9**
Operating expenses	341.7	**540.2**	234.5	**464.0**
Net profit before taxes per business line	111.8	**43.0**	133.5	**231.0**
Taxes				
Consolidated profit				
of which shareholders of Julius Baer Holding Ltd.				
of which minority interest				
Assets under management	61 103	**121 739**	73 606	**181 817**
change through acquisition[2]	-	***57 255***	-	***70 851***
change through divestment[3]	-	***-5 825***	-	***-***
change through net new money	*-814*	***-1 456***	*16 572*	***17 611***
change through market appreciation	*745*	***10 662***	*3 390*	***19 749***
Assets[4]	2 673	**11 647**	733	**4 169**
Liabilities[4]	3 522	**10 102**	1 901	**2 368**
Investments	0.9	**2 011.9**	2.5	**3 133.2**
Number of employees (FTE)[4]	491	**1 447**	344	**1 043**
Allocated FTE from Corporate Center[5]	317	**242**	122	**92**
Total (FTE)	808	**1 689**	466	**1 135**

[1] Including residual items and eliminations

[2] As per 02.12.2005, Julius Baer acquired the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano as well as GAM Holding AG from UBS AG.

[3] As per 01.04.2005, Julius Baer sold the private banking activities in the USA to UBS AG.

[4] The strong increase in assets and liabilities as well as the number of employees in Private Banking and Asset Management relates primarily to the above-mentioned acquisitions.

[5] In accordance to the transfer price system

The segment reporting comprises the three operating business lines Private Banking, Asset Management and Trading & Sales. Income and expenses that are not directly connected with the three 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.

Trading & Sales		Corporate Center [1]		Total Group	
2004	**2005**	2004	**2005**	2004	**2005**
CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
restated		*restated*		*restated*	
150.8	**148.7**	59.9	**77.5**	1 032.2	**1 504.4**
45.5	**60.9**	177.2	**233.4**	489.2	**839.2**
11.9	**13.2**	128.7	**141.2**	242.0	**326.2**
18.9	**16.7**	-208.1	**-229.4**		
0.2	**0.1**	25.7	**73.5**	29.7	**105.9**
1.2	**0.8**	-3.0	**1.1**	13.5	**44.4**
77.7	**91.7**	120.5	**219.8**	774.4	**1 315.7**
73.1	**57.0**	-60.6	**-142.3**	257.8	**188.7**
				49.9	**43.9**
				207.9	**144.8**
				210.2	***146.1***
				-2.3	***-1.3***
299	**292**	362	**474**	135 370	**304 322**
-	**-**	-	**-**	-	***128 106***
-	**-**	-	**-**	-	***-5 825***
-52	***-119***	*-52*	***-11***	*15 654*	***16 025***
92	***112***	*-57*	***123***	*4 170*	***30 646***
3 257	**3 064**	9 367	**9 768**	16 030	**28 648**
3 009	**3 364**	6 059	**6 607**	14 491	**22 441**
-	**-**	36.9	**36.1**	40.2	**5 181.2**
146	**149**	859	**788**	1 840	**3 427**
87	**61**	-526	**-395**		
233	**210**	333	**393**	1 840	**3 427**

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 over-arching services that cannot be assigned to the segments remain in the Corporate Center. Moreover, the consolidation positions are contained in the Corporate Center.

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

	31.12.2004	31.12.2005	2004	2005	2004	2005
		Total assets		Operating income		Investments
	CHF 1000	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
	restated		*restated*			
Reporting by segment						
Switzerland	11317009	**28759980**	720295	**1000730**	24706	**5179401**
Europe (excl. Switzerland)	5407685	**8148434**	148216	**203327**	3631	**329**
Americas	2968365	**1053011**	251333	**398551**	11883	**1332**
Other countries	3995	**4378**	144	**2576**	26	**158**
Consolidation items	3667095	**9317426**	87798	**100827**	-	**-**
Total	16029959	**28648377**	1032190	**1504357**	40246	**5181220**

Reporting is based on the principle of domicile of operations.

9 Earnings per share and shares outstanding

	2004	2005
	restated	
Basic net profit per registered share		
Net profit (CHF 1000)	210196	**146146**
Weighted average number of registered shares	50883495	**56405547**
Basic net profit per registered share (CHF)	4.13	**2.59**

Diluted net profit per registered share		
Adjusted net profit (CHF 1000)	210196	**146146**
Weighted average number of registered shares	50883495	**56651407**
Diluted net profit per registered share (CHF)	4.13	**2.58**

	31.12.2004	31.12.2005
Registered shares outstanding		
Total ordinary shares issued	53841610	**111628239**
Second trading line treasury shares		
Repurchase program 04/05	775000	
Other treasury shares	3523975	**2120847**
Total treasury shares	4298975	**2120847**
Registered shares outstanding	49542635	**109507392**

Information on the consolidated balance sheet

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %

10a Due from customers

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Due from customers	2957056	**5075614**	2118558	71.6
Mortgages	345945	**833564**	487619	141.0
Total	3303001	**5909178**	2606177	78.9
Provisions for doubtful debt	-16095	**-77840**	-61745	-383.6
Total	3286906	**5831338**	2544432	77.4

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

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Mortgage collateral	345078	**874008**	528930	153.3
Other collateral	2925325	**4884712**	1959387	67.0
Without collateral	16503	**72618**	56115	340.0

10b Allowance and provision for credit losses

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Balance at the beginning of the year	28887	**20935**	-7952	-27.5
Write-offs	-10710	**-**	10710	100.0
Recoveries	2	**-**	-2	-100.0
Increase in credit loss allowance and provision	1048	**8060**	7012	669.1
Decrease in credit loss allowance and provision	-801	**-8279**	-7478	-933.6
Acquisition of subsidiaries	-	**64319**	64319	
Translation differences and other adjustments	2509	**-812**	-3321	-132.4
Balance at the end of the year	20935 [1]	**84223** [1]	63288	302.3

[1] Including allowance and provision on claims due from banks of CHF 6.383 million (2004: CHF 4.84 million)

10c Non-performing loans

	31.12.2004 *CHF 1000*	**31.12.2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Gross claims	42 476	**159 076**	116 600	274.5
Specific valuation adjustments	4 779	**68 616**	63 837	1 335.8
Net claims	37 697	**90 460**	52 763	140.0

The non-value-adjusted portion of these loans is substantially covered by collateral. General valuation adjustments of CHF 15.6 million exist in order to cover the latent risk (2004: CHF 16.1 million). Regarding the calculation of these adjustments, see the corresponding accounting policies and valuation principles on pages 70 to 79.

11 Trading portfolios

	31.12.2004 *CHF 1000* *restated*	**31.12.2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Debt instruments	247 224	**188 669**	-58 555	-23.7
of which listed	*169 707*	***142 929***	*-26 778*	*-15.8*
of which unlisted	*77 517*	***45 740***	*-31 777*	*-41.0*
Shares and similar securities and rights	777 958	**996 421**	218 463	28.1
Other	2 674	**4 257**	1 583	59.2
Total	1 027 856	**1 189 347**	161 491	15.7
of which securities acceptable to central banks	*45 556*	***37 419***	*-8 137*	*-17.9*

12 Financial investments

	31.12.2004 *CHF 1000* *restated*	**31.12.2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Money market instruments	1714290	**2561862**	847572	49.4
of which bills and money market instruments discountable at Swiss National Bank and other central banks	*1066392*	***963715***	*-102677*	*-9.6*
of which rescriptions and treasury bills	*31778*	***26119***	*-5659*	*-17.8*
Available-for-sale securities				
Debt securities - at fair value	4003872	**4162652**	158780	4.0
of which listed	*3837727*	***3612481***	*-225246*	*-5.9*
of which unlisted	*166145*	***550171***	*384026*	*231.1*
Equity securities - at fair value	100135	**114554**	14419	14.4
of which listed	*3402*	***3820***	*418*	*12.3*
of which unlisted	*96733*	***110734***	*14001*	*14.5*
Total	4104007	**4277206**	173199	4.2
Held-to-maturity securities				
Debt securities - at amortized cost	499771	**193961**	-305810	-61.2
of which listed	*178099*	***100521***	*-77578*	*-43.6*
of which unlisted	*321672*	***93440***	*-228232*	*-71.0*
Total	499771	**193961**	-305810	-61.2
Total financial investments	6318068	**7033029**	714961	11.3
of which securities acceptable to central banks	*785539*	***877356***	*91817*	*11.7*
Fair value of financial investments, including securities lent out	6331388	**7033972**	702584	11.1

13 Investments in associates

	31.12.2004 *CHF 1000*	**31.12.2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Balance at the beginning of the year	38	**1472**	1434	3773.7
Additions	949	**-**	-949	-100.0
Disposals	-	**-**	-	
Income	74	**15**	-59	-79.7
Transfers	2368	**-**	-2368	-100.0
Write-offs	-1836	**-487**	1349	73.5
Dividend paid	-74	**-76**	-2	-2.7
Translation differences	-47	**3**	50	106.4
Balance at the end of the year	1472	**927**	-545	-37.0

14 Intangible assets and property and equipment

	Goodwill CHF 1000	Customer relationships CHF 1000	Brand CHF 1000	Other intangible assets CHF 1000	**Total intangible assets** CHF 1000	Bank premises CHF 1000	Other property and equipment CHF 1000	**Total property and equipment** CHF 1000
Historical cost								
Balance on 01.01.2004	-			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
Foreign exchange differences	-	-	-	68	68	-	2 138	2 138
Additions	-	-	-	41 891	41 891	-	9 743	9 743
Acquisition of subsidiaries	2 929 545	1 747 000	273 000	13 636	4 963 181	130 488	35 917	166 405
Disposals/transfers[1]	-	-	-	33 758	33 758	-	14 950	14 950
Balance on 31.12.2005	2 929 545	1 747 000	273 000	167 754	5 117 299	307 361	86 346	393 707
Depreciation and amortization								
Balance on 01.01.2004	-			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
Foreign exchange differences	-	-	-	-633	-633	-	235	235
Additions	-	14 558	-	72 405[2]	86 963	3 699	15 307	19 006
Disposals/transfers[1]	-	-	-	30 279	30 279	-	14 157	14 157
Balance on 31.12.2005	-	14 558	-	114 954	129 512	27 091	32 092	59 183
Book value								
Balance on 31.12.2004	-	-	-	72 456	72 456	153 481	22 791	176 272
Balance on 31.12.2005	**2 929 545**	**1 732 442**	**273 000**	**52 800**	**4 987 787**	**280 270**	**54 254**	**334 524**

[1] Includes derecognition of fully depreciated assets
[2] Includes impairment charges of CHF 53.0 million (2004: CHF 0.5 million) for internally generated intangible assets

There are no property and equipment arising from finance leases.

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Fire insurance value				
Real estate	198 604	**344 523**	145 919	73.5
Other property and equipment	115 097	**379 059**	263 962	229.3

	Balance on 01.01.2005 CHF 1000	Additions and reallocations CHF 1000	Disposals and other reductions CHF 1000	Amortization CHF 1000	Translation differences CHF 1000	**Balance on 31.12.2005** CHF 1000
Goodwill						
Private Banking	-	1 088 235	-	-	-	**1 088 235**
Asset Management	-	1 841 310	-	-	-	**1 841 310**
Total	-	2 929 545	-	-	-	**2 929 545**
Customer relationships						
Private Banking	-	740 000	-	6 166	-	**733 834**
Asset Management	-	1 007 000	-	8 392	-	**998 608**
Total	-	1 747 000	-	14 558	-	**1 732 442**
Brand						
Asset Management	-	273 000	-	-	-	**273 000**
Total	-	273 000	-	-	-	**273 000**

15 Future annual commitments under building occupancy agreements and operating leases

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Maturity of up to 1 year	11 246	**6 197**	-5 049	-44.9
Maturity of up to 5 years	20 663	**10 864**	-9 799	-47.4
Maturity of up to 10 years	8 239	**18 171**	9 932	120.5
Maturity of up to 15 years	840	**6 522**	5 682	676.4
Maturity of over 15 years	-	**1 494**	1 494	-
Subtotal	40 988	**43 248**	2 260	5.5
Less sublease rentals under non-cancellable leases	1 483	**3 537**	2 054	138.5
Total	39 505	**39 711**	206	0.5

Operating expenses include a gross CHF 36.4 million as of 31 December 2004 and a gross CHF 55.3 million as of 31 December 2005 from building occupancy agreements and operating leases.

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

	31.12.2004		**31.12.2005**	
	Book value CHF 1000	Effective commitment CHF 1000	Book value CHF 1000	Effective commitment CHF 1000
Securities	814 407	521 624	**735 470**	**458 836**
Money market instruments	5 103	5 103	**-**	**-**
Other	16 107	8 936	**14 876**	**7 611**
Total	835 617	535 663	**750 346**	**466 447**

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

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Commitments to own pension plans	4 687	**5 829**	1 142	24.4

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 Financial liabilities designated at fair value

	31.12.2004 *CHF 1000*	2006 *CHF 1000*	2007 *CHF 1000*	2008 *CHF 1000*	2009 *CHF 1000*	2010 *CHF 1000*	2011-2015 *CHF 1000*	Thereafter *CHF 1000*	**31.12.2005** *CHF 1000*
Senior debt									
Fixed rate	429 909	1 222 185	13 301	-	12 221				**1 247 707**
Interest rates (ranges in %)	1.75-15	2.1-25.55	7.4-8.2		0.75				
Floating rate	270 346	303 326	68 918	103 268	30 503	22 005	64 643	11 135	**603 798**
Total	700 255	**1 525 511**	**82 219**	**103 268**	**42 724**	**22 005**	**64 643**	**11 135**	**1 851 505**

The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate on such debt issues generally does not reflect the effective interest rate paid to service its debt after the embedded derivative has been separated and, where applicable, the application of hedge accounting.

19 Debt issued

	31.12.2004 *CHF 1000*	**31.12.2005** *CHF 1000*
Money market paper issued	16 090	**9 689**
Cash bonds outstanding	150	**80**
Bonds outstanding	435 195	**278 709**
Preferred securities	-	**225 000**
Total	451 435	**513 478**

Money market paper issued

	31.12.2004				**31.12.2005**
		Interest rate 0%	Interest rate 1-2%	Interest rate 2-3%	Total *CHF 1000*
Maturity					
On demand	2 921	6 731	-	-	**6 731**
Due within 3 months	10 194		2 885	73	**2 958**
Due within 3 to 12 months	2 975		-	-	
Total	16 090	**6 731**	**2 885**	**73**	**9 689**

Cash bonds outstanding as of 31.12.2005

	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							
2006	-	-	10	-	-	-	10
2007	-	-	70	-	-	-	70
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
Total	**-**	**-**	**80**	**-**	**-**	**-**	**80**
Total 31.12.2004	-	20	130	-	-	-	150

The average interest rate as of 31 December 2005 is 3.69% (2004: 3.30%).

Bonds outstanding and preferred securities

Year of issue	Interest rate %		Maturity	Amount outstanding *1000*	31.12.2004 Total *CHF 1000*	**31.12.2005** Total *CHF 1000*
Julius Baer Holding Ltd.						
1998[1]	3.25	CHF bond	2005	CHF 150 000	143 300	-
1999[1]	3.00	CHF bond	2007	CHF 150 000	131 605	**130 545**
2004	2.50	CHF bond	2010	CHF 150 000	147 723	**148 164**
Julius Baer Bank and Trust Co. Ltd.						
2000		Baer Pro Units	2005	EUR 7 008	11 369	-
Julius Baer Creval Private Banking S.p.A.						
2001	5.50	EUR bond	2006	EUR 775	1 198	-
Julius Baer Capital (Guernsey) I Ltd.						
2005	3.63	Preferred securities		CHF 225 000	-	**225 000**
Total					435 195	**503 709**
Total debt issued					451 435	**513 478**

[1] Own bonds of CHF 19.455 million (2004: CHF 25.095 million) are offset with bonds outstanding.

20a Deferred tax assets

	31.12.2004 *CHF 1000* *restated*	**31.12.2005** *CHF 1000*
Balance at the beginning of the year	4 120	**4 993**
Income statement, credit	1 634	**25 172**
Income statement, charge	-	**-9 426**
Acquisition of subsidiaries	-	**29 288**
Translation differences and other adjustments	-761	**-586**
Balance at the end of the year	4 993	**49 441**

The deferred tax assets arise primarily from employee benefits. 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

	31.12.2004 *CHF 1000* *restated*	**31.12.2005** *CHF 1000*
Balance at the beginning of the year	63 365	**64 385**
Income statement, charge	580	**1 651**
Income statement, credit	-658	**-8 593**
Acquisition of subsidiaries	-	**32 392**
Translation differences and other adjustments	1 098	**-5**
Balance at the end of the year	64 385	**89 830**

21 Provisions

	2004 Total *CHF 1000*	**2005** Operating risks *CHF 1000*	**2005** Legal risks *CHF 1000*	**2005** Restructuring *CHF 1000*	**2005** Total *CHF 1000*
Balance at the beginning of the year	35 300	**5 831**	**31 802**	**3 056**	**40 689**
Provisions applied	-5 838	**-2 917**	**-27 691**	**-**	**-30 608**
Acquisition of subsidiaries	-	**4 249**	**6 050**	**-**	**10 299**
Income statement, charge	15 091	**1 251**	**35 589**	**130 609**	**167 449**
Income statement, credit	-3 024	**-60**	**-845**	**-**	**-905**
Recoveries and other adjustments	-840	**26**	**1 916**	**347**	**2 289**
Balance at the end of the year	40 689	**8 380**	**46 821**	**134 012**	**189 213**
Analysis of total provisions					
– up to one year	18 586				**24 005**
– over one year	22 103				**165 208**

Details to restructuring provisions		
Balance at the beginning of the year	3 056	**3 056**
Income statement, charge	-	**130 609**
Other adjustments	-	**347**
Provisions applied:		-
– Personnel	-	**-**
– IT	-	**-**
– Honorariums	-	**-**
– Premises expense	-	**-**
– Other	-	**-**
Income statement, credit	-	**-**
Balance at the end of the year	3 056	**134 012**

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

	Registered shares (CHF 0.10 par) Number	CHF 1000
Balance on 01.01.2004	54 705 610	**5 471**
of which entitled to dividends	*51 337 810*	***5 134***
Changes	-864 000	**-87**
Balance on 31.12.2004	53 841 610	**5 384**
of which entitled to dividends	*50 393 810*	***5 039***
Changes	57 786 629	**5 779**
Balance on 31.12.2005	111 628 239	**11 163**
of which entitled to dividends	*111 628 239*	*11 163*

All shares are fully paid in.

Conditional capital		
For warrant and convertible bonds		
Resolution of the Ordinary Shareholders' Meeting on 24.06.1993	5 000 000	**500**

There is no authorized capital.

24 Related party transactions

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Key management personnel compensation[1]				
Salaries and other short-term employee benefits	15 188	**19 822**	4 634	30.5
Post-employment benefits	692	**843**	151	21.8
Termination benefits	100	**4 471**	4 371	4 371.0
Participation plans	1 285	**12 714**	11 429	889.4
Total	17 265	**37 850**	20 585	119.2

Claims on				
associated companies	773	**1 555**	782	101.2
significant shareholders	26 309 [2]	-	-26 309	-100.0
members of the bank's corporate bodies[1]	31 649	**35 382**	3 733	11.8
other related parties[3]	171	**425**	254	148.5
Total	58 902	**37 362**	-21 540	-36.6

Liabilities to				
significant shareholders	18 132 [2]	-	-18 132	-100.0
members of the bank's corporate bodies[1]	27 257	**22 479**	-4 778	-17.5
other related parties[3]	4 707	**5 829**	1 122	23.8
Total	50 096	**28 308**	-21 788	-43.5

Credit guarantees to				
significant shareholders	167 [2]	-	-167	-100.0
members of the bank's corporate bodies[1]	50	**50**	-	-
Total	217	**50**	-167	-77.0

Services provided to				
associated companies	-	**72**	72	100.0
significant shareholders	717 [2]	-	-717	-100.0
members of the bank's corporate bodies[1]	975	**821**	-154	-15.8
other related parties[3]	527	**231**	-296	-56.2
Total	2 219	**1 124**	-1 095	-49.3

Services provided by				
associated companies	2	-	-2	-100.0
significant shareholders	72 [2]	-	-72	-100.0
members of the bank's corporate bodies[1]	-	-	-	
other related parties[3]	608	-	-608	-100.0
Total	682	-	-682	-100.0

1 Board of Directors, Group Executive Board and Senior Management
2 Including close members of the family
3 Including own pension funds

25 Pension plans and other employee benefits

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

	31.12.2004 CHF 1000	**31.12.2005** CHF 1000
1. Balance sheet		
Fair value of plan assets	838 716	**1 473 241**
Defined benefit obligation	-893 866	**-1 570 614**
Unfunded status	-55 150	**-97 373**
Unrecognized asset due to IAS 19.58		**-4 663**
Unrecognized actuarial losses[2]	80 258	**73 941**
Accrued/(prepaid) pension cost	25 108	**-28 095**
Deferred taxes	-6 277	**9 528**
Amounts recognized in the balance sheet	18 831	**-18 567**

	2004 CHF 1000	**2005** CHF 1000
2. Income statement		
Service cost	-37 137	**-53 877**
Interest cost	-29 942	**-34 350**
Expected net return on plan assets	37 345	**41 230**
Amortization of actuarial gains/losses	-80	**-272**
Past service cost	-2 617	**-96**
Adjustment due to IAS 19.58	-8 172	**-5 780**
Net periodic pension cost	-40 603	**-53 145**
Employees' contributions	12 081	**14 359**
Expense recognized in the income statement	-28 522	**-38 786**

3. Movement in the net asset or (liability)		
Accrued pension cost at the beginning of the year	24 559	**25 108**
Acquisitions	-	**-50 550**
Translation differences	-	**191**
Expense recognized in the income statement	-28 522	**-38 786**
Employer's contributions	29 071	**35 942**
Accrued/(prepaid) pension cost	549	**-2 844**
Amounts recognized in the balance sheet	25 108	**-28 095**
Prepaid pension cost	25 108	**35 226**
Accrued pension liability		**-63 321**
Accrued/(prepaid) pension cost	25 108	**-28 095**
Actual return on plan assets	23 643	**71 398**

[1] Benefit obligations and pension costs appear with a negative sign.
[2] Considering the asset limitation according to IAS 19.58

25 Pension plans and other employee benefits (continued from page 113)

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 3.3 million during the 2005 financial year (2004: CHF 4.2 million).

The latest actuarial calculation was carried out as of 31 December 2005. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 84% of all benefit obligations and plan assets:

	2004	**2005**
Discount rate	3.50%	**2.75%**
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%**

26 Assets and liabilities by domestic and foreign origin

	31.12.2004 Domestic CHF 1000 restated	31.12.2004 Foreign CHF 1000 restated	**31.12.2005** Domestic CHF 1000	**31.12.2005** Foreign CHF 1000	Change Domestic CHF 1000	Change Foreign CHF 1000
Assets						
Cash	139 608	17 892	**483 421**	**132**	343 813	-17 760
Due from banks	229 025	3 070 385	**980 636**	**5 811 257**	751 611	2 740 872
Due from customers	862 274	2 424 632	**1 817 926**	**4 013 412**	955 652	1 588 780
Trading portfolios	397 894	629 962	**487 318**	**702 029**	89 424	72 067
Derivative financial instruments	416 382	992 949	**574 915**	**761 628**	158 533	-231 321
Financial investments	604 225	5 713 843	**501 183**	**6 531 846**	-103 042	818 003
Investments in associates	987	485	**927**	**-**	-60	-485
Property and equipment	160 821	15 451	**312 076**	**22 448**	151 255	6 997
Intangible assets	55 242	17 214	**4 981 615**	**6 172**	4 926 373	-11 042
Accrued income and prepaid expenses	93 667	116 874	**104 468**	**350 678**	10 801	233 804
Deferred tax assets	2 331	2 662	**5 286**	**44 155**	2 955	41 493
Other assets	20 367	44 787	**76 041**	**78 808**	55 674	34 021
Total	2 982 823	13 047 136	**10 325 812**	**18 322 565**	7 342 989	5 275 429

	31.12.2004 Domestic	31.12.2004 Foreign	**31.12.2005** Domestic	**31.12.2005** Foreign	Change Domestic	Change Foreign
Liabilities and equity						
Due to banks	810 461	1 122 944	**1 120 064**	**1 325 113**	309 603	202 169
Due to customers in savings and investment accounts	547 462	10 258	**388 884**	**-**	-158 578	-10 258
Due to customers, other	5 496 481	3 059 211	**8 035 320**	**6 027 089**	2 538 839	2 967 878
Trading liabilities	486 139	-	**432 375**	**-**	-53 764	-
Derivative financial instruments	342 633	1 031 926	**551 579**	**843 282**	208 946	-188 644
Financial liabilities designated at fair value	98 422	601 833	**134 464**	**1 717 041**	36 042	1 115 208
Debt issued	438 868	12 567	**288 478**	**225 000**	-150 390	212 433
Accrued expenses and deferred income	134 903	90 091	**339 494**	**435 527**	204 591	345 436
Other liabilities	21 984	33 735	**78 256**	**94 535**	56 272	60 800
Current tax liabilities	29 522	16 735	**68 619**	**56 937**	39 097	40 202
Deferred tax liabilities	64 385	-	**89 741**	**89**	25 356	89
Provisions	22 568	18 121	**177 886**	**11 327**	155 318	-6 794
Total liabilities	8 493 828	5 997 421	**11 705 160**	**10 735 940**	3 211 332	4 738 519
Total equity	1 538 710	-	**6 207 277**	**-**	4 668 567	-
Total	10 032 538	5 997 421	**17 912 437**	**10 735 940**	7 879 899	4 738 519

27 Consolidated off-balance-sheet transactions

	Note	31.12.2004 CHF 1000	**31.12.2005** 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		383 486	**633 282**	249 796	65.1
Irrevocable liabilities under documentary letters of credit			**641**	641	
Other contingent liabilities		15 000	**31 250**	16 250	108.3
Total		398 486	**665 173**	266 687	66.9
Irrevocable commitments					
Unutilized irrevocable commitments to extend credit		27 128	**30 470**	3 342	12.3
Confirmed credits					
Acceptance liabilities		1 802	**5 974**	4 172	231.5

Amounts already contained in balance sheet.

	Note	31.12.2004 CHF 1000	**31.12.2005** CHF 1000	Change CHF 1000	Change %
Derivative financial instruments					
Contract volume	28	91 300 078	**89 386 816**	-1 913 262	-2.1
Fiduciary transactions					
Fiduciary deposits[1]		4 493 648	**11 535 708**	7 042 060	156.7
Other fiduciary transactions (securities lending & borrowing on an agent basis)		13 169	**2 617**	-10 552	-80.1
Total		4 506 817	**11 538 325**	7 031 508	156.0

[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

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.

The irrevocable commitments relate to unutilized irrevocable commitments to extend credit.

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.

In connection with the withdrawal from the US private banking business and the disposal of the residual interest in the institutional brokerage business, from which the Group withdrew in the 2003 financial year, as well as in connection with the acquisition of three private banks and the further asset management companies, third parties have been 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.

27 Consolidated off-balance-sheet transactions

	31.12.2004 *CHF 1000*	**31.12.2005** *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	1 026 971	**711 315**	-315 656	-30.7
Obligations to return cash collateral received in securities lending and repurchase transactions	859 113	**193 996**	-665 117	-77.4
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	307 553	**317 752**	10 199	3.3
of which the right to pledge or sell on the securities has been granted without restriction	*307 553*	***317 752***	*10 199*	*3.3*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase	13 634 741	**7 679 793**	-5 954 948	-43.7
of which repledged or resold securities	*9 252 575*	***4 277 146***	*-4 975 429*	*-53.8*

28 Derivative financial instruments

	Contract/ Notional amount *CHF m*	Fair values Assets *CHF m*	Fair values Liabilities *CHF m*
Year ended 31 December 2005			
Derivatives held for trading			
Foreign exchange derivatives			
Forward contracts	57 505.2	618.2	626.4
Futures	1 018.0	1.3	-
Options (OTC)	16 654.5	232.2	223.8
Total foreign exchange derivatives 31.12.2005	**75 177.7**	**851.7**	**850.2**
Total foreign exchange derivatives 31.12.2004	75 086.0	1 311.5	1 233.9
Interest rate derivatives			
Forward contracts	216.1	1.4	1.2
Swaps	2 857.9	16.5	19.1
Futures	203.5	0.2	0.7
Options (OTC)	171.8	0.4	0.3
Options traded	-	-	-
Total interest rate derivatives 31.12.2005	**3 449.3**	**18.5**	**21.3**
Total interest rate derivatives 31.12.2004	12 358.9	23.4	24.3
Precious metals			
Forward contracts	216.0	8.1	0.6
Futures	39.4	-	1.5
Options (OTC)	1 531.1	120.2	132.6
Total precious metals derivatives 31.12.2005	**1 786.5**	**128.3**	**134.7**
Total precious metals derivatives 31.12.2004	759.8	9.6	24.2
Equity/indices derivatives			
Futures	263.3	0.8	0.2
Options (OTC)	5 458.6	309.4	286.6
Options traded	2 090.6	24.8	95.0
Total equity/indices derivatives 31.12.2005	**7 812.5**	**335.0**	**381.8**
Total equity/indices derivatives 31.12.2004	2 005.9	63.2	88.1
Other			
Futures	19.5	-	2.9
Total other derivatives 31.12.2005	**19.5**	**-**	**2.9**
Total other derivatives 31.12.2004	-	-	-
Total derivatives held for trading 31.12.2005	**88 245.5**	**1 333.5**	**1 390.9**
Total derivatives held for trading 31.12.2004	90 210.6	1 407.7	1 370.5

28 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	1 141.3	3.0	4.0
Total derivatives held for hedging 31.12.2005[1]	**1 141.3**	**3.0**	**4.0**
Total derivatives held for hedging 31.12.2004	1 089.5	1.6	4.1
Total derivative financial instruments 31.12.2005	**89 386.8**	**1 336.5**	**1 394.9**
Total derivative financial instruments 31.12.2004, restated	91 300.1	1 409.3	1 374.6

[1] Compare to Comment on risk management, page 91

29 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	2004 Appreciation/ depreciation CHF m	Book value CHF m	Fair value CHF m	**2005** Appreciation/ depreciation CHF m
Financial assets						
Cash	157.5	157.5	-	**483.6**	**483.6**	**-**
Claims	6 586.3	6 621.4	35.1	**12 623.2**	**12 729.3**	**106.1**
Trading portfolios	1 027.9	1 027.9	-	**1 189.3**	**1 189.3**	**-**
Derivative financial instruments	1 409.3	1 409.3	-	**1 336.5**	**1 336.5**	**-**
Financial investments	6 318.1	6 320.7	2.6	**7 033.0**	**7 034.0**	**1.0**
Financial liabilities						
Commitments	11 046.8	11 093.9	-47.1	**16 896.5**	**16 964.6**	**-68.1**
Trading liabilities	486.1	486.1	-	**432.4**	**432.4**	**-**
Derivative financial instruments	1 374.5	1 374.5	-	**1 394.9**	**1 394.9**	**-**
Bonds	451.4	462.2	-10.8	**513.5**	**548.3**	**-34.8**
Difference between fair value and book value, excluding deferred taxes			-20.2			**4.2**

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 11 and 12), the fair value corresponds to the market price. The fair value of instruments without a market price is derived by using generally accepted valuation methods.

Derivative financial instruments
The fair value of the derivative financial instruments is derived primarily by using uniform models. The market price is used for derivative instruments which have one.

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

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

29 Financial instruments (continued)

For listed trading portfolio securities and financial investments as well as for exchange-traded derivatives and other financial instruments whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.
For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets.
For a small portion of financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.
The following valuation methods are used in determining the fair value of financial instruments carried at fair value as of 31 December 2005:

	Quoted market price *CHF m*	Valuation technique market-observable inputs *CHF m*	Valuation technique non-market-observable inputs *CHF m*	Total *CHF m*
Determination of fair values from quoted market prices or valuation techniques				
Trading portfolios	987.0	198.1	4.2	**1 189.3**
Derivative financial instruments	614.0	718.2	4.3	**1 336.5**
Financial investments	1 090.5	5 928.2	14.3	**7 033.0**
Total assets	**2 691.5**	**6 844.5**	**22.8**	**9 558.8**
Trading liabilities	39.6	365.6	27.2	**432.4**
Derivative financial instruments	617.0	773.6	4.3	**1 394.9**
Financial liabilities designated at fair value	-	1 739.7	111.8	**1 851.5**
Total liabilities	**656.6**	**2 878.9**	**143.3**	**3 678.8**

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

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

The potential effect of using reasonable alternative assumptions as inputs to valuation models from which the fair values of these financial instruments are calculated has been determined to be negligible when using either less favorable assumptions or more favorable assumptions.

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

Total results from trading operations came to CHF 148.9 million for the financial year ended 31 December 2005. This figure represents the net result from various products traded across different business activities, including the effect of foreign currency translation, and including both realized and unrealized income. Unrealized income is determined from changes in fair value, using quoted prices in active markets when available, and is otherwise estimated using valuation techniques.

Included in the unrealized portion of the results from trading operations are net losses from changes in fair values of CHF 92.6 million on financial instruments whose fair value was estimated using valuation techniques. These valuation techniques included models such as those described above, which range from relatively simple models based on observable market factors, to more complex models based on assumptions or estimates reflecting market conditions.

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

Consequently, the changes in fair value recognized in profit or loss during the reporting period that were estimated using valuation techniques represent only a portion of the results from trading operations. In many cases, these amounts were offset by other financial instruments or transactions that were realized or valued using quoted market prices or rates. The amount of such income for 2005, including the effect of foreign currency translation on unrealized transactions, was a gain of CHF 241.5 million. Changes in fair value estimated using valuation techniques are also recognized in profit and loss in situations of unrealized impairments on available-for-sale financial investments.

30 Risk-weighted assets (BIS)

	31.12.2004		31.12.2005	
	Nominal amount *CHF 1000*	Risk-weighted *CHF 1000*	Nominal amount *CHF 1000*	Risk-weighted *CHF 1000*
Balance sheet assets				
Due from banks	3 299 410	671 796	**6 791 893**	**1 345 425**
Due from customers	3 286 906	2 280 055	**5 831 338**	**3 987 654**
Property and equipment and intangible assets	248 728	234 799	**382 118**	**382 118**
Accrued income and prepaid expenses	210 541	210 541	**455 146**	**275 597**
Derivative financial instruments	1 409 331	435 411	**1 336 543**	**440 368**
Other assets	65 154	61 337	**154 849**	**114 305**
Default risk positions[1]	6 518 735	3 380 931	**7 206 079**	**3 619 763**
Market risks in trading[2]	-	816 775	**-**	**700 213**
Off-balance-sheet transactions				
Contingent liabilities	398 486	393 748	**665 173**	**326 468**
Irrevocable commitments	1 040	520	**8 586**	**4 293**
Forward contracts and options (add-ons)	55 195 035	196 641	**55 458 242**	**225 751**
Total risk-weighted positions		8 682 554		**11 421 955**
Imputed Tier 1 regulatory capital		1 532 660		**1 446 502**
of which hybrid Tier 1 capital[3]		-		***216 975***
Imputed Tier 1 and Tier 2 regulatory capital		1 532 660		**1 452 972**
BIS ratio Tier 1		17.7%		**12.7%**
BIS ratio Tier 1 and 2		17.7%		**12.7%**

[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
[3] Hybrid Tier 1 capital represents 15% of the core capital of the Julius Baer Group.

31 Companies consolidated as of 31 December 2005

	Place of listing	Capitalization as of 31.12.05 m	Head Office	Currency	Capital m
Listed companies which are consolidated					
Julius Baer Holding Ltd.	Swiss Exchange Zurich	10 393	Zurich	CHF	11.163
Security number: 1 208 301, 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	575.000	100
Branches in Geneva, Guernsey, Lucerne, New York				
Agencies in Basle, Lausanne, Lugano				
Representative Office in Vienna				
including				
BDL Banco di Lugano	Lugano	CHF	50.000	100
Branch in Jersey				
including				
BDL Banco di Lugano (Singapore) Ltd.	*Singapore*	*SGD*	*25.000*	*100*
Arpese SA	*Lugano*	*CHF*	*0.400*	*100*
Ehinger & Armand von Ernst Ltd.	Zurich	CHF	21.000	100
Branches in Basle, Berne				
including				
Ehinger & Armand von Ernst Fund Management Company SA	*Luxembourg*	*CHF*	*0.250*	*100*
Ferrier Lullin & Cie SA	Geneva	CHF	30.000	100
Branches in Lausanne, Sion				
including				
Ferrier Lullin International Inc.	*Panama City*	*CHF*	*2.000*	*100*
Ferrier Lullin Bank & Trust (Bahamas) Limited	*Bahamas*	*CHF*	*2.000*	*100*
including				
Ferrier Lullin Trust Company (Bahamas) Limited	*Bahamas*	*CHF*	*2.000*	*100*
Cantrade Private Bank Switzerland (CI) Ltd.	Jersey	GBP	0.700	100

	Head Office	Currency	Capital m	Equity interest %
Banks				
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*
Directorate Inc.	*Tortola, BVI*	*USD*	*0.020*	*100*

	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*	*2.125*	*100*
Julius Baer Multistock Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multibond Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multicash Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multipartner Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multiinvest Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer 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 Multiopportunities Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer SGR S.p.A.	*Milan*	*EUR*	*3.500*	*100*
Julius Baer International Ltd.	London	GBP	5.800	100
Infidar Investment Advisory Ltd.	Zurich	CHF	1.000	86 [1]
Julius Baer Securities Inc.	New York	USD	0.400	100
including				
Julius Baer Investment Management LLC	*New York*	*USD*	*0.100*	*100*
Julius Baer Financial Markets LLC	*New York*	*USD*	*0.100*	*100*
Julius Bär Kapital AG	Frankfurt	EUR	2.600	100

	Head Office	Currency	Capital *m*	Equity interest *%*
Finance companies				
Julius Baer (Middle East) Ltd.	Dubai	USD	4.000	100
Ursa Company Ltd.	Grand Cayman	CHF	0.500	100
Julius Baer Investment Advisory (Canada) Ltd.	Montreal	CAD	0.500	100
Julius Baer Investments Limited	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
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Baer Alternative Solutions Ltd.	Guernsey	USD	0.050	100
Julius Baer Capital (Guernsey) I Limited	Guernsey	CHF	0.000	100
Cantrade Trustee AG	Zurich	CHF	0.100	100
including				
Bronte International SA	*BVI*	*USD*	*0.000*	*100*
Cantrade Corporate Directors Ltd.	*BVI*	*USD*	*0.000*	*100*
Cantrade Trust Company (Cayman) Ltd.	Grand Cayman	CHF	0.800	100

	Head Office	Currency	Capital m	Equity interest %
Finance companies				
GAM Holding AG	Zurich	CHF	50.000	100
including				
GAM (Schweiz) AG	*Zurich*	*CHF*	*1.000*	*100*
including				
- GAM Anlagefonds AG	*Zurich*	*CHF*	*1.000*	*100*
GAM (UK) Ltd.	*London*	*GBP*	*1.000*	*100*
including				
- GAM International Management Ltd.	*London*	*GBP*	*0.250*	*100*
- GAM London Ltd.	*London*	*GBP*	*2.025*	*100*
- GAM Sterling Management Ltd.	*London*	*GBP*	*0.050*	*100*
GAM Administration Ltd.	*Isle of Man*	*GBP*	*0.100*	*100*
GAM Fonds Marketing GmbH	*Berlin*	*EUR*	*0.026*	*100*
GAM Fund Management Ltd.	*Dublin*	*EUR*	*0.127*	*100*
GAM Ltd., Bermuda	*Bermuda*	*USD*	*2.020*	*100*
GAM Singapore Pte Ltd.	*Singapore*	*SGD*	*4.600*	*100*
including				
- GAM Hong Kong Ltd.	*Hong Kong*	*HKD*	*5.000*	*100*
- GAM Kabushiki Kaisha	*Tokyo*	*JPY*	*100.000*	*100*
GAM USA Inc.	*Wilmington/USA*	*USD*	*8.817*	*100*
including				
- GAM Investments Inc.	*Wilmington/USA*	*USD*	*0.130*	*100*
- GAM Services Inc.	*Wilmington/USA*	*USD*	*0.260*	*100*
including				
- GAM Funding Inc.	*Wilmington/USA*	*USD*	*0.010*	*100*
Real estate company				
Aktiengesellschaft, formerly Waser Söhne & Cie., Werdmühle, Altstetten	Zurich	CHF	2.260	100
Foundation				
Loteco Foundation	Zurich	CHF	0.100	100
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

Changes in the companies consolidated:

Julius Baer Creval Private Banking S.p.A., Milan, sold as of 12 October 2005 to Credito Valtellinese, Sondrio

BDL Banco di Lugano, Lugano, new

Ehinger & Armand von Ernst Ltd., Zurich, new

Cantrade Private Bank Switzerland (CI) Ltd., Jersey, new

Ferrier Lullin & Cie SA, Geneva, new

GAM Holding AG, Zurich, new

Julius Baer Multiopportunities Advisory Ltd., Luxemburg, new

Julius Baer Investment Advisory GesmbH, Vienna, new

Baer Alternative Solutions Ltd., Guernsey, new

Julius Baer Capital (Guernsey) I Limited, Guernsey, new

Julius Baer Financial Markets LLC, New York, new

32 Acquisitions and sales

Acquisitions

On 2 December 2005, Julius Baer Holding Ltd. successfully completed acquisition of 100% of the three private banks Ehinger & Armand von Ernst, Ferrier Lullin and BDL Banco di Lugano as well as of the asset manager GAM from UBS AG. UBS AG received the total purchase price of approximately CHF 6.01 billion in the form of a 21.5% stake in the share capital of the post-acquisition Julius Baer Group (value: CHF 2.21 billion) as well as CHF 3.80 billion in cash. For this purpose, the Board of Directors created 20 997 271 registered shares from authorized share capital, all of which are entitled to dividends for the 2005 financial year. These shares, together with 3 002 800 treasury shares, were transferred to UBS AG as part of the purchase price.
At the time of acquisition, the assets under management at the three private banks came to CHF 57.3 billion (Ehinger & Armand von Ernst CHF 23.2 billion, Ferrier Lullin CHF 18.4 billion and BDL Banco di Lugano CHF 15.7 billion) and those at asset manager GAM amounted to CHF 70.9 billion. The three private banks are being integrated into the Private Banking division, whereas GAM, Julius Baer Asset Management and the Trading & Sales area jointly form the Asset Management division as of 1 January 2006.
The assets and liabilities of the acquired entities were recorded as follows:

	Book value *CHF 1000*	Step-up to fair value *CHF 1000*	Fair value *CHF 1000*
Assets			
Financial investments	672424	-173	672251
Property and equipment	180347	-11659	168688
Goodwill	359137	2570408	2929545
Intangible assets	10222	2020000	2030222
Deferred tax assets	16154	13457	29611
All other assets	8174121	33306	8207427
Total	9412405	4625339	14037744
Liabilities and equity			
Deferred tax liabilities	29773	5269	35042
Provisions	13397	-16500	-3103
All other liabilities	8118777	46144	8164921
Total liabilities	8161947	34913	8196860
Equity	1250458	4590426	5840884
Total	9412405	4625339	14037744

The intangible assets recognized here consist of CHF 1.75 billion for the existing client relationships of these entities and CHF 273 million for the GAM brand. The client relationships are amortized over a useful life of ten years.

Net profit as of 31 December 2005 contains CHF 2.1 million from the three private banks Ehinger & Armand von Ernst, Ferrier Lullin and BDL Banco di Lugano as well as from the asset manager GAM.

Pro-forma information

The following pro-forma information shows operating income, net profit and basic earnings per registered share as if the aforementioned acquisitions had been carried out on 1 January 2005. Adjustments have been made to reflect additional amortization and depreciation of assets and liabilities that have been assigned fair values different from their carryover basis in purchase accounting.

	31.12.2005 *CHF 1000*
Operating income	**2 582 643**
Net profit	**343 779**
Net profit less the amortization of intangible assets	**640 821**
Basic net profit per registered share (CHF)	**3.08**
Basic net profit per registered share less the amortization of intangible assets (CHF)	**5.74**

Sale of subsidiary

On 12 October 2005, Julius Baer Holding Ltd. sold 41% of its stake in JB Creval Private Banking S.p.A., Milan. The company's contribution to the operating income of the Group for the period from 1 January until 30 September 2005 amounted to CHF -1.6 million (CHF -2.1 million for the period from 1 January until 31 December 2004). The remaining stake (10%) is recognized in the financial investments.

33 Equity participation plans

Participation programs

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the participation programs. The programs described in detail below reflect the situation as of 31 December 2005. The future shape of the Equity Participation Programs as of 2006 is being redefined as part of the integration and harmonization processes.

Staff Participation Plan

The existing Staff Participation Plan that entered into force in 1998 was suspended in January 2005 due to the introduction of the single-class registered shares. For the year 2005, it was decided to grant the employees a one-off opportunity to purchase registered shares of Julius Baer Holding Ltd. at a preferential price. The registered shares acquired in this way are subject to a sales restriction period. The number of registered shares in each instance depends on the employee's professional rank. The offer price is 40% below the average weighted market value of the registered stock for the period from 23 November until 6 December 2005. The statement of the number of shares and options that follows as well as the corresponding prices in CHF were adjusted to reflect the conversion ratio of 1 bearer share = 5 registered shares as a result of the introduction of the single-class registered shares in April 2005.

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. registered shares and options on such registered shares at market prices. The shares and options (taking into account the adjustment at a ratio of 1:1.1805 as a result of the capital increase in November 2005) acquired in this way are subject to a sales restriction period. The registered 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. registered shares and/or options on such registered shares (taking into account the adjustment at a ratio of 1:1.1805 as a result of the capital increase in November 2005) 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. Only after expiration of the vesting period (1 year) are employees entitled to the registered shares and/or options, provided that said employees are in ongoing employment (forfeiture clause). The shares and options acquired in this way are subject to a sales restriction period. 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. In the course of the capital increase during the period from 14 November until 22 November 2005, the Loteco Foundation exercised all of the subscription rights relating to the non-vested registered shares of Julius Baer Holding Ltd. at the time.

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

	31.12.2004	**31.12.2005**
Staff Participation Plan		
Number of registered shares taken up	84 100	**364 074**
Preferential price per share (CHF)	29.20	**55.95** [2]
Number of bearer shares taken up (prior to single-class registered shares)	279 195	-
Preferential price per share (CHF)	38.00 [1]	-
Compensation expense (CHF 1000)	15 475	**13 580**

1 The preferential price is 43% below the weighted average market value for the preceding year.
2 The preferential price is 40% below the weighted average market value for the period from 23 November until 6 December 2005.

	31.12.2004	**31.12.2005**
Equity Bonus Plan		
Number of registered shares taken up	31 245	**23 675**
Purchase price per share (CHF)	81.50 [1]	**82.60** [2]
Number of options taken up	73 210	**58 880**
Exercise price (CHF)	81.50 [1]	**69.97**

1 Weighted average market value for the period from 24 February until 25 March 2004
2 Weighted average market value for the period from 22 February until 24 March 2005

Bonuses paid in the form of shares are recognized in the year in which the corresponding service is performed. Bonuses paid in the form of options are also recognized in the year in which the service is performed, and until realization (sale or exercise) these options are recognized in the balance sheet as a liability at fair value. The compensation expense recognized for options taken up during the financial year amounted to CHF 7.5 million (2004: CHF -5.3 million).

Shares Long-Term Incentive Plan	31.12.2004	**31.12.2005**
Unvested shares outstanding, at the beginning of the year	75 500	**115 395**
Shares awarded during the year	71 515	**1 155 247**
Vested during the year	-24 270	**-59 575**
Forfeited during the year	-7 350	**-7 860**
Unvested shares outstanding, at the end of the year	115 395	**1 203 207**
Weighted average fair value per share awarded (CHF)	67.80	**89.35**
Fair value of outstanding shares at the end of the year (CHF 1000)	7 899	**112 019**

33 Equity participation plans (continued from page 131)

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

	31.12.2004 Number of options	31.12.2004 Weighted average exercise price CHF	**31.12.2005** Number of options	**31.12.2005** Weighted average exercise price CHF
Equity Bonus Plan				
Outstanding, at the beginning of the year	1 505 125	124.91	**1 564 135**	**123.02**
Granted during the year	72 815	81.00	**58 880**	**82.60**
Exercised during the year[1]	-13 805	-	**-1 027 520**	
Expired unexercised	-	-	**-176 950**	**102.78**
Outstanding, at the end of the year	1 564 135	123.02	**418 545**	**84.77**
Exercisable, at the end of the year	601 750	102.78	**123 650**	**133.08**

[1] Sale of options to market maker (cash settlement)

	Options outstanding			Options exercisable	
	Number of options outstanding	Exercise price CHF	Remaining contractual life Years	Number of options exercisable	Exercise price CHF
Exercise prices per share					
133.08	**123 650**	**133.08**	**0.3**	**123 650**	**133.08**
88.10	**74 190**	**88.10**	**1.3**	**-**	**-**
38.46	**91 435**	**38.46**	**2.3**	**-**	**-**
69.04	**70 390**	**69.04**	**3.3**	**-**	**-**
69.97	**58 880**	**69.97**	**4.3**	**-**	**-**

	31.12.2004 Number of options	31.12.2004 Weighted average exercise price *CHF*	**31.12.2005** Number of options	**31.12.2005** Weighted average exercise price *CHF*
Options - Long-Term Incentive Plan				
Outstanding, at the beginning of the year	1 214 055	93.22	**1 373 485**	**87.64**
Granted during the year	281 835	67.80	**-**	**-**
Exercised during the year[1]	-52 955	-	**-557 530**	
Forfeited during the year	-69 450	90.34	**-29 825**	**82.26**
Outstanding, at the end of the year	1 373 485	87.64	**786 130**	**70.60**
Exercisable, at the end of the year	222 450	144.10	**334 275**	**91.31**

[1] Sale of options to market maker (cash settlement)

	Options outstanding			Options exercisable	
Exercise prices per share	Number of options outstanding	Exercise price *CHF*	Remaining contractual life *Years*	Number of options outstanding	Exercise price *CHF*
122.07	**128 900**	**122.07**	**0.5**	**128 900**	**122.07**
72.00	**205 375**	**72.00**	**1.5**	**205 375**	**72.00**
52.72	**206 440**	**52.72**	**2.5**	**-**	**-**
57.43	**245 415**	**57.43**	**3.7**	**-**	**-**

The compensation expense recognized for the Long-Term Incentive Plan amounted to CHF 26.1 million (2004: CHF 1.0 million).

34 Assets under management

	2004 *CHF m*	**2005** *CHF m*	Change *%*
Assets in own-managed funds	44 833	**119 139**	165.7
Assets with management mandate	41 391	**87 870**	112.3
Other assets under management	49 146	**97 313**	98.0
Total client assets (including double counting)	135 370	**304 322**	124.8
of which double counting	*7359*	***30 970***	*320.8*
change through acquisition[1]		**128 106**	
change through divestment[2]		**-5 825**	
change through net new money	15 654	**16 025**	2.4
change through market appreciation	4 170	**30 646**	634.9
Baer Custodian Service	39 125	**47 408**	21.2

[1] As per 02.12.2005, Julius Baer acquired the three private banks Ehinger & Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano as well as GAM Holding AG from UBS AG.

[2] As per 01.04.2005, Julius Baer sold the private banking activities in the USA to UBS AG.

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

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

Breakdown of assets under management

	2004 %	**2005 %**
By types of investment		
Equities	42	**41**
Bonds (including convertible bonds)	30	**21**
Money market investments	8	**7**
Third-party funds	8	**8**
Client deposits	6	**4**
Other[1]	6	**19**
Total	100	**100**

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

	2004 %	**2005 %**
By currencies		
CHF	25	**19**
EUR	31	**30**
GBP	4	**7**
USD	31	**36**
JPY	4	**3**
Other	5	**5**
Total	100	**100**

35 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 80.8 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 9.3 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 63 - 136) of Julius Baer Holding Ltd. for the year ended 31 December 2005.

These 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 Swiss Auditing Standards 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 that 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 Schönenberger | *Rolf Birrer*

Zurich, 15 February 2006

Financial Report of Julius Baer Holding Ltd. 2005

Commentary on the income statement and balance sheet

Income statement

The 2005 financial year ended with net profit up by 94.4% from CHF 202 million to CHF 393 million. This increase was largely attributable to higher dividend payments from subsidiaries, used as partial financing for the acquisition of the three private banks and GAM from UBS AG on 2 December 2005.

Operating income climbed by 92.5% from CHF 225 million to CHF 433 million. This change primarily reflects the current-period income from participations, which rose by 87.3% year-on-year from CHF 216 million to CHF 404 million and corresponds to the dividend payments from Group companies for the 2005 financial year.

The negative balance of net interest income declined by CHF 1 million to CHF 9 million. Whereas interest income from the investment of liquid assets climbed by CHF 0.9 million to CHF 3 million, interest expenses fell by CHF 0.5 million to CHF 12 million due to lower average interest rates on outstanding bond issues.

Results from commission and service fee activities advanced by 27% from CHF 1.2 million to CHF 1.5 million. The CHF 18 million of income from securities resulted from purchases as part of the share repurchase program and the subsequent partial sale of treasury shares in connection with the transaction with UBS AG as well as from the sale of the remaining stake in Kepler Equities SA.

Operating expenses were up from CHF 22 million to CHF 37 million in 2005. Responsible for this increase were both a rise in personnel expenses from CHF 16 million to CHF 26 million and a jump in general expenses from CHF 6 million to CHF 12 million, namely project costs and consulting fees in connection with the introduction of single-class registered shares in early 2005 as well as with the acquisition of the three private banks and GAM from UBS AG on 2 December 2005.

In line with the trend of income and expenses, gross profit increased by 95% from CHF 203 million to CHF 396 million in the year under review. Depreciation rose from CHF 1 million to CHF 7 million due to termination of the private banking joint venture with the Credito Valtellinese Banking Group of Italy. Extraordinary income was up from CHF 2 million to CHF 8 million owing to the settlement of lawsuits.

Balance sheet

Total assets of Julius Baer Holding Ltd. climbed by CHF 5 319 million from CHF 1 199 million to CHF 6 519 million in the 2005 financial year, reflecting the acquisition of the three private banks and GAM from UBS AG on 2 December 2005.

On the assets side of the balance sheet, within non-current assets the participations rose by CHF 5 203 million from CHF 634 million to CHF 5 837 million as a result of the acquisition. Apart from the acquisition-driven changes, there were also increases related to expansion of the business activities of Bank Julius Bär (Deutschland) AG, Frankfurt, and of Julius Baer Middle East, Dubai. The position other financial investments represents a long-term subordinated loan to Bank Julius Baer & Co. Ltd.

The changes in current assets were driven by the CHF 151 million drop in the amount due from banks from CHF 270 million to CHF 119 million as a result of a loan repayment. Accrued income and prepaid expenses, which mainly relate to the current-period reporting of income from participations in 2005, remained nearly stable at CHF 221 million. Whereas other claims of CHF 10 million were almost constant, other assets rose by CHF 25 million from CHF 4 million to CHF 28 million due to capitalization of capital increase expenses and the costs for long-term incentive plans.

On the liabilities side of the balance sheet, the amount due to banks increased by CHF 300 million because of a long-term loan. The rise in outstanding bonds by CHF 75 million to CHF 525 million is the result of the ordinary repayment of the 1998/2005 bond in the amount of CHF 150 million and the taking-up of a long-term subordinated loan with equity character at the Group level in the amount of CHF 225 million. Accrued expenses and deferred income climbed from CHF 53 million to CHF 73 million, primarily on account of higher performance-based payments and expenses related to the capital increase. In contrast, other liabilities dropped from CHF 9 million to CHF 5 million.

In accordance with the resolutions of the Extraordinary General Meeting of Julius Baer Holding Ltd. on 10 November 2005, the share capital was increased from CHF 5.5 million to CHF 11.2 million. This change reflects the ordinary increase of share capital by CHF 3.77 million to CHF 9.06 million through issue of 37 696 358 new registered shares, the creation of authorized share capital in the amount of CHF 2.10 million in order to issue a maximum of 20 997 271 registered shares to grant UBS AG a stake of up to 21.5% in the share capital of Julius Baer Holding Ltd., as well as the authorization of the Board of Directors to sell and/or transfer the 2 672 800 treasury shares existing at the time of the resolution as well as any other own shares held by Julius Baer as partial consideration for the acquisition of the three private banks and certain other companies from UBS AG. The new share capital structure as of 31 December 2005 is presented in the detailed table on page 111 of this annual report.

As a result of the higher share capital, the general legal reserve increased by CHF 4 649 million to CHF 4 853 million. In view of the complete liquidation of treasury share holdings, the reserve for treasury shares was eliminated. Other reserves were up from CHF 239 million to CHF 352 million as a result of the addition of CHF 120 million in accordance with the resolution of the 2005 Annual General Meeting.

Retained earnings brought forward of CHF 7 million and net income of CHF 393 million result in total retained earnings of CHF 400 million that are available for allocation at the Annual General Meeting on 12 April 2006.

Income statement

	2004 *CHF 1000*	**2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Income				
Interest income	2 121	**2 997**	876	41.3
Interest expenses	11 971	**11 515**	-456	-3.8
Net interest income	-9 850	**-8 518**	1 332	-13.5
Commission income on services	1 247	**1 610**	363	29.1
Commission expenses	68	**113**	45	66.2
Results from commission and service fee activities	1 179	**1 497**	318	27.0
Income from securities	-	**17 599**	17 599	100.0
Income from participations	215 666	**403 846**	188 180	87.3
Other ordinary results	18 014	**18 717**	703	3.9
Operating income	225 009	**433 141**	208 132	92.5
Expenses				
Personnel expenses	16 088	**25 597**	9 509	59.1
General expenses	5 574	**11 794**	6 220	111.6
Operating expenses	21 662	**37 391**	15 729	72.6
Gross profit	203 347	**395 750**	192 403	94.6
Depreciation	1 223	**7 189**	5 966	487.8
Extraordinary income	1 529	**7 500**	5 971	390.5
Extraordinary expense	764	**-**	-764	-100.0
Taxes	600	**2 881**	2 281	380.2
Net profit	202 289	**393 180**	190 891	94.4

Balance sheet

	31.12.2004 *CHF 1000*	**31.12.2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Assets				
Current assets				
Due from banks	269 947	**119 178**	-150 769	-55.9
Securities	11 387	**2 895**	-8 492	-74.6
Other claims	10 074	**9 802**	-272	-2.7
Accrued income and prepaid expenses	215 966	**220 864**	4 898	2.3
Other assets	3 746	**28 491**	24 745	660.6
Non-current assets				
Participations	633 970	**5 837 436**	5 203 466	820.8
Other financial investments		**300 000**	300 000	100.0
Treasury shares	54 348	**-**	-54 348	-100.0
Total assets	1 199 438	**6 518 666**	5 319 228	443.5
Due from Group companies	269 947	**433 279**	163 332	60.5

	31.12.2004 *CHF 1000*	**31.12.2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Liabilities and shareholders' equity				
Borrowed funds				
Due to banks	-	**300 000**	300 000	100.0
Debt issued	450 000	**525 000**	75 000	16.7
Accrued expenses and deferred income	19 807	**72 827**	53 020	267.7
Other liabilities	13 502	**4 552**	-8 950	-66.3
Valuation adjustments and provisions	2 086	**-**	-2 086	-100.0
Shareholders' equity				
Share capital	5 384	**11 163**	5 779	107.3
General legal reserve	204 141	**4 852 845**	4 648 704	2 277.2
Reserve for treasury shares	57 859	**-**	-57 859	-100.0
Other reserves	239 282	**352 141**	112 859	47.2
Disposable profit	207 377	**400 138**	192 761	93.0
of which retained earnings	*5 088*	***6 958***	*1 870*	*36.8*
of which net profit	*202 289*	***393 180***	*190 891*	*94.4*
Total liabilities and shareholders' equity	1 199 438	**6 518 666**	5 319 228	443.5
Due to Group companies		**225 000**	225 000	100.0

Notes to the balance sheet

	31.12.2004 *CHF 1000*	**31.12.2005** *CHF 1000*	Change *CHF 1000*	Change *%*
Contingent liabilities				
Surety and guarantee obligations and assets pledged in favor of third parties	180811	**44858**	-135953	-75.2

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 to 127. 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 108.

Conditional capital

Please see consolidated financial statements, page 111.

Treasury shares

In the statutory financial statements of Julius Baer Holding Ltd., a reserve for treasury shares, comprising all treasury shares held in the financial investments of Julius Baer Holding and its subsidiaries, is stated in 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 32.

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

Proposal of the Board of Directors to the Ordinary Shareholders' Meeting on 12 April 2006

The Board of Directors proposes to the Ordinary Shareholders' Meeting that the disposable profit for the 2005 financial year of CHF 400 137 872, consisting of net profit for the financial year in the amount of CHF 393 179 742 plus CHF 6 958 130 of retained earnings brought forward from the prior financial year, be distributed as follows:

- Dividend of CHF 1.00
  per registered share at CHF 0.10 par value

- Total dividends on the dividend-bearing share capital of CHF 11 162 823.90:
  CHF 111 628 239

- Allocation to other reserves:
  CHF 280 000 000

- Balance brought forward:
  CHF 8 509 633

Dividends

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
per registered share	1.00	0.35	0.65

The dividends will be paid from 19 April 2006.

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, proposal of the Board of Directors to the Ordinary Shareholders' Meeting / pages 142 - 145) of Julius Baer Holding Ltd. for the year ended 31 December 2005.

These 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 Swiss Auditing Standards, 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 that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers AG

Albert Schönenberger — *Rolf Birrer*

Zurich, 15 February 2006

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