2006 Annual Report
Julius Baer Holding Ltd.

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Key figures

	2005	**2006**	Change %
Return on equity (ROE)	5.9%	**10.3%**	-
Return on equity (ROE)[1]	14.8%	**24.3%**	-
Cost/income ratio[2]	84.5%	**66.8%**	-
Cost/income ratio[3]	71.5%	**59.5%**	-

	31.12.2005	**31.12.2006**	Change %
Consolidated balance sheet			
Total assets (CHF m)	28 648.4	**35 992.9**	25.6
Total equity (CHF m)	6 207.3	**6 863.9**	10.6
BIS Tier 1 ratio	12.7%	**17.1%**	-
Asset management			
Assets under management (CHF bn)	304.3	**360.7**	18.5
Personnel			
Number of employees (FTE)	3 512	**3 684**	4.9
of whom Switzerland	*2 550*	***2 487***	*-2.5*
of whom abroad	*962*	***1 197***	*24.4*
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	**Aa3**	

[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
High price 2006	137
Low price 2006	92

Key figures for shares

	2005	**2006**	Change %
Information per registered share (CHF)			
Equity (book value, as of 31.12.)	56.1	**61.5**	9.6
Net profit (EPS)	2.6	**6.1**	134.8
Dividend proposal	1.0	**1.0**	-
Market price (as of 31.12.)	93	**134**	44.1
Market capitalization (CHF m, as of 31.12.)	10 393	**14 981**	44.1
Capital structure (as of 31.12.)			
Number of registered shares, par value CHF 0.10	111 628 239	**111 628 239**	-
Weighted average number of shares	56 405 547	**110 541 967**	96.0
Share capital (CHF m)	11.2	**11.2**	-

Content

Dear Reader

We can look back on a successful 2006 for the Julius Baer Group. The very rapid integration is completed. Also, we moved forward aggressively in focusing on the wealth management requirements of our private and institutional clients. The strong inflow of new client assets in both Private Banking and Asset Management demonstrates the appeal of our Group's offering. The successful completion of the integration and our increased earning power enable us to realize the full potential of Julius Baer and thus our ambitious vision: to become the world's most respected dedicated wealth manager. Significant initiatives in this direction have been launched in 2006. For example, cooperation between the two divisions was intensified, resulting in further improvement of the product and service offerings to our clientele and also in substantial synergies. In addition, the business workflows and the technical infrastructure were further streamlined and more strongly focused on optimal customer service.

Parallel to this, we have made considerable progress with our various growth initiatives. Private Banking expanded its international presence through the opening of new offices as well as by significantly bolstering the number of our relationship managers. Asset Management added new innovative products to its range of offerings and broadened its distribution base. At the same time, management was strengthened at all levels. In mid-December 2006, we were able to welcome Dieter A. Enkelmann as our new Group Chief Financial Officer and a member of the Group Executive Board.

The Julius Baer Group managed CHF 361 billion of client assets by the end of 2006 and achieved a net profit of CHF 672 million (including the amortization of intangible assets and significant financial events also comprising the acquisition of the three private banks and GAM). Our high earning power enables us to internally finance the further development of our Group. Any excess capital we intend to return to our shareholders as efficiently as possible. The payment of an unchanged dividend of CHF 1.00 per registered share, representing a dividend payout of CHF 112 million, will be proposed to the Annual General Meeting scheduled for 17 April 2007. In addition, a share buyback program of up to CHF 500 million is planned for 2007/2008, with subsequent nullification of the shares. Furthermore, a stock split at the ratio of two new shares for one existing share will be proposed.

We have laid the foundations in 2006 for sustainable and profitable growth. During this time, we were able to count on the extraordinary support and the skills of our employees, who along with our clients deserve our sincerest thanks. The past months were undoubtedly challenging, but they also forged strong bonds between the various parts of the Group. It is now up to us to keep the momentum going in keeping with our “Committed to Excellence” campaign.

Raymond J. Baer
Chairman

Johannes A. de Gier
President and CEO

Zurich, February 2007

«We want to become the world's **most respected** dedicated wealth manager»

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 legitimate information needs in this chapter of the Annual Report.

The corporate governance information of Julius Baer Holding Ltd. is presented in accordance with the Corporate Governance Directive of the 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 2006.

1. Group structure and shareholders

1.1 Significant shareholders (as of 31 December 2006)

	Davis Selected Advisers, L.P., Tucson, USA	UBS
Number of registered shares	6 086 396	23 107 046
Percentage of voting stock	5.45%	20.7%[1]
Percentage of share capital	5.45%	20.7%

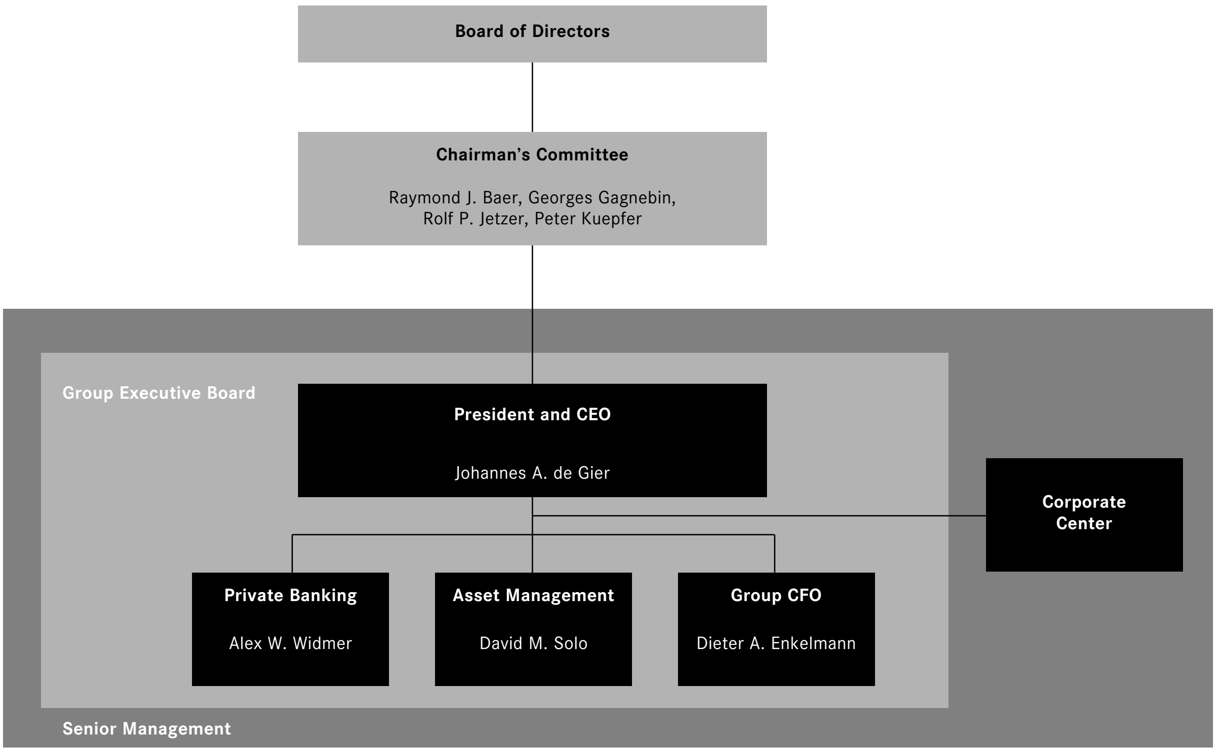
[1] Contractual voting and selling restriction: abstention from exercising voting rights (until 2 December 2008) and abstention from selling (until 2 June 2007) for 19.9%, respectively subject to certain exceptions.

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 2006)

The consolidated companies are disclosed on pages 94 to 97.



2. Capital structure

2.1 Capital

As of 31 December 2006, 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 38.

2.4 Shares and participation certificates

Shares

	2005[1]	**2006**
Number of shares as of 31 December		
Registered shares with par value of CHF 0.10	111 628 239	**111 628 239**
(all entitled to dividends)		

[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 2005 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 2005 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 2005 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 2006)

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 59.8 million in 2006. Thus the cumulative turnover in 2006 reached a volume of CHF 14.71 billion.

2.9 Distribution of profit

Julius Baer Holding Ltd. follows a profit-oriented dividend policy (cf. page 3).

3. Board of Directors

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

3.1 Members of the Board of Directors

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

Georges Gagnebin (born 1946), Swiss citizen; Swiss federal bank official diploma, 1972. Swiss Bank Corporation, various functions, 1969–1998; Member of the Management Committee as of 1 January 1992; UBS AG as of 1998 (merger between Swiss Bank Corporation and Union Bank of Switzerland): Head International Clients Europe, Middle East & Africa in the Private Banking division and Member of the Group Managing Board, 1998–2000; Member of the Group Executive Board, 2000–2004; CEO Private Banking UBS AG, 2000–2002; Chairman Wealth Management & Business Banking, 2002–2004; Vice Chairman SBC Wealth Management as of 2004. Entry into the Julius Baer Group on 3 December 2005 as Chairman Private Banking of Julius Baer Holding Ltd.; Vice Chairman of Julius Baer Holding Ltd. and Bank Julius Baer & Co. Ltd. since 2006 (first-time election in 2006, term of office until 2008).

Peter Kuepfer (born 1944), Swiss citizen; Certified Accountant's Degree, 1972. Member of the Executive Board of CS Holding, 1989–1996; Chairman of the Board of Directors of CS Life, 1989–1993; President of the Executive Board of Bank Leu, Zurich, 1993–1996; Independent Management Consultant since 1997. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 1999; 2002 until 12 April 2006 Vice Chairman; Independent Lead Director (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 2009).

Rolf P. Jetzer (born 1950), Swiss citizen; Dr. of Law, University of Zurich, 1979; Certificat des Hautes Etudes Européennes (H.E.E.), College of Europe, Bruges, Belgium, 1981; bar exam, Canton of Zurich, 1981; courses on American banking law at New York University, USA, 1981. Attorney in the law firm of 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; subsequently CFO and Member of the Group Executive Board of Panalpina Ltd., Basle, until September 2006; CEO and President of the Group Executive Board of Panalpina Ltd., Basle, since October 2006. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. (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, from 2000 until June 2006; Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2003 (first-time election in 2003, term of office until 2009).

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

Changes in the Board of Directors

At the Annual General Meeting of 12 April 2006, Georges Gagnebin and Charles G. T. Stonehill were elected to the Board of Directors for a term of two years each.

Daniel J. Sauter, Entrepreneur and Chairman of the Board of Directors of Alpine Select AG, Zug, and Gareth Penny, Group Managing Director of De Beers SA, will be proposed for election to the Board of Directors at the Annual General Meeting scheduled for 17 April 2007.

After serving on the Board of Directors for six years, Daniel Borel has decided not to seek reelection when his second term of office expires.

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.

Georges Gagnebin: Member of the Board of Directors and the Audit Committee of Affichage Holding SA, Geneva;
Member of the Board of Directors of various investment funds of Lansdowne Partners Limited, London.

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 Supervisory Board of Metro AG, Duesseldorf, Germany.

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

Charles G. T. Stonehill: Independent Director of the London Metal Exchange Limited, London;
Executive Chairman of Panmure Gordon plc, London.

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 normally 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 are 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 Group Chief Executive Officer, the heads of the Private Banking and Asset Management divisions and the Group 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 as a whole as well as the respective committees carry out an annual self-assessment. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the committees are brought to the attention of the complete Board of Directors.

The Board of Directors normally meets for at least one strategy seminar 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 9), the Board of Directors has the following non-transferable and irrevocable duties:

a) to supervise the company and issue the necessary instructions;
b) to determine the 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 18.

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 three hours each session.

The Chairman's Committee, in whose meetings the Group Chief Executive Officer, the heads of the Private Banking and Asset Management divisions and the Group Chief Financial Officer normally participate, keeps itself constantly informed about the business developments. So-called hearings take place on a regular basis, during which specialists provide information on their fields of expertise. Authorized by the Organization Bylaws, the Chairman's Committee decides about credit transactions. It decides on the acceptance, change and closure of cooperations that are of strategic importance to the company. 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.

The Chairman's Committee is responsible, based on Group Executive Board proposals, for the composition of the boards of directors of the Group companies. In case of participations, it decides about the change in the Articles of Incorporation and the proposal or dismissal of external board members. In case of substantial participations, the Chairman's Committee is responsible for their foundation, purchase, spin-off or liquidation as well as for the change in legal form. Finally, it decides about the election or dismissal of the Chairman of the Board.

Members: Raymond J. Baer (Chairman), Georges Gagnebin, 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), Daniel Borel, Béatrice Speiser

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, Georges Gagnebin, Charles G. T. Stonehill

Audit Committee
The Audit Committee is responsible for monitoring business operations and controlling compliance with laws, statutes and regulations, behavioral rules of conduct and ethical guidelines. The Audit Committee controls the appropriateness and effectiveness of the internal control systems in relation to the risk profile of the Group. The committee directs and monitors the activities of the internal auditors. 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 Chairman of the committee meets with the Head of Internal Auditing on a regular basis throughout the year, usually every two months. The committee is also responsible for assessing the performance of the external auditors on an annual basis. It reviews their reports about the rendering of the accounts and the management letter and provides a recommendation to the entire Board of Directors regarding election of the external auditors at the Annual General Meeting. Moreover, it inspects the annual financial statements and the interim financial statements before they are presented to the entire Board of Directors for approval. It also reviews the internal and external communication regarding the financial data and accounting statements and related information.

The members of the Audit Committee are independent. The Audit Committee convenes at least four times a year for three hours on average. The external auditors participate in every meeting.

Members: Monika Ribar Baumann (Chairman), Peter Kuepfer, Rolf P. Jetzer, Charles G. T. Stonehill

Nomination Committee (ad hoc)
The Nomination 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 ask the internal auditing unit to carry out special investigations outside of the planned auditing activities. The Head of the internal auditing unit is appointed by the Board of Directors 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, 2003 until November 2005; Banco di Lugano, Vice Chairman of the Board of Directors, 2003 until November 2006; Ehinger & Armand von Ernst, 2003 until March 2006, most recently Chairman of the Board of Directors; Ferrier Lullin & Cie SA, 2003 until February 2006, 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 Group Chief Executive Officer of Julius Baer Holding Ltd.

Alex W. Widmer (born 1956), Swiss citizen; Master's Degree in Economics, University of St. Gallen, 1981; Dr. of Economics, University of St. Gallen, 1985. Credit Suisse Group, various functions, 1986–2005; Senior Representative and Deputy Head Japan, Tokyo, 1988–1995; Managing Director and Co-Head Asia, Singapore, 1996–1998; CEO Asia Pacific and Middle East and Member of the Private Banking Executive Board, Zurich and Singapore, 1999–2001; Global Head Private Banking and Member of the Group Executive Board, Zurich, 2002–2005; Chairman of the Board of Bank Leu and Bank Hofmann, 2002–2005; Vice Chairman of Clariden Bank, 2002–2005. 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 Private Banking.

David M. Solo (born 1965), American citizen; Master of Science, Massachusetts Institute of Technology, Cambridge, Mass., USA, 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 Ltd., 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.

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking, 1985–1997; Swiss Re, Head Corporate Financial Management and Investor Relations, 1997–2000; Swiss Re, Chief Financial Officer of the business unit Financial Services, 2001–2003; Barry Callebaut, Chief Financial Officer, 2003–2006. Entry into the Julius Baer Group on 11 December 2006 as Member of the Group Executive Board and Group Chief Financial Officer.

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; Member of the Corporate Center management since 3 December 2005 and Chief Communications Officer & Head of Investor Relations.

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

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

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; Member of the Corporate Center Management Committee and Group Treasurer since 3 December 2005.

Andrew Wills (born 1962), British citizen; Fellow of the Chartered Association of Certified Accountants, 1987. Entry into Global Asset Management (U.K.) Limited, 1986; Chief Accountant, 1988–1997; Group Financial Services Controller, 1997–2000; Group Financial Services Director, 2000–2002; 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.

Changes in the Group Executive Board and the Senior Management
Dieter A. Enkelmann assumed office as Group Chief Financial Officer and member of the Group Executive Board on 11 December 2006.

Scott Sullivan succeeded Franco Taisch as Group General Counsel and Secretary of the Group Executive Board in April 2006. Juergen Pulm, Head of IT & Operations, left the Julius Baer Group in February 2006; the field of responsibility of the Head of IT & Operations was subsequently transferred into the Private Banking division. The function of Head of Group Human Resources was dissolved at the beginning of 2006. Charles W. Reber, hitherto holder of this position, was assigned new duties as Head Human Resources in the Private Banking division.

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 4.1 other than those listed below:

David M. Solo: Member of the Board of Directors of Diversified Credit Investments, San Francisco, USA.

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 2006)

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 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.

Staff Participation Plan

Within the integration and harmonization process, a newly defined Staff Participation Plan was approved in 2006. It will come into force on 1 January 2007 and grants the employees – depending on their rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount that is defined every year. During the financial year 2006, which was a transition period, no participation plan was offered.

	2005	**2006**
Staff Participation Plan		
Number of registered shares taken up	364 074	-
Preferential price per bearer share (CHF)	55.95[1]	-

[1] 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 acquired in this way are subject to a sales restriction period. Further details regarding shares and options ownership are disclosed in sections 5.5 and 5.6 on page 27.

	2005	**2006**
Equity Bonus Plan		
Number of bearer shares taken up (prior to single-class registered shares)	23 675	
Purchase price per bearer share (CHF)	82.60[1]	
Number of registered shares taken up		**30 124**
Purchase price per registered share		**110.00**[2]
Number of options taken up	58 880	**96 115**
Exercise price (CHF)	82.60[1]	**110.00**[2]

1 Average weighted market value for the period from 22 February until 24 March 2005.
2 Average weighted market value for the period from 31 January until 2 March 2006.

The registered shares of Julius Baer Holding Ltd. required for the staff participation programs were 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 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 shares and options ownership are disclosed in sections 5.5 and 5.6 on page 27. Until expiration of the vesting period, the Loteco Foundation and the GAM Employee Benefit Trust manage the shares and options that have been distributed to the beneficiaries within scope of the LTI plan.

	2005	**2006**
Long-Term Incentive Plan		
Number of registered shares allotted	128 998	
Share price on allotment date (CHF)	83.20[1]	
Number of registered shares allotted	91 784	
Share price on allotment date (CHF)	93.70[2]	
Number of registered shares allotted from capital increase (exercise of rights Loteco Foundation)	143 096	
Share price on allotment date (CHF)	68[3]	
Number of registered shares allotted		**70 895**
Share price on allotment date (CHF)		**101.30**[4]
Number of registered shares allotted		**131 789**
Share price on allotment date (CHF)		**94.65**[5]
Number of registered shares allotted		**21 456**
Share price on allotment date (CHF)		**99.50**[6]
Number of registered shares allotted		**6 591**
Share price on allotment date (CHF)		**121.30**[7]
Number of registered shares allotted		**1 023**
Share price on allotment date (CHF)		**119.00**[8]
Number of registered shares allotted		**1 485**
Share price on allotment date (CHF)		**119.70**[9]
Number of registered shares allotted		**18 156**
Share price on allotment date (CHF)		**118.10**[10]
Number of registered shares allotted		**1 817**
Share price on allotment date (CHF)		**110.10**[11]
Number of registered shares allotted		**1 021**
Share price on allotment date (CHF)		**98.00**[12]
Number of registered shares allotted		**5 975**
Share price on allotment date (CHF)		**124.90**[13]
Number of registered shares allotted		**34 300**
Share price on allotment date (CHF)		**131.20**[14]

1 Average weighted market value for the period from 27 July until 26 August 2005
2 Market value on 2 December 2005
3 Offer price for capital increase from 14 November until 22 November 2005
4 Market value on 30 September 2005
5 Market value on 3 January 2006
6 Market value on 23 January 2006
7 Market value on 24 March 2006
8 Market value on 30 March 2006
9 Market value on 1 April 2006
10 Market value on 1 May 2006
11 Market value on 1 June 2006
12 Market value on 16 June 2006
13 Market value on 29 September 2006
14 Market value on 11 December 2006

5.2 Compensation for acting members of governing bodies

		2005 *CHF 1000*	**2006** *CHF 1000*
a)	The members of Senior Management in toto[1]	13 665	**29 852**
b)	The members of the Board of Directors in toto	3 174	**5 678**
c)	Severance payments to persons mentioned under 5.2 a) and b) who gave up their functions	2 450	-

[1] Group Executive Board and Corporate Center functions according to section 4. 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

		2005 *Persons*	2005 *CHF 1000*	**2006** *Persons*	**2006** *CHF 1000*
a)	The former Senior Management members in toto	1	3 841	-	**-**
b)	The former members of the Board of Directors in toto	-	-		

5.4 Share allotment

		2005 *Number*	**2006** *Number*
a)	The Senior Management members and parties closely linked to such persons, in toto[1]		
	Registered shares	137 634	**165 173**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto		
	Registered shares	18 642	**16 885**

[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

		2005 *Number*	**2006** *Number*
a)	The Senior Management members and parties closely linked to such persons, in toto		
	Registered shares	645 113	**662 779**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto		
	Registered shares	885 825	**929 037**

5.6 Options ownership[1]

		2005 *Number*	**2006** *Number*
a)	The Senior Management members and parties closely linked to such persons, in toto	323 073	**25 709**
b)	The members of the Board of Directors and parties closely linked to such persons, in toto	89 661	**82 417**

[1] A-Call Julius Baer Hld 2002/09.07.2007, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 72.00, number: 15 160
A-Call Julius Baer Hld 2003/31.03.2008, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 38.46, number: 16 570
A-Call Julius Baer Hld 2003/23.07.2008, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 54.72, number: 19 825
A-Call Julius Baer Hld 2004/31.03.2009, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 69.04, number: 11 530
A-Call Julius Baer Hld 2004/31.08.2009, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 57.43, number: 27 667
A-Call Julius Baer Hld 2005/31.03.2010, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 69.97, number: 11 400
A-Call Julius Baer Hld 2006/31.03.2011, maturity 5 years, conversion ratio 1:1.1805, exercise price CHF 110.00, number: 5 974

5.7 Additional remuneration

No additional remuneration 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 2006 financial year as set forth in section 5.7 of the directive.

5.8 Loans granted by governing bodies

	2005 *Persons*	2005 *CHF 1000*	**2006** *Persons*	**2006** *CHF 1000*
a) The Senior Management members and parties closely linked to such persons, in toto	7	22 281	**9**	**8 723**
b) The members of the Board of Directors and parties closely linked to such persons, in toto	7	13 101	**9**	**14 555**

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 employees of the former Julius Baer Group are granted a discount of 1% up to a maximum loan amount of CHF 1 million per borrower. The interest contribution for fixed mortgages is valid until the respective maturity date if the mortgage was taken out before 7 June 2006, or for a maximum of 1 year if the mortgage was taken out between 8 June and 31 December 2006. For all variable rate mortgages, an interest rate increase of 1% will be taken over until 30 June 2007 at the latest. Interest rates of 1.82% to 3.35% are applied to the mortgage portfolio as of 31 December 2006. The residual maturities of the mortgage loans as of 31 December 2006 range between 1 month and 7 years.

Interest rates ranging from 2.32% to 2.70% are charged on the lombard loans outstanding as of 31 December 2006.

5.9 Highest total compensation in the Board of Directors

	2005	**2006**
Compensation (CHF)	2 822 089[1]	**4 504 392**[1]
Share allotment (number of shares)	8 124	**5 400**
Option allotment (number of options)	11 400	**-**

[1] In addition to the base salary and a variable bonus defined annually, the compensation also includes the definitively acquired (= vested) Julius Baer registered shares and/or options on Julius Baer registered shares from participation plans of the Julius Baer Group – valued at the prevailing market value on the respective vesting date.

6. Shareholders' participation rights (as of 31 December 2006)

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

In accordance with the Articles of Incorporation, the external auditor must be elected at each Annual General Meeting for a term of office of one year. KPMG has been the statutory external auditor of the Julius Baer Group and Julius Baer Holding Ltd. since the Annual General Meeting 2006. In accordance with the applicable governance regulations, Alexander Gut has served as the Head Auditor since then.

8.2 Auditing fees

The Julius Baer Group paid KPMG auditing fees totaling CHF 3.8 million in the 2006 financial year. The previous year, Julius Baer paid PricewaterhouseCoopers Ltd. a total of CHF 2.3 million in auditing fees.

8.3 Additional fees

For additional services such as tax counseling, the Julius Baer Group paid KPMG fees totaling CHF 0.5 million during the 2006 financial year. The previous year, the additional fees paid to PricewaterhouseCoopers Ltd. totaled CHF 1.4 million.

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

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

9. Information policy

Julius Baer Holding Ltd. informs its shareholders and the public each year by means of the Annual and Half-year Reports. It also publishes press releases, presentations and brochures as needed. The documents are generally available to the public in electronic form at www.juliusbaer.com as well as in print form.

Important dates

17 April 2007	Annual General Meeting, Zurich
20 April 2007	Ex-dividend date
27 July 2007	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 2006

Consolidated income statement

	Note	2005 *CHF 1000*	**2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Interest income		338 628	**693 553**	354 925	104.8
Interest expense		210 735	**494 987**	284 252	134.9
Net interest income	1	127 893	**198 566**	70 673	55.3
Commission income on lending activities		1 992	**6 377**	4 385	220.1
Commission income on securities and investment transactions	2	1 338 464	**2 847 263**	1 508 799	112.7
Commission income on other services		21 002	**26 581**	5 579	26.6
Commission expenses		228 655	**531 431**	302 776	132.4
Results from commission and service fee activities		1 132 803	**2 348 790**	1 215 987	107.3
Results from trading operations	3	148 856	**250 666**	101 810	68.4
Other ordinary results	4	94 805	**39 882**	-54 923	-57.9
Operating income	8	1 504 357	**2 837 904**	1 333 547	88.6
Personnel expenses	5	839 174	**1 222 515**	383 341	45.7
General expenses	6	370 530	**469 034**	98 504	26.6
Depreciation of property and equipment	13	19 006	**28 898**	9 892	52.0
Amortization of customer relationships	13	14 558	**174 700**	160 142	1 100.0
Amortization of other intangible assets	13	72 405	**16 531**	-55 874	-77.2
Operating expenses		1 315 673	**1 911 678**	596 005	45.3
Profit before taxes	8	188 684	**926 226**	737 542	390.9
Taxes	7, 8	43 873	**253 815**	209 942	478.5
Net profit	8	144 811	**672 411**	527 600	364.3
Attributable to:					
Shareholders of Julius Baer Holding Ltd.	8	146 146	**672 411**	526 265	360.1
Minority interest	8	-1 335	**-**	1 335	100.0
		144 811	**672 411**	527 600	364.3

	Note	2005 *CHF*	**2006** *CHF*	Change *CHF*	Change *%*
Share information					
Basic net profit per registered share	9	2.59	**6.08**	3.49	134.8
Diluted net profit per registered share	9	2.58	**6.00**	3.42	132.4

Consolidated balance sheet

	Note	31.12.2005 CHF 1000	**31.12.2006** CHF 1000	Change CHF 1000	Change %
Assets					
Cash		483 553	**220 885**	-262 668	-54.3
Due from banks	10	6 791 893	**10 037 630**	3 245 737	47.8
Loans	10	5 831 338	**6 918 199**	1 086 861	18.6
Trading portfolios	11	1 189 347	**2 418 071**	1 228 724	103.3
Derivative financial instruments	27	1 336 543	**1 659 344**	322 801	24.2
Financial investments	12	7 033 029	**8 833 065**	1 800 036	25.6
Investments in associates		927	**996**	69	7.4
Property and equipment	13	334 524	**355 156**	20 632	6.2
Goodwill and other intangible assets	13	4 987 787	**4 818 958**	-168 829	-3.4
Accrued income and prepaid expenses		455 146	**523 783**	68 637	15.1
Deferred tax assets	19	49 441	**64 389**	14 948	30.2
Other assets		154 849	**142 473**	-12 376	-8.0
Total assets		28 648 377	**35 992 949**	7 344 572	25.6

	Note	31.12.2005 CHF 1000	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Liabilities and equity					
Due to banks		2 445 177	**4 724 025**	2 278 848	93.2
Due to customers		14 451 293	**16 948 303**	2 497 010	17.3
Trading liabilities		432 375	**606 647**	174 272	40.3
Derivative financial instruments	27	1 394 861	**1 665 320**	270 459	19.4
Financial liabilities designated at fair value	17	1 851 505	**3 378 042**	1 526 537	82.4
Debt issued	18	513 478	**506 433**	-7 045	-1.4
Accrued expenses and deferred income		775 021	**861 984**	86 963	11.2
Current tax liabilities		125 556	**137 038**	11 482	9.1
Deferred tax liabilities	19	89 830	**83 430**	-6 400	-7.1
Provisions	20	189 213	**97 535**	-91 678	-48.5
Other liabilities		172 791	**120 244**	-52 547	-30.4
Total liabilities		22 441 100	**29 129 001**	6 687 901	29.8
Share capital	22	11 163	**11 163**	-	-
Capital reserve		4 931 242	**4 930 905**	-337	-0.0
Retained earnings		1 325 278	**1 961 509**	636 231	48.0
Other reserves		20 218	**36 309**	16 091	79.6
Less treasury shares		-80 769	**-76 083**	4 686	5.8
Equity attributable to shareholders of Julius Baer Holding Ltd.		6 207 132	**6 863 803**	656 671	10.6
Minority interest		145	**145**	-	-
Total equity		6 207 277	**6 863 948**	656 671	10.6
Total liabilities and equity		28 648 377	**35 992 949**	7 344 572	25.6

Consolidated statement of changes in equity

	2004 CHF 1000	2005 CHF 1000	**2006** CHF 1000
Share capital[1]			
Balance at the beginning of the year	5 471	5 384	**11 163**
Capital reduction/capital increase	-87	5 779	-
Balance at the end of the year	5 384	11 163	**11 163**
Capital reserve[2]			
Balance at the beginning of the year	282 628	282 628	**4 931 242**
Capital increase	-	4 648 614	**-337**
Balance at the end of the year	282 628	4 931 242	**4 930 905**
Retained earnings			
Balance at the beginning of the year	1 253 742	1 328 448	**1 325 278**
Julius Baer Holding Ltd. dividend	-61 403	-80 419	**-111 628**
Capital reduction	-64 879	-64 909	-
Treasury shares and own equity derivative activity	-9 208	-3 988	**75 448**
Subtotal	1 118 252	1 179 132	**1 289 098**
Net profit attributable to shareholders of Julius Baer Holding Ltd.	210 196	146 146	**672 411** [3]
Balance at the end of the year	1 328 448	1 325 278	**1 961 509**
Other reserves			
Available-for-sale investments, net of taxes			
Balance at the beginning of the year	-318	8 415	**8 996**
Unrealized gains/(losses)	6 321	6 571	**11 777** [3]
Realized (gains)/losses reclassified to the income statement	2 412	-5 990	**-2 689** [3]
Subtotal	8 415	8 996	**18 084**
Hedging reserve for cash flow hedges, net of taxes			
Balance at the beginning of the year	4 141	141	**-2 298**
Unrealized gains/(losses)	-4 000	-2 439	**1 927** [3]
Subtotal	141	-2 298	**-371**
Translation differences			
Balance at the beginning of the year	-8 446	-14 365	**13 520**
Changes	-5 919	27 885	**5 076** [3]
Subtotal	-14 365	13 520	**18 596**
Balance at the end of the year	-5 809	20 218	**36 309**

	2004 CHF 1000	2005 CHF 1000	**2006 CHF 1000**
Treasury shares			
Balance at the beginning of the year	-105 541	-88 784	**-80 769**
Capital reduction/capital increase	64 966	59 130	**-**
Change in treasury shares	-48 209	-51 115	**4 686**
Balance at the end of the year	-88 784	-80 769	**-76 083** [4]
Equity attributable to shareholders of Julius Baer Holding Ltd.	1 521 867	6 207 132	**6 863 803**
Minority interest			
Balance at the beginning of the year	19 463	16 843	**145**
Disposals	-301	-15 363	**-**
Minority interest in net profit	-2 319	-1 335	**-**
Balance at the end of the year	16 843	145	**145**
Total equity	1 538 710	6 207 277	**6 863 948**

[1] See Note 22

[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 on Julius Baer Holding Ltd.
The reduction of the capital reserve in 2006 relates to a residual tax expense for the capital increase in 2005.

[3] Total income and expenses (including net profit) amount to CHF 688.5 million.
Total gains and losses recognized directly in equity amount to CHF 16.1 million.

[4] The balance on 31 December 2006 consists solely of shares for share-based payments (see Note 32).

Consolidated statement of cash flows

	2005 CHF 1000	**2006** CHF 1000
Net profit	146 146	**672 411**
Minority interest in net profit	-1 335	-
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
- Depreciation of property and equipment	19 006	**28 898**
- Amoritization of goodwill and other intangible assets	72 405	**191 231**
- Valuation adjustments, provisions and losses	39 181	**4 536**
- Equity in income of associates	472	**-152**
- Deferred tax expense/(benefit)	-22 688	**-22 333**
Net (increase)/decrease in operating assets:		
- Net due from/to banks	1 675 198	**475 469**
- Trading portfolios and derivative financial instruments	-81 870	**-1 104 867**
- Loans/due to customers	798 035	**1 401 502**
- Accrued income, prepaid expenses and other assets	433 423	**-56 261**
Net increase/(decrease) in operating liabilities:		
- Accrued expenses, deferred income and other liabilities	463 508	**220 920**
Taxes paid	-101 972	**-261 368**
Cash flow from operating activities after taxes	3 439 509	**1 549 986**
Dividend of associates	76	**83**
Acquisition of non-current assets	-51 634	**-76 087**
Sale of non-current assets	4 272	**4 229**
Net (investment in)/divestment of financial investments	341 962	**-244 840**
Acquisition of subsidiaries, net of cash acquired	-5 766 129	-
Disposal in subsidiaries, net of cash disposed	11 871	-
Cash flow from investing activities	-5 459 582	**-316 615**
Net money market paper issued/(repaid)	-10 942	**-1 790**
Net movements in treasury shares and own equity derivative activity	-60 973	**80 134**
Dividend payments	-80 419	**-111 628**
Capital increase	4 654 483	**-337**
Issuance of long-term debt, including financial liabilities designated at fair value	1 144 205	**1 526 527**
Repayment of long-term debt, including financial liabilities designated at fair value	-150 000	**-5 245**
Issuance of preferred securities	225 000	-
Decrease in minority interests	-17 681	-
Cash flow from financing activities	5 703 673	**1 487 661**
Total	3 683 600	**2 721 032**
Cash and cash equivalents at beginning of the year	4 049 818	**7 663 944**
Cash flow from operating activities after taxes	3 439 509	**1 549 986**
Cash flow from investing activities	-5 459 582	**-316 615**
Cash flow from financing activities	5 703 673	**1 487 661**
Effects of exchange rate changes	-69 474	**-12 805**
Cash and cash equivalents at end of the year	7 663 944	**10 372 171**

Cash and cash equivalents are structured as follows:

	31.12.2005 CHF 1000	**31.12.2006** CHF 1000
Cash	483 553	**220 885**
Money market instruments	2 561 862	**4 090 399**
Due from banks (original maturity of less than three months)	4 618 529	**6 060 887**
Total	7 663 944	**10 372 171**

Summary of significant accounting policies

Basis of accounting

Julius Baer Holding Ltd. is a Swiss corporation. The consolidated financial statements as of 31 December 2006 comprise those of Julius Baer Holding Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 5 February 2007. In addition, they must be approved by the Annual General Meeting on 17 April 2007.

Amounts in the annual financial statements are stated in Swiss francs. The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS). Generally, the historical cost principle was applied, with the exception of the trading portfolios, derivative financial instruments and available-for-sale financial investments, as well as certain financial liabilities, which are measured at fair value.

Use of estimates in preparing the consolidated financial statements

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

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

Consolidation policies

Subsidiaries
Companies in which Julius Baer Holding Ltd. directly or indirectly owns a majority of the voting stock or in which it exercises control in some other way are fully consolidated. A complete list of these companies is provided in Note 30. The financial statements of subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

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

Transactions eliminated on consolidation
All internal Group claims, liabilities, off-balance-sheet transactions, expenses and income as well as resulting unrealized gains are eliminated on consolidation.

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 using closing and average exchange rates for the year are shown as accumulated translation differences in 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 foreign exchange 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 and are recognized accordingly.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2005	31.12.2006	2005	2006
USD/CHF	1.3178	1.2207	1.2510	1.2470
EUR/CHF	1.5546	1.6097	1.5480	1.5765
GBP/CHF	2.2626	2.3891	2.2660	2.3120
JPY/CHF	1.1166	1.0244	–	–

Accounting policies and valuation principles

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

Reporting of transactions
All completed transactions are recognized and measured in the balance sheet. Money market transactions are posted to the balance sheet on settlement date. Spot foreign exchange and securities transactions and securities underwriting transactions are posted to the balance sheet on trade date. According to IAS 39, all financial instruments shall be assigned to one of the four categories (“loans and receivables,” “held-to-maturity investments,” “financial assets and financial liabilities at fair value through profit or loss,” and “available-for-sale financial assets”) and uniformly recognized within these categories on the settlement date or the trade date. The divergent recognition of transactions does not have a significant effect on the balance sheet reporting.

Income recognition
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.

Cash
Cash and cash equivalents include notes and coins on hand, as well as unrestricted balances held with central banks.

Due from banks and loans
Amounts due from banks and loans are initially recognized at fair value, which is the cash given to originate the balance, plus any attributable transaction costs. Subsequently, these claims and loans are measured at their amortized cost using the effective interest rate method.

Loans for which there is objective evidence that the counterparty will not be able to fulfill its future obligations, i.e. where it is probable that the Group will be unable to collect the whole amounts due according to the contractual terms of the loan agreement, are valued on an individual basis, and specific valuation allowances are established for impaired amounts, if necessary. Related collaterals, such as firm commitments, guarantees or derivative financial instruments, are also included in the evaluation.

Loans are classified as non-performing no later than when the contractual payments of capital and/or interest are more than 90 days past due. Furthermore, there is no firm evidence that such loans will improve by later payments or the liquidation of collateral, or insolvency proceedings have commenced, or loans have been restructured on concessionary terms. Interest that is more than 90 days past due is considered overdue. Overdue interest and interest whose collection is doubtful are not recognized anymore, but directly accrued in the valuation allowance.

Impairment is measured and valuation allowances are established for the difference between the carrying amount of the loan and its estimated recoverable amount, taking into account the counterparty risk and the net proceeds from the possible liquidation of any collateral. The allowance is recognized through the income statement.

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

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

In the balance sheet, the valuation allowances are netted against the corresponding claims.

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

Securities lending and borrowing transactions
Securities borrowed and securities received by the Group 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 (risks and rewards of ownership) associated with these securities. Securities lent as well as securities provided by the Group 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. Securities loaned and securities provided as collateral that remain in the balance sheet are remeasured according to the respective position they are reported in. The fair values of securities borrowed and lent are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

If securities are transferred in a lending or borrowing transaction, cash collateral received is recognized as an obligation, and cash collateral provided is recognized as a receivable, including accrued interest in each case.

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. Interest received or paid in such transactions is recorded as interest income or interest expense.

Repurchase and reverse repurchase transactions
Repurchase and reverse repurchase transactions are employed in connection with refinancing and financing transactions 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 cash collateral provided or received, including accrued interest in each case.

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

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

Trading portfolios/liabilities
All trading positions are recognized at fair value. Realized gains and losses on disposal or redemption and unrealized gains and losses from changes in the fair value are recognized in the results from trading operations.

The results from trading operations also include the interest and dividend income and interest expense from trading positions.

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 recognized at fair value. In order to calculate the fair value, corresponding stock exchange prices, discounted cash flow models and options pricing models are employed. Derivatives are reported as an asset position if their fair value is positive and as a liability position if their fair value is negative. Changes in fair value on trading positions are recognized in the results from trading operations.

The Group uses derivative financial instruments for hedging the cash flows of forecast transactions (cash flow hedges). Derivatives categorized as serving such purposes on their settlement date 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 cash flow hedges and that prove to be highly effective in relation to hedged risk are reported under the item hedging reserve in equity. If the probable forecast transaction results in the recognition of a non-financial asset or non-financial liability, any gain or loss on the hedging instrument that was previously recognized directly in equity is removed from equity and is included in the initial cost of the acquired non-financial asset or liability. If a hedge of a probable forecast transaction results in the recognition of a financial asset or financial liability, any gain or loss on the hedging instrument that was previously recognized directly in equity is reclassified into profit or loss in the same period in which the financial asset or liability affects profit or loss. If the hedged forecast transaction results in direct recognition through profit or loss, any related cumulative gain or loss previously recognized directly in equity is recognized in profit or loss in the same period in which the hedged forecast transaction affects profit or loss.

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 fair value are recorded directly in the income statement in the corresponding period.

Financial investments
Security positions which are not held for trading purposes are reported in the following categories:

1. Debt securities categorized as “held-to-maturity” are initially recorded at fair value, including directly attributable transaction costs, and subsequently stated at amortized cost in the balance sheet, using the effective interest rate method to amortize the premiums or discounts through the maturity date of the securities. When impairment occurs, the corresponding reduction in the carrying amount to the recoverable amount is recognized in the income statement.

2. Available-for-sale debt and equity securities are recognized at fair value. Unrealized gains and losses are reported in equity under the item available-for-sale financial investments, net of taxes, until the financial asset is sold, or an impairment loss is recognized, at which point the cumulative gain or loss previously recorded in equity is recognized in the income statement under the item other ordinary results.

Equity instruments are deemed impaired if there has been a significant or prolonged decline of fair value below the initial cost. A debt instrument is deemed impaired if the creditworthiness of the issuer significantly deteriorates or if other signs of difficulty are observable, i.e. if it is likely that the amount due according to the contractual terms cannot be entirely collected. Impairment reversals on debt instruments are recognized in the position other ordinary results, whereas impairment reversals on equity securities are recognized in equity.

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

Tangible fixed assets
Tangible fixed assets include bank premises, IT, communication systems, leasehold improvements as well as other installations and business equipment. They are carried at cost less accumulated depreciation and impairment losses. Tangible fixed assets are depreciated over their estimated useful lives using the straight-line method.

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. Business equipments are depreciated over a period not exceeding ten years, IT hardware over three years and other tangible fixed assets over five years.

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 term, 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.

The cost of replacing part of a tangible fixed asset item is recognized in the carrying value of the item if it is probable that the Group will profit from the future economic benefits of the investment. Current maintenance and servicing costs are expensed through the income statement.

On each balance sheet date, the tangible fixed assets are reviewed for indications of impairment. 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. Possible changes in useful life or in depreciation method are recognized in the income statement.

Leasing

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

Intangible assets

Intangible assets are classified into the categories of goodwill, customer relationships, brand and other (including software).

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

Customer relationships: The position customer relationships comprises long-term customer relationship intangibles from 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 Ltd. in the 2005 financial year. Customer relationships are amortized over their estimated useful life of ten years using the straight-line method.

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

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

On each balance sheet date, the intangible assets with a finite life are reviewed for indications of impairment, changes in estimated future benefits or reasons for altering the 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.

Liabilities

Liabilities are initially recognized at fair value less directly attributable transaction costs and subsequently reported at amortized cost. Interest and discounts are debited to interest expenses on an accrual basis, using the effective-interest method.

Financial liabilities designated at fair value

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

Debt issued
Issued bonds are initially recorded at the fair value of the remuneration received, net of directly attributable transaction costs. They are subsequently reported in the balance sheet at amortized cost using the effective interest rate method.

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

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

Restructuring provisions in the event of sale or termination of a line of business, closure or relocation of business locations, changes in management structure or another fundamental reorganization are recognized if a constructive obligation is incurred and a detailed and formal plan containing at least the following points exists:

- affected line of business
- main affected business locations
- location, function and approximate number of affected employees
- arising expenditures
- time of implementation

In addition, the implementation must have begun or the announcement of the main features to those affected must have taken place before the balance sheet date.

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

Income taxes
Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and recognized as expense in the financial year in which the related taxable income arises. 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 balance sheet liability method for the expected future tax consequences of all temporary differences (timing differences) between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offset are 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, based on the rates that have been enacted at the reporting date. 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 equity if the taxes refer to items that are credited or charged directly to equity.

Pension liabilities
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 treated as defined benefit pension plans.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. These are managed by a board of trustees consisting of representatives of the employees and the employer. The organization, management and financing of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the company or retiring as well as in the event of death or invalidity. These benefits are financed through employer 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 and are charged as personnel expenses.

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

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

Surpluses are only capitalized if they are available to the Group as future contribution repayments or reductions.

Share-based payments
The Group maintains various share-based participation plans in the form of share or share option plans for its employees. When such payments are made to employees, the fair value of these payments at the grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at the grant date. Share-based payments that are subject to the completion of a service period are expensed using the straight-line method over the respective service period.

Participation plans based on own equity instruments (shares or options) result in a corresponding increase in equity at the grant date and are not subsequently adjusted for changes in fair value. Participation plans that may be settled by the payment of cash are recognized as a liability and are adjusted for changes in fair value of the underlying equity instruments until final settlement through the income statement.

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

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

Contracts on shares of Julius Baer Holding Ltd. that require settlement in shares are recognized under retained earnings in equity. Upon settlement of such contracts, the proceeds received (net of costs and any taxes) are also recognized under retained earnings in equity. Contracts that require cash settlement or provide for a choice of settlement are recognized in the trading portfolios, with changes in fair value reported in the income statement.

Earnings per share
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, with the determinants adjusted to reflect the potential dilution that could occur if outstanding options, warrants, convertible debt securities or other contracts to issue registered shares were converted or exercised into registered shares.

Segment reporting
Since 1 January 2006, the Group comprises the two operating divisions Private Banking and Asset Management as well as the Corporate Center, which is responsible for the typical corporate governance and control functions. Direct income and expenses are assigned to the segments based on the principle of accountability. Assets, liabilities, income and expenses that are not directly connected with the operating divisions are attributed to the Corporate Center. Indirect costs for internal service relationships between the segments are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary.

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 2006 financial year.

On 11 January 2007, Julius Baer Holding Ltd. entered into a management buyout contract with key management of Julius Baer Investments Limited (JBIL), its UK-based subsidiary specializing in fixed income and currency asset management. Under the agreement, Julius Baer Holding Ltd. will retain a 10% stake in JBIL, now named Augustus Asset Managers Limited. This company, led by the former JBIL management, will continue to be the sub-advisor on a number of Julius Baer funds.

Changes in accounting policies and comparability

The Group applied the following new and revised accounting standards for the first time in 2006:

IAS 19 (revised) – Employee Benefits
Actuarial gains and losses arising as a result of changes in actuarial assumptions can be recognized in equity in the period in which they occur. The Group does not make use of this alternative, opting instead for actuarial gains and losses that exceed the higher 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 service lives of employees participating in the plan. Moreover, the expanded disclosure requirements have been applied.

IAS 21 (revised) – The Effects of Changes in Foreign Exchange Rates
The revised standard requires exchange differences arising from monetary items that form part of the Group's net investment in foreign operations to be included in equity. This amendment had no impact on the Group's consolidated financial statements.

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 amendment had no impact on the classification of the financial instruments since the Group already fulfilled these revised criteria for classifying financial instruments.

In addition, the revised standard requires financial guarantee contracts to be initially recognized as a liability at fair value. Subsequently the guarantees are carried at the higher of their amortized amount and the present value of any expected payments (when a payment under the guarantee has become probable). This amendment had no significant impact on the Group's consolidated financial statements.

New standards and interpretations not yet adopted

Numerous new standards, revisions and interpretations of existing standards were published that must be applied for financial years beginning on or after 1 January 2007. The Group chooses not to adopt these in advance. These changes are not expected to have any significant impact on the Group's consolidated financial statements.

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

IFRS 7 – Financial Instruments: Disclosures
This new standard 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. 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 will adopt the new standard for the financial year beginning on 1 January 2007.

IFRS 8 – Operating Segments
This new standard replaces the existing requirements of IAS 14, Segment Reporting. The new standard governs the disclosure of information on the level of business segments regarding the manner and the financial impact of the business operations, as well as information about the economic environment in which the entity operates. The new standard will be applicable as of 1 January 2009.

IAS 1 (revised) – Capital Disclosures
This revised standard requires additional disclosures regarding the Group's objectives, policies and processes for managing capital. The Group will adopt the new standard for the financial year beginning on 1 January 2007.

IFRIC 8 – Scope of IFRS 2
This interpretation requires the application of IFRS 2, Share-based Payment, also to arrangements where an entity makes share-based payments in which the services received cannot be specifically identified. The Group will adopt this interpretation for the financial year beginning on 1 January 2007.

IFRIC 9 – Reassessment of Embedded Derivatives
This interpretation requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. The

Group will adopt this interpretation for the financial year beginning on 1 January 2007.

IFRIC 10 – Interim Financial Reporting and Impairment
This interpretation prohibits the reversal of an impairment loss on goodwill and equity instruments recognized in a previous interim period, even if the value has recovered in the meantime. The Group will adopt this interpretation for the financial year beginning on 1 January 2007.

IFRIC 11 – Group and Treasury Share Transactions
This interpretation provides accounting guidance related to certain share-based payment transactions which were not specifically provided for in IFRS 2, Share-based Payment. This includes transactions where a subsidiary grants rights to shares of its parent to its employees, or where the parent grants rights to its shares directly to the employees of its subsidiary. The new interpretation will be effective for business years starting on or after 1 March 2007. The Group will adopt this interpretation for the financial year beginning on 1 January 2008.

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 (Group). The Group is exposed to various risks:

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

The Board of Directors defines and regularly reviews appropriate risk policies to ensure effective management of the risks of the Group and to ensure 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 by the following persons:

- Chief Risk Officer (CRO) for the management and control of credit risk, market risk (trading book), liquidity and financing risk (banking book) and of operational risk (excluding legal and compliance risk)
- Group General Counsel for the management and control of legal and compliance risk

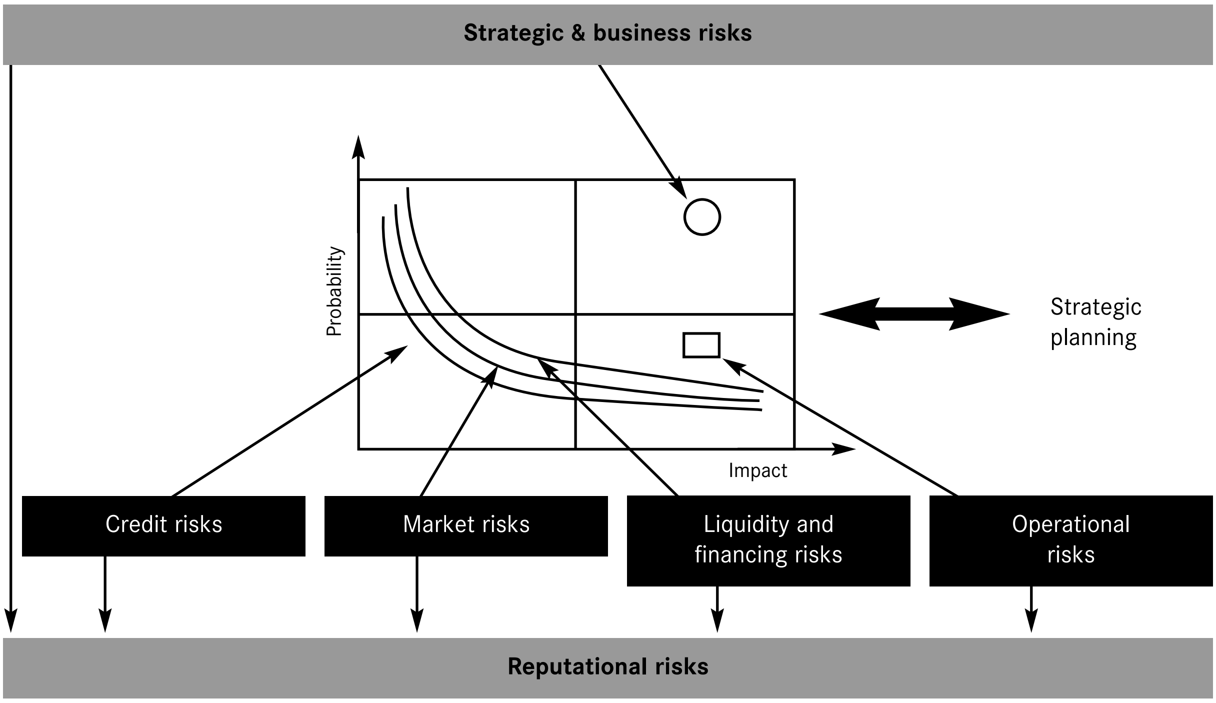
They establish appropriate risk guidelines and policies, coordinate and contribute directly to the risk management of the divisions and ensure independent risk controlling. The main responsibility for risk management lies with the divisions.

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 risk

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 risk

Credit or counterparty risk is the risk of non-compliance with an obligation a counterparty owes to the Julius Baer Group. Such non-compliance may result in a loss to the Julius Baer Group. The Julius Baer Group primarily assumes credit risk with private clients on a collateralized basis. Such credit risk may also be composed of lending and derivatives exposure from trading activities in foreign exchange, equity, interest rate and commodity 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 and collateral 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 CRO.

The portfolio of the Group is broadly diversified. There were no engagements on 31 December 2005 or on 31 December 2006 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*
31.12.2006					
Balance sheet transactions					
Switzerland	27.4	1 471.6	1 896.0	1 882.7	**5 277.7**
Other OECD countries	360.7	15 372.2	3 970.1	1 774.7	**21 477.7**
Latin America	-	0.2	71.0	13.1	**84.3**
Other countries	-	262.5	2 737.1	247.9	**3 247.5**
Total balance sheet transactions	388.1	17 106.5	8 674.2	3 918.4	**30 087.2**
Contingent liabilities					
Switzerland	-	4.9	76.3	45.3	**126.5**
Other OECD countries	-	11.9	327.1	13.7	**352.7**
Latin America	-	-	17.1	12.9	**30.0**
Other countries	-	47.1	244.5	4.9	**296.5**
Total contingent liabilities	-	63.9	665.0	76.8	**805.7**
Total counterparty risks	388.1	17 170.4	9 339.2	3 995.2	**30 892.9**
31.12.2005					
Balance sheet transactions					
Switzerland	167.3	1 883.0	2 134.9	695.7	4 880.9
Other OECD countries	240.8	10 224.7	3 993.1	1 086.2	15 544.8
Latin America	-	-	31.1	0.3	31.4
Other countries	-	358.9	1 614.1	235.6	2 208.6
Total balance sheet transactions	408.1	12 466.6	7 773.2	2 017.8	22 665.7
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	12 483.7	8 381.9	2 057.2	23 330.9

Assets by countries/country groups

	31.12.2005		**31.12.2006**	
	CHF 1000	*%*	*CHF 1000*	*%*
Switzerland	10 325 812	36.0	**10 648 266**	**29.6**
Other OECD countries	15 247 579	53.2	**21 680 970**	**60.2**
of which USA	*1 580 481*	*5.5*	***1 847 823***	***5.1***
of which Japan	*71 937*	*0.3*	***119 683***	***0.3***
of which EU	*12 424 395*	*43.4*	***17 982 353***	***50.0***
Central and Eastern Europe	22 457	0.1	**64 155**	**0.2**
Rest of Europe	573 086	2.0	**33 255**	**0.1**
Latin America	54 114	0.2	**84 834**	**0.2**
Asia	191 277	0.7	**418 162**	**1.2**
Other countries	2 234 052	7.8	**3 063 307**	**8.5**
Total	28 648 377	100.0	**35 992 949**	**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.

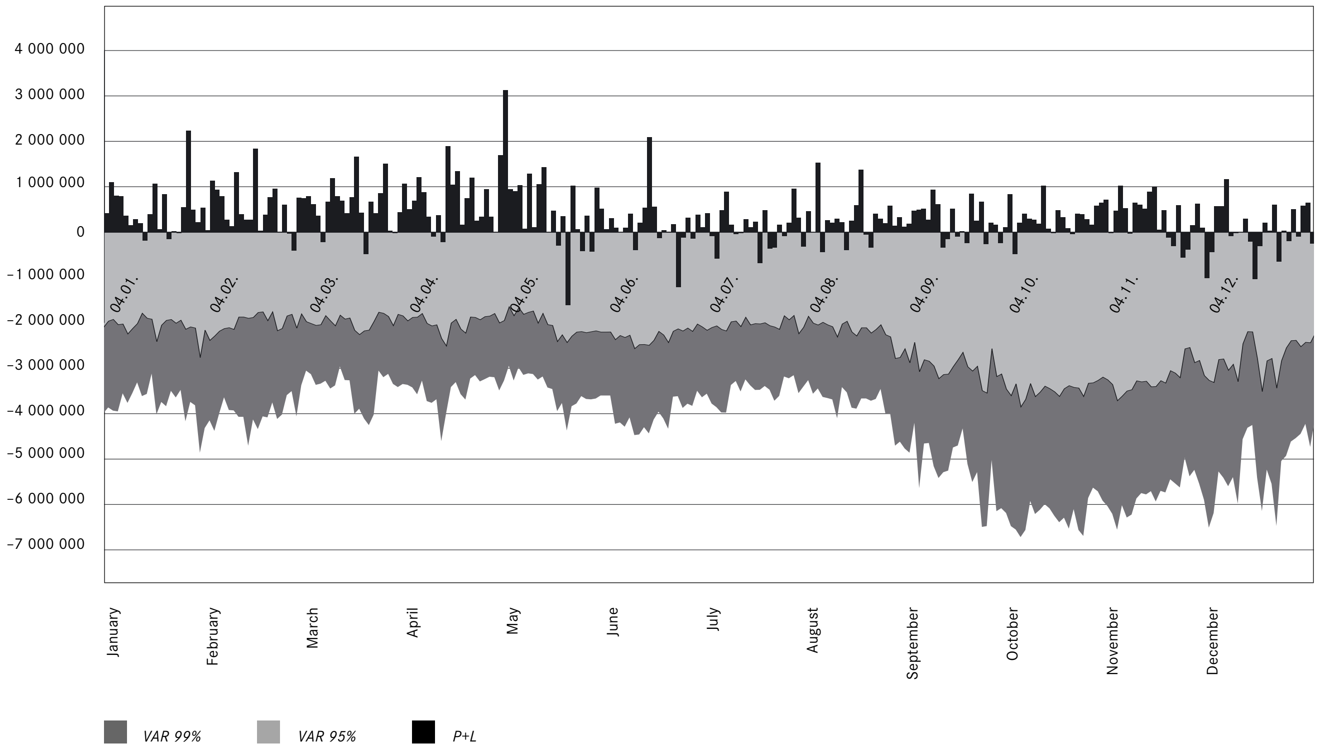
4. Market risk (trading book)

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

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

The Julius Baer Group uses the following types of measurement and limitation of market risk: 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 2.2 million on 31 December 2006 (1-day holding period, 95% confidence level). The maximum VAR recorded in 2006 amounted to CHF 3.9 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 back testing. This involves the comparison of the daily gains and losses generated by the trading book with the VAR values calculated each day. The following chart shows the daily calculations of VAR in 2006 (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 2006 (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 risk

The Group Treasurer has overall 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 on 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 the CRO. Risk reports are reviewed monthly at the RCEB meeting and quarterly at the Board of Directors' Risk Committee meetings. Trading book market risk is managed separately and is monitored by the CRO. 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, usually with a short term-focus, from actual or expected differences between their buying or selling prices. The *banking book* generally has a longer-term investment focus and is defined as all other assets, liabilities and off-balance-sheet items that are intended to be held in order to generate income over time.

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., CHF 1000 per +100 basis points						
CHF						
2006	-2 778	114	13 359	-23 399	8 442	-4 262
2005	-289	-858	10 324	-19 216	11 820	1 781
USD						
2006	594	-261	5 933	50	-	6 316
2005	-342	-924	-2 425	833	-	-2 858
EUR						
2006	-693	-252	2 426	-6 975	-	-5 494
2005	-5	-1 249	-1 457	-14 934	-305	-17 950
Other						
2006	-268	-122	1 095	741	-289	1 157
2005	54	-124	2 179	795	-	2 904

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	200 938	1 537	17 012	1 398	**220 885**
Due from banks	2 921 398	1 437 293	3 112 004	2 566 935	**10 037 630**
Loans	2 537 137	1 835 620	1 206 078	1 339 364	**6 918 199**
Trading portfolios	1 351 564	691 385	232 119	143 003	**2 418 071**
Derivative financial instruments	592 474	394 687	384 953	287 230	**1 659 344**
Financial investments	2 799 322	1 779 402	3 650 107	604 234	**8 833 065**
Investments in associates	996	-	-	-	**996**
Property and equipment	326 333	11 235	1 974	15 614	**355 156**
Intangible assets	4 813 612	17	3 984	1 345	**4 818 958**
Accrued income and prepaid expenses	94 004	168 510	75 643	185 626	**523 783**
Deferred tax assets	645	44 957	2 003	16 784	**64 389**
Other assets	52 173	8 847	53 633	27 820	**142 473**
Total assets 31.12.2006	15 690 596	6 373 490	8 739 510	5 189 353	**35 992 949**
Total assets 31.12.2005	13 209 264	6 260 416	6 424 766	2 753 931	28 648 377

	CHF *CHF 1000*	USD *CHF 1000*	EUR *CHF 1000*	Other *CHF 1000*	Total *CHF 1000*
Liabilities and equity					
Due to banks	532 817	1 786 120	1 417 646	987 442	**4 724 025**
Due to customers	3 919 253	4 672 220	5 511 088	2 845 742	**16 948 303**
Trading liabilities	143 509	364 148	72 621	26 369	**606 647**
Derivative financial instruments	737 969	519 821	235 235	172 295	**1 665 320**
Financial liabilities designated at fair value	1 709 793	606 297	939 050	122 902	**3 378 042**
Debt issued	505 354	753	213	113	**506 433**
Accrued expenses and deferred income	266 094	272 999	70 352	252 539	**861 984**
Current tax liabilities	83 769	3 618	8 549	41 102	**137 038**
Deferred tax liabilities	83 400	-	30	-	**83 430**
Provisions	53 722	41 890	1 789	134	**97 535**
Other liabilities	78 379	14 569	16 460	10 836	**120 244**
Total liabilities	8 114 059	8 282 435	8 273 033	4 459 474	**29 129 001**
Total equity	6 863 948	-	-	-	**6 863 948**
Total liabilities and equity 31.12.2006	14 978 007	8 282 435	8 273 033	4 459 474	**35 992 949**
Total liabilities and equity 31.12.2005	13 740 466	5 475 531	6 234 151	3 198 229	28 648 377

The liquidity position of Bank Julius Baer & Co. Ltd. in particular as well as of the other Group companies is monitored and managed daily and exceeds the regulatory minimum, as required by the Group's liquidity policy.

Strategy in using derivative financial instruments
The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to maximize interest margins by investing these funds in high-quality assets. Through 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 60 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	220 885	–	–	–	–	–	**220 885**
Due from banks	5 247 992	54 631	3 400 287	1 333 000	1 720	–	**10 037 630**
Loans	41 523	1 501 223	3 043 330	1 542 321	646 652	143 150	**6 918 199**
Trading portfolios	2 418 071	–	–	–	–	–	**2 418 071**
Derivative financial instruments	1 659 344	–	–	–	–	–	**1 659 344**
Financial investments	109 711	42 524	1 558 616	3 776 250	2 426 874	919 090	**8 833 065**
Investments in associates	–	–	–	–	–	–	**996** [1]
Property and equipment	–	–	–	–	–	–	**355 156** [1]
Intangible assets	–	–	–	–	–	–	**4 818 958** [1]
Accrued income and prepaid expenses	523 783	–	–	–	–	–	**523 783**
Deferred tax assets	64 389	–	–	–	–	–	**64 389**
Other assets	142 473	–	–	–	–	–	**142 473**
Total assets 31.12.2006	10 428 171	1 598 378	8 002 233	6 651 571	3 075 246	1 062 240	**35 992 949**
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
Liabilities							
Due to banks	3 809 475	75 339	526 203	9 523	3 375	300 110	**4 724 025**
Due to customers	6 322 200	5 778 560	4 078 941	766 597	2 005	–	**16 948 303**
Trading liabilities	606 647	–	–	–	–	–	**606 647**
Derivative financial instruments	1 665 320	–	–	–	–	–	**1 665 320**
Financial liabilities designated at fair value	–	–	573 376	2 097 872	545 938	160 856	**3 378 042**
Debt issued	7 899	–	124 930	–	148 604	225 000	**506 433**
Accrued expenses and deferred income	861 984	–	–	–	–	–	**861 984**
Current tax liabilities	137 038	–	–	–	–	–	**137 038**
Deferred tax liabilities	83 430	–	–	–	–	–	**83 430**
Provisions	–	–	–	46 661	50 874	–	**97 535**
Other liabilities	120 244	–	–	–	–	–	**120 244**
Total liabilities 31.12.2006	13 614 237	5 853 899	5 303 450	2 920 653	750 796	685 966	**29 129 001**
Total liabilities 31.12.2005	10 081 757	1 279 653	8 054 334	1 425 248	987 442	612 666	22 441 100

[1] no maturity

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 2006 amounted to a net CHF +0.5 million (2005: CHF -1.0 million).

The Group carried no fair value hedges on its books in 2006 or 2005.

6. Operational risk

6.1. Operational risk framework and process

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

The qualitative and quantitative standards defined by the Basel Committee for Banking Supervision (Sound Practices of the Management and Supervision of Operational Risk) are met by the current operational risk management and control set-up. Continuing improvements are being made to achieve higher quality in our operational processes and their control procedures, to enable early identification for potential operational risks and to support a proactive approach in managing the business operational risks and to be prepared for the demands of the future.

The Operational Risk department within Group Risk Management has Group-wide responsibility for developing and implementing the internal framework for managing and controlling operational risk (excluding legal and compliance risk). Furthermore, it gives guidance and support to the operational risk units of the various divisions regarding all matters relating to operational risk and coordinates their efforts at the Group level.

The objectives of operational risk management are as follows:

- To prevent Julius Baer from potential substantial losses
- To strengthen a high degree of risk awareness at all levels
- To enable the business to take and manage risk consciously and effectively
- To reinforce an efficient early warning system with a structured and consistent risk management approach
- To assess all operational risk issues before new services or products are offered by the organization
- Assuring the smooth operation of business in the event of infrastructure breakdowns and catastrophes (BCM process)

The Operational Risk department within Group Risk Management 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 Operational Risk department reports to the CRO.

6.2. Risk related to Business Continuity Management

The key objectives of Business Continuity Management are as follows:

- To ensure the safety of staff and clients
- To maximize the defense of the organization's reputation and brand name
- To minimize the impact on business continuity events (including crisis, pandemic, etc.)
- To demonstrate effective and efficient governance to the media, markets and stakeholders to maintain confidence

- To protect Julius Baer Group assets and information
- To meet regulatory, legal and insurance requirements

BCM guides and supports the physical security officers of the organization who are in charge of enforcing the BCM guidelines at each location. With periodical status reviews BCM checks compliance with guidelines and standards.

In the event of a catastrophe, an Emergency Management Team (EMT) consisting of predetermined members will convene with the purpose of ensuring that Julius Baer reacts 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 countermeasures. The EMT is supported by several sub-committees, responsible – among other things – for taking emergency measures, gathering information and resuming business. Each branch has its own emergency organization, tailor-made to the size of the unit. All local EMTs are supported by the main team in Zurich or GAM's main team in London. 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 locations of the Julius Baer Group.

6.3. Legal and compliance risk

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

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

Legal and compliance risk are controlled by an awareness of and an adherence to the legal and regulatory environment and constraints within which the Julius Baer Group operates. This process is supported by the implementation of appropriate policies and procedures across the Julius Baer Group and by a functionally independent Legal and Compliance department.

6.4. Personnel risk

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

7. Reputational risk

The Group's ability to conduct its business is critically dependent on the reputation it has established over the more than one hundred years of its existence. 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 their respective areas.

Information on the consolidated income statement

1 Net interest income

	2005 CHF 1000	**2006** CHF 1000	Change CHF 1000	Change %
Interest income on amounts due from banks and loans	177 888	**461 999**	284 111	159.7
Interest and discount income from bills and money market instruments	45 049	**102 228**	57 179	126.9
Refinancing income from trading positions	-7 517	**-16 425**	-8 908	-118.5
Interest income on financial investments	118 650	**139 921**	21 271	17.9
Dividend income on financial investments	4 558	**5 830**	1 272	27.9
Total interest income	338 628	**693 553**	354 925	104.8
Interest expense on amounts due to banks and customers	196 421	**477 067**	280 646	142.9
Interest expense on debt issued	14 314	**17 920**	3 606	25.2
Total interest expense	210 735	**494 987**	284 252	134.9
Total	127 893	**198 566**	70 673	55.3

2 Commission income on securities and investment transactions

	2005 CHF 1000	**2006** CHF 1000	Change CHF 1000	Change %
Commissions from asset management and investment[1]	1 177 205	**2 540 725**	1 363 520	115.8
Income from brokerage and securities underwriting	161 259	**306 538**	145 279	90.1
Total	1 338 464	**2 847 263**	1 508 799	112.7

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

3 Results from trading operations

	2005 CHF 1000	**2006** CHF 1000	Change CHF 1000	Change %
Securities	35 625	**44 473**	8 848	24.8
Foreign exchange	113 231	**206 193**	92 962	82.1
Total	148 856	**250 666**	101 810	68.4

4 Other ordinary results

	2005 *CHF 1000*	**2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Results from sale of subsidiaries	-1 371	**128**	1 499	-
Realized gains/losses from financial investments	9 520	**4 917**	-4 603	-48.4
Equity in income of associates	-472	**152**	624	-
Real estate income	3 760	**3 185**	-575	-15.3
Other ordinary results	83 368	**31 500**	-51 868	-62.2
Total	94 805	**39 882**	-54 923	-57.9

The evaluation of provisions led to a release in the amount of CHF 9.4 million during the 2006 financial year (2005: CHF 7.9 million), which was booked as other ordinary results. The position other ordinary results also contains the residual proceeds of CHF 15.1 million in 2006 from the sale of Private Banking USA (2005: CHF 61.4 million).

5 Personnel expenses

	2005 *CHF 1000*	**2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Salaries and bonuses	645 160	**891 550**	246 390	38.2
Contributions to staff pension plans (defined benefits)	38 786	**62 737**	23 951	61.8
Contributions to staff pension plans (defined contributions)	3 267	**4 003**	736	22.5
Other social benefits	40 543	**70 231**	29 688	73.2
Other personnel expenses[1]	111 418	**193 994**	82 576	74.1
Total[2]	839 174	**1 222 515**	383 341	45.7

[1] For share-based payments, see Note 32

[2] CHF 8.6 million (2005: CHF 9.8 million) of personnel 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.

6 General and administrative expenses

	2005 *CHF 1000*	**2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Occupancy expense	46 984	**67 569**	20 585	43.8
Expense for EDP, machinery, furniture, vehicles and other equipment	85 037	**72 707**	-12 330	-14.5
Information, communication and advertising expense	81 798	**150 576**	68 778	84.1
Service expense, fees and taxes	103 895	**155 653**	51 758	49.8
Other general expenses	52 816 [1]	**22 529**	-30 287	-57.3
Total[2]	370 530	**469 034**	98 504	26.6

[1] Adjusted, including valuation adjustments, provisions and losses

[2] CHF 29.6 million (2005: CHF 13.4 million) of other operating expenses were charged directly to the income statement for costs incurred within the preliminary studies and the not capitalizable development activities relating to IT projects.

7 Taxes

	2005 *CHF 1000*	**2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Income tax on profit before taxes (expected tax expense)	43 397	**213 032**	169 635	390.9
Tax rate difference on income components subject to foreign taxation	-12 250	**-20 144**	-7 894	-64.4
Tax rate difference from local differences in domestic tax rates	7 700	**3 729**	-3 971	-51.6
Lower taxed income	-919	**-8 451**	-7 532	-819.6
Effect of utilization of prior-year losses	-2 000	**-2 777**	-777	-38.9
Effect from not capitalized losses	5 561	**11 611**	6 050	108.8
Adjustments related to prior years	-7 122	**10 547**	17 669	248.1
Non-tax-deductible expenses	6 693	**48 306**	41 613	621.7
Other influences	2 813	**-2 038**	-4 851	-172.4
Actual tax expense	43 873	**253 815**	209 942	478.5

A tax rate of 23% (2005: 23%) was employed in the calculation of income tax in Switzerland. Not capitalized accumulated operating loss carry-forwards in the amount of CHF 121.9 million (2005: CHF 105.2 million) exist in the Group that can be asserted for more than five years.

Domestic taxes	13 280	**112 729**	99 449	748.9
Foreign taxes	30 593	**141 086**	110 493	361.2
Total	43 873	**253 815**	209 942	478.5

Current taxes	66 561	**276 148**	209 587	314.9
Deferred taxes	-22 688	**-22 333**	355	1.6
Total	43 873	**253 815**	209 942	478.5

8 Segment reporting by division

	Private Banking		Asset Management		Corporate Center [1]		Total Group	
	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
Operating income	579.3	**1 183.1**	838.4	**1 574.3**	86.7	**80.5**	1 504.4	**2 837.9**
Personnel expenses	362.9	**531.5**	388.7	**596.5**	87.6	**94.5**	839.2	**1 222.5**
General expenses	239.2	**227.3**	89.2	**193.3**	42.1	**48.4**	370.5	**469.0**
Services from/to other divisions	-55.3	**1.5**	56.3	**12.7**	-1.0	**-14.2**		
Depreciation of property and equipment	12.6	**13.4**	1.1	**9.8**	5.3	**5.7**	19.0	**28.9**
Amortization of customer relationships	6.2	**74.0**	8.4	**100.7**	-	**-**	14.6	**174.7**
Amortization of other intangible assets	58.5	**10.5**	7.6	**5.9**	6.3	**0.1**	72.4	**16.5**
Operating expenses	624.1	**858.2**	551.3	**918.9**	140.3	**134.5**	1 315.7	**1 911.7**
Profit before taxes per division	-44.8	**324.9**	287.1	**655.4**	-53.6	**-54.1**	188.7	**926.2**
Taxes							43.9	**253.8**
Net profit							144.8	**672.4**
of which shareholders of Julius Baer Holding Ltd.							*146.1*	***672.4***
of which minority interest							*-1.3*	***-***
Assets under management	121 892	**138 074**	182 109	**222 555**	321	**91**	304 322	**360 720**
change through acquisition[2]	*57 255*	***-***	*70 851*	***-***	*-*	***-***	*128 106*	***-***
change through divestment[3]	*-5 825*	***-***	*-*	***-***	*-*	***-***	*-5 825*	***-***
change through net new money	*-1 459*	***5 884***	*17 492*	***20 935***	*-8*	***-10***	*16 025*	***26 809***
change through market appreciation	*10 662*	***10 298***	*19 861*	***19 511***	*123*	***-220***	*30 646*	***29 589***
Assets	11 669	**7 301**	7 321	**8 866**	9 658	**19 826**	28 648	**35 993**
Liabilities	10 110	**15 404**	5 733	**7 567**	6 598	**6 158**	22 441	**29 129**
Investments	2 046.7	**39.8**	3 133.2	**13.8**	1.3	**22.5**	5 181.2	**76.1**
Number of employees (FTE)	2 177	**2 187**	1 214	**1 357**	121	**140**	3 512	**3 684**

[1] Including income and expenses that are not directly connected with the two divisions and eliminations.

[2] As of 2 December 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 of 1 April 2005, Julius Baer sold the Private Banking activities in the USA to UBS AG.

Geographical segments

	31.12.2005	**31.12.2006**	2005	**2006**	2005	**2006**
		Total assets		Operating income		Investments
	CHF m	*CHF m*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
Reporting by segment						
Switzerland	28 760	**32 669**	1 000 730	**1 580 301**	5 179 401	**53 635**
Europe (excl. Switzerland)	8 148	**13 589**	203 327	**780 464**	329	**11 072**
Americas	1 053	**1 239**	398 551	**474 539**	1 332	**5 166**
Other countries	4	**823**	2 576	**182 293**	158	**6 214**
Less consolidation items	9 317	**12 327**	100 827	**179 693**	-	**-**
Total	28 648	**35 993**	1 504 357	**2 837 904**	5 181 220	**76 087**

The segment reporting is based on the principle of domicile of operations.

The segment reporting comprises the two operating divisions Private Banking and Asset Management. Income and expenses that are not directly connected with the two divisions 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 divisions according to the principle of accountability based on the client relationships. Indirect costs for internal service relationships between the segments are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary.

The depreciation and write-offs of non-current assets as well as the provisions and losses taken into account in the operating expenses relate to actual costs. Income and expenses in connection with overarching services that cannot be assigned to the segments remain in the Corporate Center. Moreover, the consolidation items are contained in the Corporate Center.

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

The number of employees reflects the resources of the individual divisions.

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

Investments are additions to property and equipment, real estate and intangible assets.

9 Earnings per registered share and registered shares outstanding

	2005	**2006**
Basic net profit per registered share		
Net profit (CHF 1000)	146 146	**672 411**
Weighted average number of registered shares	56 405 547	**110 541 967**
Basic net profit per registered share (CHF)	2.59	**6.08**

Diluted net profit per registered share		
Adjusted net profit (CHF 1000)	146 146	**671 577**
Weighted average number of registered shares	56 651 407	**112 009 977**
Diluted net profit per registered share (CHF)	2.58	**6.00**

	31.12.2005	**31.12.2006**
Registered shares outstanding		
Total registered shares issued	111 628 239	**111 628 239**
Treasury shares	2 120 847	**738 088**
Total	109 507 392	**110 890 151**

Information on the consolidated balance sheet

10a Due from banks

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Due from banks	6 798 276	**10 039 790**	3 241 514	47.7
Provisions for credit losses	-6 383	**-2 160**	4 223	66.2
Total	6 791 893	**10 037 630**	3 245 737	47.8

10b Loans

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Loans	5 075 614	**6 029 254**	953 640	18.8
Mortgages	833 564	**919 758**	86 194	10.3
Subtotal	5 909 178	**6 949 012**	1 039 834	17.6
Provisions for credit losses	-77 840	**-30 813**	47 027	60.4
Total	5 831 338	**6 918 199**	1 086 861	18.6

Loans by type of collateral:				
Mortgage collateral	874 008	**967 259**	93 251	10.7
Other collateral	4 884 712	**5 802 099**	917 387	18.8
Without collateral	72 618	**148 841**	76 223	105.0
Total	5 831 338	**6 918 199**	1 086 861	18.6

10c Provision for credit losses

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Balance at the beginning of the year	20 935	**84 223**	63 288	302.3
Write-offs	-	**-62 709**	-62 709	
Increase in provision for credit losses	8 060	**15 618**	7 558	93.8
Decrease in provision for credit losses	-8 279	**-1 088**	7 191	86.9
Acquisition of subsidiaries	64 319	**-**	-64 319	-100.0
Translation differences and other adjustments	-812	**-3 071**	-2 259	-278.2
Balance at the end of the year	84 223	**32 973**	-51 250	-60.9

10d Non-performing loans

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Gross loans	159 076	**52 270**	-106 806	-67.1
Specific valuation allowances	68 616	**18 525**	-50 091	-73.0
Net loans	90 460	**33 745**	-56 715	-62.7

The non-value-adjusted portion of these loans is substantially covered by collateral. General valuation allowances of CHF 14.4 million exist in order to cover the latent risk (2005: CHF 15.6 million).

11 Trading portfolios

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Debt instruments	188 669	**145 276**	-43 393	-23.0
of which listed	*142 929*	***92 401***	*-50 528*	*-35.4*
of which unlisted	*45 740*	***52 875***	*7 135*	*15.6*
Equity instruments	996 421	**2 266 810**	1 270 389	127.5
Other	4 257	**5 985**	1 728	40.6
Total	1 189 347	**2 418 071**	1 228 724	103.3
of which repo-eligible securities	*37 419*	***16 225***	*-21 194*	*-56.6*

The trading portfolios of the Julius Baer Group contain only trading positions and no assets designated at fair value through profit or loss.

12 Financial investments

	31.12.2005 CHF 1000	**31.12.2006** CHF 1000	Change CHF 1000	Change %
Available-for-sale securities				
Money market instruments	2 561 862	**4 090 399**	1 528 537	59.7
Debt instruments	4 162 652	**4 457 344**	294 692	7.1
of which listed	*3 612 481*	***4 234 154***	*621 673*	*17.2*
of which unlisted	*550 171*	***223 190***	*-326 981*	*-59.4*
Equity instruments	114 554	**150 972**	36 418	31.8
of which listed	*3 820*	***4 024***	*204*	*5.3*
of which unlisted	*110 734*	***146 948***	*36 214*	*32.7*
Total	6 839 068	**8 698 715**	1 859 647	27.2
Held-to-maturity securities				
Debt instruments	193 961	**134 350**	-59 611	-30.7
of which listed	*100 521*	***55 006***	*-45 515*	*-45.3*
of which unlisted	*93 440*	***79 344***	*-14 096*	*-15.1*
Total	193 961	**134 350**	-59 611	-30.7
Total financial investments	7 033 029	**8 833 065**	1 800 036	25.6
of which repo-eligible securities	*1 841 071*	***2 974 076***	*1 133 005*	*61.5*
Fair value of financial investments, including securities lent	7 033 972	**8 834 208**	1 800 236	25.6

13 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 01.01.2005	-	-	-	145 917	145 917	176 873	53 498	230 371
Translation 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
Reclassification[2]	9 246	-	-	-9 246	-	-	-	-
Balance on 01.01.2006	2 938 791	1 747 000	273 000	158 508	5 117 299	307 361	86 346	393 707
Translation differences	-	-	-	356	356	-	1 933	1 933
Additions	-	-	-	24 544	24 544	22 482	29 061	51 543
Disposals/transfers[1]	-	-	-	38 397	38 397	226	6 136	6 362
Balance on 31.12.2006	2 938 791	1 747 000	273 000	145 011	5 103 802	329 617	111 204	440 821
Depreciation and amortization								
Balance on 01.01.2005	-	-	-	73 461	73 461	23 392	30 707	54 099
Translation differences	-	-	-	-633	-633	-	235	235
Additions	-	14 558	-	72 405 [3]	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
Translation differences	-	-	-	387	387	-	1 828	1 828
Additions	-	174 700	-	16 531 [3]	191 231	5 382	23 516	28 898
Disposals/transfers[1]	-	-	-	36 286	36 286	-	4 244	4 244
Balance on 31.12.2006	-	189 258	-	95 586	284 844	32 473	53 192	85 665
Book value								
Balance on 31.12.2005	2 938 791	1 732 442	273 000	43 554	4 987 787	280 270	54 254	334 524
Balance on 31.12.2006	**2 938 791**	**1 557 742**	**273 000**	**49 425**	**4 818 958**	**297 144**	**58 012**	**355 156**

[1] Includes derecognition of fully depreciated and amortized assets

[2] Adjustment of the purchase price allocation for the acquired private bank Ferrier Lullin & Cie SA in the amount of CHF 9.2 million, resulting in a drop in the fair value of the other intangible assets by CHF 9.2 million and a simultaneous increase of goodwill.

[3] Includes no impairment charges (2005: CHF 53.0 million) for software.

There are no property and equipment arising from finance leases.

	Balance on 01.01.2006 CHF 1000	Additions CHF 1000	Disposals CHF 1000	Amortization CHF 1000	Translation differences CHF 1000	**Balance on 31.12.2006** CHF 1000
Goodwill						
Private Banking	1 097 481 [1]	-	-	-	-	**1 097 481**
Asset Management	1 841 310	-	-	-	-	**1 841 310**
Total	2 938 791	-	-	-	-	**2 938 791**
Customer relationships						
Private Banking	733 834	-	-	74 000	-	**659 834**
Asset Management	998 608	-	-	100 700	-	**897 908**
Total	1 732 442	-	-	174 700	-	**1 557 742**
Brand						
Asset Management	273 000	-	-	-	-	**273 000**
Total	273 000	-	-	-	-	**273 000**

[1] Including the adjustment of the purchase price allocation for the acquired private bank Ferrier Lullin & Cie SA in the amount of CHF 9.2 million, resulting in a drop in the fair value of the other intangible assets by CHF 9.2 million and a simultaneous increase of goodwill.

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

The Group uses a proprietary model based on the discounted cash flow method to calculate these values in use. The Group estimates the expected free cash flows for the respective cash-generating units based on its own five-year financial planning. The estimates of the expected free cash flows take into account the projected investments and the forecasted results based on the projected growth of future assets under management. These cash flows are discounted to present value. The pre-tax discount rates used are 10.4% for the Private Banking division and 13.0% for the Asset Management division.

To identify any indication of impairment of the brand name GAM recorded in the Asset Management division, the Group uses a proprietary model based on the discounted cash flow method. To determine the value in use, the expected results under the brand are forecast. These results are the basis for calculating the projected «royalty savings» (i.e. an internal license fee for use of the brand), which are discounted to present value. The pre-tax discount rate used to calculate the value in use is 12.4%, and the rate used for the «royalty savings» is 2.0%.

14 Future annual commitments under operating leases

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Maturity of up to 1 year	6 197	**2 277**	-3 920	-63.3
Maturity of up to 5 years	10 864	**12 612**	1 748	16.1
Maturity of up to 10 years	18 171	**10 638**	-7 533	-41.5
Maturity of up to 15 years	6 522	**6 184**	-338	-5.2
Maturity of over 15 years	1 494	**6 926**	5 432	363.6
Subtotal	43 248	**38 637**	-4 611	-10.7
Less sublease rentals under non-cancellable leases	3 537	**3 856**	319	9.0
Total	39 711	**34 781**	-4 930	-12.4

Operating expenses include a gross CHF 37.3 million as of 31 December 2006 (2005: CHF 55.3 million) from operating leases.

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

		31.12.2005		**31.12.2006**
	Book value *CHF 1000*	Effective commitment *CHF 1000*	Book value *CHF 1000*	Effective commitment *CHF 1000*
Securities	735 470	458 836	**1 163 334**	**827 138**
Other	14 876	7 611	**20 896**	**16 400**
Total	750 346	466 447	**1 184 230**	**843 538**

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.

16 Commitments to own pension plans

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Commitments to own pension plans	5 829	**14 560**	8 731	149.8

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. Not taken into account are any liabilities according to IAS 19 (see Note 24).

17 Financial liabilities designated at fair value

	31.12.2005 CHF 1000	2007 CHF 1000	2008 CHF 1000	2009 CHF 1000	2010 CHF 1000	2011 CHF 1000	2012-2016 CHF 1000	Thereafter CHF 1000	**31.12.2006** CHF 1000
Senior debt									
Fixed rate	1 247 707	2 279 699	72 262	19 844	-	16 716	37		**2 388 558**
Interest rates (ranges in %)		0.5-25.2	8.9-15.0	0.5-0.75	-	0.3-0.4	1.0-2.0		
Floating rate	603 798	391 549	171 738	129 041	65 534	70 804	139 509	21 309	**989 484**
Total	1 851 505	**2 671 248**	**244 000**	**148 885**	**65 534**	**87 520**	**139 546**	**21 309**	**3 378 042**

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0% up to 25.2%.

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.

18 Debt issued

	31.12.2005 CHF 1000	**31.12.2006** CHF 1000
Money market instruments	9 689	**7 899**
Cash bonds	80	**70**
Bonds	278 709	**273 464**
Preferred securities[1]	225 000	**225 000**
Total	513 478	**506 433**

[1] See Note 29

Money market instruments

Maturity	31.12.2005	Interest rate 0%	Interest rate 1-2%	Interest rate 2-3%	**31.12.2006** Total CHF 1000
On demand	6 731	7 899	-	-	**7 899**
Due within 3 months	2 958	-	-	-	**-**
Total	9 689	**7 899**	**-**	**-**	**7 899**

Cash bonds as of 31 December 2006

The cash bonds outstanding as of 31 December 2006 amount to CHF 70 000 at an interest rate of 3.75%, and mature in 2007 (2005: CHF 80 000, with CHF 10 000 maturing in 2006 and CHF 70 000 in 2007).

The average interest rate as of 31 December 2006 is 3.75% (2005: 3.69%).

Bonds and preferred securities

Year of issue	Interest rate %		Maturity	Amount outstanding CHF 1000	31.12.2005 Total CHF 1000	**31.12.2006** Total CHF 1000
Julius Baer Holding Ltd.						
1999[1]	3.00	CHF bond	2007	150 000	130 545	**124 860**
2004[2]	2.50	CHF bond	2010	150 000	148 164	**148 604**
Julius Baer Capital (Guernsey) I Ltd.						
2005[3]	3.63	Preferred securities		225 000	225 000	**225 000**
Total					503 709	**498 464**
Total debt issued					513 478	**506 433**

[1] Own bonds of CHF 25.1 million (2005: CHF 19.5 million) are offset with bonds outstanding. The effective interest rate amounts to 2.90%.
[2] The effective interest rate amounts to 3.26%.
[3] See Note 29

19a Deferred tax assets

	31.12.2005 CHF 1000	**31.12.2006** CHF 1000
Balance at the beginning of the year	4 993	**49 441**
Income statement – credit	25 172	**26 610**
Income statement – charge	-9 426	**-9 173**
Acquisition of subsidiaries	29 288	**-**
Translation differences and other adjustments	-586	**-2 489**
Balance at the end of the year	49 441	**64 389**

The components of deferred tax assets are as follows:		
Employee compensation and benefits	39 829	**58 105**
Property and equipment	2 031	**4 181**
Provisions	6 597	**471**
Operating loss carry-forwards	435	**813**
Other	549	**819**
Total net deferred tax assets	49 441	**64 389**

19b Deferred tax liabilities

	31.12.2005 CHF 1000	**31.12.2006** CHF 1000
Balance at the beginning of the year	64 385	**89 830**
Income statement – charge	1 651	**89**
Income statement – credit	-8 593	**-4 985**
Acquisition of subsidiaries	32 392	**-**
Recognized directly in equity	-2 695	**1 854**
Translation differences and other adjustments	2 690	**-3 358**
Balance at the end of the year	89 830	**83 430**

The components of deferred tax liabilities are as follows:		
Employee compensation and benefits	7 116	**7 805**
Property and equipment	14 627	**11 202**
Financial investments	10 398	**10 163**
Provisions	57 245	**53 940**
Intangible assets	164	**149**
Other	280	**171**
Total net deferred tax liabilities	89 830	**83 430**

20 Provisions

	2005 Total CHF 1000	**2006** Other obligation CHF 1000	**2006** Legal risks CHF 1000	**2006** Restructuring CHF 1000	**2006** Total CHF 1000
Balance at the beginning of the year	40 689	**8 380**	**46 821**	**134 012**	**189 213**
Utilized during year	-30 608	**-2 774**	**-14 615**	**-47 836**	**-65 225**
Acquisition of subsidiaries	10 299	**-**	**-**	**-**	**-**
Income statement – charge	167 449	**1 804**	**4 351**	**1 304**	**7 459**
Income statement – credit	-905	**-538**	**-7 459**	**-23 839**	**-31 836**
Other adjustments	2 289	**-209**	**-1 524**	**-343**	**-2 076**
Balance at the end of the year	189 213	**6 663**	**27 574**	**63 298**	**97 535**
Maturity of provisions					
up to one year	24 005	**4 138**	**9 925**	**32 598**	**46 661**
over one year	165 208	**2 525**	**17 649**	**30 700**	**50 874**

Details to restructuring provisions		
Balance at the beginning of the year	3 056	**134 012**
Income statement – charge	130 609	**1 304**
Other adjustments	347	**-343**
Provisions applied:		
– Personnel	-	**-16 827**
– IT	-	**-28 527**
– Professional fees	-	**-293**
– Occupancy expense	-	**-2 150**
– Other	-	**-39**
Income statement – credit	-	**-23 839**
Balance at the end of the year	134 012	**63 298**

21 Legal risks

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

22 Corporate capital

	Registered shares (CHF 0.10 par)	
	Number	*CHF 1000*
Balance on 01.01.2005	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***
Changes	-	**-**
Balance on 31.12.2006	111 628 239	**11 163**
of which entitled to dividends	*111 628 239*	*11 163*

All registered 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.

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

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

23 Related party transactions

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Key management personnel compensation[1]				
Salaries and other short-term employee benefits	19 822	**36 103**	16 281	82.1
Post-employment benefits	843	**1 011**	168	19.9
Termination benefits	4 471	**-**	-4 471	-100.0
Participation plans	12 714	**19 616**	6 902	54.3
Total	37 850	**56 730**	18 880	49.9
Claims on				
associated companies	1 555	**1 610**	55	3.5
key management personnel[1]	35 382	**23 278**	-12 104	-34.2
other related parties[2]	425	**153**	-272	-64.0
Total	37 362	**25 041**	-12 321	-33.0
Liabilities to				
key management personnel[1]	22 479	**16 292**	-6 187	-27.5
other related parties[2]	5 829	**14 560**	8 731	149.8
Total	28 308	**30 852**	2 544	9.0
Credit guarantees to				
key management personnel[1]	50	**450**	400	800.0
Total	50	**450**	400	800.0
Income from services provided to				
associated companies	72	**-**	-72	-100.0
key management personnel[1]	821	**736**	-85	-10.4
other related parties[2]	231	**274**	43	18.6
Total	1 124	**1 010**	-114	-10.1

[1] Board of Directors, Group Executive Board and Senior Management
[2] Including own pension funds

The loans granted to key management personnel 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 employees of the former Julius Baer Group are granted a discount of 1% up to a maximum loan amount of CHF 1 million per borrower. The interest contribution for fixed mortgages is valid until the respective maturity date if the mortgage was taken out before 7 June 2006, or for a maximum of 1 year if the mortgage was taken out between 8 June and 31 December 2006. For all variable rate mortgages, an interest rate increase of 1% will be taken over until 30 June 2007 at the latest. Interest rates of 1.82% to 3.35% are applied to the mortgage portfolio as of 31 December 2006. The residual maturities of the mortgage loans as of 31 December 2006 range between 1 month and 7 years.

Interest rates ranging from 2.32% to 2.70% are charged on the lombard loans outstanding as of 31 December 2006.

Other financial services are transacted at arm's length.

24 Pension plans and other employee benefits

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

	2005 CHF 1000	2006 CHF 1000
1. Development of pension obligations and assets		
Present value of funded obligation at the beginning of the year	-893 866	**-1 570 614**
Acquisitions	-598 156	**-**
Service cost	-53 877	**-97 506**
Past service cost	-96	**-356**
Interest cost	-34 350	**-55 779**
Settlements	-	**-4 061**
Benefits paid	22 992	**78 512**
Actuarial gain/(loss)	-12 990	**-15 779**
Translation differences	-271	**-15 235**
Present value of funded obligation at the end of the year	-1 570 614	**-1 680 818**
Fair value of plan assets	838 716	**1 473 241**
Acquisitions	547 504	**-**
Expected return on plan assets	41 230	**74 954**
Employer’s contributions	35 942	**105 944**
Employees’ contributions	14 360	**25 447**
Benefits paid	-22 992	**-78 512**
Actuarial gain/(loss)	18 365	**34 529**
Translation differences	116	**12 207**
Fair value of plan assets	1 473 241	**1 647 810**

	31.12.2005 CHF 1000	31.12.2006 CHF 1000
2. Balance sheet		
Fair value of plan assets	1 473 241	**1 647 810**
Present value of funded obligation	-1 570 614	**-1 680 818**
Funded status	-97 373	**-33 008**
Unrecognized assets	-4 663	**-4 352**
Unrecognized actuarial losses	73 941	**46 590**
Accrued/(prepaid) pension cost	-28 095	**9 230**
Deferred taxes	9 528	**-1 826**
Amounts recognized in the balance sheet (included in other assets/other liabilities)	-18 567	**7 404**

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

	2005 *CHF 1000*	**2006** *CHF 1000*
3. Income statement		
Service cost	-53 877	**-97 506**
Interest cost	-34 350	**-55 779**
Expected return on plan assets	41 230	**74 954**
Amortization of actuarial gain/(loss)	-272	**-490**
Past service cost	-96	**-356**
Recognized actuarial losses	-5 780	**-9 031**
Increase of unrecognized assets	-	**311**
Settlements	-	**-287**
Net periodic pension cost	-53 145	**-88 184**
Employees' contributions	14 359	**25 447**
Expense recognized in the income statement	-38 786	**-62 737**

	2005 *CHF 1000*	**2006** *CHF 1000*
4. Movement in the net asset or (liability)		
Accrued pension cost at the beginning of the year	25 108	**-28 095**
Acquisitions	-50 550	**-3 774**
Translation differences	191	**-2 108**
Expense recognized in the income statement	-38 786	**-62 737**
Employer's contributions	35 942	**105 944**
Accrued/(prepaid) pension cost	-2 844	**43 207**
Amounts recognized in the balance sheet	-28 095	**9 230**
Prepaid pension cost	35 226	**41 062**
Accrued pension liability	-63 321	**-31 832**
Accrued/(prepaid) pension cost	-28 095	**9 230**
Actual return on plan assets	71 398	**109 410**

	2005 *%*	**2006** *%*
5. Asset allocation		
Cash	5.08	**2.91**
Equity instruments	35.43	**34.40**
Debt instruments	30.94	**34.78**
Real estate	9.38	**8.89**
Other	19.17	**19.02**
Total	100.00	**100.00**

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*
6. Defined benefit pensions plans		
Fair value of plan assets	1 473 241	**1 647 810**
Present value of funded obligation	-1 570 614	**-1 680 818**
Funded status	-97 373	**-33 008**
Experience adjustment on plan liabilities	-	**-20 946**
Change in assumptions adjustment on plan liabilities	-	**5 167**
Experience adjustment on plan assets	-	**34 528**
Total actuarial gain/(loss)	-	**18 749**

Commentary on actuarial calculation of pension obligations

Based on the corridor approach, actuarial gains and losses are recognized systematically over the remaining average working lives of the employees as income or expense if the net cumulative unrecognized actuarial gains and losses exceed the greater of 10% of the defined benefit obligation and 10% of the fair value of any pension plan assets. The pension asset consists only of deferred actuarial losses.

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

The Julius Baer Group maintains a number of defined contribution pension plans, primarily abroad. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 4.0 million during the 2006 financial year (2005: CHF 3.3 million).

The latest actuarial calculation was carried out as of 31 December 2006. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 82% of all benefit obligations and plan assets:

	2005	**2006**
Discount rate	2.75%	**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%**

25 Assets and liabilities by domestic and foreign origin

	31.12.2005		**31.12.2006**		Change	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
	CHF 1000	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
Assets						
Cash	483 421	132	**219 065**	**1 820**	-264 356	1 688
Due from banks	980 636	5 811 257	**1 017 203**	**9 020 427**	36 567	3 209 170
Loans	1 817 926	4 013 412	**1 902 042**	**5 016 157**	84 116	1 002 745
Trading portfolios	487 318	702 029	**1 215 766**	**1 202 305**	728 448	500 276
Derivative financial instruments	574 915	761 628	**655 649**	**1 003 695**	80 734	242 067
Financial investments	501 183	6 531 846	**320 556**	**8 512 509**	-180 627	1 980 663
Investments in associates	927	-	**996**	**-**	69	-
Property and equipment	312 076	22 448	**324 856**	**30 300**	12 780	7 852
Intangible assets	4 981 615	6 172	**4 813 612**	**5 346**	-168 003	-826
Accrued income and prepaid expenses	104 468	350 678	**111 205**	**412 578**	6 737	61 900
Deferred tax assets	5 286	44 155	**646**	**63 743**	-4 640	19 588
Other assets	76 041	78 808	**66 670**	**75 803**	-9 371	-3 005
Total	10 325 812	18 322 565	**10 648 266**	**25 344 683**	322 454	7 022 118

Liabilities and equity						
Due to banks	1 120 064	1 325 113	**619 846**	**4 104 179**	-500 218	2 779 066
Due to customers	8 424 204	6 027 089	**10 215 448**	**6 732 855**	1 791 244	705 766
Trading liabilities	432 375	-	**606 647**	**-**	174 272	-
Derivative financial instruments	551 579	843 282	**512 294**	**1 153 026**	-39 285	309 744
Financial liabilities designated at fair value	134 464	1 717 041	**77 504**	**3 300 538**	-56 960	1 583 497
Debt issued	288 478	225 000	**281 433**	**225 000**	-7 045	-
Accrued expenses and deferred income	339 494	435 527	**292 194**	**569 790**	-47 300	134 263
Current tax liabilities	68 619	56 937	**82 801**	**54 237**	14 182	-2 700
Deferred tax liabilities	89 741	89	**83 400**	**30**	-6 341	-59
Provisions	177 886	11 327	**94 925**	**2 610**	-82 961	-8 717
Other liabilities	78 256	94 535	**62 582**	**57 662**	-15 674	-36 873
Total liabilities	11 705 160	10 735 940	**12 929 074**	**16 199 927**	1 223 914	5 463 987
Total equity	6 207 277	-	**6 863 948**	**-**	656 671	-
Total	17 912 437	10 735 940	**19 793 022**	**16 199 927**	1 880 585	5 463 987

26 Consolidated off-balance-sheet transactions

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Contingent liabilities[1]				
Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit	633 282	**773 111**	139 829	22.1
Bid and performance bonds	-	**1 321**	1 321	-
Irrevocable liabilities under documentary letters of credit	641	**-**	-641	-100.0
Other contingent liabilities	31 250	**31 250**	-	-
Total	665 173	**805 682**	140 509	21.1
Irrevocable commitments[1]				
Unutilized irrevocable commitments to extend credit	30 470	**75 318**	44 848	147.2
Confirmed credits[1]				
Acceptance liabilities	5 974	**5 426**	-548	-9.2
Derivative financial instruments				
Contract volume[2]	89 386 816	**177 283 393**	87 896 577	98.3
Fiduciary transactions				
Fiduciary deposits[3]	11 535 708	**17 151 999**	5 616 291	48.7
Other fiduciary transactions (securities lending & borrowing on an agent basis)	2 617	**-**	-2 617	-100.0
Total	11 538 325	**17 151 999**	5 613 674	48.7

[1] These amounts reflect the maximum payments the Group is committed to making. The fair value of these commitments, i.e. the amount to cover possible existing payment obligations, is recorded in the provisions.

[2] See Note 27

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

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 acquisition of three private banks and further asset management companies in the 2005 financial year, the seller has been provided with customary indemnification provisions especially with regard to a certain part of the consideration paid. These indemnification provisions generally cover the potential risk of certain unquantifiable and unknowable loss contingencies (e.g. litigations). 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.

26 Consolidated off-balance-sheet transactions

	31.12.2005 CHF 1000	**31.12.2006** 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	711 315	**3 388 965**	2 677 650	376.4
Obligations to return cash collateral received in securities lending and repurchase transactions	193 996	**292 787**	98 791	50.9
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	317 752	**719 181**	401 429	126.3
of which securities the right to pledge or sell has been granted without restriction	*317 752*	***719 181***	*401 429*	*126.3*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase	7 679 793	**15 166 437**	7 486 644	97.5
of which repledged or resold securities	*4 277 146*	***7 433 918***	*3 156 772*	*73.8*

27 Derivative financial instruments

	Contract/ Notional amount *CHF m*	Fair values Assets *CHF m*	Fair values Liabilities and equity *CHF m*
Derivatives held for trading			
Foreign exchange derivatives			
Forward contracts	58 966.8	507.2	494.7
Futures	1 913.3	1.9	-
Options (OTC)	32 558.3	385.3	147.5
Total foreign exchange derivatives 31.12.2006	**93 438.4**	**894.4**	**642.2**
Total foreign exchange derivatives 31.12.2005	75 177.7	851.7	850.2
Interest rate derivatives			
Forward contracts	10.8	-	0.1
Swaps	1 979.5	13.2	15.6
Futures	365.8	2.2	1.4
Options (OTC)	66 784.0	48.8	49.5
Total interest rate derivatives 31.12.2006	**69 140.1**	**64.2**	**66.6**
Total interest rate derivatives 31.12.2005	3 449.3	18.5	21.3
Precious metals derivatives			
Forward contracts	280.1	4.2	14.8
Futures	14.2	0.1	-
Options (OTC)	2 155.7	163.0	156.5
Total precious metals derivatives 31.12.2006	**2 450.0**	**167.3**	**171.3**
Total precious metals derivatives 31.12.2005	1 786.5	128.3	134.7
Equity/indices derivatives			
Forward contracts	326.6	0.6	0.6
Futures	469.9	5.4	2.9
Options (OTC)	8 193.7	501.3	490.7
Options traded	2 773.0	22.5	287.5
Total equity/indices derivatives 31.12.2006	**11 763.2**	**529.8**	**781.7**
Total equity/indices derivatives 31.12.2005	7 812.5	335.0	381.8
Other derivatives			
Futures	94.7	2.2	2.6
Total other derivatives 31.12.2006	**94.7**	**2.2**	**2.6**
Total other derivatives 31.12.2005	19.5	-	2.9
Total derivatives held for trading 31.12.2006	**176 886.4**	**1 657.9**	**1 664.4**
Total derivatives held for trading 31.12.2005	88 245.5	1 333.5	1 390.9

27 Derivative financial instruments

	Contract/ Notional amount CHF m	Fair values Assets CHF m	Fair values Liabilities and equity CHF m
Derivatives held for hedging			
Derivatives designated as cash flow hedges			
Interest rate swaps	397.0	1.4	0.9
Total derivatives held for hedging 31.12.2006[1]	**397.0**	**1.4**	**0.9**
Total derivatives held for hedging 31.12.2005	1 141.3	3.0	4.0
Total derivative financial instruments 31.12.2006	**177 283.4**	**1 659.3**	**1 665.3**
Total derivative financial instruments 31.12.2005	89 386.8	1 336.5	1 394.9

[1] See Comment on risk management

28 Financial instruments

			2005			**2006**
	Book value CHF m	Fair value CHF m	Difference CHF m	Book value CHF m	Fair value CHF m	Difference CHF m
Financial assets						
Cash	483.6	483.6	-	**220.9**	**220.9**	**-**
Claims	12 623.2	12 729.3	106.1	**16 955.8**	**16 997.8**	**42.0**
Trading portfolios	1 189.3	1 189.3	-	**2 418.1**	**2 418.1**	**-**
Derivative financial instruments	1 336.5	1 336.5	-	**1 659.3**	**1 659.3**	**-**
Financial investments	7 033.0	7 034.0	1.0	**8 833.1**	**8 834.2**	**1.1**
Financial liabilities						
Commitments	16 896.5	16 964.6	-68.1	**21 672.3**	**21 684.4**	**-12.1**
Trading liabilities	432.4	432.4	-	**606.6**	**606.6**	**-**
Derivative financial instruments	1 394.9	1 394.9	-	**1 665.3**	**1 665.3**	**-**
Debt issued	513.5	548.3	-34.8	**506.4**	**521.1**	**-14.7**
Total Difference between fair value and book value, excluding deferred taxes			4.2			**16.3**

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

Short-term financial instruments
Financial instruments with a maturity or a refinancing profile of one year or less are generally classified as short-term. This includes the balance sheet items cash and money market instruments. Depending on the maturity, it also includes the following: due from banks; loans; mortgages; due to banks; due to customers 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 fair value.

Long-term financial instruments
Depending on the maturity, these include the following balance sheet items: due from banks; loans; mortgages; due to banks; due to customers, 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 (see Notes 11 and 12), the fair value corresponds to the market price. The fair value of instruments without a market price is derived by using generally accepted valuation methods.

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

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

28 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 2006:

	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				
Trading portfolios	2 137.7	251.1	29.3	**2 418.1**
Derivative financial instruments	389.0	1 229.2	41.1	**1 659.3**
Financial investments	1 037.2	7 766.4	29.5	**8 833.1**
Total assets	**3 563.9**	**9 246.7**	**99.9**	**12 910.5**
Trading liabilities	260.3	346.3	-	**606.6**
Derivative financial instruments	498.3	1 120.0	47.0	**1 665.3**
Financial liabilities designated at fair value	2 065.2	332.5	980.3	**3 378.0**
Total liabilities	**2 823.8**	**1 798.8**	**1 027.3**	**5 649.9**

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. The models used in these situations are subject to a detailed internal examination process before they are approved for use.

The potential effect of using reasonable alternative assumptions as inputs to valuation models from which the fair values of these financial instruments are calculated has been quantified as a reduction of approximately CHF 4.4 million using less favorable assumptions and an increase of approximately CHF 3.5 million using more favorable assumptions at 31 December 2006. At 31 December 2005, the potential effect of using such reasonable alternative assumptions was negligible.

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 250.7 million for the financial year ended 31 December 2006. 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 gains from changes in fair values of CHF 59.4 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 2006, including the effect of foreign currency translation on unrealized transactions, was a gain of CHF 191.3 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.

29 Risk-weighted assets (BIS)

	31.12.2005 Notional amount CHF 1000	31.12.2005 Risk-weighted CHF 1000	31.12.2006 Notional amount CHF 1000	31.12.2006 Risk-weighted CHF 1000
Balance sheet assets				
Due from banks	6 791 893	1 345 425	**10 037 630**	**1 360 058**
Loans	5 831 338	3 987 654	**6 918 199**	**4 220 893**
Property and equipment and intangible assets	382 118	382 118	**442 555**	**442 555**
Accrued income and prepaid expenses	455 146	275 597	**523 783**	**431 631**
Derivative financial instruments	1 336 543	440 368	**1 659 344**	**498 605**
Other assets	154 849	114 305	**142 473**	**124 495**
Default risk positions[1]	7 206 079	3 619 763	**8 811 888**	**4 162 021**
Market risks in trading[2]	-	700 213	**-**	**890 163**
Off-balance-sheet transactions				
Contingent liabilities	665 173	326 468	**805 742**	**393 777**
Irrevocable commitments	8 586	4 293	**4 884**	**2 442**
Forward contracts and options (add-ons)	55 458 242	225 751	**134 072 205**	**282 180**
Total risk-weighted positions		11 421 955		**12 808 820**
Imputed Tier 1 regulatory capital		1 446 502		**2 184 971**
of which hybrid Tier 1 capital[3]		*216 975*		***225 000***
Imputed Tier 1 and Tier 2 regulatory capital		1 452 972		**2 183 361**
BIS Tier 1 ratio		12.7%		**17.1%**
BIS Tier 1 and 2 ratio		12.7%		**17.0%**

[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 11.5% of the core capital of the Julius Baer Group.
The hybrid Tier 1 capital consists of preferred securities issued by Julius Baer Capital (Guernsey) I Limited.

The preferred securities were issued by Julius Baer Capital (Guernsey) I Limited in exchange for a note of Julius Baer Holding Ltd., in the same amount and with mirror conditions. They fundamentally have no maturity and are subordinate to all other borrowings. They have a preference over equity in the payment of dividends and liquidation proceeds, though such dividends and liquidation proceeds will only be paid to the extent that they comply with the banking and corporate regulations applicable to the payouts of Julius Baer Holding Ltd. The preferential dividend right is not cumulative. The preferred securities are fully paid-in, devoid of any voting rights or rights associated therewith, capable of sustaining losses, unsecured and only repayable at the issuer's option, after an initial period of five years and only with the approval of the regulatory authorities. In compliance with the consolidated equity regulations, the hybrid equity created by the issue of preferred securities is recognized in full as core capital.

30 Companies consolidated as of 31 December 2006

	Place of listing	Capitalization as of 31.12.06 m	Head Office	Currency	Capital m
Listed companies which are consolidated					
Julius Baer Holding Ltd.	Swiss Exchange Zurich	14 981	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 Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Lausanne, Lugano, Lucerne, Sion				
Representative Offices in Dubai, Hong Kong				
including				
Bank Julius Baer (Singapore) Ltd.	*Singapore*	*SGD*	*25.000*	*100*
Arpese SA	*Lugano*	*CHF*	*0.400*	*100*
Ehinger & Armand von Ernst Fund Management Company SA	*Luxembourg*	*CHF*	*0.250*	*100*
Julius Baer Wealth Management (Europe) SA	*Luxembourg*	*CHF*	*0.200*	*100*
Ferrier Lullin Trust Management SA	*Geneva*	*CHF*	*0.050*	*100*
Julius Baer International (Panama) Ltd.	*Panama City*	*CHF*	*1.387*	*100*
including				
Julius Baer Bank & Trust (Bahamas) Ltd.	*Bahamas*	*CHF*	*2.000*	*100*
including				
Julius Baer Trust Company (Bahamas) Ltd.	*Bahamas*	*CHF*	*2.000*	*100*
Bank Julius Bär (Deutschland) AG	Frankfurt	EUR	15.000	100
Branches in Duesseldorf, Hamburg, Stuttgart				
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) SA	*Luxembourg*	*EUR*	*2.125*	*100*
Julius Baer Multistock Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multibond Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multicash Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multipartner Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multiinvest Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Strategy Fund Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multiselect Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multicooperation Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multifund Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Sicav II Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multiopportunities Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer SGR S.p.A.	*Milan*	*EUR*	*2.000*	*100*
Julius Baer International Ltd.	London	GBP	6.300	100
Infidar Investment Advisory Ltd.	Zurich	CHF	1.000	86 [1]
including				
Infidar (Liechtenstein) AG	*Vaduz*	*CHF*	*0.100*	*100*
Julius Baer Americas Inc.	New York	USD	0.400	100
including				
Julius Baer Investment Management LLC	*New York*	*USD*	*0.100*	*100*
Representative Offices in Los Angeles, Toronto				
Julius Baer Financial Markets LLC	*New York*	*USD*	*0.100*	*100*
Julius Bär Kapital AG	Frankfurt	EUR	2.600	100

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

	Head Office	Currency	Capital m	Equity interest %
Finance companies				
Julius Baer (Middle East) Ltd.	Dubai	USD	16.000	100
Ursa Company Ltd.	Grand Cayman	CHF	0.500	100
Julius Baer Investments Limited	London	GBP	0.200	100
Julius Baer Family Office Ltd.	Zurich	CHF	0.100	100
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
Julius Baer Financial Consultancy SA	Buenos Aires	USD	0.304	100
Julius Baer (Hong Kong) Limited	Hong Kong	HKD	70.000	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*	*2.250*	*100*
- GAM London Ltd.	*London*	*GBP*	*2.025*	*100*
- GAM Sterling Management Ltd.	*London*	*GBP*	*0.050*	*100*
GAM Administration Ltd.	*Isle of Man*	*GBP*	*0.100*	*100*
GAM Fonds Marketing GmbH	*Berlin*	*EUR*	*0.026*	*100*
GAM Fund Management Ltd.	*Dublin*	*EUR*	*0.127*	*100*
GAM Ltd.	*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 Japan Limited	*Tokyo*	*JPY*	*500.000*	*100*
GAM USA Inc.	*Wilmington/USA*	*USD*	*6.817*	*100*
including				
GAM Services Inc.	*Wilmington/USA*	*USD*	*0.660*	*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
GAM Employee Benefit Trust	Jersey	GBP	0.030	100
Associates				
Atlas Capital Patrimonio SL.	Madrid	EUR	1.224	20
PortfolioNet Ltd.	Zurich	CHF	0.100	20

Changes in the companies consolidated:

Cantrade Private Bank Switzerland (CI) Ltd., Jersey, liquidated as of 2 May 2006

Julius Baer Investment Advisory (Canada) Ltd., Montreal, liquidated as of 21 August 2006

Ferrier Lullin & Cie SA, Geneva, merged with Bank Julius Baer & Co. Ltd.

Ehinger & Armand von Ernst Ltd., Zurich, merged with Bank Julius Baer & Co. Ltd.

BDL Banco di Lugano, Lugano, merged with Bank Julius Baer & Co. Ltd.

Julius Baer Financial Consultancy S.A., Buenos Aires, new

Julius Baer (Hong Kong) Limited, Hong Kong, new

Infidar (Liechtenstein) AG, Vaduz, new

GAM Investments Inc., Wilmington/USA, merged with GAM USA Inc.

Julius Baer Americas Inc., name changed from Julius Baer Securities Inc.

Julius Baer Strategy Fund Advisory Ltd., name changed from Julius Baer Multitrading Advisory Ltd.

Julius Baer Sicav II Advisory Ltd., name changed from Julius Baer Multiclient Advisory Ltd.

GAM Japan Limited, name changed from GAM Kabushiki Kaisha

31 Acquisitions

On 2 December 2005, Julius Baer Holding Ltd. successfully completed the 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. 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 were 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	672 424	-173	672 251
Property and equipment	180 347	-11 659	168 688
Goodwill	359 137	2 570 408	2 929 545
Intangible assets	10 222	2 020 000	2 030 222
Deferred tax assets	16 154	13 457	29 611
All other assets	8 174 121	33 306	8 207 427
Total	9 412 405	4 625 339	14 037 744
Liabilities and equity			
Deferred tax liabilities	29 773	5 269	35 042
Provisions	13 397	-16 500	-3 103
All other liabilities	8 118 777	46 144	8 164 921
Total liabilities	8 161 947	34 913	8 196 860
Equity	1 250 458	4 590 426	5 840 884
Total	9 412 405	4 625 339	14 037 744

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.

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 excluding the amortization of intangible assets	640 821
Basic net profit per registered share (CHF)	3.08
Basic net profit per registered share excluding the amortization of intangible assets (CHF)	5.74

32 Share-based payments

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 2006. The future shape of the Equity Participation Programs as of 2007 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 was 40% below the average weighted market value of the registered stock for the period from 23 November until 6 December 2005.

Within the integration and harmonization process, a newly defined Staff Participation Plan was approved in 2006. It will come into force on 1 January 2007 and grants the employees – depending on their rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount that is defined every year. During the financial year 2006, which was a transition period, no participation plan was offered.

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 depends, 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 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. The Loteco Foundation and the GAM Employee Benefit Trust hedge their liabilities from the Long-Term Incentive Plan on allocation date through purchase of the corresponding shares and/or options. The financing of these shares and options is carried out by the respective employers. The treasury shares recorded in the consolidated statement of changes in equity for 2006 serve solely to hedge the liabilities from the Long-Term Incentive Plan. Until expiration of the vesting period, the Loteco Foundation and the GAM Employee Benefit Trust manage 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:

	31.12.2005	**31.12.2006**
Staff Participation Plan		
Number of shares taken up	364 074	**-**
Preferential price per share (CHF)	55.95 [1]	**-**
Compensation expense (CHF 1000)	13 580	**-**

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

	31.12.2005	**31.12.2006**
Equity Bonus Plan		
Number of shares taken up	23 675	**30 124**
Purchase price per share (CHF)	82.60 [1]	**110.00** [2]
Number of options taken up	58 880	**96 115**
Exercise price (CHF)	69.97	**110.00** [2]

[1] Weighted average market value for the period from 22 February until 24 March 2005
[2] Weighted average market value for the period from 31 January until 2 March 2006

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 5.8 million (2005: CHF 7.5 million).

Shares Long-Term Incentive Plan	31.12.2005	**31.12.2006**
Unvested shares outstanding, at the beginning of the year	115 395	**1 203 207**
Shares awarded during the year	1 155 247	**294 508**
Vested during the year	-59 575	**-478 747**
Forfeited during the year	-7 860	**-49 631**
Unvested shares outstanding, at the end of the year	1 203 207	**969 337**
Weighted average fair value per share awarded (CHF)	89.35	**108.23**
Fair value of outstanding shares at the end of the year (CHF 1000)	112 019	**130 085**

32 Share-based payments (continued)

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

Equity Bonus Plan	Number of options	31.12.2005 Weighted average exercise price CHF	Number of options	31.12.2006 Weighted average exercise price CHF
Outstanding, at the beginning of the year	1 564 135	123.02	**418 545**	**84.77**
Granted during the year	58 880	82.60	**96 115**	**110.00**
Exercised during the year[1]	-1 027 520		**-178 045**	
Expired unexercised	-176 950	102.78	**-38 050**	**133.08**
Outstanding, at the end of the year	418 545	84.77	**298 565**	**73.98**
Exercisable, at the end of the year	123 650	133.08	**945**	**88.10**

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

	Options outstanding			Options exercisable	
Fair Value/Option	Number of options outstanding	Exercise price CHF	Remaining contractual life years	Number of options exercisable	Exercise price CHF
54.96	**945**	**88.10**	**0.3**	**945**	**88.10**
113.34	**82 885**	**38.46**	**1.3**	**-**	**-**
79.79	**60 755**	**69.04**	**2.3**	**-**	**-**
80.11	**57 865**	**69.97**	**3.3**	**-**	**-**
43.22	**96 115**	**110.00**	**4.3**	**-**	**-**

Options – Long-Term Incentive Plan	Number of options	31.12.2005 Weighted average exercise price CHF	Number of options	31.12.2006 Weighted average exercise price CHF
Outstanding, at the beginning of the year	1 373 485	87.64	**786 130**	**70.60**
Exercised during the year[1]	-557 530	–	**-378 040**	**-**
Expired unexercised	–	–	**-33 500**	**122.07**
Forfeited during the year	-29 825	82.26	**-16 638**	**56.93**
Outstanding, at the end of the year	786 130	70.60	**357 952**	**59.93**
Exercisable, at the end of the year	334 275	91.31	**294 620**	**60.47**

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

	Options outstanding			Options exercisable	
Fair Value/Option	Number of options outstanding	Exercise price CHF	Remaining contractual life years	Number of options exercisable	Exercise price CHF
73.95	**75 405**	**72.00**	**0.5**	**75 405**	**72.00**
94.63	**74 845**	**54.72**	**1.6**	**74 845**	**54.72**
92.13	**207 702**	**57.43**	**2.7**	**144 370**	**57.43**

The compensation expense recognized for the Long-Term Incentive Plan amounted to CHF 61.6 million (2005: CHF 37.2 million).

33 Assets under management

Assets under management include all client assets managed by or deposited with the Julius Baer Group for investment purposes. Assets included are mainly portfolios of Private Banking clients with discretionary- and advisory mandates, managed institutional assets and managed fund assets. Assets deposited with the Julius Baer Group held purely for transactional or safekeeping/custody purposes, and where the Julius Baer Group does not offer advice on how the assets should be invested are excluded from assets under management and considered as assets under custody. In general, custody assets belong to banks, brokers, securities traders, custodians, or some institutional investors. Non-bankable assets (e.g. art collections, real estate) are neither assets under management nor assets under custody. Reclassifications between assets under management and assets under custody result in corresponding net new money in- or outflows.

Assets with discretionary mandate are defined as those where the Julius Baer Group decides on how a client's assets are invested. Other assets under management are those where the investment decision is taken by the client itself. When a single product is created in one division and sold in another, it is counted in both the investment management unit and the one that distributes it. This results in a double counting within the total client assets, as both divisions are providing a service independently to their respective clients, and both add value and generate revenue.

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

Assets under management are stated according to the guidelines of the accounting regulations of the Swiss Federal Banking Commission.

	2005 *CHF m*	**2006** *CHF m*	Change *%*
Assets in own-managed funds	119 139	**147 224**	23.6
Assets with management mandate	87 870	**101 218**	15.2
Other assets under management	97 313	**112 278**	15.4
Total assets under management (including double counting)	304 322	**360 720**	18.5
of which double counting	*30 970*	***35 645***	*15.1*
change through acquisition[1]	128 106	-	
change through divestment[2]	-5 825	-	
change through net new money	16 025	**26 809**	67.3
change through market appreciation	30 646	**29 589**	-3.4
Baer Custodian Service	47 408	**43 615**	-8.0

[1] As of 2 December 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 of 1 April 2005, Julius Baer sold the private banking activities in the USA to UBS AG.

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

	2005 %	**2006** %
By types of investment		
Equities	41	**40**
Bonds (including convertible bonds)	21	**19**
Money market instruments	7	**7**
Third-party funds	8	**11**
Client deposits	4	**4**
Other[1]	19	**19**
Total	100	**100**

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

	2005 %	**2006** %
By currencies		
CHF	19	**19**
EUR	30	**33**
GBP	7	**9**
USD	36	**26**
JPY	3	**4**
Other	5	**9**
Total	100	**100**

34 Requirements of Swiss banking law

The Julius Baer Group is subject to 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. Under 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 equity. According to Swiss banking law, such value adjustments are not recognized.

Under IFRS, 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, under IFRS, deferred taxes must be calculated on additional gains from valuation adjustments.

Under IFRS, treasury shares are deducted from equity 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 equity. 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.

These differences between the requirements of IFRS and Swiss banking law are not material for the consolidated financial statements.

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Report of the Group Auditors to the General Meeting of

Julius Baer Holding Ltd., Zurich

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes / pages 35 to 105) of Julius Baer Holding Ltd. for the year ended 31 December 2006. The comparative figures were audited by other auditors.

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 (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of 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.

KPMG Ltd

Alexander Gut
Swiss Certified Accountant
Auditor in Charge

Swen Wyssbrod
Swiss Certified Accountant

Zurich, 5 February 2007

Financial Report of Julius Baer Holding Ltd. 2006

Income statement

	2005 *CHF 1000*	**2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Income				
Interest income	2 997	**14 792**	11 795	393.6
Interest expense	11 515	**21 537**	10 022	87.0
Net interest income	-8 518	**-6 745**	1 773	-20.8
Commission income on services	1 610	**5 086**	3 476	215.9
Commission expenses	113	**141**	28	24.8
Results from commission and service fee activities	1 497	**4 945**	3 448	230.3
Income from securities	17 599	**984**	-16 615	-94.4
Income from participations	403 846	**634 933**	231 087	57.2
Other ordinary results	18 717	**45 927**	27 210	145.4
Operating income	433 141	**680 044**	246 903	57.0
Expenses				
Personnel expenses	25 597	**48 424**	22 827	89.2
General expenses	11 794	**17 640**	5 846	49.6
Operating expenses	37 391	**66 064**	28 673	76.7
Gross profit	395 750	**613 980**	218 230	55.1
Write-offs/depreciation	7 189	**879**	-6 310	-87.8
Extraordinary income	7 500	**547**	-6 953	-92.7
Taxes	2 881	**2 517**	-364	-12.6
Net profit	393 180	**611 131**	217 951	55.4

Balance sheet

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Assets				
Current assets				
Due from banks	119 178	**100 465**	-18 713	-15.7
Due from customers	-	**8 512**	8 512	100.0
Securities	2 895	**-**	-2 895	-100.0
Other claims	9 802	**14 254**	4 452	45.4
Accrued income and prepaid expenses	220 864	**619 050**	398 186	180.3
Other assets	28 491	**40 526**	12 035	42.2
Non-current assets				
Participations	5 837 436	**5 899 956**	62 520	1.1
Other financial investments	300 000	**300 000**	-	-
Total assets	6 518 666	**6 982 763**	464 097	7.1
Due from Group companies	433 279	**407 316**	-25 963	-6.0

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Liabilities and equity				
Liabilities				
Due to banks	300 000	**300 000**	-	-
Debt issued	525 000	**525 000**	-	-
Accrued expenses and deferred income	72 827	**41 910**	-30 917	-42.5
Other liabilities	4 552	**400**	-4 152	-91.2
Equity				
Share capital	11 163	**11 163**	-	-
General legal reserve	4 852 845	**4 852 508**	-337	-0.0
Other reserves	352 141	**632 141**	280 000	79.5
Disposable profit	400 138	**619 641**	219 503	54.9
of which retained earnings	*6 958*	***8 510***	*1 552*	*22.3*
of which net profit	*393 180*	***611 131***	*217 951*	*55.4*
Total liabilities and equity	6 518 666	**6 982 763**	464 097	7.1
Due to Group companies	225 000	**225 000**	-	-

Notes

	31.12.2005 *CHF 1000*	**31.12.2006** *CHF 1000*	Change *CHF 1000*	Change *%*
Contingent liabilities				
Surety and guarantee obligations and assets pledged in favor of third parties	44 858	**74 155**	29 297	65.3

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 94 to 97. 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 77.

Conditional capital

Please see consolidated financial statements, page 80.

General legal reserve

A residual tax expense for the capital increase in 2005 was netted against the corresponding premium in 2006.

Treasury shares

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

	Davis Selected Advisers, L.P., Tucson, USA	UBS
Number of registered shares	6 086 396	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.

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

Proposal of the Board of Directors to the General Meeting on 17 April 2007

The Board of Directors proposes to the Ordinary Shareholders' Meeting that the disposable profit for the 2006 financial year of CHF 619 640 596, consisting of net profit for the financial year in the amount of CHF 611 130 963 plus CHF 8 509 633 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 500 000 000

- Balance brought forward:
  CHF 8 012 357

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 20 April 2007.

On behalf of the Board of Directors

The Chairman

Raymond J. Baer

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Report of the Statutory Auditors to the General Meeting of

Julius Baer Holding Ltd., Zurich

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes / pages 108 to 111) of Julius Baer Holding Ltd. for the year ended 31 December 2006. The comparative figures were audited by other auditors.

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 of 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.

KPMG Ltd

Alexander Gut
Swiss Certified Accountant
Auditor in Charge

Swen Wyssbrod
Swiss Certified Accountant

Zurich, 5 February 2007

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