

Julius Bär

Half-year Report **2005**  
Julius Baer Holding Ltd.

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## Key figures

	H1 2004 <sup>1</sup> CHF m	H2 2004 <sup>1</sup> CHF m	H1 2005 CHF m	Change to H1 2004 in %
<b>Consolidated income statement</b>				
Net interest income	62.7	58.1	<b>59.3</b>	-5.4
Results from commission and service fee activities	373.3	407.3	<b>430.1</b>	15.2
Results from trading operations	78.1	50.9	<b>52.5</b>	-32.8
Other ordinary results	1.9	-0.1	<b>73.9</b>	-
<b>Operating income</b>	516.0	516.2	<b>615.8</b>	19.3
Personnel expenses	239.4	249.8	<b>296.2</b>	23.7
General expenses	111.4	130.6	<b>121.3</b>	8.9
Depreciation and write-offs, valuation adjustments and provisions	24.2	18.9	<b>44.7</b>	84.7
<b>Operating expenses</b>	374.9	399.5	<b>462.2</b>	23.3
<b>Net profit before taxes</b>	141.1	116.7	<b>153.6</b>	8.9
Taxes	29.7	20.2	<b>24.4</b>	-17.8
<b>Net profit</b>	111.4	96.5	<b>129.2</b>	16.0
Attributable to:				
Shareholders of Julius Baer Holding Ltd.	112.7	97.5	<b>130.1</b>	15.4
Minority interest	-1.3	-1.0	<b>-0.9</b>	-30.8
	111.4	96.5	<b>129.2</b>	16.0
Return on equity (ROE)	15.3%	12.9%	<b>16.5%</b>	-
Cost/income ratio <sup>2</sup>	70.9%	76.6%	<b>71.3%</b>	-
<b>Net profit of the shareholders of Julius Baer Holding Ltd. per business line</b>				
Private Banking	48.9	36.3	<b>61.1</b>	24.9
Asset Management	46.9	59.1	<b>56.2</b>	19.8
Trading & Sales	40.0	20.5	<b>22.9</b>	-42.8
Corporate Center	-23.1	-18.4	<b>-10.1</b>	-
<b>Total</b>	112.7	97.5	<b>130.1</b>	15.4
<b>Consolidated balance sheet</b>				
	30.06.04 CHF m	31.12.04 CHF m	<b>30.06.05</b> CHF m	Change to 31.12.04 in %
Total assets	15 427.8	16 030.0	<b>17 317.9</b>	8.0
Total equity	1 455.5	1 538.7	<b>1 591.8</b>	3.5
Total equity/total assets (equity ratio)	9.4%	9.6%	<b>9.2%</b>	-
BIS ratio tier 1	17.0%	17.7%	<b>17.4%</b>	-
<b>Asset management</b>				
Assets under management (CHF bn)	129.1	135.4	<b>150.7</b>	11.3
Net new money (for the half year in CHF bn)	11.5	4.2	<b>2.9</b>	-
<b>Personnel</b>				
Number of employees (FTE)	1 800	1 840	<b>1 813</b>	-1.5
<i>of whom Switzerland</i>	<i>1 396</i>	<i>1 434</i>	<i><b>1 447</b></i>	<i>0.9</i>
<i>of whom abroad</i>	<i>404</i>	<i>406</i>	<i><b>366</b></i>	<i>-9.9</i>

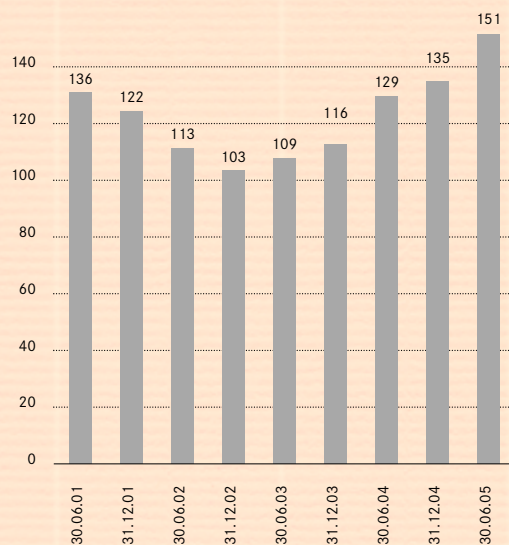
<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

<sup>2</sup> Excluding valuation adjustments, provisions and losses

## Performance of Julius Baer Holding registered share (indexed)



## Assets under management (CHF bn)



## Ticker symbols

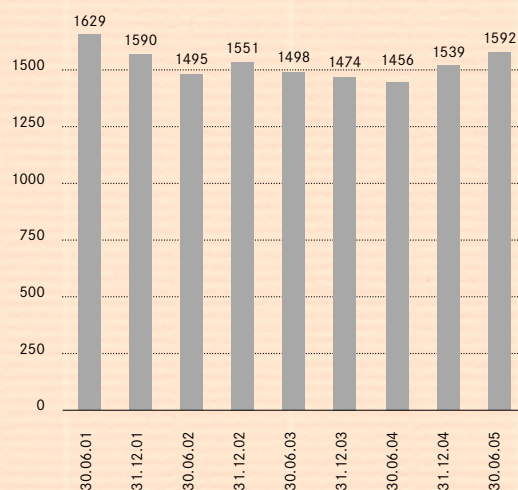
Reuters	BAER.VX
Bloomberg	BAER VX

Swiss securities number 1 208 301

## Listing

Switzerland	SWX Swiss Exchange
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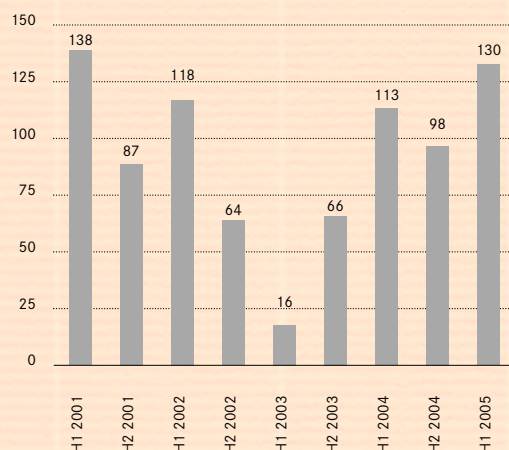
## Shareholders' equity (CHF m)



## Key figures for shares

	30.06.04 <sup>1</sup> CHF	31.12.04 <sup>1</sup> CHF	30.06.05 CHF	Change to 31.12.04 in %
<b>Information per registered share</b>				
Equity (book value)	28.8	30.8	<b>32.2</b>	4.6
Net profit (EPS, for the half year)	2.2	1.9	<b>2.6</b>	34.7
Market price	70	68	<b>78</b>	14.5
<b>Market capitalization (CHF m)</b>				
	3 538	3 449	<b>3 913</b>	13.5
<b>Capital structure</b>				
Number of registered shares par value CHF 0.10	54 705 610	53 841 610	<b>52 934 610</b>	-1.7
of which entitled to dividends	50 908 810	50 393 810	<b>49 915 810</b>	-0.9
Weighted average of shares entitled to dividends	51 112 600	50 883 495	<b>50 199 760</b>	-1.3

## Net profit attributable to shareholders of Julius Baer Holding Ltd. (CHF m)



<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

True to you.

## Dear Shareholders and Clients

At the end of June 2005, we announced that we are filling two key positions within the Group with internationally experienced private banking executives. The new Group Executive Board President as of 1 January 2006 will be Alex W. Widmer, a renowned banker with profound knowledge of the international private banking business in particular as well as broad management experience. We are convinced that Alex Widmer will push forward the Julius Baer Group's implemented growth strategy and entry into new markets with determination and success. The foundation for this was laid by Walter Knabenhans, who after serving eight years in senior management, the last five of which as Group Executive Board President, has chosen to hand over the corporate reins to his successor at the end of the financial year but will continue to assist the Group with special tasks. The Board of Directors thanks Walter Knabenhans for his remarkable dedication and exceptional contribution. The second new senior executive will fill the vacancy at the helm of Private Banking. Taking over the leadership of this business line in autumn 2005 will be Thomas R. Meier, an acknowledged expert on the European and Asian markets.

Another momentous event was the introduction of the single-class registered share structure in April 2005. This marked the end of the Baer family's voting majority and the beginning of significantly greater entrepreneurial flexibility for the Group in the future.

We also informed you at the end of June 2005 that part of the Baer family has formed a new shareholders' pool to replace the old shareholders' agreement which comprised 17% of the share capital and was terminated in April 2005. The 6% equity stake currently held by the Baer family still makes them a major shareholder and underscores their commitment to the Julius Baer Group.

These steps met with a positive response from the capital market, as reflected by the performance of Julius Baer's stock, whose price rose by 15% between January and the end of June 2005.

Turning our attention to the development of our business in the first six months of the year, performance has been satisfactory on the whole. Asset Management recorded continuing high inflows of net new money and a higher profit. In Private Banking, even though the growth of net new money suffered from the ongoing stagnation in the Swiss offshore business, the gross margin was improved through targeted

measures. Trading & Sales reported a lower result, mainly owing to the unfavorable market environment.

Assets under management, the key indicator of future performance, kept growing in the first half of 2005. Despite concluding the sale of Private Banking USA during this period, resulting in an outflow of CHF 5.5 billion, the Group's assets under management increased by CHF 16 billion to CHF 151 billion (+11%) compared to year-end 2004. These assets were divided among Private Banking, with CHF 60 billion, and Asset Management, with CHF 90 billion (CHF 55 billion of which related to investment funds). The net new money inflows of CHF 3 billion, taking into account the sale of Private Banking USA, were attributable exclusively to Asset Management, whose activities focus on the USA and Europe. Investment performance made a considerable contribution to the growth in assets, accounting for CHF 12 billion.

Operating income, including the proceeds from the sale of Private Banking USA, climbed by 19% to CHF 616 million compared to the first half of 2004. Operating expenses were up by 23% to CHF 462 million, primarily due to higher bonus accruals in Asset Management USA and the costs incurred as a result of the sale of Private Banking USA. Net profit attributable to shareholders of Julius Baer Holding Ltd. was up by 15% to CHF 130 million versus the year-ago period.

Asset management for private and institutional clients remains a growth business. Our belief in this is supported by numerous recently published studies. In light of these generally positive market prospects, Julius Baer continues to position itself specifically as an international group. The simultaneously determined yet careful expansion of our business in growth markets should therefore always be evaluated with this background in mind. In Dubai, for example, we managed to successfully increase our business activities following their launch in autumn 2004. And in Argentina, the recruitment of a local team enabled us to strengthen our initial foothold in private banking in Latin America. We have also bolstered the personnel in our Geneva office in order to systematically exploit the potential of the emerging markets in Eastern Europe. In Germany, the build-up of the Private Banking unit is proceeding on schedule, and we should be in a position to start operating in this country, which remains a key market for us, at the end of 2005.

In Asset Management, the targeted expansion of our product and service offerings moved successfully forward during the review period. Following the gratifying growth in the international equities area in the USA, Julius Baer launched the Inter-

national Equities Fund 2 for this market in order to satisfy the growing local demand for international investment possibilities. Innovative products designed to meet client needs and current market trends were also launched for the European market and have accordingly attracted significant investor interest since their introduction.

In Trading & Sales, the focus was on the expansion of institutional client relationships. The implementation of this decision required strengthening the personnel of the Swiss Equities Sales team and broadening the research performed on small- and mid-cap, exchange-listed Swiss companies. Significant progress was recorded in other areas as well, namely in constructing and selling structured products.

The project launched in 2004 under the name of New Core Banking and aimed at providing a new, strong and efficient IT platform is also progressing according to plan, and we expect this new platform to be introduced by the turn of the year 2006/2007 at the latest. Consistently tailoring the IT infrastructure to the business strategy provides Julius Baer with the tools needed to enhance its competitiveness with respect to customer care and its product range.

Our performance during the remainder of the financial year will depend largely on the direction of the financial markets as well as on the successful implementation of our strategic initiatives in the individual business lines.

We are pleased to count you among our shareholders and clients and thank you for your faith in us. Our employees also deserve our special thanks for their efforts and unwavering commitment in the face of constantly shifting challenges for our company.



Raymond J. Baer  
Chairman



Walter Knabenhans  
President

Zurich, 12 August 2005

## Business review

The Julius Baer Group performed well, on the whole, in the first half of 2005 despite a weaker market environment than in the comparable year-ago period. Higher average assets under management spurred an increase in the stable, value-based revenues from asset management activities, which more than offset the decline in transaction-based revenues. At the same time, expenses were up tangibly in spite of notable cost consciousness on the part of each and every employee. The main factors in this regard were the success of Asset Management USA, necessitating higher bonus accruals, as well as the sale of Private Banking USA. The latter resulted in a profit of CHF 26 million after deducting all of the associated costs and taxes. All in all, net profit attributable to shareholders of Julius Baer Holding Ltd. climbed by 15% to CHF 130 million compared to the first half of 2004.

### **Sustained growth of assets under management**

Assets under management of the Julius Baer Group (excluding Global Custody) rose by 11% to CHF 151 billion in the first half of 2005 (year-end 2004: CHF 135 billion). This increase was attributable to robust net new money inflows of CHF 9 billion in Asset Management as well as to total performance-driven growth of CHF 12 billion. Asset Management accounted for CHF 90 (74) billion worth of assets, consisting of CHF 55 (45) billion in the investment funds and CHF 35 (29) billion in the institutional mandates. Private Banking's assets under management amounted to CHF 60 (61) billion. This figure reflects the sale of Private Banking USA at the end of the first quarter of 2005, encompassing CHF 5.5 billion.

The business volume of Baer Custodian Service, which is not counted in the figure for assets under management, came to CHF 43 (39) billion.

Compared to year-end 2004, the equity holdings within client portfolios managed by Julius Baer rose from 42% to 45%. The bond holdings edged down slightly from 30% to 29%. Money market holdings fell from 8% to 6%, and investments in external investment funds declined from 8% to 6%. Client deposits grew from 6% to 7%, partly reflecting the wait-and-see posture of large segments of our clientele.

As a result of the robust asset growth in Asset Management USA, there were no changes in the currency mix of assets under management even though the assets attributable to Private Banking USA were eliminated. The CHF allocation thus stayed at 25%. The EUR and USD allocations remained at 31% each. And the allocations of the remaining foreign currencies, namely the GBP and the JPY, held firm at 4% each.

### **Solid earnings growth thanks to higher asset level**

Operating income of the Julius Baer Group climbed by 19% to CHF 616 million versus the first half of 2004. This figure includes the gross proceeds from the sale of Private Banking USA, amounting to CHF 58 million. Excluding this one-time income, the growth came to 8%.

The increase in the results from commission and service fee activities by 15% to CHF 430 million was solely attributable to value-based commissions (+19%) and thus clearly underscores the positive development of average assets under management. The ratio of value-based fees to average assets under management increased from 61 to 62 basis points. In contrast, transaction-based commissions were down by 8%, mainly due to the relatively sluggish market environment. All things considered, approximately 71% of the revenues are attributable to asset management activities for private and institutional clients.

Net interest income, which accounted for 10% (12%) of operating income, fell by 5% to CHF 59 million. Decisive for this development were the higher money market rates, especially in the USD segment, and the associated higher refinancing costs at the same time as capital market rates remained very low.

Results from trading operations receded by 33% to CHF 53 million. In light of the difficult market environment, neither securities trading (-94%) nor foreign exchange trading (-16%), which also suffered from low client demand, was able to build on the results of the year-ago period.

The sharp increase in other ordinary results from CHF 2 million to CHF 74 million is largely attributable to the CHF 58 million of proceeds from the sale of Private Banking USA recorded during the reporting period as well as to the release of provisions and accruals relating to prior years.

#### **Higher expenses due to successful Asset Management USA**

On the expense front, the good business performance of Asset Management USA as well as the CHF 29 million of added costs stemming from the sale of Private Banking USA had a notable influence. All in all, operating expenses were up by 23% to CHF 462 million compared to the first half of 2004.

The rise in personnel expenses by CHF 57 million (+24%) to CHF 296 million included CHF 17 million relating to the sale of Private Banking USA. In addition to this, bonus accruals increased to a total of CHF 79 (61) million as a result of higher performance contributions, especially from Asset Management USA. Even so, the bonus accruals represented a nearly stable share of personnel expenses at 27% (26%).

General expenses rose by CHF 10 million (+9%) to CHF 121 million, a development mainly attributable to the CHF 6 million of added costs relating to the sale of Private Banking USA and the necessary restructuring of the remaining business activities.

Depreciation and write-offs of non-current assets increased by 46% to CHF 22 million, largely due to restructuring of our business activities in the USA. The sale of Private Banking USA had an impact of CHF 6 million. Valuation adjustments, provisions and losses rose to CHF 23 million. The majority of this amount is attributable to residual burdens in connection with Private Banking USA.

The cost/income ratio, i.e. operating expenses (excluding valuation adjustments) as a percentage of operating income, was up from 70.9% to 71.3% at the end of the first half of 2005. Hence, the target level of below 70% was not achieved.

#### **Net profit up from the year-ago period**

Net profit before taxes grew by 8% to CHF 154 million. This includes CHF 29 million attributable to the sale of Private Banking USA. Thanks to the release of accruals from previous years that were no longer needed, taxes were down by 18% from CHF 30 million to CHF 24 million, CHF 3 million of which related to Private Banking USA. The tax rate fell from 21% to 16%. Net profit attributable to shareholders of Julius Baer Holding Ltd. thus climbed by 15% to CHF 130 million (first-half 2004: CHF 113 million), which corresponds to earnings per share of CHF 2.59 (2.20). Excluding the sale of Private Banking USA, however, net profit would have receded by 8% to CHF 104 million, resulting in earnings per share of CHF 2.07 (2.20).

## **Robust equity base as a foundation for future business**

The consolidated balance sheet total grew by 8% to CHF 17.3 billion in the first half of 2005. This rise was mainly attributable to expansion of the volume of trading activities as well as to active balance sheet management.

Growth on the assets side related primarily to the increase in the amount due from banks by 22% to CHF 4.0 billion as well as to the rise in financial investments by 4% to CHF 6.6 billion. The trading portfolios expanded by 11% to CHF 1.1 billion, and the derivative financial instruments climbed by 22% to CHF 1.7 billion. Owing to the sale of Private Banking USA, money due from customers dropped by 8% to CHF 3.0 billion.

On the liabilities side, the dominant factor was the rise in the amount due to banks by 20% to CHF 2.3 billion. And since clients held higher cash holdings, money due to customers was up by 3% to CHF 9.4 billion. The expanded trading activities resulted in higher trading liabilities (+22% to CHF 594 million), increased derivative financial instruments (+28% to CHF 1.8 billion) and a gratifyingly larger volume of structured products. The latter are recorded in the balance sheet item financial liabilities designated at fair value, which rose by 19% to CHF 835 million.

At CHF 1.6 billion, shareholders' equity increased by 4% compared to the level at year-end 2004. The Julius Baer Group's continuing high equity capital ratio in international comparison, 17.4% (17.7%) according to BIS guidelines (BIS Tier 1 ratio), underscores its financial strength. The Group thus exceeds the legal requirements for banks in Switzerland as well as the guidelines of the Bank for International Settlements by a wide margin. In addition, Bank Julius Baer continues to enjoy

a Prime 1 rating from Moody's, the highest rating for short-term debt.

The 2005/2006 share repurchase program, up to a maximum of CHF 90 million worth of shares, is progressing as planned. Up to 30 June 2005, 346 000 registered shares with a total market value of CHF 27 million were repurchased through a second trading line on the SWX Swiss Exchange.

Apart from approving the introduction of the single-class registered share structure, the Annual General Meeting of Julius Baer Holding Ltd. on 12 April 2005 resolved to reduce the share capital from CHF 5 384 161 to CHF 5 293 461 through the nullification of 907 000 registered shares from the completed share repurchase plan for 2004/2005. As of 30 June 2005, the CHF 5 293 461 of share capital consisted of 52 934 610 registered shares (49 915 810 of which are entitled to dividends) at CHF 0.10 par value per share.



## Information on the consolidated income statement

	H1 2004 <sup>1</sup> CHF m	H2 2004 <sup>1</sup> CHF m	H1 2005 CHF m	Change to H1 2004 in %
<b>1 Net interest income</b>				
Interest income on amounts due from customers and banks	56.5	73.2	<b>70.9</b>	25.5
Interest and discount income from bills and money market instruments	10.8	13.1	<b>19.6</b>	81.5
Refinancing income from trading positions	-2.5	-0.1	<b>-3.5</b>	40.0
Loan commissions with the character of interest	-	0.1	<b>0.1</b>	-
Total interest and discount income	64.8	86.3	<b>87.1</b>	34.4
Interest income on financial investments	57.7	65.2	<b>66.7</b>	15.6
Dividend income on financial investments	1.3	0.9	<b>1.6</b>	23.1
Interest expenses	61.1	94.3	<b>96.1</b>	57.3
<b>Total</b>	62.7	58.1	<b>59.3</b>	-5.4
<b>2 Commission income on securities and investment transactions</b>				
Commissions from asset management and investment	371.3	420.0	<b>440.0</b>	18.5
Income from brokerage and securities underwriting	78.7	61.5	<b>72.6</b>	-7.8
<b>Total</b>	450.0	481.5	<b>512.6</b>	13.9
<b>3 Results from trading operations</b>				
Securities	16.7	8.6	<b>1.0</b>	-94.0
Foreign exchange and precious metals	61.4	42.3	<b>51.5</b>	-16.1
<b>Total</b>	78.1	50.9	<b>52.5</b>	-32.8
<b>4 Personnel expenses</b>				
Salaries and bonuses	186.0	207.0	<b>238.8</b>	28.4
Contributions to retirement plans	12.5	13.7	<b>13.1</b>	4.8
Other social benefits	12.3	13.2	<b>13.4</b>	8.9
Other personnel expenses	28.6	16.0	<b>30.9</b>	8.0
<b>Total</b>	239.4	249.8	<b>296.2</b>	23.7
<b>5 General expenses</b>				
Premises expense	19.1	20.1	<b>15.6</b>	-18.3
Expense for EDP, machinery, furniture, vehicles and other equipment	22.0	22.4	<b>22.3</b>	1.4
Information, communication and advertising expense	39.0	41.9	<b>37.8</b>	-3.1
Service expense, fees and taxes	31.1	45.3	<b>46.2</b>	48.6
Other general expenses	0.2	0.9	<b>-0.6</b>	-
<b>Total</b>	111.4	130.6	<b>121.3</b>	8.9

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

## Consolidated balance sheet

	30.06.2004 <sup>1</sup> CHF m	31.12.2004 <sup>1</sup> CHF m	30.06.2005 CHF m	Change to 31.12.2004 in %
<b>Assets</b>				
Cash	66.4	157.5	331.6	110.5
Due from banks	3460.0	3299.4	4015.7	21.7
Due from customers	3488.3	3286.9	3036.0	-7.6
Trading portfolios	965.0	1027.9	1141.8	11.1
Derivative financial instruments	939.9	1409.3	1713.6	21.6
Financial investments	5998.7	6318.0	6562.8	3.9
Investments in associates	0.1	1.5	1.4	-6.7
Property and equipment	168.4	176.3	173.3	-1.7
Intangible assets	70.4	72.5	63.5	-12.4
Accrued income and prepaid expenses	182.3	210.5	214.2	1.8
Deferred tax assets	3.5	5.0	8.4	68.0
Other assets	84.8	65.2	55.7	-14.6
<b>Total assets</b>	15427.8	16030.0	17317.9	8.0
<b>Liabilities and equity</b>				
Due to banks	2406.3	1933.4	2315.8	19.8
Due to customers in savings and investment accounts	550.5	557.7	439.2	-21.2
Due to customers, other	8156.4	8555.7	8956.3	4.7
Trading liabilities	415.5	486.1	593.7	22.1
Derivative financial instruments	923.4	1374.6	1757.4	27.8
Financial liabilities designated at fair value	597.9	700.3	835.1	19.2
Debt issued	461.2	451.4	437.4	-3.1
Accrued expenses and deferred income	173.0	225.0	243.1	8.0
Other liabilities	111.4	55.7	38.6	-30.7
Current tax liabilities	80.7	46.3	13.6	-70.6
Deferred tax liabilities	59.4	64.4	64.0	-0.6
Provisions	36.5	40.7	32.0	-21.4
<b>Total liabilities</b>	13972.3	14491.2	15726.1	8.5
Share capital	5.5	5.4	5.3	-1.9
less treasury shares	-119.1	-88.8	-68.4	23.0
Capital reserve	273.0	282.6	282.6	-
Retained earnings	1189.6	1118.3	1191.6	6.6
Reserves IAS 39	-14.5	8.6	25.5	196.5
Translation differences	-9.4	-14.4	9.1	163.2
Net profit attributable to shareholders of Julius Baer Holding Ltd.	112.7	210.2	130.1	-38.1
<b>Equity attributable to shareholders of Julius Baer Holding Ltd.</b>	1437.8	1521.9	1575.9	3.5
<b>Minority interest</b>	17.7	16.8	15.9	-5.4
<b>Total equity</b>	1455.5	1538.7	1591.8	3.5
<b>Total liabilities and equity</b>	15427.8	16030.0	17317.9	8.0

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

## Information on the consolidated balance sheet

	30.06.2004 CHF m	31.12.2004 CHF m	30.06.2005 CHF m	Change to 31.12.2004 in %
<b>Contingent liabilities</b>				
Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit	400.7	383.5	356.4	-7.1
Other contingent liabilities	18.4	15.0	15.0	-
<b>Total</b>	419.1	398.5	371.4	-6.8

	H1 2004 CHF m	H2 2004 CHF m	H1 2005 CHF m
<b>Consolidated statement of cash flows</b>			
Cash flow from operating activities	1 318.7	671.0	349.3
Cash flow from investing activities	-1 043.4	52.0	-95.4
Cash flow from financing activities	-100.6	-35.2	-116.6
<b>Total</b>	174.7	687.8	137.3

### Accounting policies and valuation principles

This interim report was produced in accordance with International Accounting Standard 34.

The half-year accounts were prepared on the basis of the accounting policies and valuation principles valid as of 31 December 2004.

## Assets under management

	30.06.2004 CHF m	31.12.2004 CHF m	30.06.2005 CHF m	Change to 31.12.2004 in %
Assets in own-managed funds	39 219	44 833	54 998	22.7
Assets with management mandate	39 419	41 391	45 697	10.4
Other assets under management	50 487	49 146	50 027	1.8
<b>Total client assets (including double counting)</b>	129 125	135 370	150 722	11.3
<i>of which double counting</i>	6 776	7 359	7 135	-3.0
Net new money	11 476	4 178	2 932 <sup>1</sup>	-
Baer Custodian Service	36 839	39 125	42 710	9.2

### Calculation method

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

<sup>1</sup> Adjusted for the sale of the Private Banking activities in the USA the net new money amounted to CHF 8 419 million.

## Consolidated shareholders' equity

	30.06.2004 <sup>1</sup> CHF m	31.12.2004 <sup>1</sup> CHF m	30.06.2005 CHF m
<b>Share capital</b>			
Balance at the beginning of the period	5.5	5.5	5.4
Capital reduction	-	-0.1	-0.1
<b>Balance at the end of the period</b>	5.5	5.4	5.3
<b>Treasury shares</b>			
Balance at the beginning of the period	-105.6	-119.1	-88.8
Capital reduction	-	65.0	65.0
Change in treasury shares	-13.5	-34.7	-44.6
<b>Balance at the end of the period</b>	-119.1	-88.8	-68.4
<b>Capital reserve</b>			
Balance at the beginning of the period	282.6	273.0	282.6
Participation plans	-9.6	9.6	-
<b>Balance at the end of the period</b>	273.0	282.6	282.6
<b>Retained earnings</b>			
Balance at the beginning of the period	1 253.7	1 302.2	1 328.4
Julius Baer Holding Ltd. dividend	-61.4	-	-80.4
Capital reduction	-	-64.9	-64.9
Change in treasury shares	-2.7	-6.5	8.4
<b>Subtotal</b>	1 189.6	1 230.9	1 191.6
Net profit attributable to shareholders of Julius Baer Holding Ltd.	112.7	97.5	130.1
<b>Balance at the end of the period</b>	1 302.2	1 328.4	1 321.7
<b>Reserves IAS 39</b>			
Balance at the beginning of the period	3.8	-14.5	8.6
Unrealized gains and losses on:			
- Available-for-sale investments, net of tax	-16.2	24.9	19.1
- Hedging reserve for cash flow hedges, net of tax	-2.2	-1.8	-2.2
<b>Balance at the end of the period</b>	-14.5	8.6	25.5
<b>Translation differences</b>			
Balance at the beginning of the period	-8.4	-9.4	-14.4
Changes	-1.0	-4.9	23.5
<b>Balance at the end of the period</b>	-9.4	-14.4	9.1
<b>Equity attributable to shareholders of Julius Baer Holding Ltd.</b>	1 437.8	1 521.9	1 575.9
<b>Minority interest</b>			
Balance at the beginning of the period	19.5	17.7	16.8
Changes	-0.5	0.2	-0.1
Net profit attributable to minority interest	-1.3	-1.0	-0.9
<b>Balance at the end of the period</b>	17.7	16.8	15.9
<b>Total equity</b>	1 455.5	1 538.7	1 591.8

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

## Business line overview

	H1 2004 <sup>1</sup> CHF m	H2 2004 <sup>1</sup> CHF m	H1 2005 CHF m	Change to H1 2004 in %
<b>Operating income</b>				
Private Banking	233.3	220.2	<b>290.3</b>	24.4
Asset Management	159.3	208.7	<b>225.2</b>	41.4
Trading & Sales	89.5	61.3	<b>69.9</b>	-21.9
Corporate Center	33.8	26.0	<b>30.4</b>	-10.1
<b>Total</b>	<b>516.0</b>	<b>516.2</b>	<b>615.8</b>	<b>19.3</b>
<b>Operating expenses</b>				
Private Banking	168.2	173.5	<b>212.8</b>	26.5
Asset Management	102.1	132.4	<b>151.2</b>	48.1
Trading & Sales	39.2	38.5	<b>42.6</b>	8.7
Corporate Center	65.4	55.1	<b>55.6</b>	-15.0
<b>Total</b>	<b>374.9</b>	<b>399.5</b>	<b>462.2</b>	<b>23.3</b>
<b>Net profit of the shareholders of the Julius Baer Holding Ltd.</b>				
Private Banking	48.9	36.3	<b>61.1</b>	24.9
Asset Management	46.9	59.1	<b>56.2</b>	19.8
Trading & Sales	40.0	20.5	<b>22.9</b>	-42.8
Corporate Center	-23.1	-18.4	<b>-10.1</b>	-
<b>Total</b>	<b>112.7</b>	<b>97.5</b>	<b>130.1</b>	<b>15.4</b>
<b>Assets under management</b>				
Private Banking	62.1	61.1	<b>60.0</b>	-1.8
Asset Management	66.2	73.6	<b>90.0</b>	22.3
Trading & Sales	0.4	0.3	<b>0.4</b>	25.6
Corporate Center	0.5	0.4	<b>0.4</b>	-2.6
<b>Total</b>	<b>129.1</b>	<b>135.4</b>	<b>150.7</b>	<b>11.3</b>

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

## Private Banking

Assets under management in Private Banking declined by only 2% to CHF 60 billion during the reporting period despite the sale of Private Banking USA. The sale-adjusted development of net new money was partially hampered by portfolio shifts in connection with the introduction of the single-class registered share structure, resulting in an outflow of CHF 540 million on the whole. But investment performance contributed CHF 4.9 billion of growth.

Decisive for this development on the income side, adjusted for the sale of Private Banking USA, were the somewhat lower assets under management compared

to the year-ago period and the reduced transaction volumes due to the general reticence of clients. The increase in operating expenses reflects, among other things, higher personnel and general expenses relating to the implementation of strategic initiatives designed to boost earnings and margins over the long term. These include, for example, the intensified expansion of our activities in the offshore growth markets of Latin America and Eastern Europe as well as the build-up of our Private Banking unit in Germany as planned. The net profit of the business line amounted to CHF 61 million. This figure includes the profit from the sale of Private Banking USA.

	H1 2004 <sup>1</sup> CHF m	H2 2004 <sup>1</sup> CHF m	H1 2005 <sup>2</sup> CHF m	Change to H1 2004	Change to H1 2004 in %
Operating income	233.3	220.2	<b>290.3</b>	57.0	24.4
Operating expenses	168.2	173.5	<b>212.8</b>	44.6	26.5
Net profit before taxes per business line	65.1	46.7	<b>77.5</b>	12.4	19.0
Taxes	17.5	11.4	<b>17.3</b>	-0.2	-1.1
<b>Net profit per business line</b>	<b>47.6</b>	<b>35.3</b>	<b>60.2</b>	12.6	26.5
<i>of which shareholders of Julius Baer Holding Ltd.</i>	<i>48.9</i>	<i>36.3</i>	<i>61.1</i>	<i>12.2</i>	<i>24.9</i>
<i>of which minority interest</i>	<i>-1.3</i>	<i>-1.0</i>	<i>-0.9</i>	<i>0.4</i>	

### Key figures

Cost/income ratio	69.4%	77.1%	<b>67.2%</b>		
Tax rate	26.9%	24.4%	<b>22.3%</b>		
Growth of assets under management	1.5%	-1.6%	<b>-1.8%</b>		
<i>of which net new money</i>	<i>0.5%</i>	<i>-1.8%</i>	<i>-9.8%</i>		
<i>of which market appreciation</i>	<i>1.0%</i>	<i>0.2%</i>	<i>8.0%</i>		
Net new money (CHF bn)	0.3	-1.1	<b>-6.0</b>		
Operating income/avg. assets under management (bp)	76	72	<b>96</b>		
Net profit per business line/avg. assets under mgmt. (bp)	16	12	<b>20</b>		

	30.06.2004 <sup>1</sup> CHF m	31.12.2004 <sup>1</sup> CHF m	30.06.2005 CHF m	Change to 31.12.2004	Change to 31.12.2004 in %
<b>Assets under management</b>	<b>62 085</b>	<b>61 103</b>	<b>60 003</b>	-1 100	-1.8
Assets	2 857	2 673	<b>2 133</b>	-540	-20.2
Liabilities	3 471	3 522	<b>2 996</b>	-526	-14.9
Investments	0.9	-	-	-	-
Write-offs/depreciation	1.6	1.1	<b>1.2</b>	0.1	9.1
<b>Number of employees (FTE)</b>	<b>473</b>	<b>491</b>	<b>462</b>	-29	-5.9
Allocated FTE from Corporate Center	303	317	<b>362</b>	45	14.2
<b>Total (FTE)</b>	<b>776</b>	<b>808</b>	<b>824</b>	16	2.0

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

<sup>2</sup> Adjusted for the sale of the Private Banking activities in the USA the operating income amounted to CHF 231.9 million and the operating expenses to CHF 188.5 million. This affects the most important key figures as follows: cost/income ratio: 73.7%; growth of assets under management: 7.7% (net new money: -0.9%, market appreciation: 8.6%); net new money: CHF -0.5 billion; operating income/avg. assets under management: 77 bp; net profit per business line/avg. assets under management: 10 bp.

## Asset Management

Thanks to good investment performance (+CHF 6.3 billion) and continuing favorable development of net new money (+CHF 9.0 billion), this business line's assets under management grew by 22% to CHF 90 billion compared to year-end 2004. Investment fund assets climbed by 22% to CHF 55 billion, and the volume of institutional mandates increased by 21% to CHF 35 billion. Significant contributions to this good result came, on the one hand, from established successful products like the International Equity range in the USA, and, on the other hand, from innovative products and new launches designed to match current market trends and client needs.

In light of the sustained growth in Asset Management, operating income rose by 41% to CHF 225 million,

owing in part to the expansion of the product range. Operating expenses were up by 48% to CHF 151 million. As in the year-ago period, the rise in personnel expenses is largely attributable to the performance-based bonus accruals. The increase in general expenses, however, is directly related to business activities. The net profit of the business line grew by 20% to CHF 56 million in the reporting period.

Targeted expansion of the product and service range in Julius Baer's institutional asset management area will remain a high priority in the future. We will steadily draw on our innovativeness to continue developing needs-based products and services. And in order to satisfy the persistently strong demand for our private label fund services, we will further expand this area.

	H1 2004 <sup>1</sup> CHF m	H2 2004 <sup>1</sup> CHF m	H1 2005 CHF m	Change to H1 2004	Change to H1 2004 in %
Operating income	159.3	208.7	225.2	65.9	41.4
Operating expenses	102.1	132.4	151.2	49.1	48.1
Net profit before taxes per business line	57.2	76.3	74.0	16.8	29.4
Taxes	10.3	17.2	17.8	7.5	72.8
<b>Net profit per business line</b>	46.9	59.1	56.2	9.3	19.8
<i>of which shareholders of Julius Baer Holding Ltd.</i>	46.9	59.1	56.2	9.3	19.8
<i>of which minority interest</i>	-	-	-	-	-

### Key figures

Cost/income ratio	63.7%	61.3%	65.3%		
Tax rate	18.0%	22.5%	24.1%		
Growth of assets under management	23.4%	11.2%	22.3%		
<i>of which net new money</i>	20.7%	8.3%	12.2%		
<i>of which market appreciation</i>	2.7%	2.9%	10.1%		
Net new money (CHF bn)	11.1	5.5	9.0		
Operating income/avg. assets under management (bp)	53	60	55		
Net profit per business line/avg. assets under mgmt. (bp)	16	17	14		

	30.06.2004 <sup>1</sup> CHF m	31.12.2004 <sup>1</sup> CHF m	30.06.2005 CHF m	Change to 31.12.2004	Change to 31.12.2004 in %
<b>Assets under management</b>	66 204	73 606	89 991	16 385	22.3
Assets	589	733	682	-51	-7.0
Liabilities	1 778	1 901	2 131	230	12.1
Investments	0.7	1.8	0.1	-1.7	-94.4
Write-offs/depreciation	0.8	0.3	0.5	0.2	66.7
<b>Number of employees (FTE)</b>	332	344	362	18	5.2
Allocated FTE from Corporate Center	124	122	123	1	0.8
<b>Total (FTE)</b>	456	466	485	19	4.1

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

## Trading & Sales

Trading & Sales coped well with a difficult market environment that was characterized in part by unpredictable stock and foreign exchange markets with low volatilities. In view of the prevailing circumstances, the business line recorded lower transaction volumes from Private Banking and Asset Management. Proprietary trading was also adversely affected by these challenging conditions. At the same time, however, the business line was successful in expanding business with directly served institutional clients and trading-oriented private clients in Switzerland and abroad.

Operating income fell by 22% to CHF 70 million in the first half of 2005. This result was attributable once again to largely client-driven foreign exchange trading, even though income from this business was down. The results from equity and bond trading also dropped due

to the market conditions. But the business line did benefit from continuing good demand for structured products as well as from increased capital market activities. On the cost front, operating expenses were up by 9%, reflecting higher personnel and general expenses owing to the expansion of operations in some business segments. The net profit of the business line receded by 43% to CHF 23 million.

Now that we have built up our research capabilities for small- and mid-cap Swiss companies, our main focus over the short and medium term is on expanding Swiss equity trading. Moreover, we are striving to increase our market share in the area of structured products and alternative investments for clients and endeavoring to steadily expand our foreign exchange trading activities relating to the euro and the US dollar.

	H1 2004 <sup>1</sup> CHF m	H2 2004 <sup>1</sup> CHF m	H1 2005 CHF m	Change to H1 2004	Change to H1 2004 in %
Operating income	89.5	61.3	69.9	-19.6	-21.9
Operating expenses	39.2	38.5	42.6	3.4	8.7
Net profit before taxes per business line	50.3	22.8	27.3	-23.0	-45.7
Taxes	10.3	2.3	4.4	-5.9	-57.3
<b>Net profit per business line</b>	40.0	20.5	22.9	-17.1	-42.8
<i>of which shareholders of the Julius Baer Holding Ltd.</i>	40.0	20.5	22.9	-17.1	-42.8
<i>of which minority interest</i>	-	-	-	-	-

### Key figures

Cost/income ratio	43.4%	61.5%	59.9%		
Tax rate	20.5%	10.1%	16.1%		

	30.06.2004 <sup>1</sup> CHF m	31.12.2004 <sup>1</sup> CHF m	30.06.2005 CHF m	Change to 31.12.2004	Change to 31.12.2004 in %
Assets	1 927	3 257	4 177	920	28.3
Liabilities	1 801	3 009	3 805	796	26.4
Investments	-	-	-	-	-
Write-offs/depreciation	0.1	0.1	0.1	-	-
<b>Number of employees (FTE)</b>	146	146	151	5	3.4
Allocated FTE from Corporate Center	85	87	72	-15	-17.2
<b>Total (FTE)</b>	231	233	223	-10	-4.3

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

## Corporate Center

Income and expenses that are not directly connected with the operating business lines are recognized in the Corporate Center, especially income and expenses related to asset and liability management. Moreover, the segment income statement contains internal eliminations in connection with the Group consolidation.

Operating expenses dropped by a total of 15% to CHF 56 million, with varying contributions from the different expense components. All in all, the shortfall of the Corporate Center declined from CHF 23 million to CHF 10 million at the end of June 2005.

The income within the Corporate Center was down by 10% to CHF 30 million versus the first half of 2004. The interest surplus from asset and liability management was negatively influenced by the significantly flatter yield curves. This was partially offset by higher income from the sale of financial investments as well as by the release of provisions that were no longer needed.

	H1 2004 <sup>1</sup> CHF m	H2 2004 <sup>1</sup> CHF m	H1 2005 <sup>2</sup> CHF m	Change to H1 2004	Change to H1 2004 in %
Operating income	33.8	26.0	<b>30.4</b>	-3.4	-10.1
Operating expenses	65.4	55.1	<b>55.6</b>	-9.8	-15.0
Net profit before taxes per business line	-31.5	-29.1	<b>-25.2</b>	6.3	-
Taxes	-8.4	-10.7	<b>-15.1</b>	-6.7	-
<b>Net profit per business line</b>	-23.1	-18.4	<b>-10.1</b>	13.0	-
<i>of which shareholders of Julius Baer Holding Ltd.</i>	-23.1	-18.4	<b>-10.1</b>	13.0	-
<i>of which minority interest</i>	-	-	-	-	-

	30.06.2004 <sup>1</sup> CHF m	31.12.2004 <sup>1</sup> CHF m	30.06.2005 CHF m	Change to 31.12.2004	Change to 31.12.2004 in %
Assets	10054	9367	<b>10326</b>	959	10.2
Liabilities	6922	6059	<b>6794</b>	735	12.1
Investments	11.5	25.3	<b>7.9</b>	-17.4	-68.8
Write-offs/depreciation	12.3	13.3	<b>20.0</b>	6.7	50.4
<b>Number of employees (FTE)</b>	849	859	<b>838</b>	-21	-2.5
Allocated FTE to business lines	-512	-526	<b>-557</b>	-31	-5.9
<b>Total (FTE)</b>	337	333	<b>281</b>	-52	-15.7

<sup>1</sup> Detailed information is contained in the separate report «IFRS Accounting changes Julius Baer Holding Ltd.» published on 14 July 2005.

<sup>2</sup> Adjusted for the sale of the activities in the USA the operating expenses amounted to CHF 50.8 million.

JULIUS BAER HOLDING LTD.  
Bahnhofstrasse 36  
P.O. Box  
CH-8010 Zurich  
Telephone +41 (0) 58 888 1111  
Fax +41 (0) 58 888 5517  
www.juliusbaer.com

#### **Financial calendar**

Publication of 2005 annual results: 15 February 2006  
Date of 2006 Annual General Meeting: 12 April 2006  
Publication of 2006 half-year results: 11 August 2006

#### **Investor Relations**

Jan A. Bielinski  
Chief Communications Officer  
Telephone +41 (0) 58 888 5501

Rainer G. Skierka  
Investor Relations  
Telephone +41 (0) 58 888 5230

#### **Media Relations**

Juerg Staehelin  
Head of Corporate Communications  
Telephone +41 (0) 58 888 5327

Stefan Mueller  
Head of Information & Media Relations  
Telephone +41 (0) 58 888 6223

#### **International Banking Relations**

Kaspar H. Schmid  
Telephone +41 (0) 58 888 5497

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