

Julius Bär

Half-year Report **2004**
Julius Baer Holding Ltd.

Contents

- 2 Foreword
- 5 Business Review
- 8 Consolidated income statement
- 10 Consolidated balance sheet
- 12 Consolidated shareholders' equity
- 13 Segment Reporting

Key figures

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003 in %
Consolidated income statement				
Net interest income	63.3	56.7	62.7	-0.9
Results from commission and service fee activities	354.4	385.6	373.3	5.3
Results from trading operations	63.6	66.5	81.7	28.5
Other ordinary results	20.9	8.7	1.9	-90.9
Net operating income	502.1	517.5	519.6	3.5
Personnel expenses	262.7	243.0	229.6	-12.6
General expenses	122.3	119.5	111.4	-8.9
Operating expenses	385.0	362.5	341.0	-11.4
Depreciation and write-offs, valuation adjustments and provisions	24.9	37.4	24.2	-2.8
Profit before restructuring costs and taxes	92.3	117.5	154.4	67.3
Restructuring costs	55.3	-	-	-100.0
Profit before taxes	37.0	117.5	154.4	317.3
Taxes	21.0	52.6	32.9	56.7
Consolidated profit	16.0	64.9	121.5	659.4
Minority interest	-0.1	-0.9	-1.3	-
Net profit	16.1	65.8	122.8	662.7
Return on equity (ROE)	2.1%	8.7%	16.5%	-
Cost/income ratio ¹	80.3%	75.6%	68.5%	-
Net profit per business line				
Private Banking	28.7	47.6	52.2	81.9
Asset Management	25.0	27.7	48.6	94.4
Brokerage	-74.9	-13.6	-	-100.0
Trading & Sales	18.4	30.1	42.2	129.3
Corporate Center	18.9	-26.0	-20.2	-
Total	16.1	65.8	122.8	662.7
Consolidated balance sheet				
Total assets	16 801.4	14 147.3	15 442.5	9.2
Shareholders' equity ²	1 497.6	1 473.8	1 479.0	0.4
Shareholders' equity/ total assets (equity ratio)	8.9%	10.4%	9.6%	-
BIS ratio tier 1	19.6%	19.1%	17.0%	-
Asset management				
Assets under management (CHF bn)	109.3	115.5	129.1	11.8
Net new money (for the half year in CHF bn)	2.0	3.3	11.5	-
Personnel				
Number of employees (FTE)	2 171	1 766	1 800	1.9
<i>of whom Switzerland</i>	<i>1 485</i>	<i>1 378</i>	<i>1 396</i>	<i>1.3</i>
<i>of whom abroad</i>	<i>686</i>	<i>388</i>	<i>404</i>	<i>4.1</i>

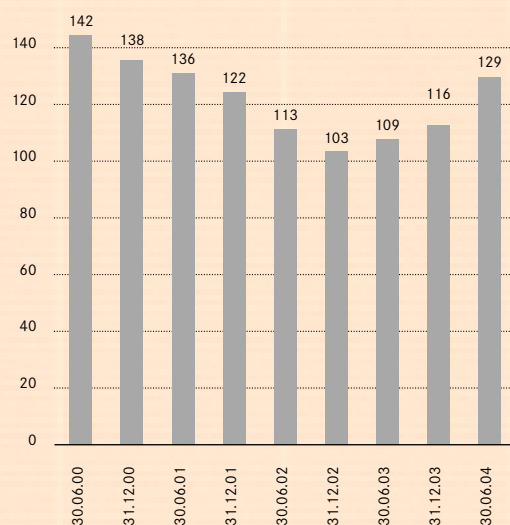
¹ Including depreciation and write-offs

² Including minority interest

Performance of Julius Baer Holding bearer share (indexed)



Assets under management* (CHF bn)



* As of 1999 new method of calculation according to SFBC (see page 11)

Ticker symbols

Reuters	BAER.VX
Bloomberg	BAER VX

Swiss securities number 1 208 300

Listing

Switzerland	SWX Swiss Exchange
-------------	--------------------

Key figures for shares

	30.06.03 CHF	31.12.03 CHF	30.06.04 CHF	Change to 31.12.03 in %
--	-----------------	-----------------	-----------------	----------------------------

Information per bearer share

Shareholders' equity (book value)	145.2	146.0	146.4	0.3
Net profit (EPS, for the half year)	1.6	6.3	12.1	92.1
Market price	332	417	348	-16.7

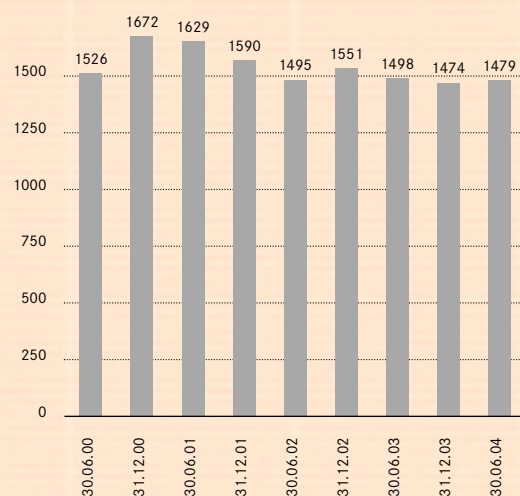
Market capitalization (CHF m) 3 435 4 282 3 538 -17.4

Capital structure

shares entitled to dividends				
Number of bearer shares				
par value CHF 0.50	8 402 029	8 322 029	8 268 534	-0.6
Number of registered shares				
par value CHF 0.10	9 727 665	9 727 665	9 566 140	-1.7
Weighted average				
number of shares	10 398 048	10 349 238	10 222 520	-1.2

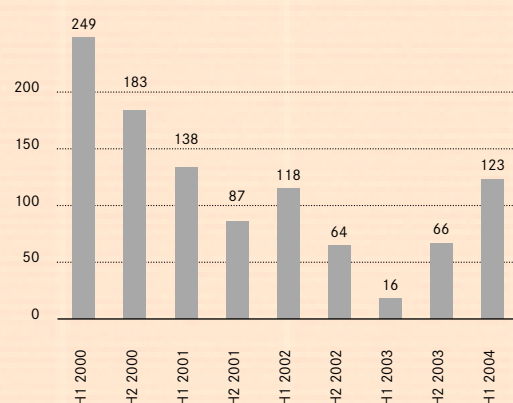
Shareholders' equity

(including minority interest, CHF m)



Net profit

(CHF m)



True to you.

Dear Shareholders and Clients

Julius Baer performed well in the first six months of 2004. The first-half results benefited from several factors: an improved earnings situation, the success of our promptly implemented cost-cutting measures, and the strategically important focus on our core businesses of private and institutional asset management as well as on our trading activities.

Despite political and economic uncertainties, assets under management rose by CHF 14 billion or 12% to CHF 129 billion compared to the end of 2003. These assets were divided among Private Banking, with CHF 62 billion, and Asset Management, with CHF 66 billion (CHF 39 billion of which related to investment funds). Net new money inflows of CHF 12 billion, generated almost exclusively by Asset Management, were accompanied by performance-driven growth of around CHF 2 billion.

Operating income increased by 4% to CHF 520 million compared to the first half of 2003. Hence, we managed to more than offset the anticipated drop in income resulting from the sale of the Brokerage Business Line. Private Banking's contribution to total operating income climbed to 45% (first half 2003: 41%), primarily due to the higher average assets under management. In Asset Management, the large net new money inflows had a favorable influence. Thanks to the solid margin, this business line generated 31% (24%) of the Group's operating income. In Trading & Sales, both proprietary trading and the generally higher level of client activity had a positive impact. Its share of operating income amounted to 18% (13%).

Operating expenses were down by 11% to CHF 341 million, also reflecting the discontinuation of Brokerage. In contrast to the year-ago period, there were no one-time expenses to take into account in the first half of 2004. Net profit was thus up sharply to CHF 123 million.

The provision of comprehensive asset management services to private and institutional clients will remain a growth market in the future. As an international group, Julius Baer is well established in the market, though it does not claim to be a global player. The growth and ongoing development of the business should therefore always be evaluated with this background in mind. A good example of this is provided by looking at the Italian market, where Julius Baer is now in a position to offer the same range of asset management services as it offers in Switzerland: private

banking through the joint venture Julius Baer Creval Private Banking S.p.A. (active since autumn 2003), asset management for institutional clients through Julius Baer SGR S.p.A. (active since March 2004) and the sale of investment funds (already since 1992).

In Private Banking, we will continue our thus far successful combination of a fundamentally offshore strategy (providing cross-border private banking services from Switzerland) with selective onshore activities. This also includes further developing the private clients business in Switzerland. Additional expansion plans exist for Private Banking in Germany, for example, which is an important market in terms of wealth potential and where the name Julius Baer enjoys a very high reputation.

Through our planned presence in Dubai, we intend to tap into the existing business potential in the private and institutional segments in the Middle East and the Indian subcontinent. This potential is reflected by a sharp rise in the general level of prosperity in the region, whose inhabitants favor asset management service providers who have a regional presence. Furthermore, as part of our normal strategic assessment process, we are also considering options for the Asian region.

In Asset Management, we are focusing on targeted expansion of our product and service offerings. Following gratifying growth in the recent past, especially in the international equities area in the USA and in the hedge funds area in the UK, we are now focusing on diversifying our product range in these countries.

Trading & Sales represents the third pillar of our business operations. Here, the first priority is providing the best possible support to our two asset management business lines. Parallel to this, however, Trading & Sales will continue to build up its directly serviced client base in Switzerland and abroad. The first half of 2004 was marked by the streamlining of internal structures to boost efficiency as well as by innovations in the structured products area. These products are of increasing interest to our clients in view of uncertain market prospects.

To assure the optimal management of client relationships, it is crucial to provide a robust and efficient IT architecture. Hence, through the introduction of a standard software package, the host system as well as additional system components and applications are scheduled to be replaced at the turn of the year 2006/2007. Julius Baer will thus have the tools needed to enhance its competitiveness with respect to customer care and its product range.

We assume that global political and economic developments will remain marked by considerable uncertainty. Nevertheless, the first-half results for 2004 reinforce our belief that focusing our business activities provides us with the scope needed to exploit the business opportunities offering the best prospects of success on behalf of our stakeholders. To this aim, we are constantly striving to improve the quality of what we do, so that we may offer our clientele above-average service in every respect.

We thank you for your faith in us and are grateful to have you among our shareholders and clients. Our employees have once again earned our sincerest thanks for their significant and unwavering commitment. In view of the favorable foundation laid in the first half of 2004, we will presumably be able to meet the market expectations for the year as a whole, provided that the political and economic environment does not take a sharp turn for the worse.



Raymond J. Baer
Chairman



Walter Knabenhans
President

Zurich, 13 August 2004

Business Review

Compared to the year-ago period, the market environment was generally more favorable in the first half of 2004. Given our higher average assets under management, the improved environment also impacted our revenues. Contrary to initial expectations, the drop in income resulting from the sale of Brokerage was already more than offset in the first half of the year through increased commission income from asset management and higher trading income. Parallel to this, we continued to emphasize the controlled development of costs, in line with income. This resulted in a substantial rise in earnings for the Julius Baer Group.

Considerable growth of assets under management

Thanks mainly to robust net new money inflows of CHF 11 billion in Asset Management as well as to performance-driven growth of CHF 2 billion, assets under management of the Julius Baer Group (excluding Global Custody) climbed by 12% to CHF 129 billion in the first half of 2004 (year-end 2003: CHF 116 billion). For the first time ever, Asset Management accounted for over half of the total assets. This business line's CHF 66 (54) billion of assets consisted of CHF 39 (33) billion in the investment funds and CHF 27 (21) billion in the institutional mandates. Private Banking's assets under management amounted to CHF 62 (61) billion. The business volume of Baer Custodian Service, which is not counted in the figure for assets under management, came to CHF 37 (36) billion.

The so-called asset mix reflects the prevailing investment considerations. Compared to year-end 2003, the equity holdings within client portfolios managed by Julius Baer rose from 34% to 38%. The bond holdings declined from 36% to 32%, whereas money market holdings climbed from 10% to 12%. Investments in external investment funds receded from 9% to 8%, and client deposits were down from 6% to 5%. There were several shifts in the currency mix of the assets under management. The CHF allocation decreased from 25% to 24%. The EUR allocation dropped from 38% to 32%.

And the USD allocation edged up from 31% to 32%. The allocations of the remaining foreign currencies, namely the GBP and the JPY, each grew from 3% to 4%.

Higher income despite absence of Brokerage

Net operating income of the Group increased by 4% to CHF 520 million versus the first half of 2003. Hence, we managed to more than offset the drop in income resulting from the sale of Brokerage. Private Banking accounted for CHF 233 million or 45% (41%) of this total, and Asset Management (including the investment funds) contributed CHF 159 million or 31% (24%) to this result. Trading & Sales generated CHF 91 million or 18% (13%) of operating income. All in all, this represents a balanced revenue picture.

Net interest income, which accounted for 12% (13%) of operating income, was nearly unchanged at CHF 63 million. The continuing low interest rate level played a decisive role in this development. Further narrowing of the interest margin in client-related interest activities resulted in lower revenues, but this was offset by higher interest income on financial investments.

Results from commission and service fee activities advanced by 5% to CHF 373 million. Whereas the brokerage commissions and income from securities underwriting fell by 41% to CHF 79 million because of the discontinuation of Brokerage, the gross commissions from asset management and investment (which depend on the assets' market value) grew by 26% to CHF 371 million, reflecting the favorable development of average assets under management. The ratio of asset-value-related fees to average assets under management increased to 61 basis points.

Results from trading operations climbed by 29% to CHF 82 million. The strongest rise was recorded in equity trading, whose contribution of CHF 16 million represented an 82% increase over the year-ago period. But the biggest contribution came once again from foreign

exchange trading, whose income grew by 13% to CHF 62 million. Income from bond trading also developed favorably, contributing CHF 4 million to the overall trading results. The sharp drop in other ordinary results by 91% to CHF 2 million may be explained by the fact that no loan provisions were released during the first half of 2004.

Further decline in expenses

On the expense front, the discontinuation of Brokerage had a positive influence in view of the high costs associated with this business. Operating expenses were cut by 11% to CHF 341 million compared to the first half of 2003.

Considering the 17% decrease in the number of employees from 2 171 to 1 800 compared to mid-year 2003, the drop in personnel expenses by 13% to CHF 230 million appears disproportionately low at first glance. However, one should bear in mind the higher performance contributions in the individual business lines, resulting in higher bonus accruals totaling CHF 61 million or 26% (15%) of personnel expenses. The expenses for the stock- and option-based participation plans rose to CHF 21 million, spurred by the higher participation rate this year in taking up preferentially priced staff shares, which should be viewed as a positive development. In accordance with IFRS guidelines, the resulting expenses are debited directly to shareholders' equity and stated under this position (see page 12). As of the 2005 financial year, these expenses will be recorded through the income statement.

Other operating expenses receded by 9% to CHF 111 million. This decline was primarily attributable to the discontinuation of Brokerage as well as to the cost discipline within the Group. Other operating expenses accounted for 33% of operating expenses, up just slightly from 32%. The cost/income ratio, i.e. operating expenses (including depreciation) as a percentage of operating income, improved from 80.3% to 68.5% in the first half of 2004.

Notable gains in gross profit and net profit

Given the higher revenues and lower expenses, gross profit increased by 52% to CHF 179 million. Depreciation and write-offs of non-current assets were down by 19% from the year-ago period, whereas the accruals for valuation adjustments, provisions and losses increased by 41%. All in all, profit before restructuring expenses and taxes climbed by 67% to CHF 154 million.

Even though taxes rose by 57% to CHF 33 million, in line with the higher overall results, the tax rate fell from 23% to 21%. The negative contribution of CHF 1.3 million from minority interest represents the pro rata share of start-up costs of our joint venture partner Credito Valtellinese for Julius Baer Creval Private Banking S.p.A. in Milan.

Since no one-time expenses were incurred during the first half of 2004, net profit was up strongly to CHF 123 million compared to CHF 16 million for the year-ago period. This corresponds to earnings per bearer share of CHF 12.10 (1.60).

Persistently strong equity base

The consolidated balance sheet total grew by 9% to CHF 15.4 billion in the first half of 2004. On the assets side of the balance sheet, in addition to a 61% rise in the trading portfolios to CHF 969 million, a simultaneous reduction of the derivative financial instruments and a 17% increase in loans to customers to CHF 3.5 billion, the asset and liability management activities played a major role. On the one hand, loans to banks were cut by 11% to CHF 3.5 billion, while on the other hand the financial investments were expanded by 31% to CHF 4.6 billion. Both measures served to improve the interest surplus, i.e. to boost the interest margin. Thanks to a simultaneous shortening of the average duration, no added risks were incurred. On the liabilities side, due to banks were up by a notable 70% to CHF 2.4 billion, serving mainly as a source of optimal refinancing for the financial investments. The money

due to customers grew by 5% to CHF 8.7 billion, mirroring the higher cash holdings of clients.

At CHF 1.5 billion, shareholders' equity remained nearly stable. The high equity capital ratio according to BIS guidelines (BIS ratio tier 1) of 17.0% (19.1%) underscores the financial strength of the Julius Baer Group. The Group thus once again exceeds the legal requirements for banks in Switzerland as well as the guidelines of the Bank for International Settlements by a wide margin.

Bank Julius Baer continues to enjoy a Prime-1 rating from Moody's, the highest rating for short-term debt, reflecting its established and recognized position in asset management as well as its solid financial base. Moreover, the personal and financial commitment of the Baer family bolsters the strength and stability of the company.

The 2004/2005 share repurchase program, up to a maximum of CHF 65 million worth of shares, is progressing as planned. This underscores Julius Baer's efforts to actively manage its equity base. Up to 30 June 2004, 52 000 bearer shares with a total market value of CHF 19 million were repurchased through a second trading line on the SWX Swiss Exchange.

The Annual General Meeting of Julius Baer Holding Ltd. on 12 May 2004 resolved to reduce the share capital from CHF 5 470 561 to CHF 5 384 161 through nullification of 172 800 bearer shares as well as to convert 161 525 registered shares into 32 305 bearer shares.

Hence, as of 30 June 2004, the CHF 5 470 561 of share capital consisted of 9 566 140 registered shares of CHF 0.10 par value each as well as 9 027 894 bearer shares (8 268 534 of which are entitled to dividends) of CHF 0.50 par value each.

Consolidated income statement

	Note	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003 in %
Interest and discount income		83.0	71.8	64.8	-21.9
Interest and dividend income on financial investments		41.9	44.8	59.0	40.8
Interest expenses		61.6	59.9	61.1	-0.8
Net interest income	1	63.3	56.7	62.7	-0.9
Commission income on lending activities		0.9	1.6	1.0	11.1
Commission income on securities and investment transactions	2	427.7	462.2	450.0	5.2
Commission income on other services		11.2	11.2	12.8	14.3
Commission expenses		85.5	89.3	90.5	5.8
Results from commission and service fee activities		354.4	385.6	373.3	5.3
Results from trading operations	3	63.6	66.5	81.7	28.5
Other ordinary results		20.9	8.7	1.9	-90.9
Net operating income		502.1	517.5	519.6	3.5
Personnel expenses ¹	4	262.7	243.0	229.6	-12.6
General expenses ²	5	122.3	119.5	111.4	-8.9
Operating expenses		385.0	362.5	341.0	-11.4
Gross profit		117.2	154.9	178.6	52.4
Depreciation and write-offs of non-current assets ³		18.3	28.9	14.9	-18.6
Valuation adjustments, provisions and losses		6.6	8.5	9.3	40.9
Profit before restructuring costs and taxes		92.3	117.5	154.4	67.3
Restructuring costs		55.3	-	-	-100.0
Profit before taxes		37.0	117.5	154.4	317.3
Taxes		21.0	52.6	32.9	56.7
Consolidated profit		16.0	64.9	121.5	659.4
Minority interest in consolidated profit		-0.1	-0.9	-1.3	-
Net profit		16.1	65.8	122.8	662.7
¹ of which costs for streamlining measures		19.7	0.8	-	-100.0
² of which costs for streamlining measures		1.1	-	-	-100.0
³ of which costs for streamlining measures		2.1	-	-	-100.0
		H1 2003 CHF	H2 2003 CHF	H1 2004 CHF	Change to H1 2003 in %
Share information					
Net profit per bearer share		1.6	6.3	12.1	656.3
Net profit per registered share		0.3	1.3	2.4	656.3

There are no financial or equity instruments that could lead to a dilution of the net profit per bearer share or per registered share.

Information on the consolidated income statement

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003 in %
1 Net interest income				
Interest income on amounts due from customers and banks	73.3	60.2	56.5	-22.9
Interest and discount income from bills and money market instruments	11.9	13.3	10.8	-9.2
Refinancing income from trading positions	-2.3	-1.7	-2.5	8.7
Loan commissions with the character of interest	-	-	-	-
Total interest and discount income	83.0	71.8	64.8	-21.9
Interest income on financial investments	41.2	44.4	57.7	40.0
Dividend income on financial investments	0.7	0.4	1.3	85.7
Interest expenses	61.6	59.9	61.1	-0.8
Total	63.3	56.7	62.7	-0.9
2 Commission income on securities and investment transactions				
Commissions from asset management and investment	294.9	346.5	371.3	25.9
Income from brokerage and securities underwriting	132.8	115.7	78.7	-40.7
Total	427.7	462.2	450.0	5.2
3 Results from trading operations				
Securities	9.0	9.7	19.8	120.0
Foreign exchange and precious metals	54.6	56.8	61.9	13.4
Total	63.6	66.5	81.7	28.5
4 Personnel expenses				
Salaries and bonuses	213.8	194.2	190.6	-10.9
Contributions to staff pension plans	14.5	15.1	12.5	-13.8
Other social benefits	20.3	15.2	12.3	-39.4
Other personnel expenses	17.6	20.7	15.7	-10.8
Capitalized share of personnel expenses	-3.5	-2.1	-1.5	57.1
Total	262.7	243.0	229.6	-12.6
5 General expenses				
Premises expense	18.9	20.9	19.1	1.1
Expense for EDP, machinery, furniture, vehicles and other equipment	23.5	21.3	22.0	-6.4
Information, communication and advertising expense	43.7	42.6	39.0	-10.8
Service expense, fees and taxes	32.7	37.1	31.1	-4.9
Other general expenses	6.9	0.6	2.2	-68.1
Capitalized share of general expenses	-3.4	-2.9	-2.0	41.2
Total	122.3	119.5	111.4	-8.9

Consolidated balance sheet

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m	Change to 31.12.2003 in %
Assets				
Cash	66.5	43.3	66.4	53.3
Money market instruments	1475.9	1292.8	1435.5	11.0
Due from banks	6218.1	3889.3	3460.0	-11.0
Due from customers	4188.9	2983.7	3488.3	16.9
Trading portfolios	475.9	600.4	968.9	61.4
Derivative financial instruments	1296.6	1292.8	940.9	-27.2
Financial investments	2523.5	3494.8	4575.4	30.9
Tangible fixed assets	176.8	166.9	168.4	0.9
Intangible assets	89.1	73.5	70.4	-4.2
Accrued income and prepaid expenses	159.6	174.9	182.3	4.2
Deferred tax assets	25.1	2.2	1.2	-45.5
Other assets	105.4	132.8	84.8	-36.1
Total assets	16801.4	14147.3	15442.5	9.2
Liabilities and shareholders' equity				
Money market instruments	21.4	18.1	15.0	-17.1
Due to banks	1569.9	1412.0	2406.3	70.4
Due to customers in savings and investment accounts	732.2	650.8	550.5	-15.4
Due to customers, other	10311.7	7667.0	8156.4	6.4
Trading liabilities	321.9	351.9	415.5	18.1
Derivative financial instruments	1516.6	1721.5	1512.0	-12.2
Cash bonds	0.6	0.4	0.3	-25.0
Bonds and mortgage-backed bonds	291.2	301.6	445.9	47.8
Accrued expenses and deferred income	175.3	196.8	173.0	-12.1
Other liabilities	111.9	154.7	111.4	-28.0
Current tax liabilities	109.5	100.6	80.7	-19.8
Deferred tax liabilities	64.9	62.9	60.0	-4.6
Provisions	76.7	35.3	36.5	3.4
Total liabilities	15303.8	12673.5	13963.5	10.2
Minority interest in shareholders' equity	25.8	19.5	17.7	-9.2
Share capital	5.6	5.5	5.5	-
less treasury shares	-123.2	-94.4	-113.4	-20.1
Capital reserve	192.6	182.8	161.6	-11.6
Retained earnings	1353.6	1276.9	1297.4	1.6
Reserves IAS 39	32.3	10.1	-3.2	-
Translation differences	-5.2	-8.4	-9.4	11.9
Net profit	16.1	81.9	122.8	49.9
Total shareholders' equity, excluding minority interest	1471.8	1454.4	1461.3	0.5
Total liabilities and shareholders' equity	16801.4	14147.3	15442.5	9.2

Information on the consolidated balance sheet

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m	Change to 31.12.2003 in %
Contingent liabilities				
Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit	398.1	431.6	400.7	-7.2
Bid and performance bonds	-	-	-	-
Irrevocable liabilities under documentary letters of credit	-	-	-	-
Other contingent liabilities	110.0	15.1	18.4	21.9
Total	508.1	446.8	419.1	-6.2

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m
Consolidated statement of cash flows			
Cash flow from operating activities ¹	527.5	899.8	1318.7
Cash flow from investing activities ²	-391.0	-989.7	-1043.4
Cash flow from financing activities ³	-102.7	-57.8	-100.6
Total	33.8	-147.7	174.7
¹ of which business line Brokerage	-9.6	-38.3	-
² of which business line Brokerage	1.0	8.2	-
³ of which business line Brokerage	-	24.8	-

Accounting policies and valuation principles

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

The half-year accounts were prepared on the basis of the accounting policies and valuation principles valid as of 31 December 2003.

Assets under management

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m	Change to 31.12.2003 in %
Assets in own-managed funds	29 258	32 928	39 219	19.1
Assets with management mandate	31 236	31 046	39 419	27.0
Other assets under management	48 786	51 572	50 487	-2.1
Total client assets (including double counting)	109 280	115 546	129 125	11.8
<i>of which double counting</i>	<i>6 338</i>	<i>6 680</i>	<i>6 776</i>	<i>1.4</i>
Net new money	1 989	3 332	11 476	-
Baer Custodian Service	32 090	35 952	36 839	2.5

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).

Consolidated shareholders' equity

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m
Share capital			
Balance at the beginning of the period	5.6	5.6	5.5
Capital reduction	-	-0.1	-
Balance at the end of the period	5.6	5.5	5.5
Treasury shares			
Balance at the beginning of the period	-91.3	-123.2	-94.4
Capital reduction	-	75.0	-
Change in treasury shares	-31.9	-46.2	-19.0
Balance at the end of the period	-123.2	-94.4	-113.4
Capital reserve			
Balance at the beginning of the period	195.3	192.6	182.8
Participation plans	-2.7	-9.8	-21.2
Balance at the end of the period	192.6	182.8	161.6
Retained earnings			
Balance at the beginning of the period	1421.7	1369.7	1358.8
Julius Baer Holding Ltd. dividend	-62.4	-	-61.4
Capital reduction	-	-74.9	-
Change in treasury shares	-5.6	-1.9	-0.1
Other	-	-	-
Total	1353.6	1292.9	1297.4
Net profit	16.1	65.8	122.8
Balance at the end of the period	1369.7	1358.8	1420.2
Reserves IAS 39			
Balance at the beginning of the period	24.5	32.3	10.1
Unrealized gains and losses on:			
- Available-for-sale investments, net of tax	5.3	-25.5	-11.1
- Hedging reserve for cash flow hedges, net of tax	2.5	3.3	-2.2
Balance at the end of the period	32.3	10.1	-3.2
Translation differences			
Balance at the beginning of the period	-10.4	-5.2	-8.4
Changes	5.2	-3.3	-1.0
Balance at the end of the period	-5.2	-8.4	-9.4
Total shareholders' equity	1471.8	1454.4	1461.3

Business line overview

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003 in %
Net operating income				
Private Banking	204.8	226.1	233.3	13.9
Asset Management	118.8	146.1	159.3	34.1
Trading & Sales	63.3	75.1	91.1	44.0
Brokerage ¹	64.3	34.2	-	-100.0
Corporate Center	50.9	36.0	35.8	-29.6
Total	502.1	517.5	519.6	3.5
Operating expenses²				
Private Banking	165.6	163.0	163.9	-1.0
Asset Management	90.8	93.9	99.8	10.0
Trading & Sales	39.1	39.3	37.9	-3.1
Brokerage ¹	83.7	42.6	-	-100.0
Corporate Center	30.7	61.0	63.6	107.3
Total	409.9	399.9	365.2	-10.9
Net profit per business line				
Private Banking	28.7	47.6	52.2	81.9
Asset Management	25.0	27.7	48.6	94.4
Trading & Sales	18.4	30.1	42.2	129.3
Brokerage ¹	-74.9	-13.6	-	-100.0
Corporate Center	18.9	-26.0	-20.2	-
Total	16.1	65.8	122.8	662.7

	30.06.2003 CHF bn	31.12.2003 CHF bn	30.06.2004 CHF bn	Change to 31.12.2003 in %
Assets under management				
Private Banking	58.7	61.2	62.1	1.5
Asset Management	50.0	53.6	66.2	23.4
Trading & Sales	0.0	0.3	0.4	45.9
Brokerage ¹	0.4	-	-	-
Corporate Center	0.2	0.5	0.5	-2.8
Total	109.3	115.5	129.1	11.8

¹ Contribution up to 30.09.2003

² Including depreciation, valuation adjustments, provisions and losses as well as the costs for streamlining measures

Private Banking

Assets under management in Private Banking grew by 2% to CHF 62 billion in the first half of 2004. Investment performance accounted for the majority of this increase, contributing CHF 600 million. Net new money inflows amounted to CHF 300 million.

Operating income climbed by 14% to CHF 233 million in the first six months of the year. The growth reflects the higher average level of assets under management compared to the year-ago period, the increased transaction volume and the initial positive effects from the new fee model introduced in April. Thanks to ongoing cost discipline, operating expenses receded by 1% to CHF 164 million. Lower fixed personnel costs were

accompanied by higher bonus accruals. Other operating expenses were up slightly, principally due to additional expenditures for the joint venture in Italy and the planned presence in Dubai as well as for precautionary provisions. Net profit rose by 82% to CHF 52 million.

During the period under review, implementation began for the measures announced in spring, which are intended to boost earnings and margins over the long term. These include introducing a new, more usage-based fee model, providing a broader range of structured products, boosting the share of assets under discretionary management as well as taking actions designed to improve customer retention.

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003	Change to H1 2003 in %
Net operating income	204.8	226.1	233.3	28.5	13.9
Operating expenses	165.6	163.0	163.9	-1.7	-1.0
Segment result before taxes	39.2	63.1	69.4	30.2	77.1
Taxes	10.6	16.4	18.5	7.9	74.6
Segment result after taxes	28.6	46.7	50.9	22.3	78.0
Minority interest	-0.1	-0.9	-1.3	-1.2	-
Net profit	28.7	47.6	52.2	23.5	81.9

Key figures

Cost/income ratio	77.8%	69.2%	67.5%		
Tax rate	27.0%	26.0%	26.7%		
Growth of assets under management	7.4%	4.2%	1.5%		
of which net new money	1.4%	-0.1%	0.5%		
of which market appreciation	6.0%	4.3%	1.0%		
Net new money (CHF bn)	0.8	-0.1	0.3		
Net operating income/avg. assets under management (bp)	72	75	76		
Net profit/avg. assets under management (bp)	10	16	17		

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m	Change to 31.12.2003	Change to 31.12.2003 in %
Assets under management¹	58 688	61 172	62 085	913	1.5
Segment assets	3 370	2 638	2 857	219	8.3
Segment liabilities	3 541	3 107	3 471	364	11.7
Investments	8.4	-1.6	0.9	2.5	-
Write-offs/depreciation	5.0	4.1	1.6	-2.5	-61.1
Number of employees (FTE)	481	473	473	-	-
Allocated FTE from Corporate Center	387	331	303	-28	-8.5
Total (FTE)	868	804	776	-28	-3.5

¹ According to the new calculation method of the Swiss Federal Banking Commission

Asset Management

This business line's assets under management increased by 23% to CHF 66 billion compared to year-end 2003. The largest growth came from the institutional mandates, which were up by 30% or CHF 6.3 billion to a total volume of CHF 27 billion. Investment fund assets grew by 19% to CHF 39 billion. Net new money inflows of CHF 11 billion included CHF 6.9 billion from the acquisition of large institutional mandates in Switzerland and in the USA. In the investment fund business, net new money inflows amounted to CHF 4.2 billion, dominated by flows of CHF 2.1 billion into the International Equity Fund (USA) and CHF 500 million into the Diversified Fixed Income Hedge Fund (UK).

Benefiting from the new money inflows, from the sharply higher average assets under management and

from the launch of new products, operating income rose by 34% to CHF 159 million. Operating expenses were up by 10% to CHF 100 million. The rise in personnel expenses related wholly to the performance-based bonus accruals. The increase in other operating expenses was primarily linked to the expanding North American operations. Net profit nearly doubled to CHF 49 million.

In Asset Management, we are focusing on targeted expansion of our product and service offerings. Following the gratifying growth, especially in the international equities area in the USA and in the hedge funds area in the UK, we are now concentrating on diversifying our product range in these countries.

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003	Change to H1 2003 in %
Net operating income	118.8	146.1	159.3	40.5	34.1
Operating expenses	90.8	93.9	99.8	9.0	10.0
Segment result before taxes	28.0	52.2	59.4	31.4	112.3
Taxes	3.0	24.5	10.9	7.9	262.6
Segment result after taxes	25.0	27.7	48.6	23.6	94.4
Minority interest	-	-	-	-	-
Net profit	25.0	27.7	48.6	23.6	94.4

Key figures

Cost/income ratio	75.3%	63.5%	62.3%		
Tax rate	10.7%	47.0%	18.3%		
Growth of assets under management	5.6%	7.3%	23.4%		
of which net new money	2.4%	6.8%	20.7%		
of which market appreciation	3.2%	0.5%	2.7%		
Net new money (CHF bn)	1.1	3.4	11.1		
Net operating income/avg. assets under management (bp)	49	56	53		
Net profit/avg. assets under management (bp)	10	11	16		

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m	Change to 31.12.2003	Change to 31.12.2003 in %
Assets under management¹	49 981	53 644	66 204	12 560	23.4
Segment assets	1 371	612	589	-23	-3.7
Segment liabilities	3 415	1 836	1 778	-58	-3.2
Investments	2.6	-0.1	0.7	0.8	-
Write-offs/depreciation	1.0	2.4	0.8	-1.6	-66.7
Number of employees (FTE)	347	305	332	28	9.1
Allocated FTE from Corporate Center	139	121	124	3	2.5
Total (FTE)	486	426	456	31	7.2

¹ According to the new calculation method of the Swiss Federal Banking Commission

Trading & Sales

Trading & Sales is the third pillar of business within the Julius Baer Group. During the review period, the business line profited from high business volume in Private Banking and Asset Management. It also benefited from ongoing expansion of business with institutional clients and trading-oriented private clients in Switzerland and abroad.

Smooth cooperation with Private Banking, for example, resulted in notable growth in both the number and volume of newly launched structured products. In view of continuing uncertainty regarding the development of the markets, these products are of increasing interest to our clients. Moreover, working together with Group Investment Research, we stepped up the production of research reports on small- and mid-sized Swiss companies for our private and institutional clients.

Operating income increased by 44% to CHF 91 million in the first half of 2004, with the biggest contribution coming from client-driven foreign exchange trading. Given a favorable market environment, equity trading revenues more than doubled, attributable in part to the good development of proprietary trading. And after moving past the difficulties of last year, bond trading recorded positive results. At the same time, however, market conditions for capital market activities remained relatively challenging in the first half of 2004. On the cost front, higher personnel expenses in line with the results were balanced by lower other operating expenses. All in all, operating expenses dropped by 3% to CHF 38 million. Net profit thus climbed disproportionately by 129% to CHF 42 million.

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003	Change to H1 2003 in %
Net operating income	63.3	75.1	91.1	27.8	44.0
Operating expenses	39.1	39.3	37.9	-1.2	-3.1
Segment result before taxes	24.2	35.8	53.2	29.1	120.1
Taxes	5.8	5.7	11.0	5.2	90.0
Segment result after taxes	18.4	30.1	42.2	23.8	129.3
Minority interest	-	-	-	-	-
Net profit	18.4	30.1	42.2	23.8	129.3

Key figures

Cost/income ratio	61.5%	51.6%	41.2%
Tax rate	24.0%	15.9%	20.7%

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m	Change to 31.12.2003	Change to 31.12.2003 in %
Segment assets	2 054	1 713	1 932	220	12.8
Segment liabilities	1 924	1 936	1 791	-145	-7.5
Investments	1.1	0.7	-	-0.7	-100.0
Write-offs/depreciation	2.5	2.6	0.1	-2.5	-94.4
Number of employees (FTE)	140	137	146	9	6.6
Allocated FTE from Corporate Center	112	96	85	-11	-11.5
Total (FTE)	252	233	231	-2	-0.9

Corporate Center

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

The income within the Corporate Center was down by 30% to CHF 36 million versus the first half of 2003. Whereas revenues from asset and liability management were somewhat lower, the drop in income compared to the year-ago period is mainly attributable to the fact that no loan provisions were released in the first six months of 2004. At the same time, operating expenses climbed by 107% to CHF 64 million. Expenditures were up due to higher loan provisions, renovations at the head office, the performance-based bonus accruals and the inability to allocate certain centralized costs to

Brokerage following its sale. The Corporate Center thus ended the first half of the year with a shortfall of CHF 20 million.

To assure the optimal management of client relationships, it is crucial to provide a robust and efficient IT architecture. Hence, through the introduction of a standard software package, the host system as well as additional system components and applications are scheduled to be replaced at the turn of the year 2006/2007. Julius Baer will thus have the tools needed to enhance its competitiveness with respect to customer care and its product range.

In view of the sale of Brokerage on 9 October 2003, the reporting and segment accounts for this business line have ceased.

	H1 2003 CHF m	H2 2003 CHF m	H1 2004 CHF m	Change to H1 2003	Change to H1 2003 in %
Net operating income	50.9	36.0	35.8	-15.1	-29.6
Operating expenses	30.7	61.0	63.6	32.9	107.3
Segment result before taxes	20.3	-25.1	-27.7	-48.0	-
Taxes	1.4	0.8	-7.5	-9.0	-
Segment result after taxes	18.9	-26.0	-20.2	-39.1	-
Minority interest	-	-	-	-	-
Net profit	18.9	-26.0	-20.2	-39.1	-

	30.06.2003 CHF m	31.12.2003 CHF m	30.06.2004 CHF m	Change to 31.12.2003	Change to 31.12.2003 in %
Segment assets	9 438	9 185	10 064	880	9.6
Segment liabilities	5 885	5 794	6 922	1 128	19.5
Investments	7.1	17.6	11.5	-6.0	-34.4
Write-offs/depreciation	6.5	18.3	12.3	-5.9	-32.5
Number of employees (FTE)	896	852	849	-3	-0.3
Allocated FTE to business lines	-681	-548	-512	36	6.6
Total (FTE)	215	304	337	33	11.0

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 2004 annual results: 9 March 2005
Date of 2005 Annual General Meeting: 11 May 2005
Publication of 2005 half-year results: 12 August 2005

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

Concept and design: edge, Basel
Production: MDD Management Digital Data AG, Schlieren
Printing: NZZ Fretz AG, Zurich
English translation: Gregory Pallone, Herrliberg

This half-year report was originally produced in German.
The German text is the definitive version.